

# 2019: Curaçao's Finest Hour

How will this historical pillar that represents both a strong social element and economic benefits be transformed to embrace a future that realises Curaçao's economic, social and ecological sustainable development?

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The clock is ticking, and discussions are taking place across the island and abroad about the big decision due in 2019. Specifically, what to do with the ISLA refinery and the harbor site that it is located on, when the current lease with PDVSA (Petróleos de Venezuela, S.A. – the Venezuelan state-owned oil and natural gas company) expires in 2019.

The ISLA refinery, located in Curaçao's historic natural harbor, is a sense of pride for many families that immigrated to the island and have based their livelihoods on the success of the refinery for generations. Over the years, the refinery has provided valuable income to the island; however, fast forwarding to today, the economic benefits seem to pale against the much-publicized pollution that it generates and the associated health issues the island's citizens experience.

The debate surrounding the future of the ISLA refinery is complex, and many things must be considered. Today, the refinery produces crude products that are outside many countries' acceptable sulphur emission benchmarks, thus the market is limited. Needless to say, the refinery remains one of the island's largest sources of revenue, and as the contract with PDVSA approaches its expiry, a taskforce has been established to review options and make strategic recommendations, taking into consideration the island's other financial obligations. Their remit also includes the implementation of those recommendations, which are currently underway.

As part of the activities; various reports have been generated, however only one has been made available to the public. This is a report that was produced for Curaçao's Ministry of Economic Development some time ago, outlining three possible strategic paths:

## Upgrading the refinery at its current location

Provided there is strong demand for the product produced, this decision adds to the economic diversity of the island and will provide temporary employment associated with upgrading. The modernization of the refinery would also shift the refining process from sulphur-based to liquefied natural gas, reducing

pollution. Nevertheless, a very large investment is required, and an investor needs to be found.

## Building a new refinery at a new location

The main economic effect is that a modern refinery would be efficient, and allow for optimal processing. The suggested location, would position the refinery near storage areas, and tanker access points. It would also move pollution away from residential areas. This solution would allow for oil refining to remain a pillar of the economy, providing economic diversity and employment. The impact is the new zoning required and the building of the new refinery infrastructure would require a significant outlay of funds.

## Redeveloping the ISLA area

If the contract with PDVSA is not renewed, and the refinery is no longer used, a sustainable plan will be needed to redevelop the land where the refinery is located. In the short-term, the refinery's storage areas could be rented out, generating some degree of income. There would also be employment generated in the short-term, as parts of the current refinery could be dismantled and some of the cleaning up processes actioned.

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The level of contamination is significant, so this would take a long time, possibly up to 30 or 40 years depending on investment and methods used. There are other areas of the ISLA site that are clean and could be zoned or redeveloped. The short-term impact is a loss of economic revenue as refining activities cease and unemployment from those companies are dependent on the refinery.

All three options suggested in the report have pros and cons, and are difficult decisions that require leaders consider a sustainable long-term vision for Curaçao. To appreciate the complexity of their challenge, it is helpful to explore a little of Curaçao's history with regards to the refinery.



Difficult decisions will need to be taken to determine how Curaçao will move forward, and what the role of the refinery will be in all of this. Only time will tell. Curaçao's finest hour is soon upon us.

### Geo-political Foundation

In 1985, the Royal Dutch Shell Oil Company left the Curaçao refinery, after operating here for over fifty years. They sold the refinery to the local government for a symbolic amount. This was a complete shock to the island as no one anticipated that Shell might one day leave.

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The sitting Prime Minister of Curaçao visited the President of Venezuela, which resulted in PDVSA stepping in and leasing the refinery to refine Venezuelan crude oil at the ISLA refinery allowing Curaçao to receive much needed revenues and foreign exchange.

### Elsewhere in the Caribbean

Over the years, with global warming becom-

ing a significant issue, there has been an increased focus on the pollution resulting from refinery processes. Modern refineries have processes in place to minimize pollution with older refineries often being closed and refining activities moving to places with less strict pollution controls.

In February 2015, Hess Corp, an American-based refining company, and PDVSA, closed down the large Hovensa oil refinery in St. Croix based on a three-year trend in the US of closing refineries due to pollution controls, the global economic slowdown, and the preference to use the modern refineries being built in emerging markets like India, China and countries in the Middle East.

This example indicates that old refineries require large investments to modernize so that they comply with evolving environmental standards while producing products that meet emission levels of large international markets, such as the US and Europe. As mentioned, this level of investment would also be required to modernize the ISLA refinery. In order to fund such an endeavour, an investor will need to be identified, and guarantee will need to be provided for the development of a market for the product produced.

According to publicly available documents, there is a memorandum of understanding between the PDVSA and ISLA, which might indicate that PDVSA could possibly be interested in continuing to use the refinery after 2019. However, with the increasingly challenging economic situation in Venezuela and Venezuela's recent remarks that the crude price needs to increase, and remain consistent around \$70 per barrel; the future of PDVSA in Curaçao remains largely unknown.

### Looking ahead

The taskforce working on the "Beyond 2019" solution is confident that they will produce a solid plan for the future of Curaçao, despite the various uncertainties. Difficult decisions will need to be taken to determine how Curaçao will move forward, and what the role of the refinery will be in all of this. Only time will tell. Curaçao's finest hour is soon upon us.

Download a full copy of the "The Sustainable future for Curaçao" Strategic options for ISLA and the ISLA site. Go to: [curacaobusinessmagazine.com](http://curacaobusinessmagazine.com) <http://curacaochronicle.com/columns/nicolas-maduros-caribbean-engagement-a-flamboyant-optic-in-autocracy/>