

RESOLUTION NO. 1720

BILL NO. 27-0152

TWENTY-SEVENTH LEGISLATURE OF THE VIRGIN ISLANDS

Regular Session

2007

A Resolution petitioning the Governor of the Virgin Islands to appoint a Task Force to revisit and renegotiate aspects of the Hovensa agreement

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WHEREAS, the Government of the Virgin Islands and HOVENSA LLC (formerly Hess Oil Virgin Islands Corp.) are parties to an agreement relating to the construction and operation of an oil refinery and related facilities in St. Croix, Virgin Islands, approved by the Legislature of the Virgin Islands on September 1, 1965, "the 1965 Agreement", and amended, supplemented and clarified at various times by mutual agreement of the parties; and

WHEREAS, the 1965 Agreement was first amended and extended by an agreement approved by the Legislature of the Virgin Islands on May 7, 1981, "the First Extension Agreement"; and

WHEREAS, the 1965 Agreement, as amended and extended by the First Extension Agreement, was further amended and extended by the Restated Second Extension and Amended Agreement dated July 27, 1990, and approved by the Governor and the Legislature of the Virgin Islands; and

WHEREAS, the 1965 Agreement, as amended and extended by the First Extension Agreement and the Second Agreement, was further amended by a Technical Clarifying Amendment dated November 17, 1993, "the Technical Clarifying Amendment"; and approved by the Governor and the Legislature of the Virgin Islands.

WHEREAS, the 1965 Agreement, as amended and extended by the First Extension Agreement, and the Second Extension Agreement and further amended by the Technical Clarifying Amendment, was further amended and extended by the Third Extension and Agreement amendment dated April 15, 1998, and approved by the Governor and the Legislature of the Virgin Islands, which among other things, provided for the formation of the Joint Venture (HOVENSA LLC) and the construction of a Coker Project; and

WHEREAS, the Third Extension Agreement provides, among other things, for the extension of substantial benefits and exemptions from taxes, charges, fees and other duties to HOVENSA LLC and its affiliates; and

WHEREAS, the Government recognized that the Joint Venture would afford substantial and continuing benefits to the economy of the Virgin Islands by strengthening the economic and competitive position of the refinery and enhancing its profitability; and

WHEREAS, one of those benefits has been the continued payment of the 2 cents per barrel tax on refined petroleum (products) over the past 40 years, notwithstanding a significant increase in oil prices from approximately \$2.00 per barrel to approximately \$100.00 per barrel over the same period of time; and

WHEREAS, notwithstanding the fact that oil is refined on the island of St. Croix, Virgin Islanders are forced to pay relatively high fuel prices compared to other jurisdictions; and

WHEREAS, the extremely high cost of fuel oil sold by HOVENSA to the Water and Power Authority has contributed to unbearably high utility prices in the Territory; and

WHEREAS, local property owners are currently being required to pay increased property taxes based on a new re-valuation system while HOVENSA continues to enjoy the benefit of a Payment In Lieu Of Taxes of approximately \$14,000,000, regardless of the true market value of its properties; and

WHEREAS, new and emerging economic circumstances present severe challenges to the Territory and its residents; and

WHEREAS, it is generally believed that all stakeholders should make fair, reasonable, and equitable contributions towards meeting the Territory's economic challenges; and

WHEREAS, it is believed that HOVENSA as a corporate citizen can contribute significantly towards solutions; and

WHEREAS, in 1998, HOVENSA requested the Government of the Virgin Islands to revisit the agreement in order to rectify unfulfilled aspects of the Agreement; and

WHEREAS, the Government of the Virgin Islands cooperated and subsequently revisited the Agreement which, among other things, resulted in HOVENSA's contribution towards the construction of the St. Croix Educational Complex; and

WHEREAS, currently pressing economic conditions and changes in circumstances demand that the Government of the Virgin Islands request HOVENSA to

revisit and renegotiate the aspects of the Agreement at this time with a view towards bringing much needed economic relief to Virgin Islanders; Now, Therefore,

Be it resolved by the Legislature of the Virgin Islands:

SECTION 1. The Legislature of the Virgin Islands, on behalf of the people of the Virgin Islands, petitions the Governor to appoint a task force within 30 days after passage of this Resolution to meet with the management of HOVENSA with the expressed purpose of revisiting the aspects of the HOVENSA Agreement and with a view towards subsequent adoption of policies and changes that would bring appreciable economic relief to the citizens of the Virgin Islands. The Task Force should consist of the Commissioner of Finance, Director of the Office of Management of Budget, Director of the Internal Revenue Bureau, Executive Director of the Economic Development Authority, Member of the St. Croix Chamber of Commerce, Member of the Virgin Islands Bar Association, President of the Central Labor Council, and a local economist from the island of St. Croix.

SECTION 2. The Legislature of the Virgin Islands further petitions the Governor of the Virgin Islands to appoint the head of the Task Force and to set an initial meeting date, no later than 60 days after the passage of this Resolution.


SECTION 3. The Legislature of the Virgin Islands further petitions that all discussions and negotiations be completed within 90 days after passage of this Resolution, and a full report of its actions be submitted to the Legislature of the Virgin Islands and the Governor of the Virgin Islands.

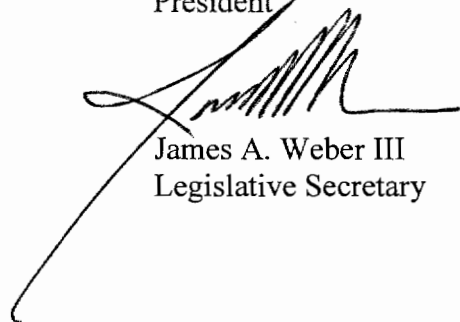
SECTION 4. A copy of this Resolution shall be forwarded to the Governor of the Virgin Islands, the President of HOVENSA LLC, and to the Vice President of Government Affairs and Community Relations of HOVENSA.

Thus passed by the Legislature of the Virgin Islands on December 6, 2007.

Witnessed our Hands and Seal of the Legislature of the Virgin Islands this 11th
Day of December, A.D., 2007.




Usie R. Richards
President


James A. Weber III
Legislative Secretary