



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 24, 2008

The IEA said the US, Britain and Japan are concerned about high oil prices. Officials from the US, Britain, the EU and Japan are scheduled to meet on Friday to discuss the issue in Davos. The IEA will also attend the meeting as an observer. Meanwhile, the IEA's executive director Nobuo Tanaka said the IEA was concerned about the strength of the world economy and said oil producers could help the situation by increasing their production.

Market Watch

The IMF said it sees a period of below potential economic growth for the US but it does not predict a recession for the world's largest economy. It said the Federal Reserve's decision to cut interest rates by 75 basis points was appropriate and helpful.

China's National Statistic Bureau reported that the country's economy expanded by 11.4% over the past year, reaching its fastest growth rate in 13 years. Increased exports and a boom in the construction industry helped the expansion. Officials warned that overheating remained a danger, despite a slight slowdown in the fourth quarter. While other governments around the world are cutting interest rates, China would likely have to increase them again if it wants to keep the economy growing at a sustainable level.

Kuwait's Finance Minister Mustapha al-Shamali said Kuwait has assumed an oil price of \$50/barrel in calculating its proposed 2008/09 budget. The budget bill forecast a deficit of 5.12 billion dinars or \$18.75 billion and oil revenue of 11.65 billion dinars. Kuwait raised its 2007/08 budget surplus forecast to more than 6 billion dinars due to increased oil revenue and reduced expenses.

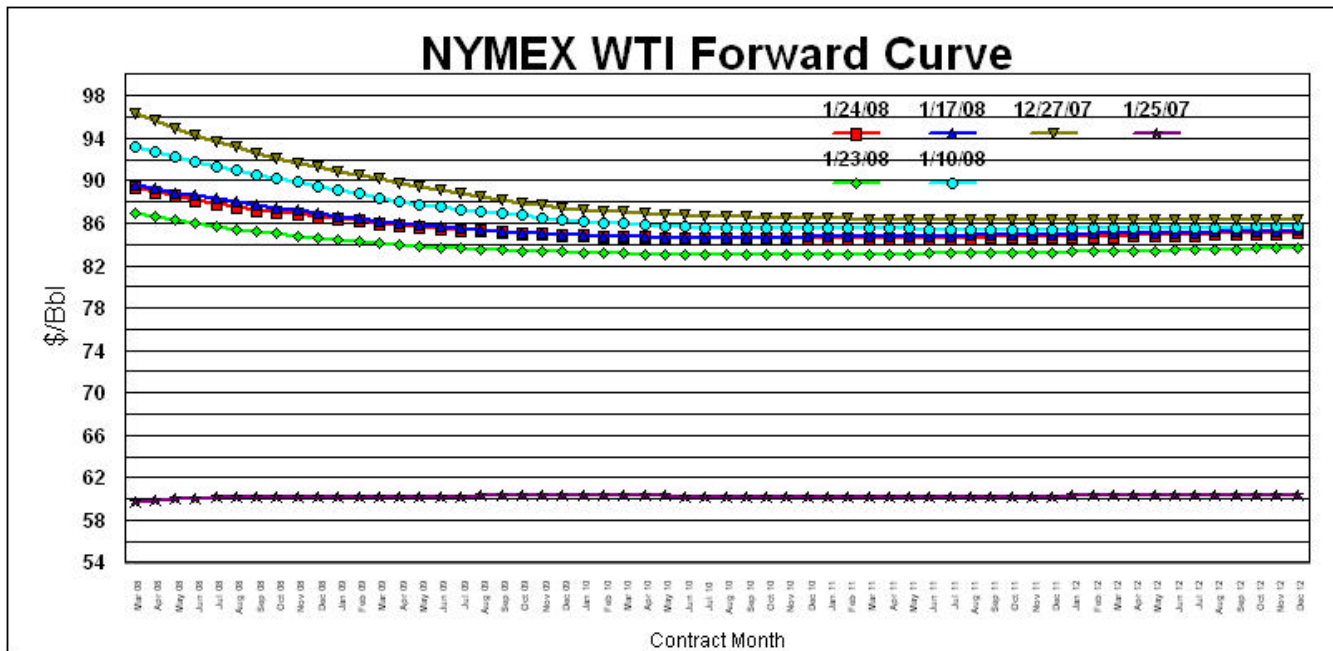
Royal Dutch Shell's chief executive said he saw no reason to panic about the world economic outlook, saying energy demand growth this year would be higher than 2007.

According to Petrologistics, OPEC is expected to produce 32.9 million bpd in January, up 100,000 bpd from the previous month. Export from OPEC's Middle East members are expected to increase by 20,000 bpd in the four weeks ending February 9 to 17.48 million bpd. It reported that Saudi Arabia's oil production would total 9.4 million bpd in January, down from a revised 9.5 million bpd level in December.

Jan Calendar Averages

CL – 93.38
HO – 256.98
RB – 237.41

Oil Movements reported that OPEC crude oil exports are expected to increase by 100,000 bpd to 24.39 million bpd in the four weeks ending February 9. However OPEC exports fell 290,000 bpd in the week between February 2 and February 9, suggesting a weakening export



trend.

The US Department's Nicholas Burns said the new UN sanctions resolution against Iran over its contested nuclear program would be punitive.

The official IRNA news agency reported that Russia delivered a sixth consignment of fuel for Iran's Bushehr nuclear power plant on Thursday. The delivery brings the total nuclear fuel supplied by Russia so far to 66 tons or about 80% of total order of 82 tons. Two additional consignments are due by February.

Refinery News

Colonial Pipeline extended shipping allocations on its main distillate line from Collins, Mississippi to Greensboro, North Carolina to the 7th 5-day cycle of the year.

The US Coast Guard reported that ships were moving normally along three of four ship channels to refineries on the coasts of Texas and western Louisiana after dense fog halted traffic overnight. It said only ships headed to or from the port of Corpus Christi, Texas were halted due to fog Thursday morning. Ship traffic was halted along the Houston Ship Channel for nine hours overnight. Along the Calcasieu Ship Channel to Lake Charles, Louisiana, dense fog made navigation unsafe from late Wednesday until early Thursday. The Sabine River Channel to Port Arthur and Beaumont, Texas was shutdown due to fog early Thursday morning for a few hours.

Valero Energy Corp restarted the Corpus Christi, Texas East Plant's sulfur recovery unit no. 2 following the completion of maintenance. Meanwhile, Valero shut a compressor on a crude unit at its Corpus Christi, Texas refinery following an electrical short. It said the malfunction would have no material impact on production.

A SCOT unit at Total Petrochemical's 232,000 bpd refinery in Port Arthur, Texas was shut on Thursday morning. The unit would be restarted as soon as possible.

A shipping source said Iraq was pumping Kirkuk crude from its northern oilfield to Turkey at a rate of 480,000 bpd after restarting exports on Wednesday. Iraq hopes to increase the rate soon to over 700,000 bpd through its pipeline to the Turkish terminal of Ceyhan. Pumping was halted last week due to a power outage.

Iraq's Oil Ministry reported that Iraq's crude oil exports averaged 1.63 million bpd in 2007, up 9.2% on the year. Iraq's revenues from crude oil sales in 2007 reached \$39.8 billion up 31% on the year.

Norway's StatoilHydro said its Mongstad oil refinery restarted and was operating at about 75% of its 186,000 bpd capacity after a fire forced it to shutdown on Wednesday. StatoilHydro was hoping to resume full operations within a week.

ConocoPhillips has cut runs at its 275,000 bpd Wilhelmshaven refinery in Germany due to poor margins.

Gasoline stocks in independent storage in the Amsterdam-Rotterdam-Antwerp area increased by 109,000 tons on the week and by 150,000 tons on the year to 984,000 tons in the week ending January 24. Gas oil stocks built by 29,000 tons on the week but fell by 625,000 tons to 1.373 million tons while fuel oil stocks built by 93,000 tons on the week and by 91,000 tons on the year to 746,000 tons. Naphtha stocks built by 14,000 tons on the week and 54,000 tons on the year to 133,000 tons while jet fuel stocks built by 99,000 tons on the week but fell by 70,000 tons on the year to 287,000 tons.

A 135,000 bpd crude unit at Singapore Refining Co's refinery is scheduled to shutdown for two weeks in the second quarter to upgrade related facilities. The refinery is expected to maintain its crude processing rates at its full 290,000 bpd capacity.

Four of five South Korean refiners are expected to cut their February crude runs, due to poor margins and seasonally weak demand. Falling profit margins have prompted the refiners to cut overall runs by 5% to 2.37 million bpd. Meanwhile, Japan's Cosmo Oil Co, Taiyo Oil Co and Showa Shell Sekiyu KK have also decided to cut processing rates by 100,000 bpd due to poor kerosene demand. Japan Energy Corp has cut its crude refining volume for January-March by about 10,000 bpd to 433,000 bpd.

Japan's Ministry of Finance reported that Japan's customs cleared crude oil imports in December increased by 1.8% on the year to 23.681 million kiloliters or 4.8 million bpd. Imports from Asia increased by 41.1% to 1.258 million kl while imports from the Middle East fell by 3.2% to 19.92 million kl.

Singapore's International Enterprise reported that residual fuel stocks built by 1.154 million barrels to 14.984 million barrels in the week ending January 23. It reported that light distillate stocks fell by 94,000 barrels to 7.787 million barrels while middle distillate stocks built by 1.763 million barrels to 7.792 million barrels on the week.

According to a preliminary export schedule by Transneft, Russia is expected to cut crude exports to 2.66 million bpd from 2.92 million bpd in January.

Production News

StatoilHydro ASA said that forecasts for the worst North Sea storms so far this winter have led it to cut personnel on a number of North Sea platforms. The platforms affected are Veslefrikk, Huldra, Snorre A, Troll B, Kvitebjorn and Visund.

ConocoPhillips said oil and gas production at the Judy field in the UK North Sea has been shutdown due to an operational problem but should resume full production within the next couple of days. The Judy field produced 6.5 million cubic meters of gas/day and about 25,000 bpd of oil in September 2007.

Azerbaijan's Socar could reduce its output of fuel oil this year by 40-60% as the country becomes less reliant on it. In 2007, Azerbaijan produced 2.8 million tons of fuel oil. Azerbaijan's gasoline production is expected to remain steady at about 1.2 million tons. Production of gas oil should also remain stable at about 2.1 million-2.3 million tons this year.

Malaysia's Kikeh oil field, which is currently producing 40,000 bpd, may reach 80,000 bpd by the end of 2008 and 120,000 bpd by the end of next year.

Indonesia's Pertamina said it planned a joint venture with Petrobras to develop offshore oil and gas fields in Indonesia. Pertamina would hold a 49% stake in the fields while its partners would hold the remaining 51% if the companies win government tenders for oil and gas fields.

OPEC's news agency reported that OPEC's basket of crudes increased to \$84.68/barrel on Wednesday from \$83.84/barrel on Tuesday.

Market Commentary

Prices reacted quite bullishly today to the announcement of the economic stimulus package to be rolled out by the U.S. in order to stave off a recession. This would provide hope for an economic recovery. Perhaps adding to the markets higher move today, were reports of a 'rogue' trader at Societe Generale putting on unapproved trades in the European index futures market. This fraudulent move was discovered over the weekend, forcing the bank to cover these positions earlier in the week. This move may have been the reason behind this week's sell off that spilled over into the energy markets. With this forced liquidation over, index markets rebounded, giving strength to energies. March crude oil trade over \$2.50 higher on the day, settling at \$89.41 but within the downward channel, which was \$90.02 - \$85.90. At the time of this writing, the March crude oil contract was trading above the \$89.37 channel top, which is an indication that the market may have found a near term bottom and could be heading higher. The March/April spread has held the 0.30 cents support level, and appears to be setting up for a test of the 0.60 cent level. Open interest in crude oil is 1,343,167 down 12,422, Feb.08 4,813, down 26,126, March08 383,696, up 9,825 and April08 94,441 up 1,083. The heating oil market remained supported following the release of the DOE report, which reported draws in distillate stocks amid the increase in demand. The market rebounded off a low of 243.25 and extended its gains to over 5.8 cents as it posted a high of 248.15 amid the renewed strength in the crude market.

The heating oil market settled up 5.32 cents at 247.63. Meanwhile, the RBOB market also bounced off a low of 222.70 early in the session amid the

		Explanation	
CL	Resistance	90.67, 90.87, 91.66, 92.57, 94.05, 94.30, 95.75	Previous highs
	89.41, up \$2.42	89.37, 89.75	Thursday's high
	Support	88.90, 88.25, 87.60, 87.01	Thursday's low
		86.55, 85.90, 85.37, 85.25, 82.60, 75.90	Previous lows, Basis trendline, Previous lows
HO	Resistance	252.25, 253.40, 255.78, 260.50	Previous highs
	247.63, up 5.32 cents	247.06, 248.15	Thursday's high
	Support	245.65, 244.50, 243.25	Thursday's low
		242.00, 240.75, 238.84, 233.18	Previous lows, Basis trendline
RB	Resistance	231.74, 237.79	Previous highs
	228.28, up 3.2 cents	228.95	Thursday's high
	Support	226.05, 224.70, 222.70	Thursday's low
		221.83, 221.45, 215.25, 214.78, 210.18	Previous lows, Basis trendline

strength in the crude market. The market retraced its earlier losses and breached its overnight highs as it posted a high of 228.95 late in the session. The RBOB market, which settled up 3.2 cents at 228.28, also breached its downward trending resistance line as it rallied higher. Given the markets' renewed strength, the markets' may have seen their short term bottoms. The markets are seen settling in a sideways trading range and will look to the news on the economy for further direction. In the heating oil, support is seen at 245.65, 244.50, 243.25, 242.00, 240.75, 238.84 and 233.18. Resistance is however seen at 247.06, 248.15, 252.25, 253.40, 255.78 and 260.50. In the RBOB, support is seen at 226.05, 224.70, 222.70 followed by 221.83, 221.45, 215.25, 214.78 and 210.18. Resistance is seen at 228.95, 231.74 and 237.79.