



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 3, 2008

US President George W. Bush said adding oil to the US Strategic Petroleum Reserve would not have much impact on available supplies. The government plans to deliver 12.3 million barrels of oil to the reserve in the first half of the year at a rate of about 70,000 bpd. However Democratic Senator Charles Schumer said the administration's plan was distorting the market. He said the administration was skirting a 1995 energy law passed by Congress that requires the government to minimize the cost of acquiring the oil for the reserve. He also stated that adding oil now to the reserve violated the Energy Department's own guidelines to avoid affecting heating oil, gasoline and other petroleum product prices.

Market Watch

The European Commission said if oil prices remain at their current high level economic growth in the euro zone could suffer. The European Commission had forecast that economic growth in 2008 would slow to 2.2% this year from 2.6% estimated for 2007. However Economic and Monetary Affairs Commissioner Joaquin Almunia has since signaled that growth in 2008 was likely to slow down even further.

French Economy Minister Christine Lagarde said she would be extremely vigilant about the impact the swings in oil prices would have on the retail prices. She added that the strong euro offered partial protection against swings in the price of oil.

According to Institute for Supply Management's index, new orders at US factories increased by 1.5% in November mostly due to an increase in orders for non-durable goods. It reported that nondurable goods orders increased by 3%.

IntercontinentalExchange reported record annual volume in all of its business segments. Average daily volume at ICE Futures Europe reached 469,407 contracts traded in December 2007, up 19% on the year. The average daily volume for the 12 months ending December 31, 2007 was 539,044, up 44% on the year. Its average daily volume at ICE Futures US was 208,073 contracts in December 2007, up 31% on the year. The Average daily volume for the full year was 214,816 in 2007, up 23% on the year.

Imperium Renewables Inc, the largest biodiesel producer on the US West Coast, filed to withdraw its plans for an initial public offering. It cited unfavorable market conditions. It opened a 100 million gallon per year biodiesel plant in Washington state last year.

Jan Calendar Averages

CL – 99.40
HO – 272.98
RB – 255.52

OPEC officials stated that the group could do little to lower oil prices that reached \$100/barrel for the first time on Wednesday. The international affairs director at the National Iranian Oil Co, Hojjatollah Ghanimifard

said there was enough supply in the market at this time and blamed the high crude price on excessive liquidity in financial markets. Meanwhile, Indonesia's OPEC governor Maizar Rahman said OPEC may decide to increase its production at its February 1 meeting if supply was not sufficient. He said OPEC had the capability of increasing its production by 500,000 bpd and warned that oil prices could climb even higher. Separately, Indonesia's Oil Minister Purnomo Yusgiantoro said the country would ask OPEC to increase its output to lower the price.

<p style="text-align: center;"><u>DOE Stocks</u></p> <p>Crude – down 4 million barrels Distillate – up 600,000 barrels Gasoline – up 1.9 million barrels Refinery runs – up 1.3%, at 89.4%</p>

The IEA's deputy head, William Ramsay said the IEA would not release its emergency crude stocks to lower oil prices. The IEA said that \$100/barrel oil provided a reminder for consuming nations to improve efficient use of energy resources and to step up investments in new oil supplies and alternative energy resources.

Iran's Supreme leader Ayatollah Ali Khamenei said Iran would not halt its uranium enrichment and added that Iran should have nuclear plants generating 20,000 megawatts of energy in 20 years. He also stated that restoring the country's ties with the US would harm the country. However he did not rule it out in the future.

According to Oil Movements OPEC's oil exports, excluding Angola and Ecuador, are expected to increase by 60,000 bpd in the four weeks ending January 19 to 24.41 million bpd. Seaborne shipments from the Gulf fell by 70,000 bpd in the four week period.

The EIA reported that the average retail price of heating oil increased by 4 cents over the past week to \$3.34/gallon. The price of heating oil was up 91 cents on the year.

Refinery News

A small fire was extinguished at Chevron's refinery in Pascagoula, Mississippi on Thursday with little impact seen to production. The fire was in a RDS unit, which treats the feed to the fluid catalytic cracking unit. The refinery has been recovering from a big fire in August that forced shut a 160,000 bpd crude unit. The crude unit is expected to restart early this year.

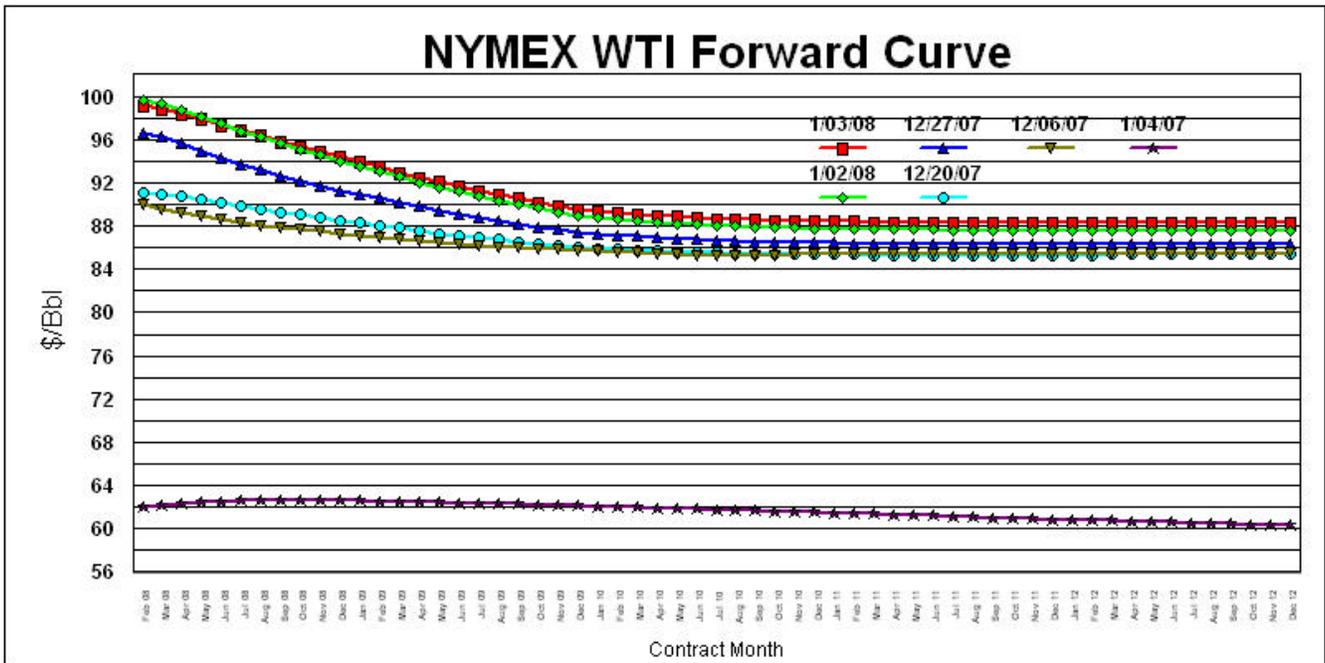
ExxonMobil Corp said it started two months of planned maintenance work at its 192,000 bpd joint venture refinery in Chalmette, Louisiana. The company is scheduled to add new environmental controls to the 70,000 bpd fluid catalytic cracking unit and the associated alkylation unit.

A Petroplus refinery in Ingolstadt, Germany suffered a hydrogen gas leak late on Wednesday.

Kuwait National Petroleum Corp said it planned to award contracts to build a new refinery to process crude oil for domestic power plants in the first quarter. The 615,000 bpd Al Zour refinery would mainly produce low sulfur fuel oil for the country's power plants. Project completion is scheduled for March 2012.

Mexico's Transport Ministry said Mexico kept its main crude oil exporting ports of Dos Bocas, Cayo Arcas and Pajaritos closed on Thursday due to bad weather. The Pacific coast oil port of Salina Cruz also remained closed.

Iraq resumed pumping Kirkuk crude at a rate of about 72,000 bpd through its northern pipeline to Turkey. Stocks of Iraqi crude in the Turkish port of Ceyhan stood at 6 million barrels. Pumping of Kirkuk crude was halted on Sunday after storage tanks were full.



Gasoline stocks in independent storage in the Amsterdam-Rotterdam-Antwerp area increased by 35,000 tons on the week but fell by 31,000 tons on the year to 854,000 tons in the week ending January 3. Gasoil stocks fell by 67,000 tons on the week and by 421,000 tons on the year to 1.357 million tons while fuel oil stocks fell by 68,000 tons on the week and by 67,000 tons to 643,000 tons. Naphtha stocks also fell by 9,000 tons on the week but increased by 29,000 tons on the year to 94,000 tons while jet fuel stocks fell by 15,000 tons and by 117,000 tons to 201,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 53,000 barrels to 13.234 million barrels in the week ending January 2. It reported that light distillate stocks built by 914,000 barrels to 8.15 million barrels while middle distillate stocks built by 595,000 barrels to 7.388 million barrels on the week.

Production News

Saudi Aramco was preparing to start up its Khursaniyah oilfield project, which was due onstream last month. The Khursaniyah project would pump 500,000 bpd of Arab Light crude and lift Saudi Arabia's production capacity to 11.8 million bpd.

ConocoPhillips said its fourth quarter production, including Syncrude, is expected to be about 60,000 bpd of oil equivalent higher than the third quarter. It said US refining margins fell by 25% from the third quarter but were higher than the year ago level in most regions.

The UK's Department of Business, Enterprise and Regulatory Reform reported that its unadjusted energy consumption in the third quarter of 2007 increased by 1.6% on the year to 48.4 million tons of oil equivalent. Domestic oil and natural gas liquid production fell by 0.2% to 17.2 million tons of oil equivalent.

Market Commentary

Today's 4 million draw in crude oil stocks pushed prices over the \$100.00 mark both on the New York Mercantile Exchange trading floor and on Globex. At 289.6 million barrels, total crude stocks are in the

lower half of the yearly average range. Imports are set at 10.0 million barrels per day, up 204,000 barrels over the last four week average and 180,000 per day more than last year. Gasoline stocks reflected a build of 1.9 million barrels with demand set at 9.3 million barrels per day or 0.1% above the same period a year ago. Current stock levels for gasoline remain in the lower half of the average range. Distillate stocks built by 600,000 barrels with demand set at 4.5 million barrels per day, up 5.7% compared to the same period last year. This highly sensitive market continues to react strongly to the slightest of news, with moves ranging between .10 cents to .50 cents within a minutes time. Speculators continue to pump money into this market, with total open interest increasing by 20,942 of which 12,576 of this increase was in the March contract. Should the February contract break through the \$94.70 support number, some of this new length might decide to lighten up, which could easily take prices to the \$85.60 support area, where we would have to reevaluate the market. The February/March spread once again was little changed on the day, while the mid to back end of the forward curve remained steady. Total open interest in crude oil is 1,382,200 up 20,942, FEB.08 320,900, up 3,973, March 185,718, up 12,576. The product markets also erased some of its previous gains as the crude market failed to sustain its gains above the \$100 level. The product markets were also pressured in light of the builds in distillate and gasoline stocks. The heating oil market traded to a low of 273.12 following the release of the weekly petroleum inventory reports before it bounced off that level and traded back towards its high. However the market erased its gains and sold off to a low of 270.20 ahead of the close. It settled down 2.13 cents at 271.91. The RBOB market also settled down 2.75 cents at 254.14 after the market sold off to a low of 252.51 ahead of the close. The markets are likely to retrace some its losses ahead of the weekend. The markets continue to trade in their upward channels. In the heating oil, support is seen at 270.20, 265.37, 263.29, 262.24, 258.40 and 256.20. Resistance is seen at 273.00, 274.75 and 280.54. In the RBOB, support is seen at 252.51, 250.20,

247.23,
245.12,
246.20
and
241.50
while
resistance
is seen at
256.00,
257.84
and
262.92.

		Explanation
CL 99.18, down 44 cents	Resistance	101.37 Basis trendline
	Support	100.09 Thursday's high
		99.00, 98.45 Thursday's low 97.75, 94.73, 93.99, 93.34, 91.86, 90.38 Previous lows
HO 271.91, down 2.13 cents	Resistance	280.54 Basis trendline
	Support	273.00, 274.75 Thursday's high
		270.20 Thursday's low 265.37, 263.29, 262.24, 258.40, 256.20 Previous low, Basis trendline, Previous lows
RB 263.01, down 1.23 cents	Resistance	262.92 Basis trendline
	Support	256.00, 257.84 Thursday's high
		252.51 Thursday's low 250.20, 247.23, 245.12, 246.20, 241.50 Previous lows, Basis trendline, Previous lows