



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 31, 2008

OPEC looks set to ignore calls for an increase in its production at its meeting on Friday, saying it was powerless to help stave off recessionary pressures in the West. OPEC President Chakib Khelil said some OPEC members were under political pressure to increase

Market Watch

Analysts have predicted that gasoline prices in the US could increase another 1.6% due to a shortage of an additive called alkylate. They said prices would continue to increase as refiners and petrol stations switch from winter to summer blended fuels.

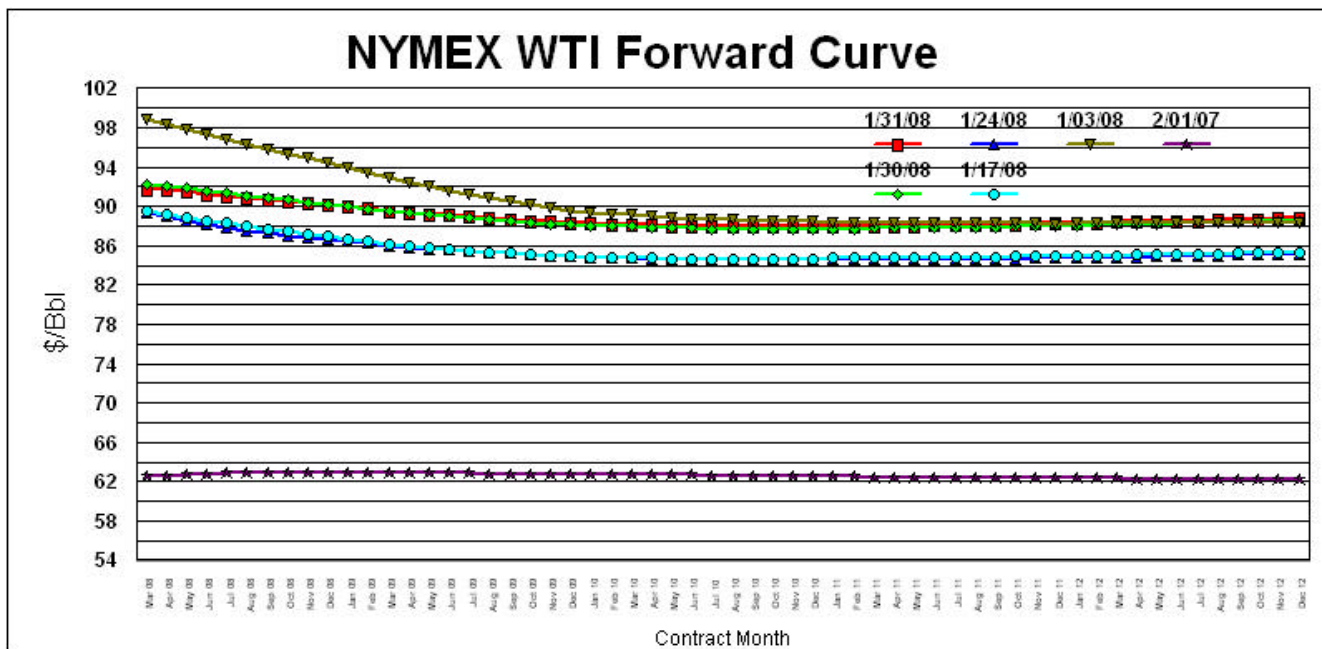
The US Labor Department said initial claims for state insurance benefit increased by 69,000 to 375,000 in the week ending January 26, the highest level since October 2005, when claims reached 376,000.

According to the latest forecast from the National Oceanic and Atmospheric Administration, the US Mid-Atlantic region is expected to see warm temperatures in February. In New England, NOAA's forecast did not show a clear trend, with equal chances of normal, above normal or below normal temperatures in February.

their output to aid the world economy. However he said he did not see what increasing supply would do to the economy. He said OPEC had no power to influence turmoil on world financial markets and bore no blame for inflated energy costs. He estimated that psychological factors and geopolitics were adding a \$30 premium to the real price level warranted by the fundamentals of global supply and demand. Kuwait's Oil Minister Mohammad al-Olaim said OPEC indicators showed that oil demand was falling on fears of a recession in the US. He said OPEC was keen to maintain stability in the oil market but was not the only player and could not decide world oil prices alone. Meanwhile, Iran's Oil Minister Gholamhossein Nozari said OPEC was set to leave its oil production unchanged when it meets on Friday. He said the market was well supplied and saw no need for OPEC to increase its production. He added that OPEC would consider all aspects of the oil market when it meets in March. Separately, Venezuela's Oil Minister Rafael Ramirez said the world oil market is well balanced and added that OPEC was supplying enough crude. In regards to OPEC's meeting in March, he stated that Venezuela would closely watch how slowing demand impacted prices and added that if prices fell by a significant amount, Venezuela would support proposing an output cut in March. He however did not say how far prices would have to fall to prompt such a move. Libya's head of OPEC delegation Shokri Ghanem said OPEC is expected to keep its output unchanged and added that it was too early to predict what OPEC may do in March. Qatar's Oil Minister Abdullah bin Hamad al-Attiyah said OPEC should keep its production policy unchanged. He however said that all options were on the table for March.

Jan Calendar Averages

CL – 92.93
HO – 256.13
RB – 236.20



A senior Gulf OPEC delegate said it was too soon to discuss what OPEC may decide at its March 5 meeting. However another OPEC delegate said OPEC should cut its output when it meets in March. He said OPEC should cut production by a minimum of 500,000 bpd.

According to Oil Movements, OPEC's oil exports are expected to increase by 160,000 bpd to 24.84 million bpd in the four weeks ending February 16 from 24.68 million bpd in the four weeks ending February 9. It was up 570,000 bpd from the previous four week period. Sailings from OPEC's Middle Eastern members are expected to increase by 150,000 bpd to 17.99 million bpd.

Refinery News

The US Coast Guard said ships in the north end of the Houston Ship Channel were halted due to dense fog. Fifteen vessels were unable to enter or exit the channel due to port of Houston ship pilots' decision to stop steering ships. The Sabine-Neches Waterway was also closed due to dense fog. Five ships were waiting to enter the waterway.

Tesoro Corp's chief executive Bruce Smith said high West Coast gasoline stocks and low demand seen in the fourth quarter is likely to return to the historic tight supply and demand balance in the spring.

Trade and shipping sources said pumping of crude through Iraq's northern pipeline has resumed and loading has started at the Turkish port of Ceyhan. A source stated that there was about 590,000 barrels of crude stored at the terminal.

Karlsruhe's 310,000 bpd Miro refinery was not affected by a power outage on Wednesday because it relied on internal power generation units.

Petroplus has cut crude runs at its 110,000 bpd refinery in Belgium to protect profit margins from high crude prices. Petroplus has also cut runs at its British refinery in Teesside. Over a dozen refineries around the world have cut runs by at least 400,000 bpd in recent weeks due to poor margins.

NYMEX Petroleum Options Most Active Strikes for January 31, 2008

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	4	8	P	80	03/14/2008	0.44	10,514	31.24
LO	3	8	P	85	02/14/2008	0.26	8,587	30.82
LO	9	8	P	60	08/15/2008	0.21	6,575	30.73
LO	6	8	C	105	05/15/2008	1.43	6,390	28.51
LO	6	8	P	75	05/15/2008	0.66	6,275	29.57
LO	3	8	P	81	02/14/2008	0.06	4,537	33.28
LO	5	8	P	70	04/17/2008	0.15	3,550	31.81
LO	8	8	P	75	07/17/2008	1.22	3,400	27.93
LO	4	8	P	85	03/14/2008	1.15	3,254	29.32
LO	5	8	P	75	04/17/2008	0.41	3,201	30.71
LO	8	8	C	75	07/17/2008	16.96	2,950	31.08
LO	8	8	C	103	07/17/2008	2.48	2,950	26.87
LO	8	8	P	103	07/17/2008	14.46	2,950	28.40
LO	3	8	P	90	02/14/2008	1.33	2,579	29.49
LO	5	8	P	80	04/17/2008	0.95	2,578	29.38
LO	3	8	P	80	02/14/2008	0.04	2,532	33.84
LO	3	8	C	92	02/14/2008	1.99	2,345	29.52
LO	6	8	P	85	05/15/2008	2.54	2,335	27.34
LO	3	8	C	90	02/14/2008	3.08	2,270	29.57
LO	6	9	P	75	05/14/2009	3.4	2,200	24.80
LO	4	8	C	91	03/14/2008	3.94	2,162	29.01
LO	3	8	P	88	02/14/2008	0.72	2,096	29.65
LO	3	8	C	68.5	02/14/2008	23.25	2,000	71.09
LO	3	8	C	68	02/14/2008	23.75	2,000	72.87
LO	6	8	C	100	05/15/2008	2.24	1,924	27.39
LO	4	8	C	100	03/14/2008	1.05	1,907	29.61
LO	3	8	C	71	02/14/2008	20.75	1,900	62.35
LO	6	9	P	70	05/14/2009	2.29	1,700	25.41
LO	12	8	P	75	11/17/2008	2.32	1,550	26.75
LO	3	8	C	101	02/14/2008	0.15	1,502	31.41
LO	3	8	C	74	02/14/2008	17.75	1,500	52.28
LO	12	8	C	52	11/17/2008	38.17	1,500	57.65
LO	3	8	C	73.5	02/14/2008	18.25	1,500	53.93
LO	3	8	C	65	02/14/2008	26.75	1,500	83.87
LO	6	8	C	50	05/15/2008	41.31	1,500	78.53
OB	3	8	C	2.45	02/26/2008	0.0448	310	32.61
OB	3	8	P	2.34	02/26/2008	0.0709	225	31.84
OB	3	8	P	2.3	02/26/2008	0.0541	206	32.18
OB	7	8	C	2.65	06/25/2008	0.1183	198	27.92
OB	3	8	C	2.35	02/26/2008	0.0828	185	31.76
OB	7	8	C	2.59	06/25/2008	0.1387	151	27.69
OH	3	8	C	2.64	02/26/2008	0.0451	530	32.76
OH	4	8	C	2.6	03/26/2008	0.087	265	32.65
OH	4	8	P	2.41	03/26/2008	0.0762	250	31.43
OH	3	8	C	2.65	02/26/2008	0.0425	200	32.92
OH	3	8	C	2.57	02/26/2008	0.0678	200	32.11
OH	6	8	C	2.7	05/27/2008	0.0709	175	27.99

Royal Dutch Shell said it was planning maintenance outages at its 420,000 bpd Pernis, Netherlands, at its 340,000 bpd Deer Park, Texas and Clyde, Australia refineries in the first quarter.

Gasoline inventories in independent storage in the Amsterdam-Rotterdam-Antwerp area increased by 61,000 tons on the week and by 230,000 tons on the year to 1.045 million tons in the week ending January 31. Gas oil stocks in the ARA area increased by 1,000 tons on the week but fell by 704,000 tons on the year to 1.374 million tons while fuel oil stocks increased by 10,000 tons on the week and by 33,000 tons on the year. Naphtha stocks fell by 47,000 tons on the week and increased by 10,000 tons on the year to 86,000 tons while jet fuel stocks fell by 40,000 tons on the week and by 108,000 tons to 247,000 tons.

India's Indian Oil Corp has increased its term crude imports from Iraq to 220,000 bpd for 2008 from 200,000 bpd in 2007. IOC is seeking to import 900,000 bpd of oil in the next fiscal year beginning in April, almost the same level it has imported this year. The IOC imports term crude from countries including Iraq, Kuwait, Saudi Arabia, the UAE, Iran, Oman, Malaysia and Nigeria.

India's Oil Minister Murli Deora said the cabinet was likely to consider a fuel price increase next week.

According to Japan's Ministry of Economy, Trade and Industry, the country's gasoline sales fell by 1.7% last year to 59.81 million kiloliters or 1.03 million bpd. In December alone, gasoline sales fell by 8.8% to 5.08 million kl, with total oil product sales declining by 7.7% to 4.22 million bpd. It reported that kerosene demand in December fell by 19.2% to 3.22 million kl or 653,328 bpd. Sales of fuel oil increased by 18.3% to 2.42 million kl. Japan's METI also reported that Japan's crude oil imports increased by 4.1% to 21.97 million kl or 4.45 million bpd in December. Japan's commercial crude oil stocks totaled 15.01 million kl, down 8.8% on the month.

Singapore's International Enterprise reported that the country's onshore stocks of residual fuel oil stocks built by 1.244 million barrels to 16.228 million barrels in the week ending January 31. It also reported that light distillate stocks built by 666,000 barrels to 8.453 million barrels while middle distillate stocks fell by 440,000 barrels to 7.352 million barrels on the week.

Production News

Royal Dutch Shell said it expected production to fall in 2008 if oil prices remained high and violence kept facilities shut in Nigeria. The company's average production in 2007 stood at 3.32 million bpd of oil equivalent.

Iraq's Deputy Oil Minister Ahmad al-Shammaa said Iraq was likely to sign technical support agreements with four major oil companies to help develop five oilfields by the end of March, potentially helping to increase Iraq's oil production by about 500,000 bpd. Iraq has extended to February 18 its invitation for international oil companies to submit registration documentation to bid for participation in the development of some of Iraq's oilfields.

Kazakhstan's KazMunaiGas criticized the government's proposal to impose crude export duty starting next year. Kazakhstan announced on Monday a proposal to impose the duty from 2009 to stabilize supplies on the domestic market. KazMunaiGas President Uzakbai Karabalin called the government to make an exception for his company.

Market Commentary

Once again the energy markets were reacting to the economic situation in the U.S. With supplies rising and demand falling, crude oil prices dipped below the \$90.00 level basis the March contract. Adding to the bearish sentiment was a rise in unemployment numbers in the U.S., with Americans filing for first time claims reaching a twenty-seven month high. The decrease in demand while supplies rise will make it unlikely that OPEC will raise production in order to aid the economic situation. In our wire yesterday, we mentioned that we would like to buy dips down to the \$90.90 level with stops below \$90.55. At the opening of the NYMEX floor trading, the March contract was trading below both of these levels so we would have not sold this market. Short-term slow stochastics are indicating further lower potential, looking for a possible test of the \$88.58 weekly support line. We would not doubt this move but before we can say that prices will once again head back towards the \$85.37 support number, we would like to see a settlement on the week below \$88.58. Upon examination of the forward curve, it appears once again that length is being put on in the back end of the curve, with the front end dipping slightly. The June08/December 08/December 09 butterfly written about in yesterday's wire has settled in the money by 0.05 cents so far. We still like selling this butterfly, selling the June08, buying the December 08 and selling December 09 contract, looking for the December 08/December 09 spread to gain against the June08/December 08 spread. Open interest in crude oil is 1,387,876 up 22,069, March08 376,923, down 1,883 and April08 116,612 up 10,602. Similarly, the product markets sold off sharply amid the losses seen in the crude market early in the session before they retraced their losses ahead of the close. The February heating oil contract sold off to a low of 247.50 before it bounced back and traded to its high of 254.23 ahead of its expiration at the close. It settled down 1.48 cents at 253.45. The March heating oil contract also settled down 1.33 cents at 252.91 after it bounced off a

low of 247.00 and rallied to a high of 254.22 on the close. Meanwhile, the February RBOB contract breached its support line and sold off to a low of 225.45.

		Explanation	
CL 91.75, down 58 cents	Resistance	92.60, 92.71, 94.05, 94.30, 95.75, 99.77, 100.15	50%(99.77&85.42), Previous high, 62%, Previous highs
	Support	92.30	Thursday's high
HO 252.91, up 1.33 cents	Resistance	91.25, 90.90, 90.35, 89.58	Thursday's low
	Support	88.78, 88.58, 86.55, 85.90, 85.37, 85.25	Previous lows
HO 252.91, up 1.33 cents	Resistance	255.49, 256.53, 258.39, 259.00, 260.49	Prev. high, 50%(273.31&239.75), Basis trendline, high, 62%
	Support	254.22	Thursday's high
RB 230.91, down 2.49 cents	Resistance	251.60, 249.30, 248.47, 247.00	Basis trendline, Thursday's low
	Support	245.65, 242.05, 240.84, 239.75	Previous lows
RB 230.91, down 2.49 cents	Resistance	239.36, 241.19, 241.25, 242.89, 247.18, 247.50	Basis trendline, triple top, 50%(261.10&224.67), 62%, high
	Support	236.99	Thursday's high
RB 230.91, down 2.49 cents	Resistance	234.60, 231.70, 230.79, 229.80	Basis trendline, Thursday's low
	Support	226.20, 224.67	Previous lows

However the market bounced off its low and rallied to a high of 231.99 late in the session. It settled down 2.49 cents at 230.91. The March RBOB contract also settled down 1.98 cents at 235.72 after it too retraced its earlier losses. The markets, which bounced back from their early losses, are seen retracing their losses further on Friday and remaining in their upward trend. In the heating oil, support is seen at 251.60, 249.30, 248.47 and 247.00. More distant support is seen at 245.65, 242.05, 240.84 and 239.75. Resistance is seen at 254.22, 255.49, 256.53, 258.39, 259.00 and 260.49. In the RBOB, support is seen at 234.60, 231.70, 230.79, 229.80 followed by 226.20 and 224.67. Resistance is seen at 236.99, 239.36, 241.19, 241.25, 242.89 followed by 247.18 and 247.50.