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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 25, 2007

US Energy Secretary Sam Bodman said the Bush administration's plan to increase the size of the US SPR should not affect near term oil prices. US President George W. Bush has called for doubling the size of the SPR from 727 million barrels to 1.5 billion barrels by 2027. The Bush administration plans to start by purchasing 11 million barrels of replacement crude this spring. The move to eventually double the reserve would give US consumers a cushion of 100 days worth of imports to insulate the country from price shocks.

Market Watch

The IEA's chief economist Fatih Birol said the world economy still needs oil prices to fall further and producers to pump more oil. He said producing countries should be increasing their production.

According to the European Renewable Energy Council and Greenpeace, clean energies could supply 50% of world energy demand by 2050 if governments crack down on use of fossil fuels. The forecast is more optimistic for renewable energies than a 2006 report by the IEA, which predicted that the share of renewables would increase fractionally to 13.7% of world energy demand by 2030.

The US CFTC's commissioner Walter Lukken said budget cuts were affecting the agency's ability to monitor futures and options markets. He said unless the agency's funding is restored, futures and options markets overseen by the CFTC may be susceptible to market manipulation and fraud.

National Iranian Oil Co head Gholamhossein Nozari stated that Iran was ready to cut its oil production further if OPEC decided to make additional cuts to stabilize the market.

According to Oil Movements, OPEC's oil exports are expected to increase by 270,000 bpd in the four weeks ending February 10 to 24.56 million bpd. An analyst said there was no sign that OPEC was implementing the 500,000 bpd cut effective February 1. He stated that only 500,000 bpd to 600,000 bpd of the OPEC cut totaling 1.7 million bpd from November 1 had so far been removed from the market.

Refinery News

ExxonMobil said crude run rates at its 563,000 bpd Baytown, Texas refinery returned to normal following a small fire in the pump of a crude unit on Wednesday. The crude rates were lowered to reduce refinery gas production.

ConocoPhillips said it needed to perform maintenance on a tower at unit 7 of its 247,000 bpd refinery in Sweeny, Texas.

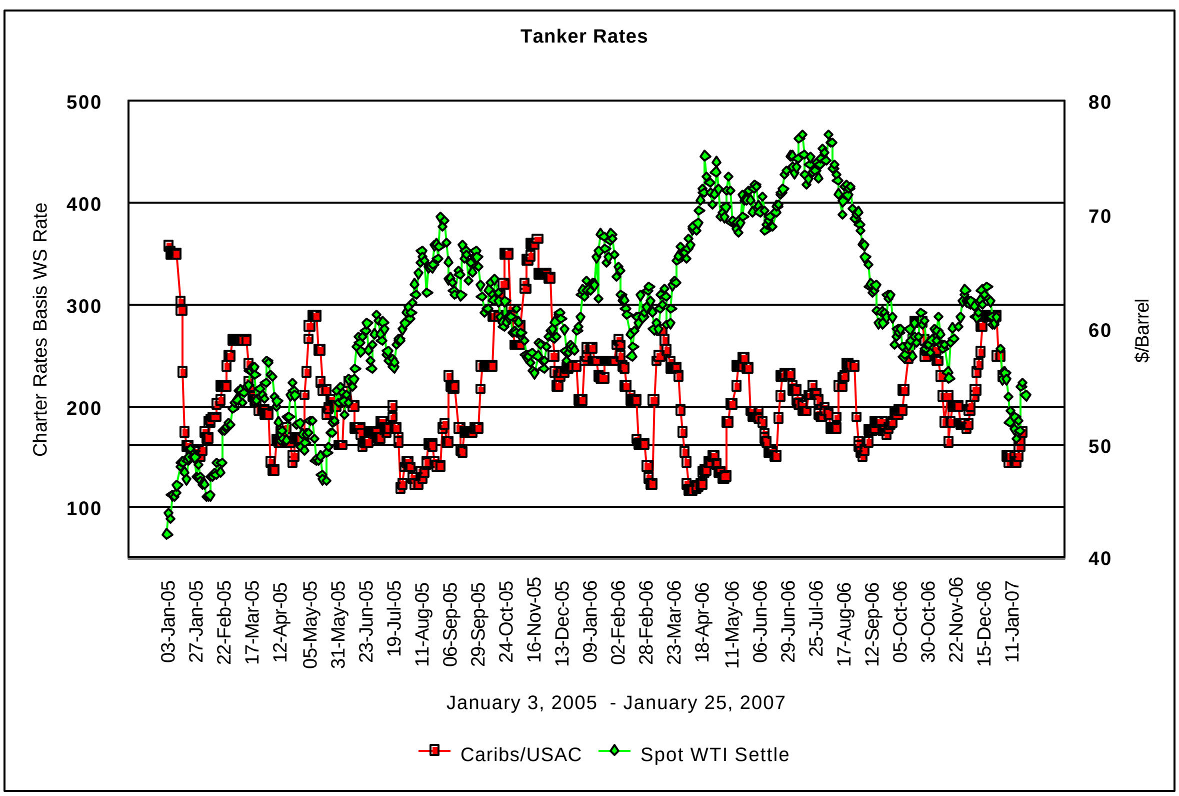
Trade sources stated that BP was planning maintenance work at a 75,000 bpd crude unit in its 410,000 bpd Whiting, Indiana refinery starting in March. It is also planning to perform a turnaround at its 160,000 bpd Toledo refinery.

Suncor Energy Inc said it planned to close its upgrader 2 at its northern Alberta oil sands project for up to 50 days starting in the second quarter to tie in new equipment for an expansion of its production capacity. It is also expected to close its Sarnia, Ontario refinery starting late in the third quarter to tie in equipment that would allow it to process sulfur rich oils.

SK Corp is expected to cut its February crude processing rate as refining margins remain weak. It would cut its February runs by 10,000 bpd on the month to 750,000 bpd.

Oil refiners in Japan are scheduled to shut 14% of capacity for second quarter maintenance, leading to a potential fall in crude purchases. According to a Reuters survey, the April-June shutdowns of crude distillation units would cut an average of 682,000 bpd of Japan's 4.83 million bpd capacity. The majority of the maintenance program is scheduled to take place in May, when an average of 1.02 million bpd or 21% of the country's total capacity would be offline. The scheduled maintenance is likely to draw down product stocks levels. However imports may be lower than the same quarter last year when a series of unexpected outages increased shutdowns to 746,000 bpd or 15% of its total capacity.

Venezuela's PDVSA was in the spot clean tanker market seeking a 38,000 ton capacity clean tanker to load unleaded gasoline at Curacao on February 8-10 for delivery to Iran.



Ukraine's Lysychansk refinery said its throughput fell to 5.323 million tons in 2006 from 6.017 million tons in 2005. The refinery was closed for about a month and a half last year for repairs.

Turkey's Bosphorus Strait was closed to tankers of more than 200 meters or 656 ft in length due to high winds on Thursday. The Dardanelles Strait was open but pilots were not working due to the weather. Tankers faced round trip delays of 19 to 24 days, with delays of 5-8 days in the Bosphorus Strait and 14-16 days in the Dardanelles Strait.

Gas oil stocks in the independent Amsterdam-Rotterdam-Antwerp storage tanks have increased for the seventh consecutive week despite the cold weather in Europe. Stocks of gas oil increased by 68,000 tons on the week and by 48,000 tons on the year to 1.998 million tons in the week ending January 25. Meanwhile gasoline stocks increased by 21,000 tons on the week to 834,000 tons while fuel oil stocks increased by 30,000 tons on the week to 655,000 tons. Naphtha stocks increased slightly by 2,000 tons to 79,000 tons while jet fuel stocks also increased by 22,000 tons to 357,000 tons.

Singapore's International Enterprise reported that residual fuel stocks increased by 1.275 million barrels to 11.642 million barrels in the week ending January 24. It also reported that light distillate stocks increased by 747,000 barrels to 8.61 million barrels while middle distillate stocks fell by 276,000 barrels to 8.158 million barrels.

Japan's Ministry of Finance reported that Japan's customs cleared crude oil imports fell by 0.9% in December to 23.262 million kiloliters or 4.72 million bpd.

Production News

Nigerian gunmen abducted two or three Chinese oil workers in Nigeria's southern state of Bayelsa on Thursday, increasing the number of foreigners held hostage by militants groups to 32. The gunmen, who kidnapped the employees of Chinese National Petroleum Co also looted the company's office in the town of Sagbama.

The EIA reported that Angola's crude oil production is expected to increase by 43% to 2 million bpd by next year. The country's output is pegged at 1.4 million bpd and has 8 billion barrels in total proven oil reserves. Angola's oil production is expected to peak in 2011 at 2.6 million bpd and then start to decline, if no new oil discoveries are made.

China's National Bureau of Statistics reported that the country's crude throughput in December increased by 7.2 on the year to 26.951 million tons. It reported that China's domestic crude production increased by 2% on the year in December to 15.252 million tons. Its gasoline production in December increased by 7.9% on the year to 5.005 million tons while its kerosene production increased by 8.6% to 745,100 tons. Its diesel production increased by 5.3% to 10.152 million tons while its fuel oil production fell by 8.9% to 1.841 million tons. Meanwhile China's General Administration of Customs reported that China's crude oil imports in December increased by 2.6% on the year to 11.56 million tons. For the full year, crude imports increased by 14.4% to 145.18 million tons.

According to Reuters, China's apparent oil demand in December increased by 2.6% on the year to 6.69 million bpd. China's apparent demand for 2006 was estimated at 6.68 million bpd, up 7.6% on the year.

South Korea's demand for petroleum products in 2007 is estimated to increase by 1.4% to 775 million barrels due to higher naphtha demand by petrochemical companies.

Italy's Eni said it would reevaluate the costs and schedule for its Kashagan project in Kazakhstan in coming weeks. Eni has estimated Kashagan costs at about $15 billion, up from an original projection of $10 billion. The project is expected to start producing in 2009.

OPEC's news agency reported that OPEC's basket of crudes increased by $1.32/barrel to $50.84/barrel on Wednesday.

Market Commentary

The crude market traded higher early in the session as it continued to trend higher after the market settled above the 55.00 level on Wednesday. The market, which opened down 22 cents at 55.15, rallied to a high of 55.90 in follow through buying. It however gave up its gains and sold off below the 55.00 level on profit taking. The crude market extended its losses to $1.27 as it sold off to a low of 54.10 late in the session. Contrary to reports that OPEC was implementing its output cuts, Oil Movements reported that compliance by OPEC to its agreed November production cut was still below target and that there were no signs that OPEC members were implementing their cuts due to start in February, prompting the profit taking. The market settled down $1.14 at 54.23. Volume in the crude market was good with over 259,000 lots booked on the day. The heating oil market also settled sharply lower, down 3.48 cents at 154.91. The market traded to a high of 160.00 early in the session but quickly gave up its gains amid the profit taking in the oil market. The market extended its losses to 3.69 cents as it posted a low of 154.70 ahead of the close. The market traded lower as the 8-14 day weather forecasts moderated from previous forecasts. Meanwhile, the RBOB market also rallied to a high of 150.00 early in the session before it erased its gains ahead of the close. The market sold off to a low of 143.10 ahead of the close and settled down 1.75 cents at 144.41. Volumes in the product markets were good with 52,541 lots booked in the heating oil market and 44,154 contracts booked in the RBOB market.

The oil market will likely retrace some of today's sharp losses ahead of the weekend. However its upside is limited as the market failed to sustain its gains after it continued to trade above the 55.00 level early Thursday. The market will remain headline driven as traders seek further confirmation on whether OPEC members have complied with their cuts. Resistance is seen at 54.50, 55.00 and its high of 55.90. More distant resistance is seen at 55.95 and 57.05. Meanwhile, support is seen at its low of 54.10 followed by 53.55 and 53.00.

Technical levels

		Levels	Explanation
		55.95, 57.05	Previous highs
	Resistance	54.50, 55.00, 55.90	Thursday's high
CL	54.23, down $1.14		
	Support	54.10	Thursday's low and 38% retracement (51.20 and 55.90)
		53.55, 53.00, 52.15	50%, 62% retracements, Previous low
		162.00	Previous high
	Resistance	157.00, 160.00	Thursday's high
HO	154.91, down 3.48 cents		
	Support	154.70	Thursday's low
		154.20, 153.00, 149.50	Previous lows
		152.70	Previous high
	Resistance	146.00, 148.10, 150.00	Thursday's high
RB	144.41, down 1.75 cents		
	Support	143.10	Thursday's low
		141.00, 140.10, 137.10	Previous lows