

CARIBBEAN BUSINESS

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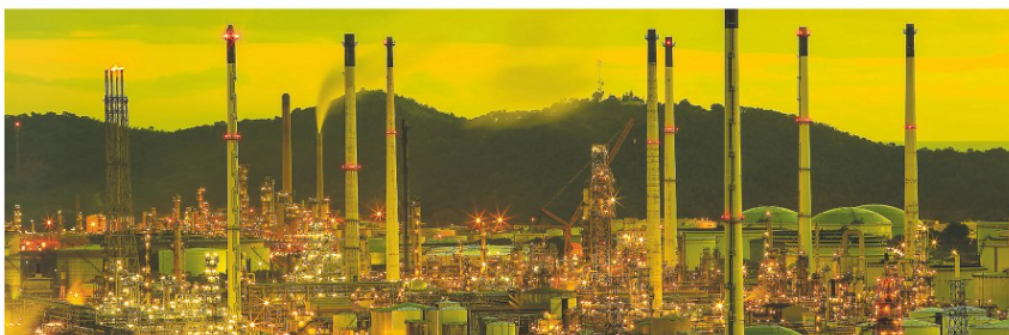


COLUMN

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The Future of Caribbean Oil Refineries

Governments and Leadership Need to Transform Their Refineries in Order to Become More Economically Viable



As one of the largest areas of investment in the Caribbean between 1950 and 1990, oil refineries ushered in a new era of energy and created significant local revenue and employment. But with today's changing energy landscape and a new sustainable environmental standard, these outmoded facilities have become all but obsolete—forcing them to either secure the needed investment to become more sustainable, or shutter.

For many countries, transforming large, complex refineries has proven to be a major challenge. Trinidad and Tobago's intentions to sell their Pointe-a-Pierre refinery to a labor union-owned group was widely publicized, but it failed due to financing falling through. Refineria di Korsou, owner of the Isla refinery in Curaçao, made headlines as well with several international suitors but for the past two years the facility has been operating at significantly reduced capacity. Since 2012, Aruba has sought to revitalize its San Nicolas refinery and utilize its storage tanks, but its agreement with a

distressed-asset specialist was terminated. The future has become increasingly uncertain for these refineries.

There is one recent success story. The former HOVENSA St. Croix refinery—a large-scale energy complex that recently completed a massive \$2.7 billion restoration, now owned by Limetree Bay Ventures—is poised to service demand for low-sulfur fuel needs as a result of new maritime regulations.

The key is to develop a long-term plan that is right for the facility, region and local communities, and to secure the right financial and operating partners.

Securing Financing

Government groups often believe that their refineries are more valuable than they are. Leadership must understand that refineries—which can be 50 or more years old—will require significant improvement, both technical and environmental, which must be taken into consideration when it comes to financing. Checking the environmental “box” is an absolute must in attracting a lender.

Leadership must also understand the realistic outcome of their refinery project based on what has—and has not—worked in the past; the current sensitivity and structure of the market; and the nature of the financing landscape. They need to understand what a project's impact will have on their local community, both financial and environmental, and optimize for these factors. Understanding the process end-to-end is important: from the schematics of a refinery, the facility's lifecycle, as well as oil-industry marketing, shipping, refining and trade matters. Therefore, it is critical to seek out a partner who is deeply familiar with these industry factors and with a proven track record of success in the refinery advisory space.

The current and forecasted turbulence in energy markets has negatively affected the Caribbean's major refineries, which are struggling more than ever to generate revenue, jobs and create a positive economic impact. Working with a financial adviser with experience can help turn a difficult problem into a profitable asset.

André Wright is the executive vice president of Standard International Group (www.sig-usa.com), the New York-based boutique financial advisory firm he founded in 1996. With a focus on revitalizing critical infrastructure projects across the U.S. Municipal, Caribbean, and West Africa, Mr. Wright brings a decade of Wall Street experience and over 30 years of financial advisory and investment banking expertise to some of these regions' most pressing infrastructure problems. Mr. Wright has represented West African nations Angola and Equatorial Guinea on refinery matters, and has significant experience in oil industry practices.

Standard International Group creates proprietary financial models for refineries and has a 30+ year history understanding what governments should expect including royalties, compensation and how to create the best outcomes for communities and countries struggling with refineries and other aging infrastructure.