Major Oil Refinery to Close in U.S. Virgin Islands

JASON BRONIS,Associated Press

ST. CROIX, U.S. Virgin Islands (AP) — The giant Hovensa oil refinery that has dominated the economy and part of the landscape of the island of St. Croix for decades will cease operations next month, the operator said Wednesday.

The refinery, the largest employer in the U.S. Virgin Islands and once one of the largest refiners in the Western Hemisphere, will shut down and be converted to an oil storage terminal, said Brian K. Lever, president and chief operating officer of Hovensa LLC.

Losses at Hovensa, a joint venture of U.S.-based Hess Corp. and Venezuela's state-owned oil company, have totaled $1.3 billion over the past three years and were projected to continue due to reduced demand caused by the global economic slowdown and increased refining capacity in emerging markets, Lever said in a statement.

"We deeply regret the closure of the Hovensa refinery and the impact on our dedicated people," Lever said. "We explored all available options to avoid this outcome, but severe financial losses left us with no other choice."

Hess announced in New York that it will take a $525 million after-tax charge against its fourth-quarter 2011 earnings due to the shutdown.

The refinery employs about 2,500 people in St. Croix, according to its website. About 100, including contractors, will work at the oil storage terminal, the company said.

Hovensa has been producing about 350,000 barrels per day as it has struggled amid the rough economic climate. The company's website says it is still one of the 10 largest oil refineries in the world and has been in operation since the 1960s.

In January, Hovensa entered into a consent decree with the U.S. Environmental Protection Agency and Justice Department in which the company agreed to invest $700 million on pollution controls after a series of chemical releases affected people living downwind from the refinery. Hovensa also agreed to pay a $5.4 million penalty for violating the Clean Air Act.

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