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Limetree Bay Closure Results in 800 Job Losses, $1.8 Billion Drop in Economic Activity, Bureau of Economic Research Reports

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Ernice Gilbert November 09, 2021

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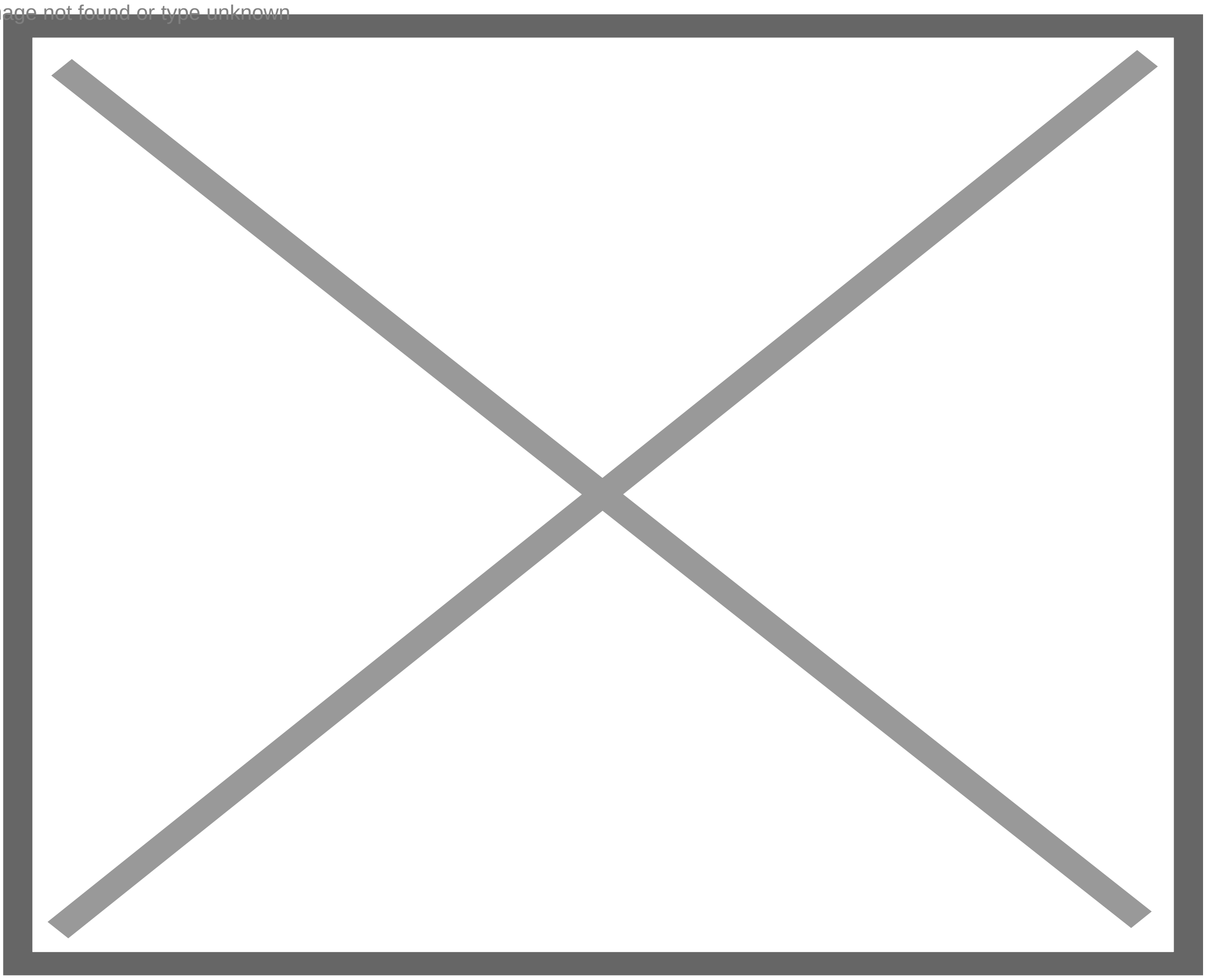

Limetree Bay's main office on St. Croix. **By. ERNICE GILBERT / VI CONSORTIUM**

The closure of the Limetree Bay Refinery on St. Croix's south shore is projected to result in steep annual economic declines for the U.S. Virgin Islands, with everything from deep losses in economic activity, nearly 1,000 jobs lost, and a drop of over half a billion dollars in gross domestic product, according to a V.I. Bureau of Economic Research report.

The report, issued Tuesday, brings into focus the positive impact the refinery was having on the territory's economy, especially on St. Croix before its closure following a massive flare incident on May 12, which led to the facility's eventual closure.

According to the report, the USVI will suffer an annual loss of a $632 million reduction in territory's GDP, almost $2 billion in lost economic activity along with 800 job losses — with the more significant impact being felt on St. Croix.

The closure will also result in a $25 million loss in annual tax revenue to the government of the Virgin Islands, B.E.R. said.

“The LBR creates economic impact well beyond the refinery, as it supports additional jobs through local revenue and supply-chain activity associated with its operations,” states the report. “As those employed directly by LBF and in the supply chain spend their wages, jobs are supported in the broader economy in industries such as construction, retail and business service establishments. The ripple effects of the closure likely will result in additional employment, income and tax revenue losses in those sectors.”

According to B.E.R., Governor Albert Bryan, upon release of the information in the impact study, called the closure of the refinery an economic setback for the territory. He stated, however, that the steady increase of tourism and the many capital improvement and recovery projects ongoing across the territory "should more than offset the effects of the closure."

The financial impact of the refinery’s closure will result in losses of:

- 800 jobs (direct and indirect).
- $112 million in wages.
- $1.8 billion in sales.
- $632 million reduction in Gross Domestic Product.
- $19.7 million in individual income tax.
- $4.6 million in Gross Receipts taxes.
- $800,000 in trade and excise taxes.
- $300,000 in donations to charitable organizations.
- $237,000 in scholarships.

“LBR closure will impact many industries, including transportation, maintenance and repair, construction, engineering services, retail and wholesale trade, manufacturing, real estate and business services,” the report states. “The more significant of these impacts will be on St. Croix, where most workers and some suppliers reside. However, these are transitory impacts, wherein in the long run, the interaction of economic productivity of the workforce, capital investments and policy will determine the overall health of the U.S. Virgin islands’ economy.”

B.E.R. Director Allison DeGazon said her department worked swiftly but diligently to produce this analysis less than a month following the closure of the refinery, which occurred in earnest on Friday, Sept. 17, when the company made redundant most of its employees.

“Initial news of the refinery’s closure elicited strong reactions from the community, but our team used only data and statistics to drive the production of this report, keeping in line with the Bryan-Roach Administration’s commitment to transparency,” Ms. DeGazon said. “While we acknowledge the short-term impact of the refinery's halt, we remain cautiously optimistic that our economy will rebound as it did following the closure of HOVENSA.”