



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 18, 2011

Saudi Aramco's chief executive Khalid al-Falih said oil prices will remain at a healthy level. He also stated that any increased output from Iraq will probably not affect prices much since demand is driven by global economic development. He said a possible economic slowdown driven by Europe's sovereign debt crisis will not impact demand for oil.

Libya's National Oil Corp expects crude exports to increase to 1.345 million bpd by the fourth quarter of 2012, indicating that it is returning to the international market faster than expected. It expects its crude oil exports to total 813,000 bpd by next month.

Foreign oil companies operating in Libya warned this week that current contracts could deter new investment, even though the fall of Muammar Gadhafi has been sometimes perceived as paving the way for a new oil rush in the country. Libya's deputy oil minister said the country would show flexibility once new contracts are tendered but existing agreements would not be changed.

The API reported that US crude oil demand in October increased as the economy showed some signs of growth. Petroleum consumption in October increased 2.5% to 19.439 million bpd. Demand for gasoline fell by 0.3% to 8.987 million bpd in October while distillate demand increased 12.3% to 4.236 million bpd, reflecting increases in consumption of ultra-low sulfur distillate fuel primarily used for on-highway travel. Total imports in October accounted for 55.7% of US oil demand, down from 58.7% a year earlier.

Market Watch

The Conference Board said a gauge of future US economic activity increased more than expected in October due to a sharp increase in new permits to build homes. Its Leading Economic Index increased 0.9% in October to 117.4, following a revised 0.1% increase in September. It was the sixth consecutive monthly gain in the index.

BNP Paribas lifted its 2012 price forecast for WTI crude by \$3/barrel to \$104/barrel, citing resilient global oil demand, low inventory levels and the potential for further monetary easing in the US. It however left its forecast for Brent crude unchanged at \$116/barrel. BNP Paribas' forecasts for 2012 implied the WTI-Brent spread would be \$12/barrel, slightly higher than the current trading level of about \$9-\$10/barrel.

ANZ cut its forecast for the Brent-WTI spread by 13% to \$10/barrel by the end of the year as demand outlook improved in the US while it softened for Europe. ANZ expects the spread to fall by an average \$20/barrel to \$5/barrel in the next 12 months. ANZ increased its forecast for WTI crude futures by 9-13%, with prices expected to increase from \$90/barrel in the fourth quarter to \$102/barrel in the third quarter of 2012.

Commerzbank increased its 2012 price forecast for US WTI crude by \$6 to \$106/barrel following the news of plans to reverse the Seaway Pipeline. It forecast the spread between Brent and WTI crude would narrow to \$3/barrel by the end of next year and narrow to flat by 2013.

workers could go on strike at the plant. Unions said they intend to strike on November 23rd as the company has refused to start talks about improved pay conditions.

Total workers at its 360,000 bpd Antwerp refinery will not join a strike planned at ExxonMobil's refinery after management reached a deal over pay on November 17th.

Libya's Zawiyah refinery is operating at 80% of capacity and expects to return to full capacity of 120,000 bpd within a few days.

PetroChina Co and two subsidiaries of Sinopec have signed long term contracts to purchase gasoil from South Korea's S-Oil Corp in 2012. PetroChina and Unipecc will buy 350 parts per million sulfur or 500 ppm sulfur gasoil from S-Oil's 580,000 bpd Onsan refinery.

German consumer heating oil tanks stood at 61% of capacity at the end of October, up from 59% on the first day of the month. However stocks were still below the 63% average seen between 2004 and 2010.

Pipeline bombings by Islamist groups have cut off Israeli gas supplies from Egypt, forcing the Jewish state to seek up to 1 million tons of gasoil on the international market to secure its national energy needs for 2012. Flows were disrupted last week after a seventh attack on the pipeline. At least one member of an armed Islamist group has been arrested in connection with the bombing. The country's main electricity supplier is tendering to buy 750,000 tons of gasoil, with an option to purchase further volumes for a total 1 million tons for the year ahead.

Production News

Baker Hughes reported that the number of oil drilling rigs in the US fell this week by 8 to 1,125.

The 200,000 bpd Buzzard oilfield in the North Sea remains online after resuming output. The field was restarted after it was shut on Wednesday. The sources did not have details of the current output rates.

Kuwaiti industry sources said Kuwait pumped 3.05 million bpd of oil last week, its highest output level this year.

Azerbaijan's Energy Minister said the country plans to increase its crude oil shipments via the Baku-Novorossiisk pipeline to 5 million tons in 2012. Shipments via the pipeline have been declining as Azerbaijan increases the use of four other ports, including three in neighboring Georgia, Supsa, Batumi and Kulevi and Turkey's Ceyhan. In January-October, shipments stood at 1.54 million tons compared with 1.78 million tons in the same period of 2010.

Norway's Petroleum Safety Authority said Statoil has been granted consent to carry out exploration drilling in the Barents Sea with the Aker Barents drilling rig at exploration well 7220-7-1. Drilling is scheduled to start in the first half of December 2011.

Norway announced a 20 year plan to unlock offshore Arctic oil and gas resources and channel them to worldwide market.

Laricina Energy Ltd said it is seeking regulatory approvals to build a 150,000 bpd oil sands project in northern Alberta. It said the initial 30,000 bpd phase of the project is expected to cost between C\$1.1 billion and C\$1.5 billion. Construction could start in 2013, with operations starting up in the third quarter of 2015. The construction on the next two stages is scheduled to begin in 2018 and 2021.

Russia's OAO Lukoil said production at Iraq's West Qurna-2 project will begin in 2013. Lukoil, like other producers, faced problems obtaining government approval for contractors at its oil projects. Lukoil's chief executive Vagit Alekperov said the Iraqi oil minister has confirmed that in December all issues regarding approval of its tender proposals would be concluded.

BP said it would sell its interest in two fields in the deepwater Gulf of Mexico. It said it would sell its interests in the Pompano and Mica fields to Stone Energy for \$204 million. The sale is not expected to have a significant impact on BP's production from the region.

Nigeria's state oil company lowered its official selling prices for its Bonny Light and Qua Iboe crude grades for December. It cut prices for Bonny Light and Qua Iboe crude by 70 cents to a premium of \$2.85/barrel over the Dated Brent benchmark, down from a premium of \$3.55/barrel for October.

Market Commentary

News this week was mixed, encompassing the European debt crisis, inventory levels and expiration for the December crude oil options and futures contracts. Overall volume has been light. The lift that Enbridge's plan to reverse the flow on the Seaway pipeline gave the market was short lived. Worry over the European debt crisis continues to grip this market, limiting moves to the upside. Once again the candlestick formation is indicating that sellers were in control of this market but volume was lighter than that of yesterdays. January crude oil settled below support at \$98.41 and moving oscillators have crossed to the downside. Coming into next week we would look for a test at the 200-day moving average of \$95.35.

Crude oil: Jan 12 334,138 +6,042 Feb 12 81,309 -791 March 12 95,594 +1,999 Total 1,307,516 -44,224 Heating oil: Dec 11 57,277 -7,348 Jan 12 78,092 +4,173 Feb 12 33,504 +2,082 Totals 299,447 +3,119 Rbob: Dec 11 48,584 -6,917 Jan 12 80,123 +3,849 Feb 12 26,244 +987 Totals 284,775 -2,184

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
9489	9960	26975	32777	24670	33369
8917	10134	26680	33370	24240	35915
8507	11483	27375	33510	23631	36310
8337		23685		23414	
7570		22960			
7487					
7365					
50-day MA	88.62				
100-day MA	89.80				
200-day MA	95.30				

The Commitment of Traders report showed that non-commercials in the crude market cut their net long positions by 6,365 contracts to 167,042 contracts in the week ending November 15th. The combined futures and options report showed that non-commercials in the crude market increased their net long position by 4,344 contracts to 238,225 contracts on the week. Meanwhile, the disaggregated futures and options report showed that managed money funds increased their net long position by 12,110 contracts to 216,075 contracts on the week.

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