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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 2, 2005

A senior Iraqi official said Iraq is aiming to keep its southern oil exports near 1.5 million bpd this month, in line with a reduced export target set for February through June. Iraq's SOMO had secured Basra Light term contract volumes of 1.6 million bpd for the first half of 2005, but was forced to cut that volume by 10% from February due to technical reasons. The country's northern exports have been shut since an attack on the Iraq-Turkey pipeline on December 18. Oil officials do not expect sales of Kirkuk crude to resume for at least a week, provided the pipeline is not sabotaged once again.

Separately, saboteurs blew up a section of an oil pipeline running from northern oil fields to a refinery near Baghdad on Wednesday.

Market Watch

A brief arbitrage window to the US Gulf has supported North Sea crude prices in the last month. However traders said that the US crude's premium over Brent now looks too narrow to sustain further transatlantic shipments. Traders stated that about four million barrels of spot North Sea crudes and a larger than usual flow of West African grades have been fixed to the US for the first half of February, in addition to regular and term shipments. However they stated that unless shipping rates decline or demand from Gulf Coast refineries increases, North Sea crude is too expensive to move west using spot economics.

Russia's Energy Minister Yuri Trutnev said that Russia and Norway are scheduled to begin a new round of talks to resolve a 30 year boundary dispute in the Barents Sea.

Citgo's President Felix Rodriguez said Venezuela's PDVSA has not decided whether to sell its US refining and marketing branch Citgo, but it is reviewing the company's operations. Venezuela's President Hugo Chavez has criticized the terms under which PDVSA ships about 1.5 million bpd of crude oil and products to the US, mostly through its Citgo operations. He has stated that he wants to diversify Venezuela's oil relations beyond its traditional past dependence on the US.

Qatar's Oil Minister Abdullah al-Attiyah said OPEC producers would under normal circumstances wait until their mid-March meeting before deciding on possible production cuts. OPEC decided on Sunday to leave current production quotas unchanged but stated that it could coordinate possible cuts by telephone before the March meeting it saw stock levels increasing too fast and pressuring prices.

OPEC's news agency reported that OPEC's basket of crudes increased by $0.33/barrel to $41.28/barrel on Tuesday from $40.95/barrel on Monday.

Refinery News

Canadian Oil Sands Trust stated that mechanical problems have delayed the restart of Syncrude hydrogen plant. It is not yet known when the facility will return to operation. The problem has prompted it to move up scheduled maintenance on a coker unit.

Japan's Cosmo Oil Co said it planned to refine 2.49 million kiloliters or about 559,300 bpd of crude oil in February. The planned crude run is down 7% from February of last year due to low demand for fuel oil.

Production News

The US Minerals Management Service reported that 14 major platforms on the US Gulf of Mexico shelf, 2 deepwater fields and 17 pipelines remain shut due to hurricane damage. It said the US Gulf of Mexico is operating at 92.02% of its oil production capacity and 96.27% of its natural gas production capacity.

Nigeria increased its crude oil export loading rates for February following the return of more than 100,000 bpd of Bonny Light output after a community dispute. Traders stated that about 61.8 million barrels of crude were set to load in February.

According to the Shetland Islands Council, Brent blend crude oil liftings from the Sullom Voe terminal stood at 328,259 tons in the week ending February 1.

According to the Aberdeen Petroleum Report, UK oil production in November increased by about 10% or 157,000 bpd from the previous month to 1.715 million bpd.

Russia's Energy Ministry reported that the country's oil production fell in January for the fourth consecutive month due to seasonal factors and falling output following the auction of Yukos' Yuganskneftegaz unit. It showed that oil production fell to 9.28 million bpd in January from 9.33 million bpd in December. The data showed that output at Yuganskneftegaz fell to 1.002 million bpd from its usual 1.04 million bpd despite Rosneft's claims that it managed to stabilize production. Meanwhile Russia's seaborne crude oil exports increased by 25% year on year in January to 9.99 million tons or 2.36 million bpd. Russia's exports through the Transneft pipeline system increased by 10% in January to 3.92 million bpd compared with January 2004. Separately, oil transit through Russia increased by 4.4% on the year to 1.78 million metric tons. Transit of oil from Kazakhstan amounted to 1.575 million tons in January.

Russia's Rosneft said China has agreed to pay the company $6 billion as prepayment for oil supplies. However Rosneft said the money has not been used to finance Rosneft's purchase of Yuganskneftegaz. Rosneft has agreed to supply 48.4 million tons of crude oil until 2010. It stated that the oil would come from its own core subsidiaries, not Yuganskneftegaz. Separately, Rosneft stated that it will export more than 3 million tons of crude oil or 60,000 bpd via its Belokamenka re-export facility in 2005.

Gas oil exports from the former Soviet Union via Baltic and Black Sea ports increased in January as milder than usual weather cut domestic heating demand. Total gas oil shipments increased to 3.2 million tons last month, up 91,000 tons or 2.9% from December. Total fuel oil exports fell by 73,000 tons to 3.67 million tons in January.

India's Oil and Natural Gas Corp is negotiating a deal to lend $4 billion to Russia's Rosneft and spend $2 billion to buy a part of the oil assets of Russia's Yukos. An official said ONGC was likely to acquire 16-17% equity in Yuganskneftegaz.

Kazakhstan's Prime Minister Danial Akhmetov said it was still seeking to become an equal partner in an Eni-led Kashagan oil group after a new round of talks with the group ended. He said Kazakhstan may seek to buy out all of British BG's 16.67% stake in the oil consortium exploiting the Kashagan field in the Caspian Sea.

Australia's Mutineer-Exeter oilfield may come onstream several month ahead of schedule, with the first cargo of the light sweet crude forecast to load by the end of March or early April. The Mutineer-Exeter oilfield had been expected to start up this July with a plateau production of about 100,000 bpd.

The Petroleum Association of Japan reported that inventories of kerosene in Japan fell by 10.2% in the week ending January 29 to 3.027 million kiloliters, down from 3.37 million kl the previous week. It also stated that Japanese refiners processed a combined 4.16 million bpd in the week, down from 4.32 million bpd the previous week.

China's gasoline exports fell 14% in February to about 370,000 tons from the previous month as exporters held back supply ahead of the heavy demand period during Chinese New Year.

Industry sources stated that a total of 1.85 million tons of fuel oil arbitrage cargoes from the West will arrive in Asia in February. They stated that another 730,000 tons have been fixed for March so far, with more expected. Traders expect about 200,000-400,000 tons to spill over from cargoes which arrived in late January. However most of the cargoes are high grade materials, creating a shortage of bunker grade 380-centistoke. The supply squeeze is also worsened by the unexpected removal of at least 300,000 tons of high viscosity Saudi cargoes from the market.

Market Commentary

The oil market opened relatively unchanged at 47.15 and traded in a range from 47.10 to 47.45 as traders awaited the release of the weekly petroleum stock reports. The market however quickly sold off and posted an intraday low of 46.45 amid the weakness in the gasoline market following the unexpected builds reported in gasoline stocks. The market found support at its low and retraced all of its losses as it posted an intraday high of 47.55. It later retraced most of its gains as it traded back towards the 46.60 level ahead of the close. It settled in negative territory for the second consecutive session, down 43 cents at 46.69. Volume in the crude was lighter with 167,000 lots booked on the day. Similar to the crude market, t he heating oil market continued to trade within Monday's trading range. The market opened 41 points higher at 131.80 and rallied to a high of 133.50 ahead of the release of the DOE and API reports. However the market quickly erased its gains and sold off to a low of 129.40 amid the weakness in the gasoline market. The market

Technical Analysis			
		Levels	**Explanation**
		47.55, 48.10, 48.25-48.60	Wednesday's high, Previous high, Remaining gap
	Resistance	47.10, 47.35	
CL	46.69, down 43 cents		
	Support	46.60, 46.45	Wednesday's low
		46.05, 45.20	Previous lows
		133.50, 134.55, 135.00	Wednesday's high, Previous highs
	Resistance	131.50, 132.10	
HO	129.70, down 1.69 cents		
	Support	129.30	Wednesday's low
		128.35, 125.93, 125.50	Monday's low, 62% (116 and 142), Previous low
		132.50, 134.00, 135.00	Wednesday's high, Previous highs
	Resistance	129.70, 130.90	
HU	129.35, down 2.1 cents		
	Support	128.70	Wednesday's low
		128.10, 127.17, 123.70	Monday's low, 38% and 50% retracement (109 & 138.40)

however retraced its losses and settled in a range for most of the session before further selling ahead of the close pushed it to a low of 129.30. It settled down 1.69 cents at 129.70. Meanwhile, the gasoline market settled down 2.10 cents at 129.35 after the market sold off following the release of the weekly inventory reports. The market which continued to trade within Monday's trading range gapped lower on the opening from 131.30 to 131.10 which it backfilled as it posted an intraday high of 132.50 ahead of the reports. However the market quickly sold off sharply to a low of 128.70 in light of the DOE and API reports showing a build of 1.6 million barrels and 3.855 million barrels, respectively. The market later retraced some of its losses only to trade lower once again as it remained pressured ahead of the close. Volumes in the product markets were good with 46,000 lots booked in the heating oil and 43,000 lots booked in the gasoline market.

The oil market is seen continuing to trend lower following today's trading. The crude market's stochastics still have further room to the downside. The market is seen finding initial support at 46.60 followed by its low of 46.45. More distant support is seen at 46.05 followed by 45.20. Meanwhile resistance is seen at 47.10, 47.35 and 47.55. More distant resistance is seen at its high of 48.10 followed by 48.25-48.60.