



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 10, 2009

US President Barack Obama insisted on Monday that only the government could lift the economy out of the deep recession it is in. He urged Congress to act in the coming weeks on an \$800 billion economic stimulus package. He also said he saw the possibility of diplomatic openings with Iran in the coming months. The US House of Representatives approved an \$819 billion economic recovery plan last week. On Tuesday, the US Senate voted to approve its \$838 billion

Market Watch

According to the Commerce Department, US wholesale inventories fell by 1.4% in December to \$427.50 billion. Inventories fell by a revised 0.9% level in November. Sales of US wholesalers fell by 3.6% in December to a seasonally adjusted \$336.07 billion. The inventory to sale ratio measuring how many months it would take for a company to deplete its current inventory, increased to 1.27, up from 1.24 in November.

BP Plc said long term global energy demand is still resurgent despite the economic downturn and added that energy companies should not stop investing in new capacity. It said over the next decade BP will invest an average of \$6 billion a year in its US operations.

According to a study by Sandia National Laboratories and General Motors Corp, the US could replace nearly one-third of its gasoline consumption with ethanol mainly made from plant waste and special energy crops in about 20 years. It said about 75 billion gallons of ethanol/year could be made from non-food cellulosic feedstock and 15 billion gallons would come from traditional corn-based ethanol by 2030. However the price of oil would have to increase to about \$90/barrel to make cellulosic ethanol competitive.

The Sao Paulo Sugarcane Industries Association reported that Brazil's ethanol consumption will average 1.7 billion liters in February, up 30% on the year.

Suncor said it has sold forward much of its 2009 and 2010 oil production above current prices. It hedged 125,000 bpd of production from February 1-December 31, 2009. It is in addition to an existing option to sell 55,000 bpd at a floor price of \$60/barrel. It also hedged 50,000 bpd of 2010 production at a floor price of \$50/barrel and ceiling of \$68/barrel.

Thai Airways International said it would have no fuel hedging contracts from April, down from levels of 17% of fuel needs in February and March in light of the fall in oil prices. It previously locked in 17% of jet fuel requirements at about \$75/barrel.

Hundreds of British workers will hold protests at power stations on Wednesday, the latest in a wave of strike action over the use of foreign contractors on major construction projects in Britain. Up to 1,000 workers are expected to demonstrate at the Staythorpe power station and the Isle of Grain plant. A petition will also be delivered to Prime Minister Gordon Brown disputing labor rules that allow engineering companies to hire workers from elsewhere in the European Union.

API Stocks

Crude – down 1.996 million barrels
Distillate – up 853,000 barrels
Gasoline – down 2.923 million barrels
Refinery runs – down 2%, at 81.9%

economic stimulus plan. Lawmakers from the House and Senate will gather to iron out the differences between the two versions of the legislation, with the goal on both sides of completing the bill within a week. They will start negotiations possibly as soon as Tuesday to reach agreement. The Obama administration announced a wide ranging economic stimulus rescue plan that could cost

upward of \$1 trillion to implement. The plan aims to stabilize the US financial system by injecting capital into banks, helping to determine prices of toxic assets weighing on the firms' balance sheets and stemming foreclosures. Separately, White House spokesman Robert Gibbs said US President Obama will address a joint session of Congress on February 24th.

Kuwait's Oil Minister Sheikh Ahmad al-Abdullah al-Sabah said oil prices will continue to fall in the coming weeks as demand falls and the outlook for the world economy remains gloomy. He said global demand for oil will fall until optimistic economic signs emerge. He said any OPEC action should take into account the current weakness in the world economy.

Iran's ISNA news agency reported Iran's OPEC Governor, Mohammad Ali Khatibi said that oil producers agreed that \$70-\$90/barrel was the right range for crude and more action was needed to push oil prices in that direction.

Algeria's OPEC minister Chakib Khelil believes oil prices have started to stabilize and is not expecting much more demand destruction as a result of the economic crisis. He reiterated that there was a 50% chance OPEC would decide to make additional cuts at its next meeting on March 15. He said if prices fell below the \$40-\$50/barrel range, then it was likely OPEC would act next month.

The EIA reported in its Short Term Energy Outlook that world oil demand in the current quarter is expected to fall by 1.5% or 1.33 million bpd on the year to 85.06 million bpd in the face of the deepening economic crisis and high levels of supply. It cut its demand projection by 330,000 bpd from the January forecast. In major industrialized countries that comprise the OECD, demand is expected to fall by 1.71 million bpd or 3.5%. In the second quarter, demand is expected to fall by 1.8 million bpd or 2.1% to 83.44 million bpd, up 370,000 bpd from its previous estimate. For all of 2009, world oil demand is expected to fall by 1.17 million bpd or 1.4% to 84.7 million bpd, down 400,000 bpd from its previous estimate. OECD demand in the year is expected to fall by 1.61 million bpd or 3.4% to 46.08 million bpd, down 330,000 bpd from its previous estimate. Non-OECD demand in 2009 is expected to increase by 450,000 bpd or 1.2% to 38.63 million bpd. China is expected to make up 250,000 bpd of that growth, with demand increasing by 3.1% on the year to 8.23 million bpd. It reported that oil inventories in the OECD countries were enough to cover 52 days of forward demand at the end of 2008. US oil demand in 2009 is expected to fall by 460,000 bpd or 2.4% to 19.02 million bpd. In 2010, the EIA projects, the expected economic recovery will increase oil demand by 220,000 bpd or 1% to 19.24 million bpd. US gasoline demand is expected to average 8.89 million bpd in 2009 and 8.93 million bpd in 2010, unchanged from its previous forecast. US distillate fuel demand is estimated at 3.85 million bpd, down 200,000 bpd from its previous estimate while demand in 2010 is estimated at 3.91 million bpd, down 100,000 bpd from its previous forecast. In regards to OPEC, the EIA forecast that the group's surplus oil production capacity would exceed 5 million bpd by the end of 2010. It estimates OPEC cut its oil production by 1 million bpd in the fourth quarter to 30.7 million bpd while output from OPEC is expected to fall by a further 1.6 million bpd in the first quarter of 2009. In regards to prices, the EIA estimated that WTI will average \$43.14/barel in 2009, down 57% from last year's level. It is down 11 cents from its January forecast. The EIA held its 2010 forecast at \$54.50/barrel. US average retail price of gasoline for 2009 is estimated at \$1.95/gallon, up 8 cents from its previous

February Calendar Averages

CL – \$39.95

HO –\$1.3394

RB – \$1.2216

forecast. The EIA said diesel fuel should average \$2.28/gallon in 2009 and \$2.55/gallon in 2010, up 1 cent from its previous forecast.

IEA executive director Nobuo Tanaka said the IEA will likely cut its forecast for 2009 world energy demand this week due to the worsening prospects for the world economy. The IEA last cut its estimate for world oil demand by 940,000 bpd to 85.3 million bpd in January but will revise its estimates to take into account the IMF's lower forecast for world economic growth. He also reiterated that low oil prices could backfire on consumers by discouraging investment in new oil production capacity as well as renewable energy and conservation measures.

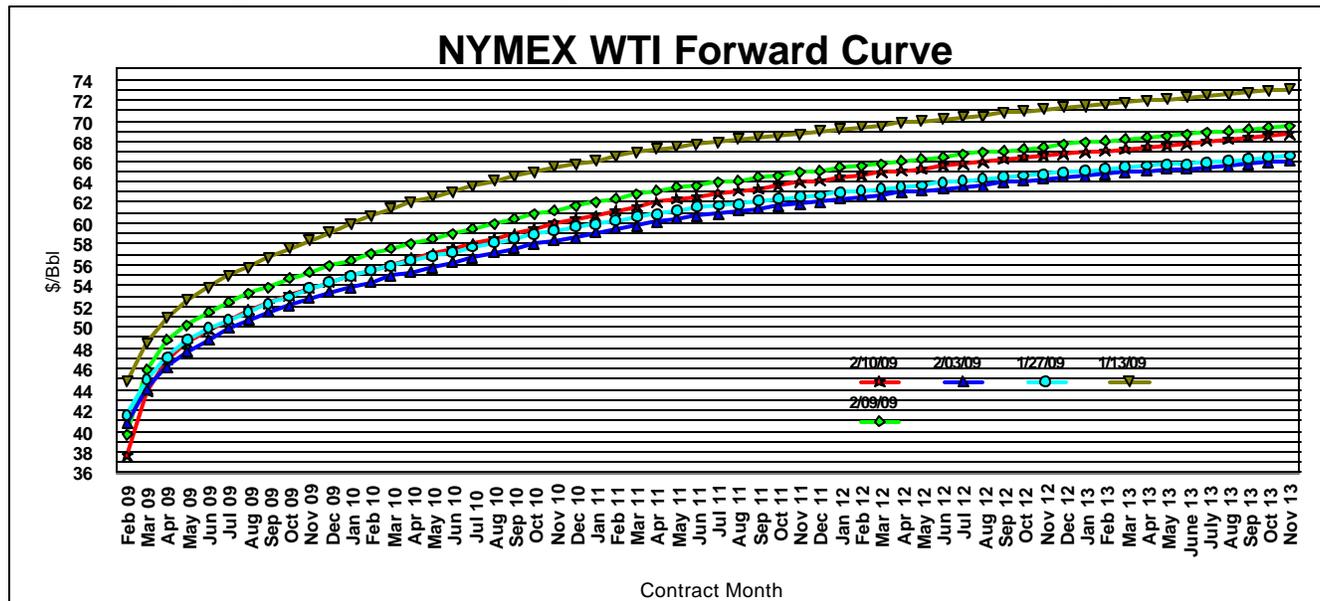
Euroilstock reported that Europe's total oil and oil product stocks in December fell by 0.2% on the month or by 1.4% on the year to 1.113 billion barrels. It reported that crude oil stocks increased by 0.9% on the month and by 0.5% to 478.81 million barrels while gasoline stocks increased by 0.7% on the month but fell by 12.5% on the year to 121.89 million barrels. Middle distillate stocks increased by 0.5% on the month and by 1.4% on the year to 370.13 million barrels. The average refinery utilization rate was 86.79% in January, down from 90.29% in December and 91.91% in January 2008.

Total oil workers in Nigeria protesting outside the company's Port Harcourt offices for a second day on Tuesday to demand tighter security in the Niger Delta will return to work on Wednesday. Nigeria's Pengassan oil workers union had threatened to strike starting Monday but postponed the action. The Total branch of the union however proceeded with the protest.

Separately, a two day strike by Nigerian freight and forwarding agents, protesting high charges, is further impacting cargo congestion at Lagos, where over 90 oil tankers and cargo ships were waiting to berth. A union official said the strike, which has so far affected the Lagos seaport, may be extended to those in the southern cities of Port Harcourt, Warri and Calabar unless there was a reduction in fees.

A fire off the coast of Dubai on Tuesday was caused by a possible collision between a tanker carrying petroleum products and container vessel. The oil tanker was carrying about 30,000 tons or \$9 million worth of oil condensates from Iran to the UAE port of Jebel Ali.

Vice chairman of the Joint Chiefs of Staff, Gen. James Cartwright said Iran displayed "rudimentary" space launch capability when it put a satellite into orbit last week and added that it is now on a path to have a long range missile. On Tuesday, Iran's President Mahmoud Ahmadinejad said Iran will



welcome true changes and is ready for dialogue in a climate of equality and mutual respect. His comments came after US President Barack Obama renewed his call for direct talks with Iran.

Refinery News

US crude oil distillation refining capacity increased for the sixth consecutive year reaching 17.61 million bpd at the beginning of 2009, according to the EIA. Refining capacity during 2008 increased by 16,000 bpd or 0.1% on the year.

BP Plc reported a process upset in an unspecified unit at its 265,000 bpd refinery in Carson, California on Monday.

Royal Dutch Shell Plc is planning a shutdown at its Anacortes oil refinery in the US northwest. The maintenance and repairs will last from late February to early April and will reduce fuel production during the maintenance period. Shell however said it will bring additional supply to prevent shortages.

Total SA is planning to shut a unit at its 360,000 bpd Antwerp oil refinery for maintenance next month. A platformer unit will be shut next month for a few weeks.

Libya's Tamoil SA will shut its 50,000 bpd Collombey refinery in Switzerland for maintenance next year. The refinery will halt production in spring next year and again in the summer of 2011 for routine maintenance.

GC Caltex Corp is cutting its fuel oil export volumes by 30% to 70,000 tons this month from 100,000 tons in January. The refiner has cut its February crude runs to slightly under 600,000 bpd from 620,000 bpd earlier in the month.

India's Reliance Petroleum sold a diesel parcel from its new refinery in January. Reliance Petroleum in December began processing crude at the new facility, which is adjacent to Reliance Industries' existing 660,000 bpd refinery at Jamnagar. After it reaches full capacity, the new refinery and the existing plant will make the Jamnagar complex the world's largest supplier of fuels to the world market, pumping out 1.24 million bpd.

Indonesia's Pertamina restarted a 12,000 bpd fluid catalytic cracking unit at its 120,000 bpd Musi refinery earlier this month. Separately, Indonesia's Pertamina pledged to step up security at its operations, including refineries and oil depots after a fire badly damaged a major depot in the capital last month. The fire killed a security guard and briefly triggered panic buying at petrol stations in parts of Jakarta although authorities said there was no evidence of sabotage.

Production News

Saudi Aramco has left March crude oil allocations for a number of European refineries in the Mediterranean region unchanged.

In March, a total of 42.4 million barrels of North Sea Brent, Forties, Oseberg and Ekofisk crude oil will be loaded, up from February's 40.6 million barrels. On a barrel a day basis, March's volume is lower at 1.37 million bpd compared with 1.45 million bpd in February. The North Sea Ekofisk crude oil stream is scheduled to load 379,000 bpd or 11.75 million barrels in March.

Exports of Iraqi oil from Turkey's port of Ceyhan were delayed by up to five days due to a payment dispute between Iraq and Turkish companies. A dispute over payment has resulted in Turkish authorities requiring the amount of Iraqi Kirkuk crude held in storage at the terminal to be increased. An Iraqi oil official confirmed the delays but said the delays were due to logistical issues.

Ecuador's central bank reported that the country's oil exports totaled 127.35 million barrels or 348,909 bpd in 2008, up 3% from 124.1 million barrels or 339,994 bpd in the previous year.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$43.85/barrel on Monday from \$43.30/barrel on Friday.

Market Commentary

The oil market was supported early in the session amid the expectations that the approval of a stimulus plan would increase demand for energies. However the market sold off throughout the session as some pundits expressed doubt that the economic stimulus package would prevent demand from weakening further. The oil market fell in concert with US equities as the Dow fell by 381.99 or more than 4.6% amid the uncertainty after Treasury Secretary Timothy Geithner outlined a plan that could cost \$1 trillion in new commitments. The crude market sold off its high of \$41.80, breaching its support at \$38, to a low of \$37.37 on further selling ahead of the close. The market was further pressured ahead of the release of the EIA's weekly petroleum stocks report, which is expected to show build of 3 million barrels in crude stocks. The market settled down \$2.01 at \$37.55, the lowest settlement since January 16th when the market settled at \$36.51. The market is seen finding support at \$37.37, \$32.25 and \$29.66. The March/April crude spread remained under pressure with the spread settling at \$6.21. While the RBOB market also settled in negative territory, it was the strongest market in the complex. It posted a higher low and higher high for the fifth consecutive trading session. The market, which posted a high of \$1.3078, retraced its gains as it sold off to a low of \$1.237 amid the losses in the rest of the complex. The market tested its resistance at \$1.28 several times before it sold off ahead of the close and settled down 32 points at \$1.2439. The RBOB market remains within its trading channel, with resistance set at \$1.3082 basis its trendline. The RBOB crack continued to trend higher, with the April crack settling up at \$11.893. Resistance is seen at \$14.15. Similarly, the heating oil market posted a high of \$1.4084 before it sold off to a low of \$1.2967 late in the session. It settled down 5.09 cents at \$1.3014. The market is seen finding support at \$1.2967, \$1.2785, \$1.2571 and \$1.2396 while resistance is seen at \$1.35, \$1.4084, \$1.4232 and \$1.44.

Crude Oil (CL) MAR.09 235,028 -40,314 APR.09 211,244 +22,383 MAY.09 90,173 +8,898 Totals: 1,228,280 -5,112 Heating oil MAR.09 53,462 -3,383 APR.09 40,982 +1,976 MAY.09 30,991 +1,739 Totals: 249,487 +1,285 NEW YORK HARBOR RBOB GASOLINE MAR.09 51,824 -5,030 APR.09 42,649 +3,142 MAY.09 23,242 +645 Totals: 186,155 -642.

The crude market gained about 20 cents following the release of the mostly supportive API report. It reported that crude stocks fell by 1.996 million barrels on the week, with a draw of 3.232 million barrels in Padd 3 alone. It reported the draw in stocks despite the increase in crude imports of 812,000 bpd to 9.627 million bpd while crude runs fell by 432,000 bpd to 14.037 million bpd. The API reported a large draw in gasoline stocks of 2.923 million barrels on the week, with a draw of 2.119 million barrels in Padd 1. It reported the draw as apparent demand increased by 6.4% on the week to 9.39 million bpd while apparent demand basis its three week moving average increased by 0.7% on the week to 9.087 million bpd. The API reported that distillate stocks built by 853,000 bpd on the week. It showed a build of 1.157 million barrels in Padd 1. It reported the build in stocks as apparent demand fell by 5.3% on the week to 4.322 million bpd while apparent demand basis its three week moving average fell by 3.2% on the year to 4.525 million bpd.

Crude Support	Crude Resistance
37.37, 32.25, 29.66, 28.63, 26.65, 25.50	41.80, 42.68, 43.44, 43.60, 48.77
Heat Support	Heat resistance
1.2967, 1.2785, 1.2571, 1.2396, 1.1895	1.35, 1.4084, 1.4232, 1.44, 1.4813
Gasoline support	Gasoline resistance
1.237, 1.231, 1.2122, 1.1525, 1.0988, 1.0680, 1.0128	1.28, 1.3078, 1.3614