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Mission

We deliver Affordable, Accessible, and Available high-quality energy products and services through innovation to the communities we serve.

Vision

Vital is the largest provider of energy life-line products and services in Micronesia.

The Takaious PGS, First Incorporated in FSM



In January, a group of twelve farmers in Pohnpei formalized their partnership with Vital by registering as the Takaious Participant Guarantee System (PGS) Group. The group is the first PGS to become incorporated in the nation.

This is a major milestone for the C4Life initiative, achieving two of its Sustainable Development Goals: providing *Decent Work and Economic Growth* and supporting *Sustainable Island Communities*.

The Takaious farmers, ranging in age from 36 to 70 years, have since completed four trades of husked coconut with Vital.

The Takaious PGS visited the Pohnpei processing facility in February, where they walked through the processing lines and witnessed their coconuts being transformed into dried coconut meat and then onto beautiful virgin coconut oil. After their site visit, the farmers and representatives of Vital were invited to a luncheon hosted by the Micronesia Conservation Trust (MCT), during which time MCT's Santiago Joab, Jr. and C4Life Resource Analyst Peterson Anson both commended the group for the exemplary effort they've displayed in becoming incorporated.

Anson commented that, of all the natural resources in the FSM, the C4Life project was designed to work with coconuts. "That's because almost every island in every state has coconut trees, and everyone can participate as a supplier. We foresee that the Takaious PGS have laid the path for several hundred more PGS groups to follow. I wouldn't be surprised if, in six months' time, our empty warehouse in Dekehtik will require an expansion, once farmers see the long-term benefits of the C4Life project."

As the nation prepares for the conclusion of the Compact of Free Association between the FSM and the United States in 2023, the C4Life project hopes to introduce more sustainable employment opportunities for the FSM.

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Pictured: (Above left) The Takaious PGS visiting the Pohnpei CIDU; (Above right) CIDU Foreman Gene Peter explaining the function of the copra processing machinery; (Right) Our finished coconut soap



Waste Oil Management Project in Pohnpei

February - Last year, Vital had entered into an agreement with an American company to export large quantities of used engine oils that have accumulated around the Terminal and our Nan Pohnmal Power Plant.

Since then, we've successfully exported a total of 18,000 US gallons of waste oil. The used oil was pumped into three, 20-ft containers and shipped off to South Korea, where the oil is re-refined before re-entering the fuels and lubricants supply chains. 100% of the waste oils within our operations were collected, analyzed, and determined safe before they were packed for export. This helps confirm the ongoing viability of the process and the potential for expanding to other used oil stockpiles across the FSM.

Vital strives to promote responsible and safe practices within all areas of our business. This includes minimizing the environmental impact of our operations and the products we sell.

Pictured here: Vital Operations Team retrofitted the shipping containers with cardboard padding, steel barriers and FlexiTanks for the waste oil's sea transportation.

Commissioning of New Delivery Tanker Truck in Nauru

February - A new general delivery tanker truck for the Vital Aiwo Terminal in Nauru has been commissioned, as part of the Capital Improvement Works (CIW) program approved and funded by the Government of Nauru. This is one of a number of service excellence and compliance related projects being undertaken in Nauru.

The 14-kiloliter, four-compartment delivery tanker meets the most recent industry standards. It will enhance the safety of our operations, reduce costs and improve operational efficiency. With an additional capacity of 4,000 liters more than the current truck, this tanker will eliminate the need for multiple trips to a single customer and also allow us to service multiple customers in a single delivery trip.

Along with the acquisition of this asset comes training staff to be CAN DO in truck operations, the establishment of its Asset Maintenance Plan, and Critical Spare Parts now in storage and managed properly.

The delivery tanker truck was commissioned by Maintenance Manager Viliame Dimuri, representatives of Heil Tankers, and the Vital Nauru Team.

Pictured: (Left) The Republic of Nauru and FSM flags emblazoned on the new delivery tanker truck represent the strong relationship between the two host countries of The Vital Group. (Right) Vital-Aiwo Terminal staff



Press Statement 3-2019:

UPWARD TRENDS IN REGIONAL AND INTERNATIONAL MARKETS

Pohnpei, Federated States of Micronesia – On April 13, 2019, the Guam Pacific Daily News reported a ten cents per gallon (\$0.10cpg) price hike of pump prices at all Mobil Guam service stations, from \$4.25 to \$4.35. This is the third consecutive price increase Guam motorists have seen since February 28, 2019, when pump prices began rising from \$3.90 per gallon.

Since January 2019, the cost of fuel has steadily increased throughout the Micronesian region as well as internationally. This directly correlates to decreasing supply and increasing demand of fuel products, according to an article published by the American Automobile Association on April 11, 2019. The article reported, "Demand skyrocketed to 9.8 million [barrels per day] last week...[this] high estimate likely signals that 2019 could bring the highest gasoline demand rates ever recorded by [the U.S. Energy Information Administration]...Shrinking supplies amid high demand will likely contribute to increased pump prices."

Vital Chairman of the Board of Directors Mr. Faustino Yangmog commented, that "while prices continue to rise elsewhere, wholesale prices for gasoline and diesel in the Federated States of Micronesia have been stable, and the FSM states have some of the lowest pump prices in the region."

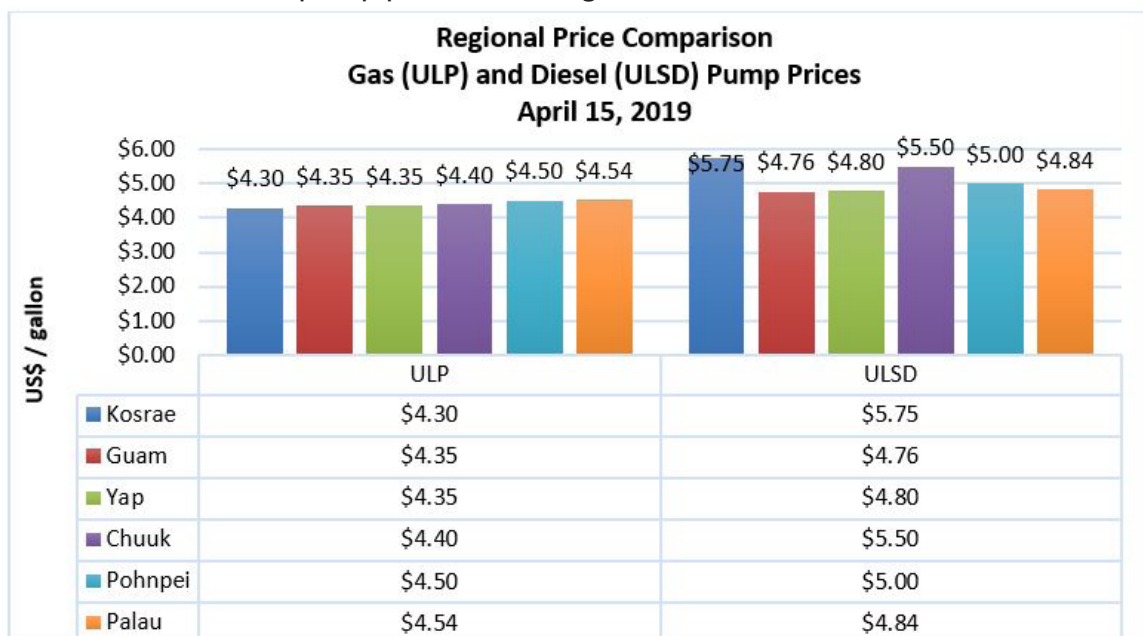


Figure 1: Regional price comparison of gasoline and diesel, based on pump prices at Fuel Land (Kosrae); Mobil (Guam); YCA (Yap); BS Distributing Co. (Chuuk); Pohnpei Service Station (Pohnpei); and Blue Bay (Palau) as of April 15, 2019.

Vital Chief Strategy & Investment Officer Mr. Mathias Lawrence advises customers to be prepared. He explained, "We advise our customers to prepare for a potential price increase because prices are rising so quickly. We will do our best to cushion as long as we can, while we continue to closely monitor international prices over the coming weeks."

For inquiries, email info@fsmmpc.com.

Related link: <https://www.vitalenergy.fm/news/>

DID YOU KNOW?

The word 'petroleum' comes from the medieval Latin word *petra* 'rock' and the Latin word *oleum* 'oil.'



Coconut For Life Update

Temporary Power, Water & Fuel in Tonoas



Construction on the Integrated Coconut Processing Facility (ICPF) and Independent Power Plan (IPP) in Tonoas is underway. To supply the power needed for the construction, C4Life engineers have prepared for temporary water, power generation, and containerized fuel storages on the island, until more permanent infrastructure is in place.

The C4Life team has installed generators for site power throughout the construction period. A Power Purchase Agreement is under negotiation with the CPUC, and following its signing, we will commence providing power to the CPUC grid and the residents of Tonoas.

Containerized fuel storage for gasoline and diesel are currently en route to Tonoas. They will be used to store several days worth of fuel for ongoing earthworks and construction activities. The C4L team is also investigating whether these stations can also provide fuel to the Tonoas people, further improving the community's access to lifeline products and services.

Solar Hybrid at Pohnpei Terminal

For the past 3 months, the Pohnpei Terminal facility has been running 100% on renewable energy. The successful commissioning of our Renewable Energy Hybrid System enabled our facility to migrate from the main grid. It now depends solely on power generated from a combination of solar energy and crude coconut oil (CNO).

The system is comprised of 154 roof-mounted solar panels, an Energy Storage System, a CNO/diesel generator, a CNO filtration skid, a feeder board, a main switchboard, a CNO day tank, and a CNO bulk tank. This system is set up to automatically switch from solar powered generation to CNO generation, as necessary.

Vital is now evaluating this technology and its ability to support it. We hope to replicate a number of these systems throughout the FSM and Nauru. This will help governments, business, and communities access modern renewable energy technology that is locally sustainable. In the long run, this will allow for more cost-efficient energy options.



Weno Basecamp & Accommodations

Installation, testing and commissioning (Phase 1) of the Weno Basecamp and Accommodations project is complete. The multi-duplex unit will host the C4Life Weno Project office and is the first of five units. Local contractor M & R General Contractor installed the Engineered Building System under the supervision of Australian-based Force 10 International Pty, Ltd (F10).

According to F10, these prefabricated structures are "steel framed and comprise [of] modular floor, wall and roof trusses" that were developed to provide strength, robustness, and excellent insulation among other qualities. The building systems are also termite-, cyclone-, and fire-resistant, and have energy ratings up to 9.5 stars.



Yap Copra Collection Agent

March - On March 22, Vital and the Yap Cooperative Association (YCA) agreed to jointly foster sustainable agriculture in the islands of Yap State. YCA will be purchasing, collecting and transporting copra and other coconut products from the various islands within Yap and transport to Vital's processing facility in Dekehtik, Pohnpei.

It was agreed during a technical meeting that a stronger public awareness campaign was needed to address concerns about the potential impact of the project and the competition that it may place on coconut resources for local consumption.

C4Life's Resource Analyst Peterson Anson confirmed that traditional use of coconuts in our diet has been taken into account within the purchase quotas established between Vital and PGS groups, and that the targets are much lower than the production capacity of the FSM as identified in the 2013 Coconut Resource Assessment.



Pictured Above: CEO Morris with YCA General Manager Gilfen; Left: Chairman Yangmog and CEO Morris with the 10th Yap State Legislature



The Yap Cooperative Association is a Yapese company established over forty years. Back then, it was known as Yap Trading Company. According to the [company's story](#), YCA was created "with the noble goal of facilitating Yapese living by providing needful

goods and services to members and non-members." With over 1,100 shareholders and a team of over 100 staff, YCA is a locally owned and operated business that Vital is proud to work with towards the shared goal of bettering life in our islands.

New Lubricant Contract Customer in Guam

A signing of a Lubricant supply contract with Black Construction Corporation (BCC) took place in January. BCC currently handles \$200M worth of US-funded contracts.

The VEI-BCC contract commenced on February 1, 2019, from which time Vital Energy, Inc. will be BCC's sole lubricant oils supplier for the next five years.



Pictured: Black Construction Corporation Senior Vice President Leonard K. Kaae, with VEI, Inc. General Manager Maderson Ramon

TWENTIETH CONGRESS OF THE FEDERATED STATES OF MICRONESIA

FOURTH REGULAR SESSION, 2018

C.B. NO. _____

A BILL FOR AN ACT

To amend section 211 of title 27 of the Code of the Federated States of Micronesia, to require the Federated States of Micronesia Petroleum Corporation to create and execute strategic plans to transition into an energy company, to expand its business activities into renewable sources of energy, and to provide for changing the Corporation's name to reflect its expanded business activities, and other purposes.

BE IT ENACTED BY THE CONGRESS OF THE FEDERATED STATES OF MICRONESIA:

1 Section 1. Section 211 of subchapter II chapter 2 of title
2 27 of the Code of the Federated States of Micronesia
3 (Annotated), is hereby amended to read as follows:
4 "Section [211] 211A. Establishment of Corporation.
5 The Federated States of Micronesia Petroleum
6 Corporation is hereby established as a public corporation
7 under the laws of the Federated States of Micronesia. It
8 may hereinafter be referred to as "the Corporation".
9 Section 2. Subchapter II chapter 2 of title 27 of the Code
10 of the Federated States of Micronesia (Annotated), is hereby
11 amended by inserting new section 211B following section 211A, to
12 read as follows:
13 "Section 211B. Transition to an energy company with focus
14 on renewable energy sources.
15 Notwithstanding section 211A, 241, 242 and 243 of this
16 chapter, the Corporation shall create and execute five- and

Bill for an Act: The Transformation Act

In 2018, a Bill for an Act was transmitted by President Peter Christian to the 20th Congress of the FSM. The Transformation Act, if passed, would expand the responsibilities of the FSM Petroleum Corporation from solely providing petroleum products (e.g. automotive and industrial diesel fuels; gasoline; kerosene), to prioritizing the use and expansion of renewable sources of energy.

The direction of the proposed Act is clear: "the Corporation [is] to use its human capital, financial strength and structured business processes to transform itself from a conventional fuels supplier into a renewable energy corporation, contributing to a cleaner, greener, low cost energy economy."

The bill further proposes to change the Corporation's name from "FSM Petroleum Corporation"--a name that was created in 2007 by the Fifteenth Congress of the FSM (Public Law 15-08). The proposed change would help the Corporation's expanded business activities to be better reflected in its name. Among Vital's current renewable energy projects is the recently commissioned, 40kW Solar PV-CNO hybrid system at our Pohnpei Terminal as well as the 3MW Independent Power Plant on Tonoas Island, which is scheduled for commissioning in Q32019.

As the only national energy company, Vital anticipates that its transformation from fossil fuel dependency to renewable energy sufficiency will not only be a commercially viable move, but will eventually lower energy costs for the nation and its people. If passed by FSM Congress, the Act will also better align the FSMPC with fulfilling the state and national commitments that were made in the 2018 FSM Energy Master Plan.

In his first day in office, during the first Committee to Wait, the new President His Excellency David W. Panuelo mentioned the Transformation Act among the objectives of the First Regular Session of the 21st Congress.

We thank outgoing President Christian for his continued support of the Corporation and the Transformation Act, and look forward to working with the new administration and Congress to have the Bill enacted.

The Takaiau PGS, First Incorporated in FSM

(continued from P. 1)

Community engagements in each state are tentatively scheduled in phases:

Phase 1 - Pohnpei communities (Sept 2018-Aug 2019)

Phase 2 - Yap Copra Agents (Q12019)

Chuuk communities (Q32019)

Phase 3 - Kosrae communities (Q42019)

For more information on the Participant Guarantee System model and to register your community's interest to supply coconuts to C4Life, e-mail: pgs@fsmmpc.com.



Pictured: Farmers of the Takaiau PGS

2019 Insurance Update to Staff

In January, the Vital Head Office invited Pohnpei employees to meet with the company's different insurance providers. This gave our providers a chance to update Vital staff on changes made in the past year. It was also a good opportunity for Vital employees to ask questions on life and health insurance policies, and even to amend their individual policies.

We appreciate IAC, ASC and FSM Micare Health Insurance for making time to meet with our Pohnpei staff. Similar insurance updates for Vital employees in other locations will be rolled out within the coming months.



Staff Highlight: **Pohnpei-Coconut Industry Development Unit**

Comprised of a team of ten Production Staff led by the Production Foreman, the Processing & Quality Control Manager, a Customer Service Officer, and a Sales Clerk, the Pohnpei CIDU currently processes husked coconut and dried copra, which are purchased from communities throughout the islands of Pohnpei, Yap and Chuuk.

Current Coconut Products:

- Virgin Coconut Oil (VCO) Bath Soap
- VCO Hotel Soap
- Fragrant VCO Body Oil
- Coconut Cooking Oil
- Animal feed
- Charcoal

Pictured: The Pohnpei CIDU Sales team; Production Staff processing nuts;
Below: CDU team picking up coconuts from Parem and Luhkoak communities.





We recognize the importance of actively supporting local communities and continue taking strides toward improving and strengthening relationships. Vital is proud to support recent events in our communities, including:

In January:

- Inaugural Ceremony of Kosrae State Governor Carson Sigrah, Lt. Governor Arthy Nena and 12th Kosrae State Legislature
- Inaugural Ceremony of Yap State Governor Henry Falan, Lt. Governor Jesse Salalu, and 10th Yap State Legislature
- 51st Independence Day of the Republic of Nauru

In February:

- PICS High School Career Week (top left)
- The Executive Leadership Development Program-FSM Participants (top right)

In March:

- 51st Yap Day (middle right)
- International Women's Day 2019-MCT (bottom left)

In April:

- 2019 World Tuna Day in Chuuk-National Oceanic Resource Management Authority (bottom right)



The 2019-2020 Vital-Rotary Scholarship is now available!

How to apply:

1. Download the 2019-2020 application from the Vital website at: <http://bit.ly/2VawoBn>
2. Complete and submit your application along with all required documents via post, to:
The Rotary Club of Pohnpei
ATTN: Vital-Rotary Scholarship Committee
PO BOX 1861 Kolonia, Pohnpei 96941

or via e-mail, to:
rotarypohnpei@gmail.com

or via fax, to:
(691) 320-5502

Applications due by: July 1, 2019



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