ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 11, 2007

OPEC President Mohammed al-Hamli said OPEC was very concerned about a 13% decline in oil prices so far this year and added that OPEC would take further action if needed to stabilize the market. However he said no decision was made yet to hold an emergency meeting ahead of its scheduled meeting on March 15. He said OPEC needed to see the price trend and how the market factored the projected cut. OPEC's President urged OPEC members to comply with their pledged production cuts.

Qatar's Energy Minister Abdullah al-Attiyah said the country would fully implement its oil production cut agreed to in December. He said he instructed Qatar Petroleum to implement its share of the cut. Qatar's cut would total 50,000 bpd, with a cut of 15,000 bpd from February 1 in addition to 35,000 bpd from November 1. Meanwhile Saudi Arabia, Kuwait and the UAE have said they would fully implement their share of

Market Watch

The US National Oceanic Atmospheric Administration said effects from El Nino should continue through spring, with warmer than normal temperatures extending to March.

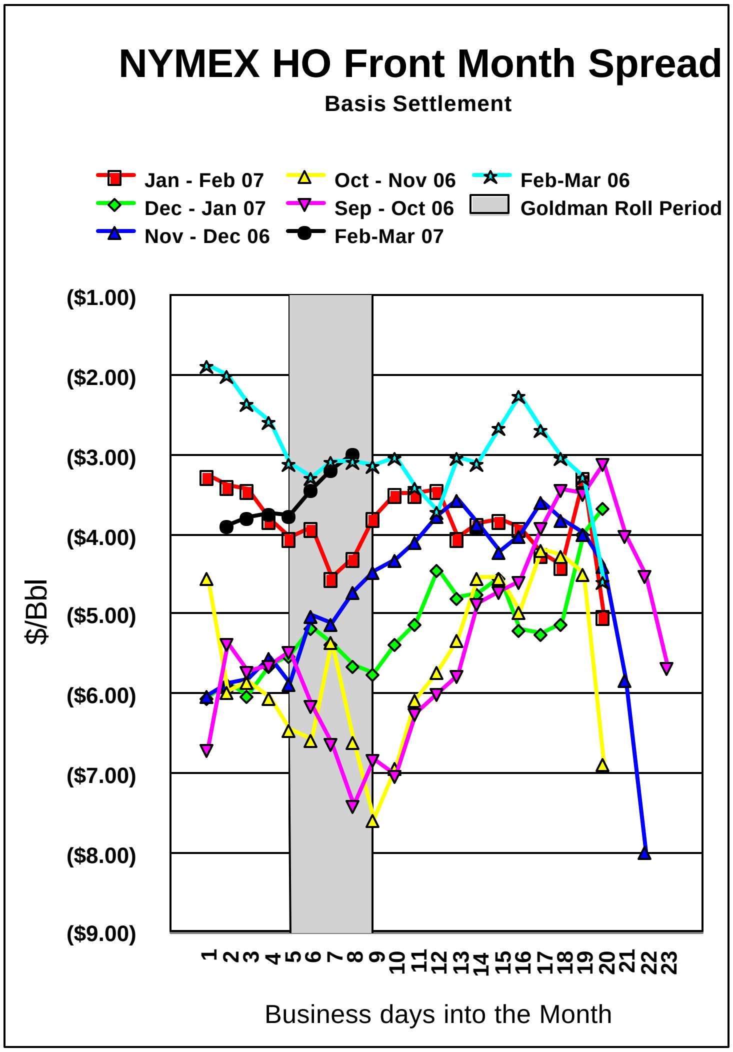
Venezuela's Economy Minister, Rodrigo Cabezas, warned that Venezuela could nationalize the heavy crude projects in the Orinoco belt if talks for the state to take a majority stake in the projects broke down. Separately, he predicted oil prices would not fall below $50/barrel, without specifying if he was referring to OPEC's basket price or international prices.

Saudi Arabia's rulers have set a pattern of announcing new cabinets very four years at the onset of the third month of the Islamic calendar. This has prompted speculation over the fate of key ministers in a possible cabinet reshuffle. Saudi Arabia's Oil Minister Ali al-Naimi is nearing the end of a third four year term. While some analysts believe he may leave his post, others believe that he may retain his post, ensuring stability as OPEC attempts to steady oil prices and match supply with demand. Speculation has also centered on foreign minister Prince Saud al-Faisal, who is thought to be in bad health.

The NYMEX announced that it would increase its margins for RBOB gasoline, RBOB gasoline financial and RBOB calendar swap futures contract effective from the close of business Friday to $5,400 from $4,388 for customers. Margins for the second through eighth months would increase to $5,738 from $4,725 for customers. Margins for the first month of the miNY RBOB gasoline futures contract would increase to $2,700 from $2,194 for customers. Margins for the second through eighth months would increase to $2,869 from $2,363 for customers.

ICE stated that physical delivery against the expired ICE January gas oil futures contract increased to 640 lots or 64,000 tons, up from 19,100 tons in December.

The UK's National Grid said late cold snaps at the end of winter could still test the ability of Britain's gas infrastructure to bring sufficient gas to the market. It said storage was unlikely to run out, however meeting peaks on a few individual days could be challenging.



OPEC's February 1 cuts. Saudi Arabia is expected to deepen its crude supply cuts to Asian refiners in February. The February allocations indicate Saudi Arabia would make a further cut in supplies compared with January, when it said it would supply 8-9% less than contracted volumes. Saudi Aramco notified refiners in South Korea that they would receive 13% less crude than contracted volumes while refiners in Japan would receive a cut of 10%. On Tuesday, Saudi Aramco informed European refiners it would maintain February exports unchanged from January levels.

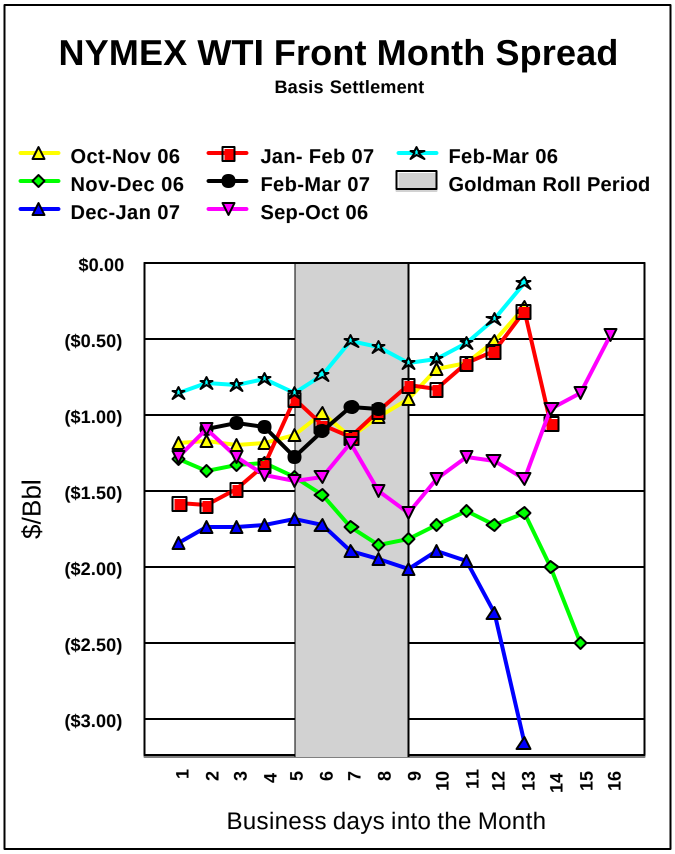
Algeria's Oil Minister Chakib Khelil said OPEC could not do more to reassure oil markets that it is serious about reducing oil supplies. He also stated that he was confident that all OPEC members would comply with their agreement to cut oil supplies by 500,000 bpd from February 1.

Nigeria's Energy Minister Edmund Daukoru said the fall in oil prices may prompt some oil producing countries to delay plans to expand production capacity. He also stated that OPEC should wait to see the impact of supply cuts already agreed before making any further reduction.

The IEA's executive director, Claude Mandil oil prices have fallen to levels justified by supply and demand fundamentals. However he said prices should fall further. He said he agreed with OPEC's assessment that the market was well supplied but added that buyers were still seeking extra stocks because of worries about bottlenecks in both production and refining sectors. In regards to Russia, he stated that the country had to work to regain its credibility as a reliable oil supplier after it halted supplies to Europe due to a dispute with Belarus. Separately, the IEA's executive director also stated it did not expect China to make a firm commitment to use its strategic oil stocks only in cases of shortages. China's strategic crude reserves are expected to reach 100 million barrels in 2008.

According to Oil Movements, OPEC oil exports are expected to increase by 350,000 bpd in the four weeks ending January 27 to 24.5 million bpd. An analyst said he expected OPEC shipments to decline in the next few weeks as shippers prepare to send their last winter season exports from the Middle East to the US and Asia.

Russia restarted the flow of oil through its main oil export pipeline after Belarus dropped an oil transit duty imposed last week and agreed to return 79,000 tons of oil Russia said Belarus had taken illegally. Meanwhile, Total said it started to receive Russian oil from the Druzhba pipeline in Germany. EU Energy Commissioner Andris Piebalgs said all EU countries affected by the halt in Russian supplies were now receiving oil.



Nigerian militants abducted a Nigerian and nine South Korean workers on Wednesday after they broke into a Daewoo Engineering and Construction Company operated site in Bayelsa state. The Movement for the Emancipation of the Niger Delta said it was not involved in Wednesday's attack.

Refinery News

PDVSA has provisionally scheduled two gasoline and one RBOB cargo for end-January loading. The cargoes could be PDVSA's first gasoline export to the US in about four months. One gasoline cargo is scheduled to load on January 25-27 while a second cargo is scheduled to load January 31-February 3. The 240,000 barrel gasoline cargos are scheduled to load at the Amuay refinery for Citgo. One 240,000 barrel RBOB cargo is scheduled to load at Amuay on January 28-30.

Italy's 40,000 bpd Iplom refinery in Busalla has been operating at about 80% of capacity because mild weather has cut heating oil demand.

Royal Dutch Shell may sell some French refineries and other refining and petrochemicals assets after receiving bids. The review would include, amongst other assets, Petit-Couronne and Reichstett-Vendenheim refineries and the Berre-l'Etang refinery site complex in France, with a combined capacity of 300,000 bpd. It would also include the 79,000 bpd Yabucoa petrochemical feedstock plant in Puerto Rico.

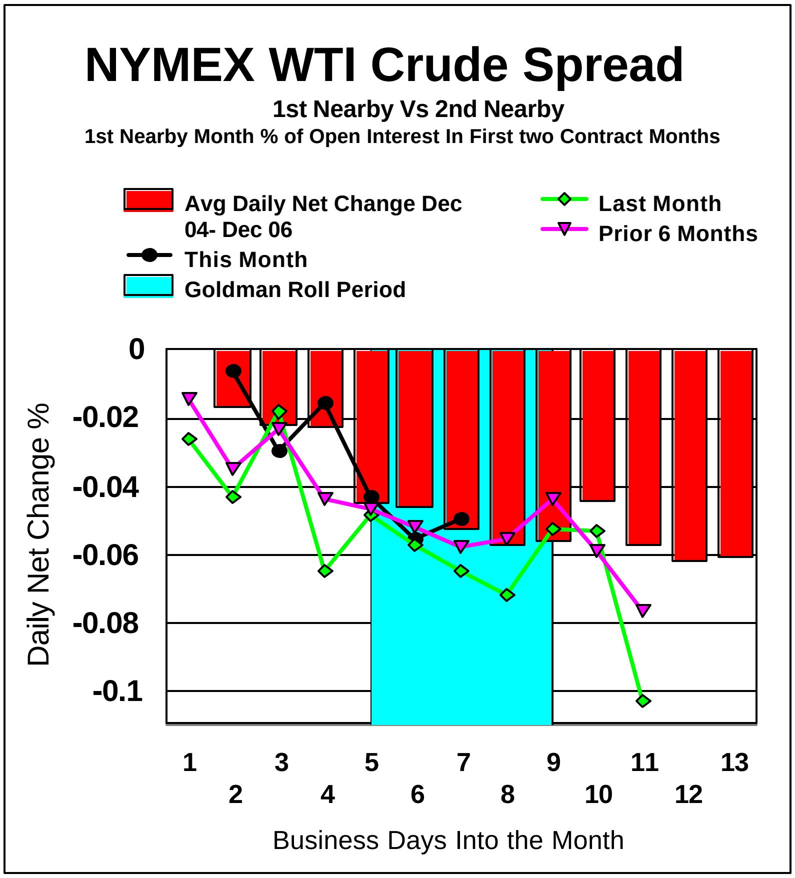
Berthing of oil tankers has been halted at Basra's oil terminal ahead of planned maintenance next week at Iraq's main export terminal. Shipping sources stated that mooring at the terminal was stopped on January 9.

Turkey's Transport Ministry said at least 58 vessels were waiting to pass through the Turkish straits on Thursday after the Bosphorus and Dardanelles straits were closed due to heavy fog.

Gas oil stocks in independent storage tanks in Amsterdam-Rotterdam-Antwerp increased for the fifth consecutive week as mild weather kept demand low. Gas oil stocks increased by 127,000 tons to 1.905 million tons in the week ending January 11 from 1.778 million tons last week. Gasoline stocks fell by 81,000 tons on the week to 802,000 tons while fuel oil stocks fell by 71,000 tons to 639,000 tons. Naphtha stocks increased by 19,000 tons to 84,000 tons while jet fuel stocks increased by 23,000 tons to 341,000 tons on the week.

Traders stated German consumer stocks of heating oil fell to 64% of capacity as of January 1, down from 67% a month earlier. Stocks were however up from last year's level of 56%.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 1.382 million barrels to 11.539 million barrels in the week ending January 11. It reported that light distillate stocks built by 1.062 million barrels to 8.598 million barrels while middle distillate stocks built by 1.472 million barrels to 8.464 million barrels on the week.



The Petroleum Association of Japan reported that the country's kerosene stocks increased to 4.56 million kiloliters or 28.68 million barrels in the week ending January 6, up 7.6% on the week. It reported that Japan's crude stocks fell by 1.69 million barrels to 107.43 million barrels on the week while gasoline stocks built by 160,000 barrels to 13.64 million barrels. Japanese refiners ran their facilities at an average 90.7% of total capacity of 4.83 million bpd, up from 88.7% the week before.

According to customs data, China's net imports of oil products fell by 14.8%on the month and by 54.6% on the year in December to 980,000 tons. Its net imports in January-December increased by 37.9% on the year to 24.03 million tons. China's crude oil imports in December increased by 2.6% on the year to 11.56 million tons or 2.72 million bpd.

Indonesia's Pertamina said the country's diesel oil imports in February would total 6 million barrels while its gasoline imports would total 2.4-2.6 million barrels in February.

Production News

The Shetland Islands Council said Britain's Sullom Voe terminal suspended loading operations due to strong winds on Thursday. Port sources said there were no tankers due to load until Friday.

The North Sea Forties crude system is scheduled to load 536,000 bpd in February, up from 524,000 bpd in January. The North Sea Oseberg crude system is scheduled to load 249,000 bpd in February, up from 219,000 bpd in January. Meanwhile, the North Sea Flotta oil stream is scheduled to load 70,000 bpd in February, up 7,000 bpd on the month.

Denmark's North Sea DUC oil stream is scheduled to load 193,000 bpd in February, down from 213,000 bpd the previous month.

OPEC's news agency reported that OPEC's basket of crudes fell further to $50.56/barrel on Wednesday from $51.17/barrel on Tuesday.

Market Commentary

The oil market opened down 12 cents at 53.90 as the market continued to trend lower. The market held some support at 53.75 and rallied to a high of 54.70 early in the session. However the market, which failed to test its previous high, retraced its gains and continued its recent sell off. Reports of increasing OPEC exports later this month triggered some further selling, which pushed the market below the 54.0 0 level once again. The report raised new questions over OPEC's commitment to its output cut agreements. It later sold off even further as it breached the 53.00 level late in the session. It posted a low of 51.85 ahead of the close and settled down $2.14 at 51.88. Crude volume on Globex was excellent with over 463,316 lots booked during the open outcry session. The heating oil market traded to a high of 155.20 early in the session before it retraced its gains once again and continued to sell off. The market traded to 151.10 and traded sideways before it extended its losses to 4.75 cents as it posted a low of 147.80 ahead of the close. It settled down 4.51 cents at 148.04. The RBOB market also settled down 3.87 cents at 139.05. The market opened relatively unchanged at 143.00 and rallied to a high of 145.80 early in the session. The market, which failed to sustain its gains, later retraced its gains and traded to a low of 142.00, where it held some support. The market however breached that level amid the continuing selling in the oil market. The market sold off to a low of 138.50 ahead of the close. Volumes in the product markets were good with 48,626 lots traded in the heating oil market and 29,535 lots traded in the gasoline market on Globex.

Technical levels			
		Levels	**Explanation**
CL		55.05, 56.20	Previous highs
	Resistance	53.00, 54.70	Thursday's high
	51.88, down $2.14		
	Support	51.80	Thursday's high
		51.19, 50.90	Basis trendline, Previous low
HO		155.30, 156.80, 159.50	Previous highs
	Resistance	150.00, 153.00, 155.20	Thursday's high
	148.04, down 4.51 cents		
	Support	147.80	Thursday's low
		146.10, 141.50	Previous lows
RB		149.00, 149.95	Previous highs
	Resistance	140.00, 142.00, 145.80	Thursday's high
	139.05, down 3.87 cents		
	Support	138.50	Thursday's low
		137.18, 136.69	Basis trendline

The oil market, which continues to trend lower even though it is oversold, is seen retracing some of its sharp losses ahead of the weekend. The market is seen finding some support as declining oil prices are likely to prompt OPEC members to continue to call for full compliance on their recent output cut agreements even though reports show that their exports are expected to increase. The market is seen finding initially support at its low of 51.80 followed by its 51.19 and a previous low of 50.90. Meanwhile resistance is seen at 53.00 followed by its high of 54.70. More distant resistance is seen at 55.05 and 56.20.

The NYMEX crude oil options market continued to see strong trading interest today as puts outpaced calls for the third day in a row and the fifth time out of the last six trading sessions. The $50 put remained the focus of activity as the underlying futures market is approaching a key price level that potentially could trigger substantial selling to cover uncovered options positions. As of this morning the $50 put strike had these number of positions open: February 13, 706; March 8,596; April 20,441; May 8,529; and June 20,466.

NYMEX Petroleum Options Most Active Strikes for January 11, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	6	7	P	50	05/17/2007	2.47	15,489	37.23
LO	6	7	P	57	05/17/2007	5.74	11,120	36.34
LO	7	7	P	50	06/15/2007	2.63	10,115	36.42
LO	2	7	P	50	01/17/2007	0.73	8,750	57.03
LO	2	7	P	52	01/17/2007	1.55	5,507	56.14
LO	2	7	P	51	01/17/2007	1.09	3,979	56.65
LO	12	7	P	55	11/13/2007	5.2	2,900	33.03
LO	3	7	C	57	02/14/2007	1.4	2,746	45.67
LO	6	7	C	60	05/17/2007	2.63	2,555	36.09
LO	3	7	C	62	02/14/2007	0.52	2,505	46.39
LO	3	7	C	58	02/14/2007	1.16	2,413	45.81
LO	4	7	C	80	03/15/2007	0.07	2,100	45.04
LO	3	7	P	78	02/14/2007	25.16	2,000	70.28
LO	4	7	P	55	03/15/2007	4.41	1,800	41.61
LO	2	7	C	54.5	01/17/2007	0.56	1,760	56.12
LO	3	7	P	45	02/14/2007	0.51	1,754	48.64
LO	5	7	C	63.5	04/17/2007	1.36	1,750	38.40
LO	6	7	C	57	05/17/2007	3.63	1,720	36.11
LO	5	7	P	48	04/17/2007	1.71	1,707	39.75
LO	2	7	P	56	01/17/2007	4.41	1,688	56.70
LO	5	7	C	60	04/17/2007	2.1	1,650	38.05
LO	4	7	C	62	03/15/2007	1.12	1,604	41.94
LO	2	7	P	54	01/17/2007	2.81	1,578	56.34
LO	5	7	P	55	04/17/2007	4.56	1,560	38.33
OB	9	7	C	1.7	08/28/2007	0.1272	226	31.11
OB	8	7	C	1.8	07/26/2007	0.0961	225	32.72
OB	8	7	P	1.76	07/26/2007	0.2153	165	32.97
OB	8	7	C	1.66	07/26/2007	0.1424	150	31.82
OB	3	7	C	1.52	02/23/2007	0.0446	100	41.49
OH	2	7	P	1.55	01/26/2007	0.0933	500	41.99
OH	2	7	P	1.84	01/26/2007	0.3597	400	52.29
OH	4	7	P	1.75	03/27/2007	0.2504	400	37.76
OH	2	7	P	1.79	01/26/2007	0.3101	300	47.99
OH	3	7	P	1.73	02/23/2007	0.2368	300	40.45
OH	3	7	P	1.55	02/23/2007	0.1	280	38.03
OH	3	7	C	1.55	02/23/2007	0.0606	210	37.91
OH	2	7	P	1.45	01/26/2007	0.0354	200	41.53
OH	3	7	C	1.62	02/23/2007	0.0388	200	38.61
OH	3	7	C	1.53	02/23/2007	0.0685	200	37.76
OH	3	7	C	1.6	02/23/2007	0.0442	155	38.41
OH	2	7	C	1.55	01/26/2007	0.0238	151	41.91
OH	2	7	C	1.65	01/26/2007	0.0069	150	42.91
OH	2	7	P	1.8	01/26/2007	0.32	110	48.60