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ArcLight Partners, No Longer a Major Partner in Limetree Bay, Parts Ways With Investment it Initiated

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Aerial shot of Limetree Bay in 2018, when ArcLight Partners, LLC and then-Governor Kenneth Mapp announced the restart of oil refining. By. ERNICE GILBERT FOR VI CONSORTIUM.

In an exclusive report published Thursday, Reuters said ArcLight Capital Partners LLC, which in 2016 purchased the mothballed HOVENSA refinery for \$190 million with the hope of restarting the facility along with other investors, has parted with Limetree after losing hundreds of millions of dollars on the investment. Since last year, Limetree Bay has been controlled by EIG Global Energy Partners, which has poured hundreds of millions of dollars into the refinery and the storage terminal.

In a statement provided to the Consortium Thursday, Limetree said, “As a result of recent capital restructuring, the new entity Limetree Bay Energy, LLC is the successor company to Limetree Bay Ventures as parent company of Limetree Bay Refining and Limetree Bay Terminals.”

ArcLight Partners was not only one of the major investors, it was the initiator of the entire restart effort and parent company of the deal. However, ArcLight — a U.S. private equity firm which invests the retirement savings of Maine teachers, NFL football players and Mayo Clinic doctors, according to Reuters — could not sustain continued investments as refining restart got delayed and the Covid-19 pandemic complicated matters. EIG, a leading institutional investor to the global energy sector and one of the world’s leading infrastructure investors, stepped in and hence took a majority stake. To provide context on EIG's scale, in April the company [signed a \\$12.4 billion infrastructure deal with Aramco](#).

Backstory on ArcLight's Involvement

ArcLight in December 2015 [signed an agreement](#) during the Mapp administration to operate an oil storage terminal at the south shore facility. At the time, ArcLight Partners' Jake F. Erhard was confident that the operation would be profitable.

“We look at [HOVENSA] as the new hub for the marketplace,” Mr. Erhard told the Consortium in Dec. 2015. “That really and earnestly is what our strategy is, and we have every incentive to maximize the site in every way we possibly can. And we have tremendous experience beyond the terminal space — we have experience across the energy space as well.”

The company would go on to run a smooth oil terminal operation, but in 2018 the firm increased its investment to restart oil refining, announcing along with the agreement [the immediate hiring of 1,200 employees](#) to get the process off the ground. Back then, the estimated cost of restart was \$1.4 billion. Since that time, however, cost to restart the facility [swelled to nearly \\$2.7 billion](#), according to Reuters.

The restart faced multiple delays adding up to more than a year, with investment partner BP at one point contemplating exiting the agreement if refining did not commence by Dec. 2020, according to a [Reuters report last year](#).

On February 1, Limetree Bay announced the start of oil refining. [At the time](#), Jeffrey Rinker, chief executive officer of Limetree, stated, “We are thrilled to commence operations and begin producing quality fuels for our customers. As we move into Limetree’s next chapter of commercial operations, we are well positioned to succeed. In these difficult economic times, we are thankful to be able to support growth in the local economy and be a source of significant local employment for many years to come.”

However, the company faced a number of issues soon after, including toxic releases that affected the west side of St. Croix. The problems culminated [with a 60-day halt of refining](#) ordered by the EPA following a massive flare incident on May 12 that released plumes of smoke and oil particles into the atmosphere.

According to Reuter's Thursday report, "contractors hired to help restart the refinery also claim they are still owed millions of dollars for their work, according to liens filed with the U.S. Virgin Islands Recorder of Deeds."

Linda Woods, 69, a retired English teacher in Maine, said she never liked the idea of her retirement dollars funding investments in fossil fuels, according to the Reuters Report. But she

said she hopes the problems at Limetree Bay will encourage the state legislature to limit oil and gas investments by the pension plan in the future. “This could be a watershed moment,” Woods said.