



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 3, 2006

The IAEA's emergency meeting on Iran's nuclear program was adjourned Friday until Saturday. The move would allow US and European diplomats to engage in informal negotiations in their bid to seek broad backing to report Iran to the Security Council. Diplomats said support for Iran has declined among the UN IAEA's board since Russia and China swung their support behind referral at an overnight meeting with the US, France and UK. China's ambassador to the UN however said it would never support sanctions against Iran. Meanwhile, Iran warned that Russia's proposal to enrich its uranium in Russia would no longer be considered if it were referred to the UN Security Council by the IAEA. Iran reiterated its threats that the country would resume full scale work on uranium enrichment and stop honoring its agreement giving IAEA inspectors broad powers to conduct short notice inspections of his country's nuclear program. Russia's Foreign Minister Sergey Lavrov said that Russia guaranteed nuclear fuel supplies to Iran if it accepted its offer to enrich Iranian fuel in Russia.

Market Watch

A Turkish minister suggested that the \$4 billion sale of oil refiner Tupras, which the Council of State suspended, may be irreversible. The Council of State halted the sale after a legal challenge by a labor union. Government sources said they believe the ruling would not reverse the sale and cited similar cases in which the cabinet had decided to go ahead despite court injunctions.

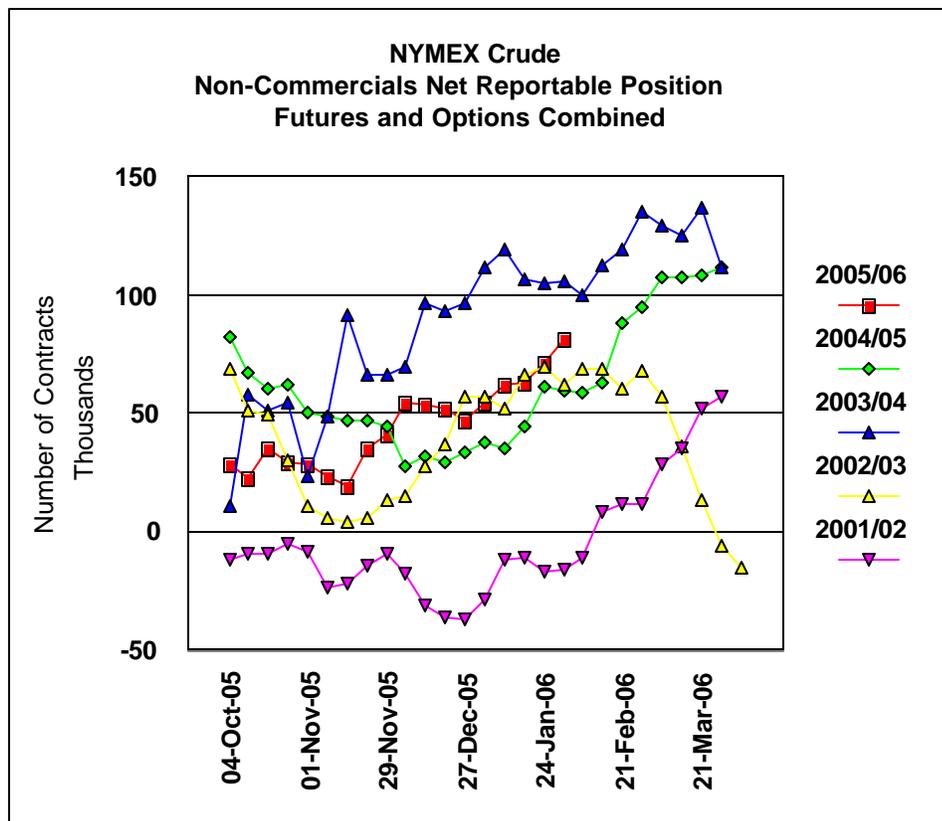
The NYMEX announced that its European unit would launch a reduced sized version of its Brent crude oil futures contract on its Clearport electronic trading platform on Monday. Its latest electronic trading offering comes as IntercontinentalExchange introduced a WTI contract on its ICE platform on Friday. The NYMEX said its mini Brent contract will be financially settled based on the settlement prices of the underlying NYMEX Europe Brent crude oil futures contract.

Refinery News

Japan's refiners will take 13% of their capacity offline for maintenance during the second quarter of the year, which could allow them to build low crude stocks but may increase gasoline imports. They are expected to shut down 636,000 bpd of production between April and June. The spring turnaround season will be more severe than in 2005, when about 409,000 bpd or about 9% of Japan's 4.77 million bpd of capacity was shut in.

Production News

An oil analyst stated that gas oil and gasoline stocks held in independent Amsterdam-Rotterdam-Antwerp storage tanks increased in the week ending February 2nd. Gas oil stocks increased by 40,000 tons to 1.99 million tons on the week while gasoline stocks increased by 15,000 tons to 845,000 tons.



Meanwhile naphtha stocks fell by 20,000 tons to 40,000 tons, fuel oil stocks fell by 45,000 tons to 535,000 tons and jet fuel stocks fell by 15,000 tons to 430,000 tons on the week.

Germany's economic and foreign trade statistics office, BAFA, said the country's crude oil imports last year increased by 2% on the year to 112.2 million tons.

Gas oil and fuel oil exports from the former Soviet Union via Baltic and Black Sea ports increased last month compared to December. Traders stated that gas

oil exports stood at 159,000 tons in January, up 5.1% on the month while total fuel oil exports increased by 127,000 tons or 3% to 4.3 million tons in January. Its gasoline exports however fell by 131,000 tons or 14.6% on the month to 765,000 tons.

Azerbaijan's Socar produced a total of 754,900 tons of crude oil in January, down 1.1% on the year.

Indonesia's crude production fell to 916,000 bpd in January, down 2.2% on the month from 936,000 bpd in December due to technical problems and ageing fields.

According to India's Petroleum Ministry, the country's exports of petroleum products in December increased by 46.7% on the year to 2.2 million tons, mainly due to an increase in refining surplus.

Nippon Oil Corp expects heating sales volumes to fall in the January-March period amid mild weather forecasts. It expects its sales of kerosene to total 3.3 million kiloliters or 231,000 bpd in the three months, down 5.7% on the year.

Ecuador's Energy Ministry reported that Ecuador's average oil production increased by 3% to 555,524 bpd in December from 538,367/bpd in December 2004. The country's total 2005 oil production stood at 194.16 million barrels, up from 192.32 million barrels a year earlier.

Three tugboats pulled a grounded fuel tanker off a beach on the Kenai Peninsula in Alaska. The tanker, loaded with 4.9 million gallons of gasoline and other petroleum products ran aground on Thursday after an ice floe struck the tanker and caused its mooring line to break.

OPEC's news agency reported that OPEC's basket of crudes fell to \$59.49/barrel on Thursday, down from \$60.77/barrel on Wednesday.

Market Commentary

The oil complex ended in positive territory, rebounding from its earlier losses ahead of the weekend, ending three consecutive days of losses. The crude market retraced some of Thursday's sharp losses as it breached the 65.00 level and posted an early high of 65.30. The market however erased its gains and tumbled to a low of 63.95. The oil market later rebounded on some late short covering as the concern over Iran's dispute with the west over its nuclear program underpinned the market. The IAEA's board adjourned its meeting until Saturday as the US and European diplomats seek broader support to report Iran to the UN Security Council. The crude market rallied to a high of 65.40 ahead of the close and settled up 69 cents at 65.37. Volume in the crude market was good with over 223,000 lots booked on the day. Meanwhile, the product markets also ended the session in positive territory following the recent sell off. The heating oil market opened about 50 points higher at 177.60 and traded to a high of 178.80 early in the session. The market held resistance at that level and later sold off sharply to a low of 172.50. However it bounced off its low amid the strength in the crude market and rallied back above 178.00 ahead of the close. It settled up 1.08 cents at 178.16. The gasoline market also settled up 1.61 cents at 168.17 after it traded off its low. The market, which sold off to a low of 163.20, later erased its losses and rallied to a high of 168.85 ahead of the close amid the strength in the crude market. Volumes in the product markets were good with over 54,000 lots booked in the heating oil and 50,000 lots booked in the gasoline market.

The latest Commitment of Traders reports showed that non-commercials in the crude market increased their net long positions by 14,429 contracts to 19,970 contracts in the week ending January 31st. The combined futures and options report also showed that non-commercials increased their net long position by 10,091 contracts to 81,886 contracts. However given the market's sell off in recent days, non-commercials have likely cut some of the net long positions. The non-commercials in the product markets cut their net long positions, with the non-commercials in the heating oil market cutting their net long positions by 2,700 contracts to 7,244 contracts. Non-commercials in the gasoline market also cut their net long positions by 3,029 contracts to 30,401 contracts.

The crude market on Monday will be driven by the further developments on the negotiations at the IAEA over the Iran's nuclear program. The IAEA deferred until Saturday a vote to report Iran to the UN Security Council. The market may be further supported by the weather forecasts showing below normal temperatures for most of the country on the 8-14 day forecast. Technically, the market is seen finding support at its low of 63.95 followed by 63.90 and 63.25. However support is seen at its high of 65.40

followed by 65.94, 66.40 and 66.55. More distant resistance is seen at 67.16.

Technical Analysis		
	Levels	Explanation
CL 65.37, up 69 cents	Resistance 65.94, 66.40, 66.55, 67.16	38% (63.95 and 69.15), Previous high, 50%, 62%
	Support 65.40	Friday's high
HO 178.16, up 1.08 cents	Resistance 179.95, 182.20, 182.25, 184.55	38% (172.50 and 192.00), Previous high, 50%, 62%
	Support 178.80	Friday's high
HU 168.17, up 1.61 cents	Resistance 177.00, 174.50	Friday's low, Previous low
	Support 172.50, 169.00	
CL 65.37, up 69 cents	Resistance 171.50-172.50, 173.25, 176.35	Remaining gap, 38%, 50% (163.20 and 189.50)
	Support 168.85	Friday's high
HO 178.16, up 1.08 cents	Resistance 167.00, 163.20	Friday's low
	Support 160.10	Previous low