U.S. Virgin Islands Need for Emergency Energy Relief
From the Honorable Donna M. Christensen – VI
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In January of 2012, the HOVENSA Oil Refinery located on St. Croix, U.S. Virgin Islands announced that it would cease refinery operations because of the global economic slowdown, the addition of new refining capacity in emerging markets and the current low domestic price of natural gas. This announcement was an economic gut blow to the U.S. Virgin Islands not only because of its overall impact; a potential $580 million reduction in direct gross economic output and $92 million in overall government tax revenues beginning in FY 2012; and the direct termination of 2,471 employees and subcontractors which represents 12% of total employment and 27% of average gross pay of the private sector on St. Croix; but because of the crippling threat to energy affordability which inhibits economic growth and sustainability.

The HOVENSA refinery, which was one of the ten largest in the world, provided four percent of its refinery products in the form of gasoline, diesel, jet and propane fuel to the U.S. Virgin Islands. The HOVENSA refinery provided at least 90% of energy for the Virgin Islands Water and Power Authority, which received fuel to power the utility at a reduced cost based on the average cost of crude delivered to the refinery or $2.00 less than the New York harbor landed fuel of the same type. The refinery also supplied most of the territory's gasoline service stations also at a reduced cost. According to VIWAPA, 76% of its costs are for the purchase of fuel. Even so, Virgin Islands residents and businesses pay electric power rates in the range of 44 to 48 cents per kilowatt hour, among the highest energy costs in the nation.

The greatest threat to the Virgin Islands economy and way of life posed by the closing of the HOVENSA refinery is energy affordability. While HOVENSA has agreed to supply fuel to the end of 2012, the Virgin Islands is in need of emergency relief in order to stabilize the cost of water and electricity to its business and residential consumers in the near future. In his 2012 State of the Territory address, Governor John deJongh said: "Without reliable electricity and water there will be no new businesses. Without reliable electricity and water, we will have no economic development, fewer jobs and lower revenues, all contributing to a downward spiral."

In light of the potential for economic catastrophe that currently exists, we are exploring an emergency appropriation for the purpose of stabilizing the economy of the Virgin Islands for a period of time, by subsidizing the cost of fuel, which the utility passes on to the consumer, both residential and business, through a funding mechanism called the Levelized Energy Adjustment Clause, known locally as the LEAC.

In recent months, the Government of the Virgin Islands and the utility, the Virgin Islands Water and Power Authority, have moved to implement a series of initiatives aimed at stabilizing the energy situation in the territory. They have published an Energy Action Plan that lists the following as its strategy to meeting the islands needs for energy. It includes:

- Implementing measures to enhance production efficiency at existing power generation facilities
- Converting base load power production from fuel oil to liquefied natural gas or liquefied petroleum gas
- Developing grid interconnection between the Virgin Islands and Puerto Rico
- Maximizing the development of solar and wind resources

- Pursuing biomass energy and ocean thermal energy as potential diversification of base load energy.

While noteworthy, all of these goals are long term solutions that do not address the impact to homes, businesses and the entire Virgin Islands economy in the short term, hence the request for emergency relief. The Virgin Islands Energy Crisis Relief Act is aimed at lowering the cost of fuel to utility and therefore to the consumer; facilitating the conversion of the existing plant to utilize liquefied natural or liquefied petroleum gas; and increasing the number of residents who qualify for relief through the Low Income Home Energy Assistance Act (LIHEAP).

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