

Refinery to Turn into Storage Facility

DAVID McFADDEN, Associated Press

KINGSTON, Jamaica (AP) — Valero Energy Corp. announced Monday that it will convert its shuttered oil refinery on the southern Caribbean island of Aruba into a fuel storage facility, leaving hundreds of employees jockeying for positions at the downsizing operation.

The San Antonio, Texas-based company suspended refining operations in March at the Aruba refinery, which processed heavy, sour crude and once had a capacity of about 275,000 barrels a day. It said it stopped producing gasoline and other fuels at the site due to high oil prices and "unfavorable refinery economics."

On Monday, Valero announced that it had decided to reorganize the unprofitable site into a storage terminal on the Dutch Caribbean island of just over 100,000 inhabitants. For years, Valero has been trying unsuccessfully to sell the Aruba refinery, which the company says is still ready to restart if a buyer can be found.

Valero Chairman and CEO Bill Klesse said Aruba's deep-water and smaller berths will give the terminal flexibility to load the biggest crude ships. "We believe that Aruba has the assets to compete as a world-scale crude and refined products terminal," Klesse said in a statement.

The company's local subsidiary has notified employees that it will require a significantly smaller workforce. The reorganization and workforce reduction is expected to be completed before the end of the year.

From Aruba, Valero spokesman Bill Day said about 600 employees are currently at the site. They were kept on the payroll during the suspension of refinery operations.

"Valero hasn't determined the number of employees to staff the terminal operations yet; that will be done over the next several days in meetings with employees and union representatives," Day said.

A spokesman for the Independent Oil Workers Union of Aruba did not immediately return calls for comment on Monday.

At a press conference, Prime Minister Mike Eman said he is hopeful a new buyer or partnership can be found and refinery operations can restart. He said there are "different groups still interested in the refinery" but declined to provide specifics. Aruba must find a way to offset the economic damage if the restart doesn't happen, he said.

"But we know we have a valuable partner that will remain part of the Aruban economy, which is Valero," Eman told reporters.

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Valero said it will continue to invest in Aruba with upgrades to the terminal. It will also continue to supply gas, diesel, jet fuel and fuel oil to the island just north of Venezuela. In recent years, the company has said it represented more than 12 percent of Aruba's gross domestic product.

Refineries in the Caribbean and on the U.S. East Coast have struggled in recent years because the crude oil they use has been priced higher than the oil available to refiners in the middle of the U.S.

Earlier this year, Hess Corp. closed its massive Hovensa oil refinery in the U.S. Virgin Islands, stunning nearly 2,000 workers on the island of St. Croix. Plans call for that Caribbean refinery to also be converted into a fuel storage terminal.

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