

The Dominica Oil Refinery Issue

by

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THERE IS A TIDE IN THE AFFAIRS OF MEN,
WHICH, TAKEN AT THE FLOOD, LEADS ON TO FORTUNE;
OMITTED, ALL THE VOYAGE OF THEIR LIFE
IS BOUND IN SHALLOWS AND IN MISERIES. Julius Caesar

March 21, 2007 - Now is a tide in our affairs. The construction of a refinery in Dominica will boost employment and incomes, and help reduce input and consumer prices. More important, it can help kickstart and accelerate the development process. Such investment might not be forthcoming from many other countries; and the opportunity might not present itself again ever. So we need to think carefully before rejecting an opportunity like this. There are critical issues that must be answered. Of major concern are the Technical and Environmental issues, the Political, and the Economic.

Technical and Environmental

There has been much said but few specifics. And in a project as complex as this, there are numerous issues that will need clarification. For example --

- What level of technology -- old with ancient methods of handling raw material and waste products (as is often palmed off on developing countries) or is it new technology that can efficiently process waste and other environmentally hazardous byproducts?
- Exactly what methods are going to be used to handle these byproducts, and how efficient are the methods? For example, waste water, how clean is the final effluent? How hot? Where is it going to be disposed of -- river, sea? If sea, how far out, what sort of impact on marine life?
- Does the environmental protection capacity compliment the refinery capacity? For example, is this aspect under-capacitized so that waste management systems or hazardous chemical storage systems break down every couple years because only token allowance was made for this aspect, and any toxic waste or hazardous chemical is just pumped into the sea or river when a breakdown occurs?
- While the refinery will provide more jobs, these jobs will not be of much help if, because of primitive technology, the cancer rate goes up, not only for the

people in the vicinity of the plant, but for those in surrounding communities. And blaming those, who, with all good intentions but bad planning supported the refinery, will not solve the problem after the fact. The issues need to be addressed up front with appropriate technology and effective enforcement.

These are only a few of the issues. Let impartial experts inform us of all the critical ones that have to be addressed. These would include odor, air quality, hazardous waste management, groundwater contamination, greenhouse gases, and incident preparedness and response, among others. Let us then thoroughly understand these issues and move effectively to protect ourselves and our island environment, if we are going to accept the refinery. Here within the region, we have long established refineries from which much of this critical information can be obtained - St. Croix (495,000 barrels per day, one of the largest refineries in the world), Cuba (300,000), Aruba (230,000), Trinidad (165,000), Jamaica (35,000, now being expanded to 50,000 b/d), among others. And then there is the University in Trinidad. In any event, even with appropriate technology, a refinery would require a strong watchdog and enforcement agency.

The environmentalists among us have good reason to be concerned. An oil refinery is not a bayoil still!

Political

One informed Dominican wrote, "I do not think that we should be naive about the very considerable power that such a project would give Venezuela over the economic and other futures of Dominica. The prosperity that is promised/foreseen by some has to be balanced against the real intentions of the providers, whatever these may be. Since there are no free lunches, one needs to ask what is the purported benefactor trying to 'buy.' Potential naivete in the management of affairs of state may place a people in danger of external manipulation intended for the benefit of another entity. We should not feel that the offer is purely out of charitable motives."

The questions are: What are we giving up? What are we agreeing and committing to? What of the Aves Island issue? What role is it playing in this? Are we forswearing sovereignty to Aves Island? If so, to which Aves Island, the one off Haiti, off Venezuela, or the Aves Island off Dominica? (The ancient documents on which Venezuela is basing her claim to our Aves Island were probably referring to the Aves Island off the coast of Venezuela and not the Aves Island off Dominica.)

Economic

The beneficial economic impact of a refinery by itself is not in question. Senator Louis Hill of the USVI notes, "In FY 06, Hovensa [the Virgin Islands refinery in St Croix], which is a partnership between Hess and Pedavasa [a state-owned Venezuelan company], contributed to the VI economy over US\$100m in corporate taxes, US\$14m in property taxes, plus 0.02c per barrel of refined oil. Additionally, there are payroll

taxes for employees, the circulation of employee salaries in the economy, generous grants and contributions to non profit entities." Hovensa, with a capacity of 495,000 barrels of crude per day, employs 1,200 workers. It was first established in 1966 with a capacity of 45,000 barrels per day. Incidentally, worldwide refinery employment is only about 1 million, reflecting the capital intensive character of modern refineries.

Even for a much smaller refinery in Dominica, with a reported capacity of 10,000 barrels/day, the economic and employment impacts will not be insignificant, especially in the construction phase. Some of these construction jobs will be handled by Dominican contractors with Dominican employees. Many will have to be done by foreign contractors because we don't have experience in this highly specialized field, while the lower level jobs will obviously be filled by Dominicans. But after the construction phase, employment will drop substantially to some steady level, perhaps about 150-200 full-time jobs. (Wynnewood, a small 50,000 barrels/day refinery in Oklahoma, has 220 full-time employees; Sinclair, another small Oklahoma refinery, with a 60,000 b/d capacity, has 265 employees.) At first, the upper level jobs will be held by foreign specialists who will pay local taxes; then gradually locals will fill these specialist positions. Who fills the upper level jobs at the beginning of refinery operation is not a major issue; we don't have the local specialists required. We will get these jobs as our people get trained.

Apart from direct investment and employment, an oil refinery will provide secondary employment and income to service suppliers; but just as important, it will initiate the process of development by bringing and/or keeping in the island more of the highly skilled people a country needs to make development dynamic and continuing. Further, people will learn the necessary habits, methods and mentality of high productivity, and that will redound to other sectors and the economy as a whole. The refinery will not by itself solve the employment and development problem; but it can effectively initiate the process. We will still have to do much more in terms developing our other resources, but the refinery will certainly help that process.

In any event, there is and will continue to be a relative shortage of petroleum and petroleum products because of OPEC supply controls. As a result, refineries are expected to continue to be profitable ventures for at least the next 50-75 years. Therefore, we can either import our petroleum products at ever escalating prices, or we can refine the raw petroleum, take the refining profits, and share this with the consumer through lower final product prices.

Nature Island

Equally important, we have strived to identify our island as The Nature Island of the Caribbean at substantial cost and time -- cost in terms of investment and investment strategy, advertising and image development. We are now beginning to reap the potential benefits of this strategy. Will the refinery undermine this image or can we have a refinery which is not a hazard and can successfully coexist with a Nature Island reality and image?

This coexistence is paramount. We can't have a refinery belching sulfur and other toxic fumes into the air, least of all on the heavily trafficked west coast, destroying our Nature Island image and its associated tourist potential. The Nature Island proponents and environmentalists are making some legitimate points, which we need to address seriously for the best interest of us all. But again, the issues have to be and can be addressed with appropriate modern technology and effective environmental enforcement.

In the same way that petrodollars are being used in Abu Dhabi in the Middle East to fund research and help develop and commercialize renewable-energy technologies, so too Dominica can use a modern oil refinery to provide cheaper energy for consumers and industry, help kickstart the development process, and reduce the pressure on agricultural land and the environment. There will be more income for road maintenance and development; less expensive fuel for hotels and guesthouses; the waste and garbage disposal problem can be addressed more comprehensively, among other initiatives. Without development we won't be able to protect the environment. Look at the desert that is Haiti today. Properly managed and balanced, the refinery and development on one hand, and environmental concerns on the other can compliment each other for the greater benefit of both, enhancing the Nature Island image.

Let's Not be Blindsided

The environmental concerns are not an argument for rejecting the refinery. It is a plea not to be blindsided if we are going to accept it. We need the refinery to provide jobs and help stem the brain drain, to help decrease our unhealthy colonial reliance on agriculture, to provide increased government revenue, (to help finance improved agriculture with less negative environmental impacts as per Haiti), to provide some level of energy security, to provide one of the steps to climb out of our perpetual underdevelopment (no one thing, tourism or any other, will get us out), and to stem our rampant migration and the scattering of our children.

The refinery will need modern technology and effective environmental controls and policing. Dominicans are smart enough to make sure we get the appropriate technology and effective controls, by hiring outside help as will probably be necessary in the beginning. With these in place, the refinery will be in harmony with our Nature Island image. St. Croix and Aruba, each less than one-third the size of Dominica, continue to be very attractive tourist destinations despite their refineries, with both tourism and refining side by side, coexisting successfully.

Let's Grasp this Opportunity

In colonial times, we in the islands were told we couldn't manufacture anything and didn't need manufacturing. And we believed this. Today, almost 30 years after the colonials left, the tenor of the refinery discussion suggests that many of us still seem to believe this -- that we can achieve decent living standards for our people with a

little bit of niche agriculture and a little bit of niche tourism. It's time we stop believing this fallacy. Time we bury our colonial fear of industrialization and our ambivalence towards development. Time we stop fearing the cunning foreigner because we think he'll rip us off.

It's high time we start believing in ourselves, in our abundant capacity, in our ability to control our destiny, and in the substantial opportunities available to us. Opportunities in a multifaceted tourism, in the largest boiling lake in all of Europe, Asia, Africa and the Western Hemisphere, in our abundant sustainable energy, in our deep coastal waters, in commercial fishing, in increased agricultural productivity, in agricultural exports to the region, in our location between the large markets of Martinique and Guadeloupe, in excellent carnival and independence celebrations, among others. And certainly, time we start believing that we are skilled enough and confident enough to grasp the opportunity afforded by a modern oil refinery with appropriate environmental safeguards.

[Back to Economic Development](#)