

Good morning, Senate President Neville James and the Honorable Members of the 31st Legislature of the United States Virgin Islands. I am Sheldon Pang, the Vice Chairman of Freepoint Commodities. On behalf of Freepoint and Sinopec, I want to thank you for giving us the opportunity to appear before you today to explain our vision for developing, in partnership with ArcLight and the Government and people of the USVI, a world class trading hub at Limetree Bay, St. Croix.

I'd like to begin by providing a brief overview of Freepoint and Sinopec. Freepoint is a leading global physical commodities merchant based in Stamford, Connecticut. Freepoint's management team, many of whom have worked together for more than 20 years, includes the former CEO, President, and COO of Sempra Energy Trading/RBS Sempra Commodities. Sempra Energy Trading was the third largest independent physical commodities trader globally at the time it was acquired by The Royal Bank of Scotland (RBS) in 1998. Freepoint, established in 2011, has offices in Stamford, CT; Houston, TX; Portland, OR; Toronto and Calgary, Canada; London, UK; Zug, Switzerland, Singapore, and Beijing and Shanghai, China. Freepoint participates in electricity, natural gas, LNG, coal, renewables, emissions, oil and refined products, and base and precious metals markets around the world. In particular, Freepoint has a focus on serving Caribbean and Latin American energy markets. Freepoint sells fuel oil to the Puerto Rican Power Authority to run its power plants, and is involved in several energy opportunities in Mexico. Significantly, Freepoint has entered into binding commitments to lease 3 million barrels of storage capacity at the St. Croix facility. Freepoint's majority shareholder is Stone Point Capital, a leading global financial services-focused investment firm with over 20 years' experience that has raised approximately \$15 billion for investment. We believe that the breadth of our energy expertise, together with our longstanding relationship with SINOPEC Group ("Sinopec"), provides a strong complement to ArcLight to help the Limetree Bay partnership maximize the utilization of the St. Croix facility and its contribution to local employment.

Sinopec, a major Chinese oil company, is a global Fortune 3 company listed in Hong Kong and also trades in Shanghai and New York. Sinopec is the largest oil refiner in Asia, operating 35 refineries, and in recent years has made substantial investments in the United States. For example, in June 2013, Sinopec acquired a 50% undivided interest in 850,000 acres in the Mississippi Lime play in northern Oklahoma (425,000 net acres to Sinopec) for \$1.02 billion in cash. In addition, in April 2012, Sinopec purchased a one-third interest in five Devon Energy Corp. exploration ventures in the United States. Globally, Sinopec has also made numerous other recent investments in North America, South America, Europe, Africa and Asia ranging in size up to approximately \$7.5 billion. For instance, in 2012 Sinopec agreed to develop the 400,000 barrel per day Yasref oil refinery on the Saudi Red Sea coast with Saudi Arabian Oil Co. (Aramco) at a cost of \$8.5 billion.

In 1993, China became a net oil importer as its economy started to take off. Sinopec started its international business that year by setting up its international trading arm UNIPEC. I was heading the China business for a predecessor company to Sempra Energy Trading at the time, and was personally involved in extending the first line of credit to UNIPEC. Today Sinopec purchases more than 6 million barrels of oil per day. By way of comparison, this is about 30% of the U.S.'s total daily crude consumption.

Sinopec has agreed to make a long term commitment to St. Croix because of its strategic location at the crossroads for global trade in crude oil and refined products. Sinopec has entered into a binding 10-year contract for 10 million barrels of crude oil storage at the St. Croix facility. Freepoint understands that a contract of this size and duration is a first of its kind for Sinopec, and reflects both Sinopec's comfort with Freepoint's involvement in the Limetree Bay partnership and its confidence in the partnership's commitment to the success of the St. Croix project over the long run. Sinopec did not make this decision lightly – it sent more than a dozen senior refinery and tankage experts from Beijing,

Hong Kong, London, Singapore and New York on two visits to St. Croix together with the Freepoint team. (Of note, after those visits, Sinopec's refinery experts concluded that it would cost at least \$3 billion to restore the refinery to pre-shutdown levels, and economic operation would not be assured given the significant changes to the global supply and demand relationships.)

I believe that Sinopec will use its storage capacity at St. Croix to support its large and growing physical footprint in Latin America, North America, Europe, and Africa. Freepoint has been told that Sinopec plans to store, blend, trade and ultimately export crude to Asia. Unipecc's President, who has personally visited St. Croix, has shared with Freepoint that Sinopec envisions growing a world class global trading hub for crude oil in the USVI, similar to the trading hub it helped to develop in Singapore. If Sinopec's vision comes to fruition, it may well need millions of additional barrels of long term crude storage in St. Croix. In that case, a substantial capital expenditure program would be undertaken to build new tanks to expand the capacity of the St. Croix facility. One important consideration for Sinopec, though, is the timely approval of this project before the end of the year. Sinopec makes its annual procurement plans once a year in late December, and needs to know that this project is approved in order not to miss a whole year's time. Indeed, Sinopec has a team at the ready to visit St. Croix in January for plan implementation.

It has been a pleasure to work with the many Virgin Islanders and governmental representatives I have met during the five visits I have made to the USVI over the past year plus. Freepoint and Sinopec look forward to partnering with the Government and people of the USVI.

Mr. President, on behalf of Freepoint and Sinopec, I thank you for your time and consideration. I look forward to responding to your questions.