THE St. Croix Source
US VIRGIN ISLANDS

Crude Prosperity: Hess Oil on St. Croix (Part 5)

By David Bond

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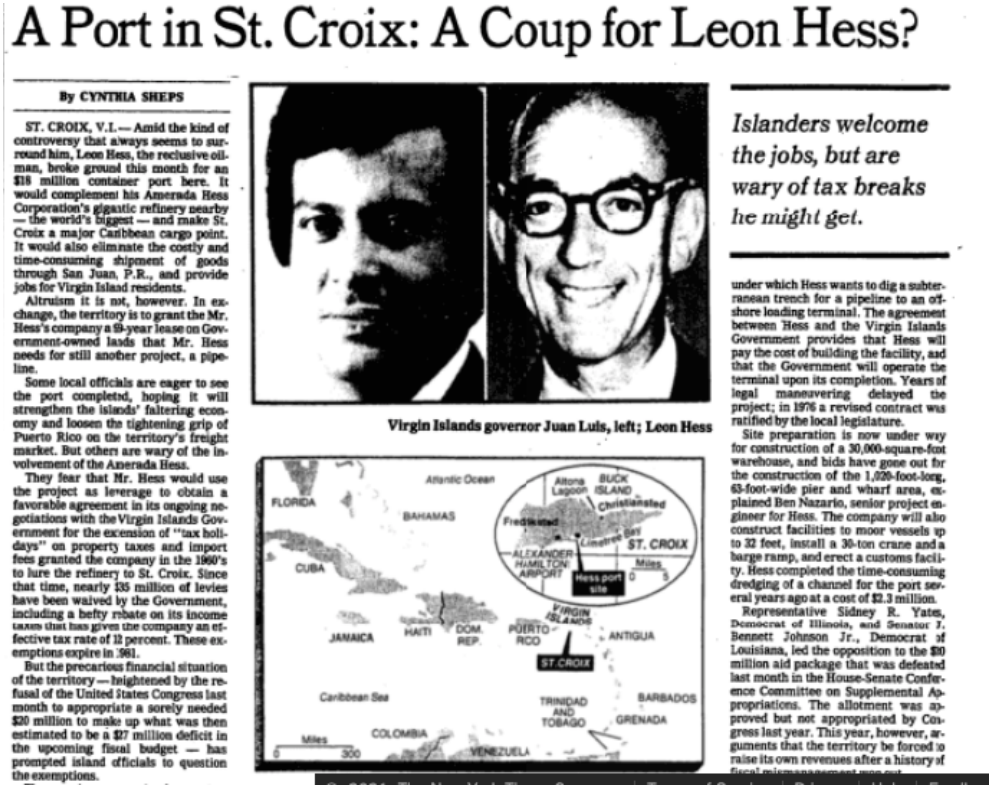
***Author's Note**: St. Croix, once more, stands at a crossroads. The present situation appears unworkable, the path forward uncertain. It is not, however, the first time St. Croix has stood at such a precipice. This historical six-part series explores three moments in the past century – VI Corp, Harvey Aluminum, and Hess Oil – where frustration with the given situation boiled over into radical change. Breaking with the past, a better future for St. Croix was declared, a new foundation laid. These decreed Crucian futures sometimes aligned with the people and sometimes overrode the people. Today, Limetree comes into view at just such a crossroads, and once more the future of St. Croix is up for grabs.*



A Port in St. Croix: A Coup for Leon Hess?

By CYNTHIA SHEPS

ST. CROIX, V.I. — Amid the kind of controversy that always seems to surround him, Leon Hess, the reclusive oilman, broke ground this month for an $18 million container port here. It would complement his Amerada Hess Corporation's gigantic refinery nearby — the world's biggest — and make St. Croix a major Caribbean cargo point. It would also eliminate the costly and time-consuming shipment of goods through San Juan, P.R., and provide jobs for Virgin Island residents.

Altruism it is not, however. In exchange, the territory is to grant the Mr. Hess's company a 99-year lease on Government-owned lands that Mr. Hess needs for still another project, a pipeline.

Some local officials are eager to see the port completed, hoping it will strengthen the islands' faltering economy and loosen the tightening grip of Puerto Rico on the territory's freight market. But others are wary of the involvement of the Amerada Hess.

They fear that Mr. Hess would use the project as leverage to obtain a favorable agreement in its ongoing negotiations with the Virgin Islands Government for the excension of "tax holidays" on property taxes and import fees granted the company in the 1960's to lure the refinery to St. Croix. Since that time, nearly $35 million of levies have been waived by the Government, including a hefty rebate on its income taxes that has given the company an effective tax rate of 12 percent. These exemptions expire in '81.

But the precarious financial situation of the territory — heightened by the refusal of the United States Congress last month to appropriate a sorely needed $20 million to make up what was then estimated to be a $27 million deficit in the upcoming fiscal budget — has prompted island officials to question the exemptions.

Virgin Islands governor Juan Luis, left; Leon Hess

Islanders welcome the jobs, but are wary of tax breaks he might get.

under which Hess wants to dig a subterranean trench for a pipeline to an offshore loading terminal. The agreement between Hess and the Virgin Islands Government provides that Hess will pay the cost of building the facility, and that the Government will operate the terminal upon its completion. Years of legal manouvering delayed the project; in 1976 a revised contract was ratified by the local legislature.

Site preparation is now under way for construction of a 30,000-square-foot warehouse, and bids have gone out for the construction of the 1,020-foot-long, 63-foot-wide pier and wharf area, explained Ben Nazario, senior project engineer for Hess. The company will also construct facilities to moor vessels up to 32 feet, install a 30-ton crane and a barge ramp, and erect a customs facility. Hess completed the time-consuming dredging of a channel for the port several years ago at a cost of $2.3 million.

Representative Sidney R. Yates, Democrat of Illinois, and Senator J. Bennett Johnson Jr., Democrat of Louisiana, led the opposition to the $30 million aid package that was defeated last month in the House-Senate Conference Committee on Supplemental Appropriations. The allotment was approved but not appropriated by Congress last year. This year, however, arguments that the territory be forced to raise its own revenues after a history of

A New York Times article from August 1979 reports on Leon Hess breaking ground on the building of the Hess oil refinery on St. Croix, noting that residents were skeptical of the tax breaks the company received. (Press clipping from the New York Times)

ñ**Give me the quota and I'll break ground for a petrochemical plant in a helluva hurry**,ò Leon Hess told island officials and federal regulators in 1967. It was a promise he intended to keep, and by 1970 Hess was well on his way to building a refinery with a rocket-like ascent.

Hess set up shop in the Virgin Islands at a most opportune time. As American production of crude oil started fading in the late 1960s, domestic consumption skyrocketed. The resulting embrace of imports meant supertankers became more important than pipelines in meeting the U.S. energy needs. As Leon Hess never tired of pointing out, it was far cheaper to ship petroleum to NYC from St. Croix than from Houston. And the territorial status of St. Croix provided advantages that Houston could never match.

Within a decade, Hess was operating the largest refinery and petrochemical plant in the world on the south shore of St. Croix. The sprawling scale of this mega-refinery is matched only by its relative neglect in popular and scholarly understandings of the Virgin Islands.

The U.S. Virgin Islands, based solely on the scale of this mega-refinery, was routinely listed as one of the top 10 sources of oil imported to the United States. For most of the past 50 years, ñAmericaôs Paradiseòin the Lesser Antilles operated as a major axis of the energy network of the Atlantic Seaboard. The difficulties imagining St. Croix as the gas station to the East Coast was part of its advantage. The Hess operation in Krause Lagoon provided millions of Americans with cheap fuel without ever having to think too much about the costs.

Gov. Ralph M. Paiewonsky welcomed Harvey Aluminum and Hess Oil to St. Croix with open arms in the 1960s, believing only the wages of industry could emancipate the island from the ñplantation economyòof its past. However, the arrival of aluminum processing and oil refining did not so much break with colonialism as deepen the islands reliance on ï and relative distance from ï the mainland. The secondary status of the Virgin Islands itself became one the most enticing features to recruit and retain industry.

ñ**Word has gotten around Wall Street that corporations can get a businessman's deal in the Virgin Islands**,òwrote the Virgin Islands Industrial Incentive Board in 1966. Industry was granted an autonomy unavailable in the U.S. proper, the Industrial Incentive Board explained, as the Virgin Islands offered few restrictions and even less **"peeking over the shoulder**òat a companyôs operations. Tax law, workerôs rights, and environmental protections all proved more pliable in these Caribbean waters than on the mainland, a fact that Hess Oil and Government House both came to count on.

Industryôs early years on St. Croix were turbulent. Beyond beating back the protests of farmers, both Harvey and Hess skirted promises made to their workers. It was a lapse that soon sparked a resurgence of that great Crucian pastime: organizing a strike. Again and again, operations at Harvey Aluminum and Hess Oil were brought to a standstill by worker demands in the late 1960s. ñ**Labor Unrest Plagues St. Croix South Shore**,òran a 1968 headline of the *Daily News*. Forgoing promises to hire locally, both Harvey and Hess sought to circumvent labor militancy by hiring workers from elsewhere. By 1968, a guest worker program accounted for over half of all workers on island (a figure that rose to **95% of workers** in the construction boom that built the refinery). Arriving from Antigua, Barbados, and Trinidad and housed in guarded barracks, Hess trained these ñ**bonded aliens**òin the ease with which they could be deported if they caused any trouble.

But the wages were sterling. And the down islanders and men from the mainland who found steady work at the refinery soon prospered into a new middle class on St. Croix. By 1972, **payroll at the Hess refinery edged out the wages of the tourism sector**. With handsome paychecks, refinery workers encouraged new shops, new restaurants, and new houses on St. Croix to fit their tastes. Amid complaints of overcrowded public schools**, Hess bankrolled the St Croix Country Day School** purchase of Estate Good Hope. Such benevolence was not disinterested: refinery workers wanted private educational opportunities for their children.

Even as it grew to record-breaking size, Hess Oil never employed more than a sliver of residents in the Virgin Islands. In fact, Leon Hess bragged of his ability to **run the plant with fewer men than would be required elsewhere**. The refinery, however, redefined the nature of work in the territory. On paper, the petro-fueled economy of the USVI flourished into one of the richest in the entire Caribbean. Yet GDP is a poor measure of shared prosperity, and **in the 1970s St. Croix faced spiking unemployment** among Crucians as agriculture collapsed and heavy industry preferred guest workers.

Flush with revenue, the territorial government started hiring. During the late 1970s, one report found 75% of new jobs on St. Croix were in government, and by 1980 roughly half of the native population of St. Croix found gainful employment in proliferating public agencies. These government salaries provided another route into the middle class for many Crucians, yet it introduced an uncomfortable divide within modest Black prosperity on St. Croix: while industry preferred down-island workers, government preferred native Crucians.

As is so often the case, such fiscal wealth came at tremendous ecological cost. Concerns over pollution accompanied Hess Oil from the moment it arrived in Krause Lagoon. In 1972, the *New York Times* reported on frustration over ñ**air and water pollution**òand ñ**spiraling food costs**òthat locals associated with the arrival of the refinery. By the early 1980s, so much oil had leaked from the refinery that an oil slick some 10 feet thick floated on top of the islandôs only aquifer. At one point, construction workers on the south shore stood back in surprise as a geyser of crude oil shot out of the hole they were digging. A local newspaper

reported that they thought they'd hit it big until the dismal reality of the situation became clear: they had tapped into a shockingly large plume of petrochemicals flowing from the refinery.

Hess Corporation's online timeline makes no mention of the environmental degradation the company caused on St. Croix while operating the refinery. (Screenshot from company website)

Over the years, Hess Oil routinely offered up public health as a reasonable price to ensure operational ease and corporate returns. Retired workers told me stories of venting carcinogenic petrochemicals under the cover of night during the 1980s. This, on an island where residents still get their drinking water from cisterns. Hess was decades late in setting up a basic emissions reporting system, but when it finally did in 1989 the results were appalling. Hess Oil disclosed it had released **700,000 pounds of toxic benzene** the previous year. (The company later revised that figure to just under half a million pounds). In so many ways, **contamination was built into the very design of the plant**.

In government accounting, Hess Oil became the economy of the Virgin Islands. The astronomical wealth that passed through its enclave operations in Krause Lagoon dwarfed the revenue streams from every other sector in the Virgin Islands. This fundamental economic fact tilted the political center of gravity on St. Croix away from the feud of farmers (country) and merchants (city) and towards the new fault-lines of an emerging middle class. It also installed suburban consumption at the heart of St. Croix and swelled the territorial government into a modern civic bureaucracy and Crucian employment agency. But dependency on one firm meant this uplift of the Virgin Islands economy could only proceed in cultivated ignorance of its narrow corporate base and broad ecological cost.

As the Virgin Islands became a more fulsome democracy, with a government that finally looked like the people governed, the territory's economy became markedly less diverse. This contradiction conjured the very past believed to be overcome, for not since the days of the plantation had these islands rested so much on the promissory note of a single commodity.

And just as the spectacular wealth of sugar came at the price of enslaved bodies sacrificed to ease European consumption, the spectacular wealth of oil came at the price of colonized landscapes sacrificed to ease Americaôs addiction to fossil fuels.

Unfortunately, the Virgin Islands were far from unique in this complicated embrace of oil refining. Although Leon Hess may have done it on a far grander scale here, the story of oil refining in St. Croix is also the story of the contemporary Caribbean.

Oil in the Caribbean

During the 20th century, the Caribbean became a global hub of oil refining. This cardinal economic realignment remains underappreciated in scholarly and popular understandings of the region. As the Panama Canal brought new shipping lanes to the region and as European navies and trading concerns retrofitted their fleets to run on petroleum, oil refineries were built across the Caribbean in 1930s and 1940s. Unlike their European and American counterparts designed to serve adjacent urban markets, these Caribbean refineries were sized to the oceanic merchant and military networks they supported.

During World War II, the Royal Dutch Shell refinery on Cura- ao became the largest refinery in the world, followed closely by Standard Oil of New Jerseyôs refinery on Aruba. These two massive Caribbean refineries provided over **70 percent of the Allies' aviation and naval fuel** and attracted concerted attacks from German U-boats. Many of these early Caribbean refineries were designed to process Latin American crude oil within colonies controlled by Europe. As European influence waned in the Caribbean, the United States stepped in.

An oil refinery on the island of Aruba (Shutterstock)

Oil production in the United States peaked in 1970 (until fracking reversed the downward trend around 2010). A hemispheric event, peak oil in the U.S. helped transform Caribbean refineries into an imperial circuit of the United States energy grid. After World War II, abundant reserves of oil in California and Texas underwrote a new American Dream of cheap food, big cars, and suburban ease. As the domestic flow of crude started sputtering in the 1960s and 70s, the nation faced a dilemma: either recognize natural limits or compel oil from elsewhere.

In the 1970s, the United States debated whether to redesign American life around alternative sources of energy, efficiencies achieved through public investments in building design and transportation and drastically curtailed military expenditures of fuel (**all of which were key platforms of the first Earth Day in 1970**). Or, in the other direction, whether to throw the weight of the federal government into a more imperial pursuit of foreign oil. President Richard Nixon, opting for the latter, helped deepen the American addiction to fossil fuels far beyond what the country itself could provide.

In 1955, roughly **90% of the petroleum consumed in the United States came from domestic sources**. By 1977, **nearly half of the gasoline, jet fuel, and heating oil consumed in the US came from foreign oil**. This rising American dependence on foreign oil transformed the Caribbean into the premier refining hub of the eastern United States. From 1970 onward, **half of the crude oil imported to the US arrived on supertankers that passed through the Caribbean**. With domestic refineries hedged in by urban sprawl and new emission limits, American oil companies realized the exceptional advantage of the Caribbean. And soon **Tesoro, Sun Oil, Gulf Oil, Union Carbide, Philips Petroleum, Hess Oil, and others were fast at work building new enclave refineries in the Caribbean.**

Between 1950 and 1990, **oil refineries became the largest site of capital investment in the Caribbean, a leading source of state revenue, and one of the region's largest employers**, especially during the construction boom of new refineries in the late 1960s and early 1970s. This petro-boom renovated older refineries in Aruba, Cura- ao, and Trinidad and built new entrepot refineries in Antigua, the Bahamas, Puerto Rico, and the Virgin Islands. Accepting delivery of oil from the Middle East, Africa, and Latin America, these refineries only processed crude in one direction: north to US markets. By some estimates, in the 1980s one out of every six gallons of gasoline sold in the United States had been refined in the Caribbean.

As one book noted of these trends in 1984, ñ**The Caribbean has been highly regarded as a refining center because of its political stability, its deep harbors, its lack of environmental regulations, and its proximity to major shipping lanes**.ò But we might sharpen the point. In the 1970s, the Caribbean found itself recast as **an imperial outpost of American energy**: close enough for the U.S. to monopolize the gain but far enough away to avoid any real responsibility for the problems.

The World Bank and other international organizations actively encouraged Caribbean states to welcome this new ñenclave-typeò processing of petroleum products for export to the United States as a crucial step in modernizing Caribbean economies. Sidney Chernick, the World Bankôs Chief of Mission to the Caribbean, authored a plan for regional development that pivoted on entrepot refineries remaking the Caribbean. While Chernick acknowledged that ñ**little value**ò might accrue locally, he argued that the most lucrative payoff might be the discipline such industry imposed upon Caribbean societies. ñ**To encourage enclave exports is not inconsistent with taking longer-term steps to transform the structure of the economy by developing stronger internal behavior**.ò

It was a point previewed a decade earlier by Secretary of the Interior Stewart Udall when celebrating the opening of a new entrepot refinery in Puerto Rico in 1967. Perhaps the greatest export of this plant, Udall said, **was not the cheap petroleum it provided for the mainland but the inspiring economic model it provided to the Caribbean**. Such is the ideology of empire. It is now well understood how the immense profits of Caribbean sugar underwrote the rise of European empires four centuries ago. Perhaps a similar story might now be told about the role of Caribbean refining in fueling the contemporary empire of oil in the United States.

Part six of this six-part series will further discuss Hess Oil's impacts on the island of St. Croix.

David Bond *teaches anthropology at Bennington College. He researched the Hovensa refinery in 2010 and 2011 and has written on how* ***the history of the refinery informs the present struggle for justice*** *on St. Croix.*

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Crude Prosperity: Hess Oil on St. Croix (Part 6)

By David Bond

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***Author's Note**: St. Croix, once more, stands at a crossroads. The present situation appears unworkable, the path forward uncertain. It is not, however, the first time St. Croix has stood at such a precipice. This historical six-part series explores three moments in the past century – VI Corp, Harvey Aluminum, and Hess Oil – where frustration with the given situation boiled over into radical change. Breaking with the past, a better future for St. Croix was declared, a new foundation laid. These decreed Crucian futures sometimes aligned with the people and sometimes overrode the people. Today, Limetree comes into view at just such a crossroads, and once more the future of St. Croix is up for grabs.*

The west end of Limetree Bay Refinery overlooks an aqua sea on May 25. Built in the 1960s by Leon Hess, it was once the worldôs largest with a capacity of 600,000 barrels a day. Later, as Hovensa, a joint venture of Hess Corporation and Petroleos de Venezuela, the refinery had a history of environmental issues, polluting the islandôs only aquifer. Stepping back from an agreement to invest $700 million in new pollution controls, Hovensa declared bankruptcy and shut down the plant in 2012, where it rusted from salt and disuse for almost 10 years. Since restarting in February under new owners, only the east portion has been operational, while the west portion is being harvested for scrap metal. Limetree is currently under a 60-day shut-down order issued by the U.S. Environmental Protection Agency due to operating and equipment mishaps. (Patricia Borns photo)

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Crude Prosperity: Hess Oil on St. Croix (Part Five) (Part 6 – *below*)

"On what was once a deserted, swampy plain," the *Wall Street Journal* wrote of Krause Lagoon in 1967, Hess Oil now operates "a glistening, $32.5 million oil refinery around-the-clock fed by oil from giant tankers docking."

In the 1970s, a handful of Caribbean ports reinvented themselves as major oil refining hubs designed to service the imperial energy needs of the United States. As suburban America found itself newly dependent on supertankers delivering crude oil from Venezuela, Nigeria, Saudi Arabia, and elsewhere, the Caribbean came into focus as a convenient place to refine foreign oil destined for the lucrative East Coast fuel market.

Whether or not Leon Hess fully grasped the epochal lurk in the geography of American energy underway, he quickly mastered the art of profiting from it. Hess originally proposed to build a modest refinery for maritime fuel in the deep harbor of Charlotte Amalie but Governor Paiewonsky steered the unsightly petroleum complex to Krause Lagoon where it wouldn't interfere with tourism. There, Hess Oil joined Harvey Aluminum in what was fast becoming a "world class industrial port" on the south shore of St. Croix.

Built with migrant workers and operational in a record-breaking 10 months, the next decade witnessed the Hess Refinery metastasize into one of the most expensive construction projects in the entire Caribbean. Clocking in at 700,000 barrels a day by 1975 – or about 5% of total U.S. daily consumption – the Hess Refinery in Krause Lagoon soon claimed the heavyweight title: largest in the world.

For most of the past century, the United States imported more oil from the U.S. Virgin Islands annually than it did from Kuwait, based solely on the amount of crude oil that passed through the Hess Refinery. Some years, something like 3 out of 4 gallons of gasoline sold in New York City was processed at the Hess Refinery in St. Croix.

A Petrostate in the U.S. Virgin Islands

The largesse of the refinery remade St. Croix in its image. Awash in cheap petroleum, car ownership increased tenfold as commerce left the narrow cobblestoned streets of Christiansted and Frederiksted for the automobile ease of new shopping malls. The refinery helped update the island's electrical grid, which was redesigned to run entirely from energy generated by burning petroleum. Municipal drinking water was also linked to the refinery as the main desalinization plant was similarly powered.

As the population of St. Croix doubled between 1960 and 1970, desalinated water and electrical usage increased by an order of magnitude as the refinery hit its record-breaking stride. In the first substantial updating of public works since the New Deal, the island's infrastructure was modernized around the assumption of an endless glut of crude oil.

Beyond infrastructure, the refinery dominated the economic measures of the territory and generated the lion's share of revenue for the government. In 1975, Hess Refinery accounted for 97% of Virgin Islands exports to the US (bauxite from the aluminum plant accounted for less than 1% of total exports). By 1977 the Virgin Islands was processing roughly $2.5 billion worth of petroleum products annually compared to only about $70 million of all other non-petroleum products. On paper, the value of refining dwarfed every other economic activity on island. (During this time, agricultural exports fell below measurable levels while food imports from the US skyrocketed to $68 million annually in 1977).

Even with sizable tax breaks, the Hess refinery became the largest contributor to the government's budget. In 1981, the refinery contributed 20% of all tax receipts, a figure that was projected to rise to 35% to 40%. Outpacing the taxable income of citizens, excise taxes skimmed from the proceeds of supertankers became the fiscal fuel of governance in the Virgin Islands. And the commitments of governance shifted accordingly. For it was the bustle of the entrepot more than the enterprise of residents that the wealth of the Virgin Islands was now measured.

As residents of St. Croix came to inhabit a world modernized from the excess of petroleum, it became nearly impossible to reimagine the island apart from the compounded returns of the oil business. The slogan "America's Paradise" plastered over a more fundamental truth: St. Croix was a petro-state. But this meant more than just a reliance on a single commodity. It meant a reliance on a single corporation. For the last 50 years, the fate of St. Croix has rested uneasily on the whims of a scrappy New Jersey oil company. And every time the territory tried to assert its sovereignty in any real way, Hess would explain how dependent the island was on the refinery before threatening to shut down immediately if anything interfered with its corporate prerogative.

Colonial Advantage

Always a showman, Leon Hess never passed on the chance to brag about how the territorial status of St. Croix guaranteed him profits above any of his competitors. Featured on the business pages of national newspapers, these quotes drew the consternation of the major oil companies. Exxon, Shell, and others all charged that Hess had an unfair advantage in St. Croix: the territorial status of the Virgin Islands allowed Hess to skirt the rules that applied to the rest of them.

Hess never disagreed, but insisted his exceptions were perfectly legal (even as he ruthlessly prevented anyone else from sharing in their bounty by preventing other refineries setting up shop in St. Croix). These exceptions, "which amounts to a monopoly," as the *New York Times* described it in 1967, transformed the 700 acre refinery into not only the biggest but also the most profitable. Hess's hemispheric profits were rooted in four areas of insular deviations from federal rules: import quotas, federal taxes, labor law, and environmental oversight.

These exemptions map out an enduring contradiction of oil refining on St. Croix. Paiewonsky invited Hess Oil to the Virgin Islands in the belief that only industry could break out of the colonial history of the place. Yet Hess Oil only came to St. Croix when colonial exceptions to federal law were guaranteed. As the tremendous profits from this arrangement lined the pockets of shareholders and the government agencies, the industrialized economy of St. Croix became locked into a mercenary dependence on its own secondary status in relation to the mainland. The best pathway out of colonialism was more colonialism.

Import Exceptions

In the wake of huge discoveries of oil in the Middle East in the 1950s, President Eisenhower launched the Mandatory Oil Import Program (MOIP). These oversea discoveries flooded the domestic market with cheap Middle Eastern oil, collapsing prices of crude. It was a market reality that threatened to bankrupt U.S. oil companies, many of whom were invested heavily in aging domestic reserves that required costly interventions to keep them producing. Imposing strict quotas for oil imports at around 12% of total domestic consumption, from 1959-1973 MOIP aimed to minimize dependence on foreign oil while propping up the solvency of oil extraction in the U.S.

In 1965, U.S. territories in the Caribbean were granted exemptions from these quotas and soon became an advantageous route for cheaper Middle Eastern oil to slip into the United States outside of existing import controls. As Leon Hess described to the Wall Street Journal, these exemptions to quotas allowed him to purchase barrels of crude oil at about half the rate domestic refineries paid.

The OPEC embargoes of the United States in 1973 and 1979 further consolidated the strategic importance of Caribbean refineries like Hess as they became a back door for OPEC oil to "leak" into the United States. Rooted in the fuzzy status of an insular territory, the Hess Refinery became a premier site for laundering the origins of foreign oil and bypassing existing quota regimes.

Tax Exceptions

Leon Hess, wrote the *New York Times*, "extols the duty-free virtues of the American-owned St. Croix." Under the encouragement of the U.S. oil companies looking to build Caribbean refineries in the late 1960s, U.S. Congress passed a series of new tax exemptions and

rebates to encourage export-oriented refineries in Puerto Rico and the Virgin Islands.

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under which Hess wants to dig a subterranean trench for a pipeline to an offshore loading terminal. The agreement between Hess and the Virgin Islands Government provides that Hess will pay the cost of building the facility, and that the Government will operate the terminal upon its completion. Years of legal maneuvering delayed the project; in 1976 a revised contract was ratified by the local legislature.

Site preparation is now under way

A New York Times article from August 1979 reports on Leon Hess breaking ground on the building of the Hess Oil refinery on St. Croix, noting that residents were skeptical of the tax breaks the company might receive. (Press clipping from the New York Times)

Helping grease the arrival of Hess Oil, this pliable tax structure joined Paiewonsky's desire to industrialize St. Croix and rising federal efforts to offshore domestic refining capacity in the Caribbean. These laws not only permitted giving tax holidays to petrochemical investments, they also refunded nearly all of the federal taxes collected on such operations to the territorial government. The territorial government was then encouraged to use those funds as a subsidy to industry.

Hess secured a 16-year holiday on taxes to the Virgin Islands, and the Government House agreed to rebate Hess 75% of all federal taxes the oil company paid from its expanded St. Croix operation. These arrangements proved immensely profitable for Hess in relation to his competitors. In 1979, a similar sized refinery on the Gulf Coast would have paid $51 million in taxes. On St. Croix that year, Hess paid a fifth of that. An audit in 1992 estimated that in 25 years of operation the Hess refinery saved $6.2 billion by operating in the tax shelter of the Virgin Islands.

Labor Exceptions

Hess promised to build and operate the refinery with local labor. Indeed, in a presentation to the Department of Interior, Gov. Paiewonsky promised that "the addition of the petrochemical plant will provide jobs at high skill levels, which can be taught to former field workers." Hess often later complained there "there was no workforce on the island" when the refinery arrived. The reality, however, is a bit more complicated. When the first batch of Crucian

workers went on strike – the governor recorded four major worker strikes on the industrial south shore of St. Croix as construction of the refinery got underway in 1965 – Hess turned to a more manageable worker.

"Bonded aliens," as imported workers were classified, were housed next to the refinery in camps surrounded by barbed wire fences. Hess brought in single men from Antigua, Barbados, Trinidad, and elsewhere, and by 1970, Antillean immigrants comprised 1 in 4 residents of the Virgin Islands. These "bonded aliens" were not only paid less than the going rates, they could not vote and were denied access to schools and other public services, and the refinery could deport them at will. Indeed, there were rumors of a federal plane at the airport whose only purpose was to ship refinery workers back to their home islands when they showed any signs of dissent.

Granted wages but no rights, Hess depended on this depoliticized class of worker to construct the refinery in record-time. In 1968, as the refinery underwent a massive expansion, "bonded aliens" accounted for nearly half of the private sector workforce on St. Croix. Hess selected particularly skilled guest workers and sponsored them to become citizens under a special guest worker program extended to the Virgin Islands. And in the 1960s, the foreign born population of St. Croix doubled from 16% to 34% of population while the percentage of native Crucians declined to less than 50% of the population.

Beyond the territorial allowances for guest workers at the refinery, St. Croix also provided another labored exemption to federal law. Passed in 1920 amidst worry over how a growing reliance on foreign shipping firms might undercut the best source of Navy recruitment in times of war, the Jones Act mandated any shipment between two American ports be transported on U.S. flagged ships and crewed by U.S. citizens. Only one place under the U.S. flag was exempted from these rules: the Virgin Islands.

With the discovery of a mammoth reservoir of crude oil in Prudhoe Bay and the completion the Trans-Alaska Pipeline, the Jones Act carved out a huge new advantage for Hess. After it reached Valdez, Alaskan oil had to be sent to domestic refineries by way of supertankers. Bound by the Jones Act, all other oil companies had to register and staff their ships in the U.S., at substantial cost. Yet if Hess refined the oil in St. Croix the Jones Act exempted it from U.S. shipping rules and it could contract much cheaper foreign tankers. The discovery of this loophole warranted a headline in the *New York Times*, and by some estimates this roundabout link between Alaska and St. Croix generated Hess profits 25% higher than his competitors.

Environmental Exceptions

Sen. Ron de Lugo voted for the refinery in 1965 because Hess had promised "that every precaution would be taken to assure there would be no obnoxious fumes from the industry." As the refinery got underway, the thinness of these platitudes came into focus. There were

few means for the Legislature to independently monitor pollution and even fewer mechanisms to enforce pollution control at the refinery. A year later and as part of negotiations for enlarging the petroleum quota exemptions for the Virgin Islands, Paiewonsky told federal officials and Virgin Islands residents that all new revenue from updated quotas would be earmarked for "anti-pollution measures."

In response to this new revenue stream and growing resident concerns about the emissions of Harvey Aluminum and Hess Oil, in 1967 the V.I. Legislature approved bills that gave new teeth to the regulation of air and water pollution. After they passed, legislative council brought the bad news: the original contracts with Harvey and Hess (which said nothing of pollution control) "could not be abrogated by any legislation." Hess corporation's economic arrangement with the territorial government overrode the environmental sovereignty of the Virgin Islands.

In the rush to construct the refinery, Hess sidestepped contemporary industry standards and environmental benchmarks of refinery design. Contamination, in other words, was built into the world's largest refinery. As one investigator explained to me, "Every pipeline carrying a saleable product was built above ground. Every pipeline that carried waste products was installed below ground." Comprising six miles of cast iron pipeline, some up to 30 inches in diameter, the entire waste stream was buried in the salty sand. They started rusting almost immediately.

The refinery was plagued by fires and explosions from the beginning, perhaps related to the corrosion of pipes. Hess soon required every single man to enroll in the company fire brigade, specially trained to fight petrochemical infernos. While the need for a specialized fire-fighting team was clear, the fact that it was run by Hess meant few disclosures about fires and explosions reached beyond the company gates.

As pipelines corroded without correction, a stream of groundwater contamination turned into a torrent.

By 1982, Hess estimated 300,000 barrels of petrochemicals had leaked from the refinery and saturated the island's only aquifer with a dizzying array of toxins. An internal investigation in 2001 revealed 95% of waste-stream pipelines were leaking and by 2005 the refinery concluded they were "deteriorated beyond repair."

Yet the refinery continued to operate as if nothing was amiss. By 2010, over one million barrels of oil had been extracted from the plume beneath the plant — an amount four times the size of the Exxon Valdez spill— yet the remediation of the plume was nowhere in sight. Carcinogenic vapors from petrochemicals are now detected in homes and neighborhoods along the south shore of St. Croix.

When an EPA official came to St. Croix in 2011 to address the severity of what had been uncovered, they were shouted off the stage by residents furious over decades of quiet neglect. Why had it taken decades for the EPA to scratch the surface of the world's largest oil refinery?

This history of environmental neglect finally caught up with the Hess refinery (by then HOVENSA) in 2011. Facing potentially record-breaking fines for this liable history of disregard, HOVENSA agreed to settle with the EPA. The refinery agreed to pay a $5.3 million fine and in lieu of penalties committed $700 million to extensive remediation, state-of-the-art pollution controls, and substantial investments in public health on St. Croix (including a cancer register to investigate residents' worst suspicions). At the time, this settlement was the largest on record for a refinery in the United States.

As they say, the rest is history. After "siphoning off more than $1 billion in assets" and leveraging the refinery's on-hand capital to inflate the share price of Hess Corporation proper, the refinery announced it was closing. Days after finalizing the settlement with the EPA, HOVENSA shut down and filed for bankruptcy in February 2012. The closing wiped out "roughly 25% of private income in St. Croix" and pulled the rug out of a fifth of the territory's operating budget midway through the fiscal year. The abrupt closure of the refinery threw St. Croix into a tailspin it has yet to fully recover from. Limetree's promise to restart the refinery and return the government to fiscal stability was premised on first sweeping this liable history of environmental neglect under the rug.

The shuttered Hovensa oil refinery after it closed in 2012. (Government House photo)

Corporate Colonialism

Territorial exceptions to federal law underwrote the phenomenal success of Hess Oil on St. Croix. The placement of the world's largest refinery on the periphery of the United States was not a curiosity but its charter privilege. For it was on these islands that import quotas, tax law, workers' rights, and environmental protection proved most pliable to the agenda of corporate returns. The resulting arrangement may have filled state coffers, but it came at the cost of accepting the marginality of the Virgin Islands as the best foundation of its economy.

For many Crucians, the arrival of industries like Harvey Aluminum and Hess Oil marked not the end of colonialism but its rebirth in corporate form. Even as exports of refined bauxite and petroleum transformed the Virgin Islands into a roaring economy on paper and provided well-trodden paths into the middle class, the coercive industrialization of St. Croix extinguished the sizable achievements of homestead farmers, sabotaged public investments in the wellbeing of most, uprooted local claims to the land, and married the Virgin Islands economy to colonial exceptions to federal law.

The secondary status of the Virgin Islands provided the laboratory within which astronomical profits could be engineered. While the returns remade the islands – modernizing infrastructure, expanding the role and reach of the government, and paving a pathway to the middle class – such returns were built upon the advantages of keeping the Virgin Islands just outside full citizenship.

This is the distance that now must be overcome if there is any hope of breaking out of the impossibility of the present. It is only by recalling the immensity of profits that flowed from St. Croix that the immense intervention now needed can seem reasonable. The people of St. Croix carry a heavy ecological debt assigned to them without their consent and often over their protest. Payment on that debt from those who profited is long overdue, even as some still claim the only way forward is through forgetting what is owed and subsidizing a broken refinery once more. Perhaps we should call the growing pile of bills by what they truly are: ecological reparations.

Hess Corporation's online timeline makes no mention of the environmental degradation the company caused on St. Croix. (Screenshot from company website)

Green Energy Laboratory

In the 1970s, St. Croix was remade as a key tributary in the imperial energy appetite of the United States. As the fracking boom drastically reduces U.S. reliance on imported oil, many Caribbean refineries like Hess (HOVENSA/Limetree) are finding themselves deserted and adrift. Caribbean islands that once linked their future prosperity with the global petroleum networks of the United States are finding themselves further isolated from that receding future.

As environmental reckonings around contamination and climate change have forced themselves into the public conversation, other possibilities are taking shape. Today, many renewable energy organizations are looking to the Caribbean as a new laboratory for green energy. Many islands are taking this moment to reimagine what a decentralized power grid might look like, and how it might empower local people over distant profits. Due to the astronomical cost of electricity in the Caribbean, these islands are among the few places where renewable energy can compete with fossil fuel energy without subsidies.

This is particularly true in the Virgin Islands, which has electricity rates "up to five times higher than the U.S. average price for electricity" and a third higher than the Caribbean region. As the National Renewable Energy Laboratory notes, the Virgin Islands' "abundant solar resource" combined with costly rates position them as a perfect place to advance an energy transition. For here, the cost of renewables may already be significantly lower than what people are paying. But such transformations require investment. Perhaps the next Green New Deal, like the first, will begin in St. Croix.

***David Bond** teaches anthropology at Bennington College. He researched the Hovensa refinery in 2010 and 2011 and has written on how **the history of the refinery informs the present struggle for justice** on St. Croix.*