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Refinery gets green light

Senators cite jobs, economy in approving restart, 9-5, after marathon session Page 3

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Senate clears way for refinery restart

In 9-5 vote, legislators weigh benefits to economy and jobs versus unknowns

By BRIAN O'CONNOR
Daily News Staff

ST. THOMAS — Oil and money will begin flowing again on St. Croix following an early Thursday morning vote in the V.I. Legislature.

How legislators will spend funds from a multimillion-dollar revenue sharing agreement for the restart of about a quarter of the former HOVENSA oil refinery — potentially worth as much as $600 million — is yet to be determined.

Senators voted 9-5 to approve the two separate agreements with ArcLight Capital Partners — a terminal operating agreement and a refinery agreement — following a second all-day Committee of the Whole meeting Wednesday on St. Thomas.

ArcLight is the majority owner of Limetree Bay Terminals and has said the restart will entail a $1.4 billion capital investment.

The vote came after a motion by Sen. Neville James to remove the agreements from a slew of legislative measures allocating money from the deals.

The Mapp administration's plans for the revenue from the deals — including a loan for a St. Thomas hotel, the purchase of Havensight Mall by the Public Finance Authority, money for Paul E. Joseph Stadium on St. Croix, and contributions to the Government Employees' Retirement System — will be held at the discretion of Senate President Myron Jackson.

Wednesday's vote clears the way for the resumption of oil refining on St. Croix.

Senators Janelle Sarauw, Sammuel Sanes, Novelle Francis Jr., Marvin Blyden, Kurt Vialet, Jean Forde, Nereida Rivera-O'Reilly, Myron Jackson and James voted in favor.

Senators Tregenza Roach, Alicia Hansen, Janette Millin Young, Dwayne DeGraff, and Positive Nelson opposed the measure.

Sen. Brian Smith — a vocal supporter of the refinery — was absent.

Sanes — like many senators who voted in favor — alluded to the 2012 closure of the HOVENSA refinery and a chance to make up for past economic woes.

"In 2012, we suffered an economic Hugo," he said, referring to the destruction wrought by Hurricane Hugo.

Senators admitted some flaws, but voted in favor anyway, like James.

"Tonight is a bases-clearing triple," he said. "It ain't a home run. Because I believe that we have better negotiators in the Legislature than we do in the executive branch."

Senators who voted in opposition, such as Nelson, called for more time, and said the deal could be renegotiated for better terms. They pointed to a legal consultation — said by minority members to cost $50,000 — that was not entered into the record.

"If we're going to do this dirty business, we should at least try to get a very equitable deal," he said.

Caution wasn't unreasonable, DeGraff said.

"I am in support of the economic boost to the territory, but I don't want to be bamboozled and fleeced," he said.

Millin Young said caution outweighed a short-term balance sheet.

"I wish I could vote yes today," she said. "But I must say no, because I have too many unanswered questions."

The deal means $70 million in advance financing will flow into government coffers, consisting of a $40 million advance payment of revenues and $30 million for housing near the terminal.

The terminal agreement has a floor of $7 million in payments, and the refinery agreement has a floor of $14 million and a ceiling of $70 million.

The payments start at $22.5 million and move up or down depending on oil production.

The decision also potentially means 1,300 construction jobs and 600 full-time jobs in the territory, officials have said.

V.I. Legislature photo by BARRY LEERDAM

Representatives from the public and private sectors testify on Wednesday before the V.I. Legislature on St. Thomas. Senior adviser for economic consultants Gaffney, Cline and Associates Bill Cline, left, Geoffery Eaton with law firm Winston and Strawn, environmental consultant Chris Swanberg, Limetree Bay Terminals CEO Darius Sweet, ArcLight Capital Partners principal Evan Schwartz, V.I. Finance Commissioner Valdamier Collens, Planning and Natural Resources Commissioner Dawn Henry, Deputy Attorney General Joseph Ponteen, Chairman and CEO of Island Capital Group Andrew Farkas, and CEO of Island Global Yachting Thomas Mukamal answered questions from senators.

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Oil on our beaches would mean a sudden stop to tourism. Unhealthy air would mean that the eco-friendly, health-conscious tourists we cater to would choose to travel elsewhere instead.

— Ryan Flegal, owner of the Sugar Apple Bed and Breakfast

Refinery operations will be exempt from most forms of tax, according to the agreement.

Testifiers included Ryan Flegal, owner of the Sugar Apple Bed and Breakfast, who said an oil refinery could make for a potentially disastrous neighbor for the island's blossoming eco-tourism industry.

"When the oil refinery has an oil spill that may wipe out our business," he said. "Oil on our beaches would mean a sudden stop to tourism. Unhealthy air would mean that the eco-friendly, health-conscious tourists we cater to would choose to travel elsewhere instead."

Finance Commissioner Valdamier Collens used part of his prepared testimony to call for all parts to be ratified.

"I respectfully urge this august body to ratify the operating agreements and enact the rest of the legislation as a single package, today," he said. "This is because there is no telling when such a confluence of circumstances may present itself again."

Members of Government Retirees United For Fairness crowded the hearing in the morning, though their numbers had dwindled by the post-midnight vote, leaving senators to make speeches to an empty legislative hall.

The group opposes a planned $25 million sale of Havensight Mall to the West Indian Company, which is owned by the PFA, said Helen Hart, the group's president.

"To eliminate any room for doubt, we want to make it crystal clear, that we do not favor, support or recommend the sale of this property in any way, shape or form," she said.

Havensight has been appraised at $41 million, and generates $2.1 million per year in revenues, officials have said. The proposed agreement would have put the $25 million as a down payment, and then split revenues from the mall evenly between WICO and GERS going forward, according to WICO Executive Director Clifford Graham.

Under questioning from senators about his company's share of the economic contribution, ArcLight principal Evan Schwartz said his company sees a square deal.

"This agreement is very beneficial to the government in terms of the overall economics inclusive of the tax," he said.