



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR FEBRUARY 21, 2011

NATURAL GAS MARKET NEWS

A natural gas pipeline ruptured in northern Ontario on Saturday. The explosion occurred on a section of TransCanada's mainline near Beardmore, Ontario, on Saturday evening. The explosion and rupture involved pipeline #2 of its three pipe mainline system. The other two lines did not appear to have suffered any damage. Pipe #1 was re-opened on Sunday with #3 line expected to restart operations on Monday.

Chesapeake Energy said it is selling its holdings in Arkansas Fayetteville shale natural gas field to BHP Billiton for \$4.75 billion. The deal involves existing net production of about 415 million cf/d and midstream assets with about 420 miles of pipeline. The deal is expected to close in the first half of 2011.

WSI said today that they are forecasting unseasonably cold temperatures to linger into March for eastern Europe, but Britain should see slightly milder than normal conditions. For Europe as a whole, the forecaster is looking for below normal temperatures to be more prevalent than above normal temperatures through most of the spring. Meanwhile in the U.S. the forecasting group is looking for the northern half of the nation to experience a notably colder than normal spring.

Gazprom said today that it has rejected German utility E.ON Ruhrgas's request for all its contract purchases to be linked to spot market gas prices. E.ON is the largest European buyer of natural gas. Its request follows its second push to shift pricing away from a formula based on oil after Gazprom agreed to link 16% of its deliveries to cheaper spot gas last year. E.ON reportedly was seeking to price their gas at 100% of the spot price for gas. Current spot prices in the region are running 10-12% less than Russian contract prices.

Gazprom said today that the construction of its Nord Stream gas pipeline to German is progressing according to plan. The company looks for the South Stream pipeline to be in operation by 2015.

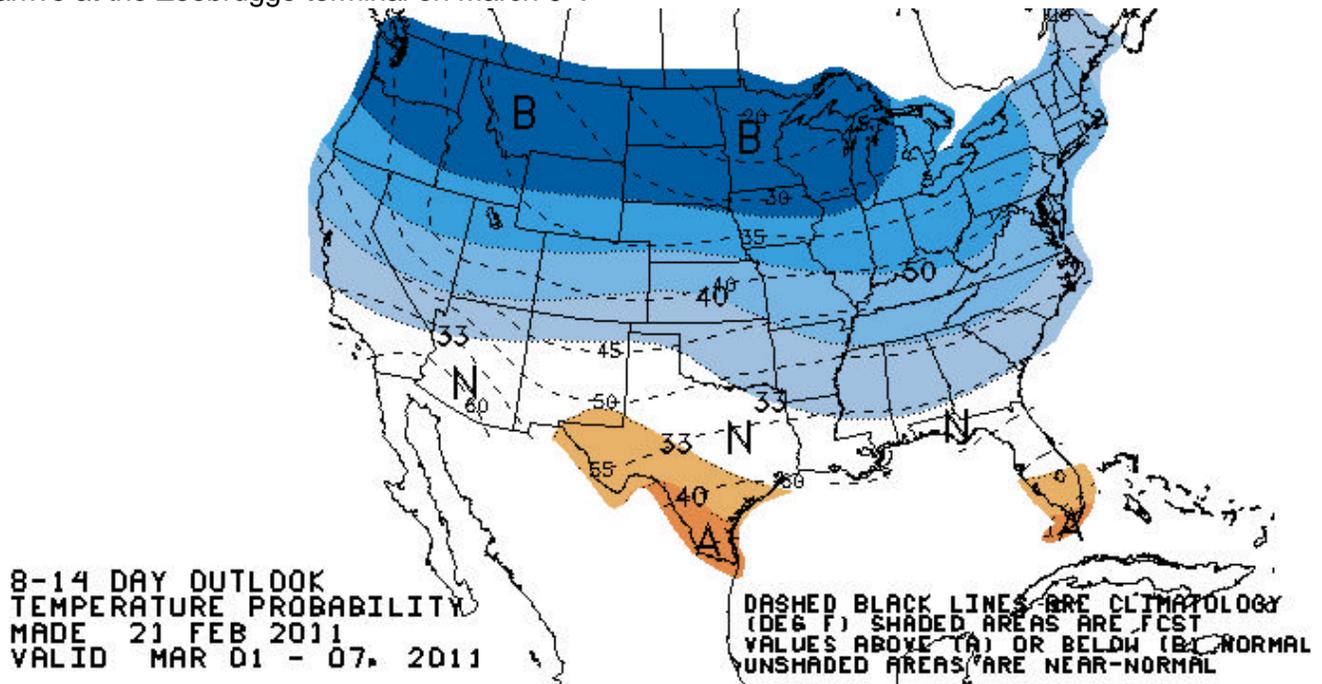
Gazprom reported that it would pay the Ukraine \$2.75 billion in transit fees for shipping natural gas to Europe across its territory, up from \$2.6 billion paid in 2010.

Chinese natural gas production reached 9.57 bcm in January, up 6.2% from January 2010. Natural gas imports reached 2.16 bcm, of which 1.24 bcm were LNG shipments.

Gazprom CEO's Miller said today that Russia could sign a "road map" with the European Union over gas supplies through 2050, and would look to explore the topic later this week when Russian and EU leaders meet.

The CEO of Greece's DEPA and a shareholder in the ITGI project dismissed talk that this project should be merged with the much larger Nabucco pipeline project. He noted that shareholders in the ITGI project are now convinced that their project which would deliver gas to southern Italy and south-east Europe should be built first and then the Nabucco project built several years later once additional gas supplies become available from Iraq and Turkmenistan.

The Al Safliya LNG tanker is expected to arrive at the South Hook LNG terminal on February 27th from Qatar. Meanwhile Reuters was reporting that the LNG tanker from Qatar, the Lusail was scheduled to arrive at the Zeebrugge terminal on March 9th.



Chevron announced today that it has shut its oil and gas production at Barrow and Thevenard Island facilities due to the approach of Tropical Cyclone Carlos off the coast of Western Australia. Meanwhile Apache Corporation said it has halted production at its Stag and Van Gogh oil fields off the coast as well as Woodside Petroleum shutting operations at its Cossack Pioneer floating, production storage and offloading unit on the NorthWest Shelf.

Vietnam said it would begin importing 1 million tones of LNG per year starting in 2013. Imports had been originally scheduled to begin in 2012, but Petrovietnam could not finish preparations in time.

National Grid reported that LNG terminals have pumped record quantities of gas into Britain in early 2011. The two LNG terminals at Milford Haven and the Isle of Grain terminal pumped a record 117 mcm on January 21st, nearly 30% of the demand for that day in Britain and more than 11% from their peak contribution last winter.

The president of the Russian Gas Society warned that European plans to liberalize energy markets have undermined Russian investments, including the second phase of the development of the Nord Stream gas pipeline.

It was reported that the first LNG sales from PNG LNG is on track for 2014.

ELECTRIC MARKET NEWS

The Czech carbon registry will delay its reopening until next week. The registry has been closed for more than a month in order to improve its security following reported thefts of 3.3 million CO₂ permits.

ECONOMIC NEWS

Markit's Flash Eurozone Manufacturing PMI leapt to a near 11-year high of 59 from 57.3 in January, much better than market expectations of 57.3.

HSBC flash manufacturing purchasing managers index for February was revised lower for February, from 54.5 to 51.5. The bank noted that China's industrial sector was expanding at its slowest pace in several months, due in part to the recent steady ratcheting up of monetary tightening along with the Lunar New Year holiday period.

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