



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR DECEMBER 5, 2008

OPEC's President Chakib Khelil said OPEC should cut oil production by a significant amount at its meeting this month if prices remain at their current level. He said if prices increase and reach, for example, \$60, the decision concerning the production cut will not be severe.

The IEA cut its forecast for world oil demand growth in the next five years. It cut its forecast for world oil demand growth in 2009 to 220,000 bpd, down from its previous forecast of 350,000 bpd. World oil product demand is expected to grow by 1.2% on average or about 1 million bpd,

Market Watch

The US Labor Department's report showed that the US recession deepened last month as US companies cut jobs at the fastest rate in more than 30 years. Nonfarm payrolls fell by a larger than expected 533,000 in November. The unemployment rate increased by 0.2% to 6.7%, the highest level since October 1993. The report further cements expectations that Fed officials will lower their policy rate, which is currently at 1%, at the conclusion of their December 15-16 meeting.

The chairman of Rogers Holdings, Jim Rogers said the fundamentals of commodities are unimpaired. He said "commodities will be the place to be if and when we come out of the downturn." He also said prices will rebound when a lack of new supply leads to shortages, with crude oil and agricultural commodities most likely to have shortages.

China announced the overhaul of its subsidized domestic fuel price regime on Friday that would allow gasoline and diesel prices to move more regularly in line with the world market. Its fuel reform package will take effect on January 1. The retail price of gasoline and diesel will be allowed to increase about 4% over refinery prices plus costs. Meanwhile, China's consumption tax on gasoline will increase to 1 yuan/liter from 0.2 yuan/liter while the tax on diesel will increase to 0.8 yuan/liter from 0.1 yuan/liter.

India cut its fuel prices for the first time in about two years on Friday. India's Oil Minister Murli Deora announced a 10% cut in gasoline prices and a nearly 6% cut in diesel prices. The price of petrol in New Delhi will be 45.6 rupees or \$0.92/liter while the price of diesel will be 33.86 rupees/liter.

Traders said low water cargo shipping surcharges have been removed on the Rhine River in Germany while the surcharges remain on the Danube river. The surcharges are imposed to compensate vessel owners for lost revenue as their ships must sail partly loaded due to low water levels.

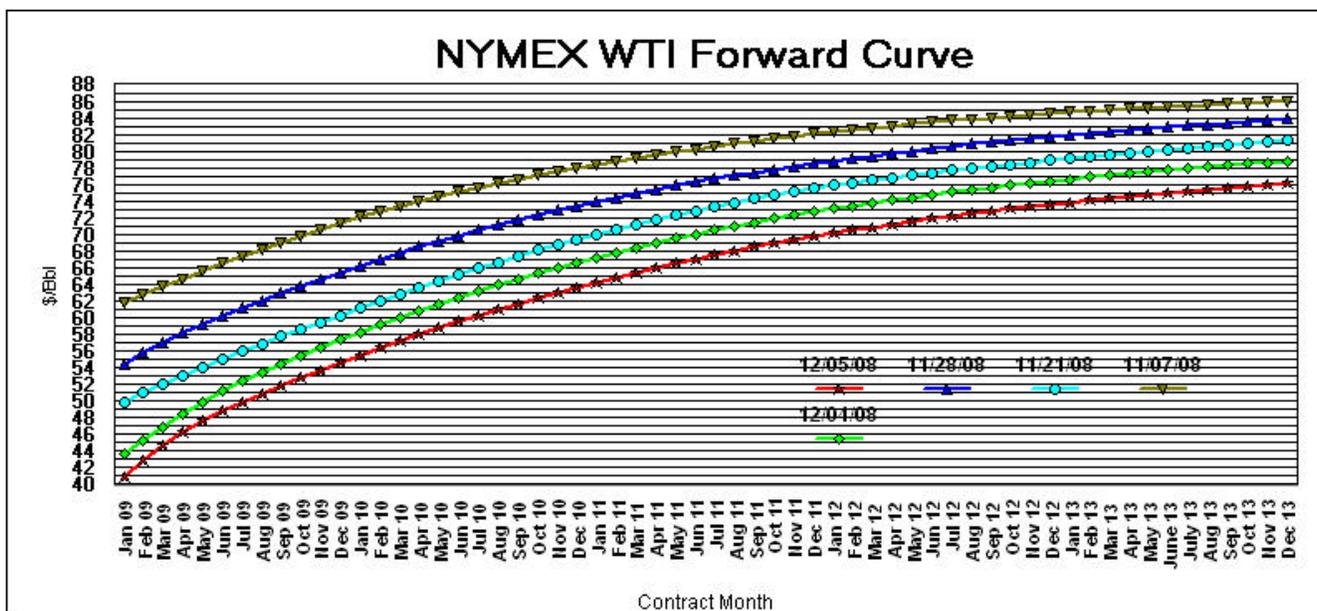
December Calendar Averages

CL – \$45.50

HO – \$1.5436

RB – \$ 1.0163

every year between 2008 and 2013 from 86.2 million bpd to 91.3 million bpd. The IEA said for 2008, demand is expected to be 700,000 barrels lower than its previous forecast, 1.4 million barrels lower in 2009 and 2.9 million barrels lower in 2013. It also said



new investment in oil refineries is expected to increase crude distillation capacity in the next five years at a faster pace than growth in demand. Refinery investments are forecast to add 8 million bpd of crude distillation capacity by the end of 2013. However it forecast that some refinery operators in member countries of the Organization for Economic Cooperation and Development may be forced to shut down in the coming years due to poor economic conditions. Meanwhile, the IEA's Executive Director, Nobuo Tanaka said the price of oil has declined too far in response to a decline in world oil demand for fuel. He however did not say where oil prices should be. He also urged producing countries and international oil companies to pursue their planned projects to avoid a supply crunch in the mid-term when demand in recession hit nations recovers.

Iraq's Oil Minister Hussain al-Shahristani again denounced oil contracts signed by Kurdish authorities with foreign firms as illegal, signaling that the feud over oil in the semi autonomous northern region is far from over. He said the government is in talks with the Kurdish Regional Government over several issues but he added that the position on the contracts that were signed without the approval of the central government remains unchanged.

Refinery News

Royal Dutch Shell Plc said it was investigating the cause of Thursday's fire at its 420,000 bpd Pernis refinery in Rotterdam. It said the company would carry out any necessary repairs in the wake of the fire. The refinery's fluid catalytic cracking unit had to be shut down because of its proximity to the fire.

Japan's Nippon Oil Exploration is in talks with the Iraqi government on the construction of an oil refinery worth \$5-10 billion and investment in oil exploration for the same amount. Last month, Iraq's cabinet approved the construction of two new oil refineries, with a total capacity of 300,000 bpd. Iraq is also planning to build two other refineries, with a total capacity of 450,000 bpd.

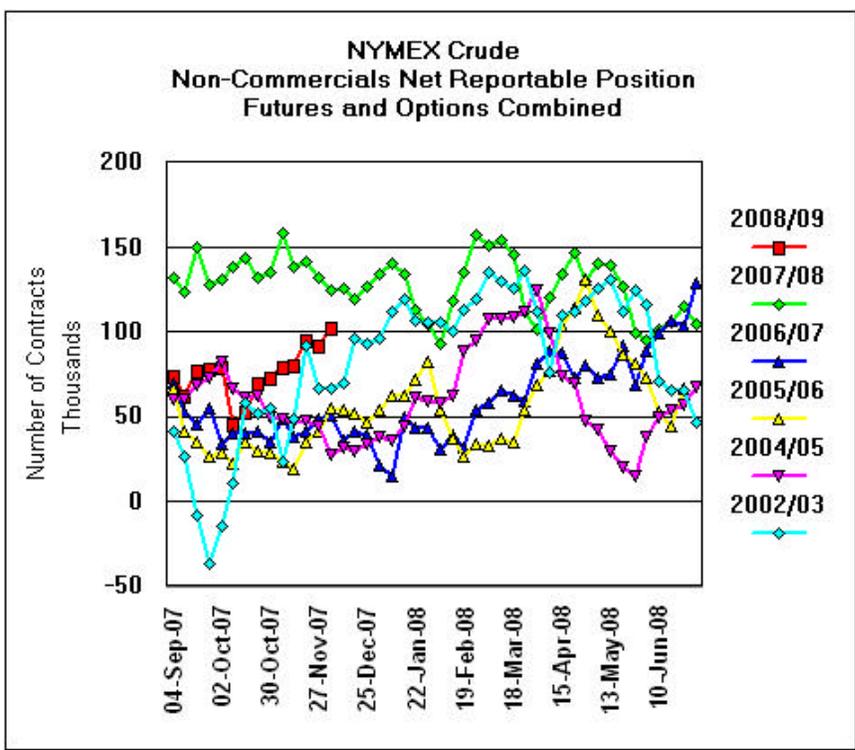
Ghana plans to transform its second port of Takoradi into an oil services hub to meet demand when the country starts pumping offshore crude in two years' time. Tullow Oil and Kosmos Energy plan to produce 120,000 bpd of oil from a field off Ghana in late 2010 and output is expected to increase to around 250,000 bpd within two years.

Production News

Kuwait has notified at least three term lifters in Asia that it would cut its option to lift 5% above term crude volumes from December 20. Earlier this week, Kuwait notified Asian customers that it would supply full term crude volumes for January, leading traders to speculate the latest move would not have much impact on the spot market.

Russia's Black Sea port of Novorossiisk was shut briefly on Friday due to a gale warning but was reopened after about two hours.

Russia's oil exports via the Caspian Pipeline Consortium pipeline amounted to 512,943 metric tons in November. Of the total, 277,800 tons of oil was pumped into the CPC via the pipeline system of Russia's oil pipeline monopoly Transneft. Total oil transportation via the CPC stood at 2.744 million tons in November.



BG has signed an agreement with Kazakhstan's KazMunaiGas to cooperate on oil and gas exploration as BG seeks to grow in Kazakhstan and KMG seeks to expand overseas.

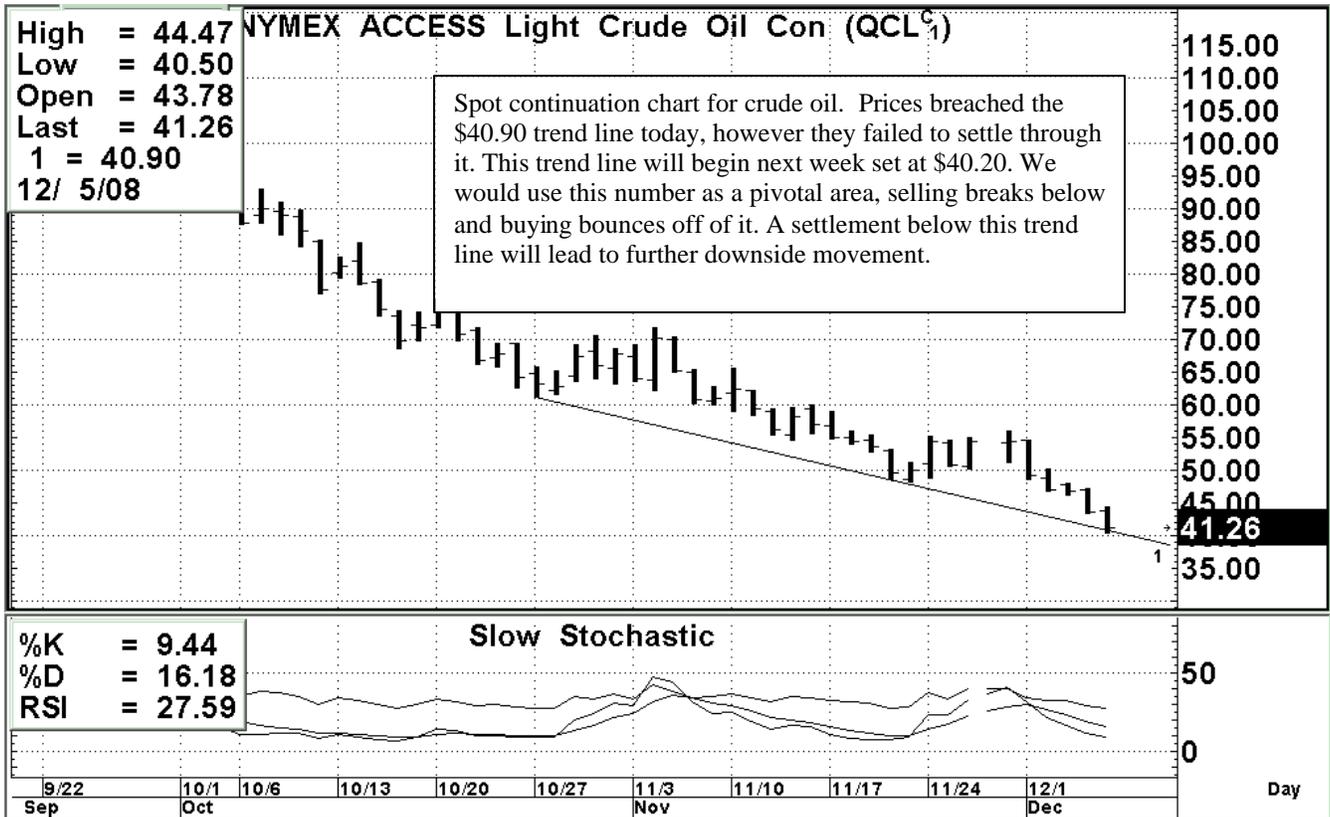
Market Commentary

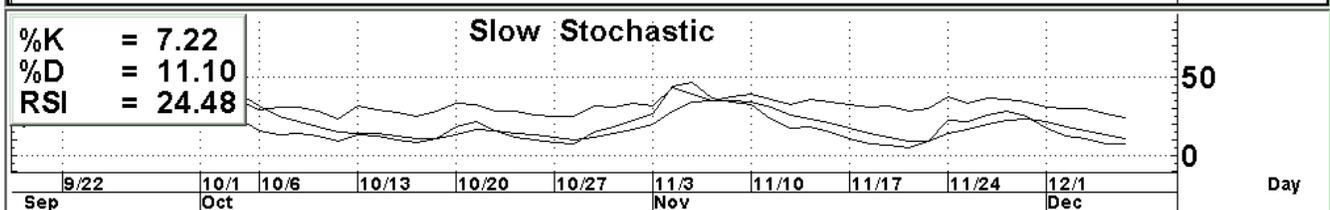
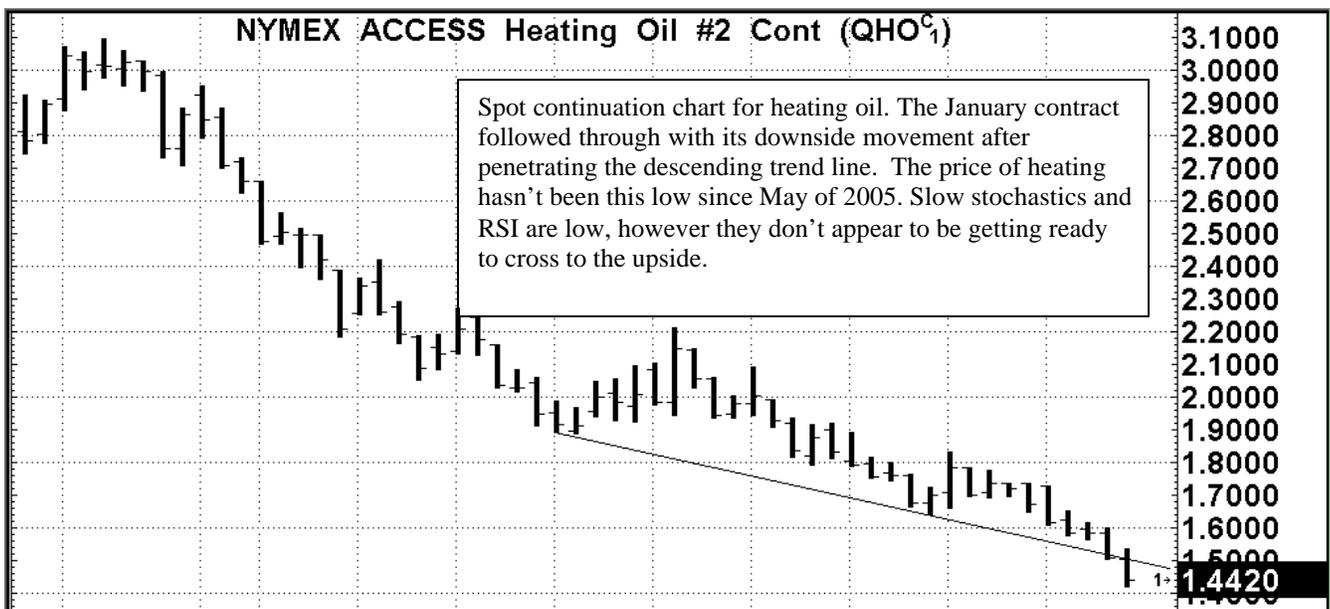
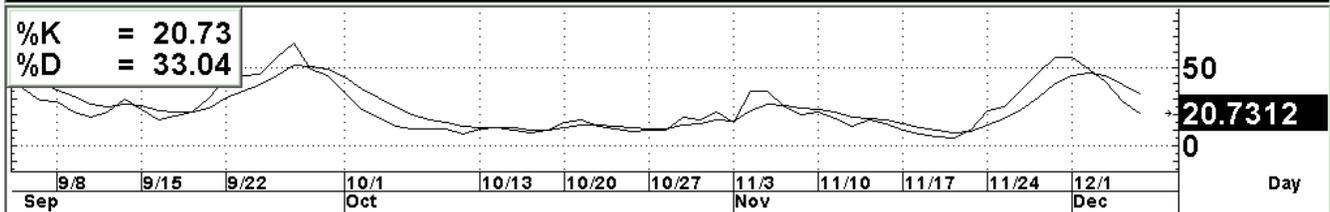
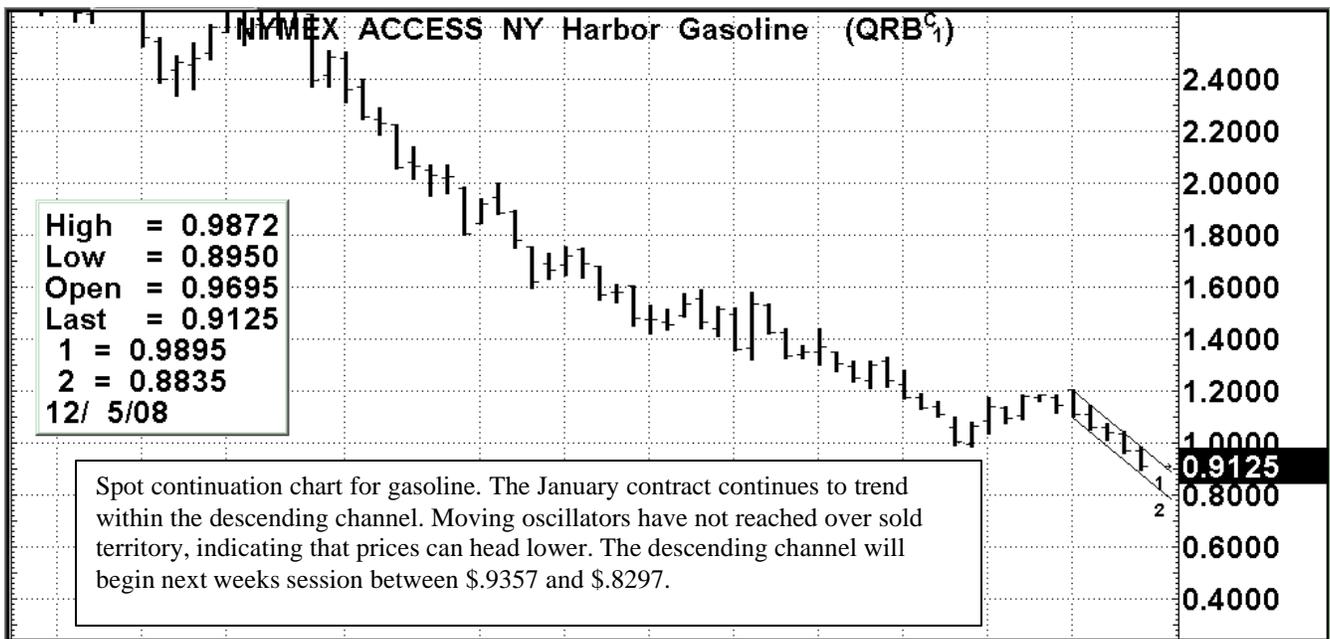
Energy markets sold off today in response to the 533,000 rise in unemployment last month. This is the largest increase in unemployment in 34 years. As the economic outlook continues to look bleak, its impact on demand continues to weigh on the market. This is the sixth straight day that crude oil prices have fallen. The forward curve has gotten steeper, further indicating lack of product demand. The January crude oil contract hit a four-year low, bottoming out the session at \$40.50. The price of a barrel of crude oil has fallen over 70%, since peaking in July at \$147.70. The lack for product demand continues to pressure prices at the pump, pushing gasoline closer and closer to \$1.00 per gallon. Although prices are headed lower, the economic outlook should surely keep drivers off the road, as the consumer becomes more and more spending conscience. Heating oil also took a nosedive today, tumbling more than 6 cents. Coming into next week, the downward spiral in prices should continue as the economic outlook continues to deteriorate.

Open interest: Crude oil (CLJAN.09 303,787 -4,923 FEB.09 109,612 +6,759 MAR.09 74,732 +5,244 APR.09 44,666 +2,400 -Totals: 1,190,912 +17,724, Heating oil (HO) JAN.09 62,204 -3,595 FEB.09 24,792 +289 MAR.09 22,477 -Totals: 221,878 - 840 NEW YORK HARBOR RBOB GASOLINE (RB) JAN.09 78,531 +858 FEB.09 25,309 +1,057 MAR.09 16,532 -Totals: 184,080 +3,370

The latest Commitment of Traders report showed that non-commercials cut their net long position by 541 contracts to 2,249 contracts in the week ending December 2nd. The combined futures and options report showed that non-commercials increased their net long position by 10,684 contracts to 102,882 contracts in the week ending December 2nd. The funds increased their total long positions by 8,282

contracts to 201,371 contracts. However given the market's move lower in the past few trading sessions, non-commercials have likely cut their net long positions. Open interest has increased by 43,437 in last few trading sessions, while prices have continued to fall by about \$6 since Tuesday. Meanwhile, the combined futures and options report showed that non-commercials in the heating oil market fell by 754 contracts to 7,753 contracts while non-commercials in the RBOB market increased by 2,782 contracts to 45,394 contracts on the week.





Crude Support	Crude Resistance
,40.45, 38.20, 36.75	52.75, 53.75, 57.23, 60.01, 62.79, 65.56, 67.00, 72.53, 74.30,
Heat Support`	Heat resistance
1.3450, 1.3005, 1.1895	167.15, 171.85, 176.70, 2.2796, 2.3720
Gasoline support	Gasoline resistance
7760, .6840	115.75, 119.90, 121.90, 136.14, 1.8240, 192.85, 2.0270, 2.0690, 2.1400, 2.1980, 2.2865

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.