



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 13, 2006

Iran said it was no longer considering a Russian compromise deal intended to overcome an international dispute over Iran's nuclear ambitions. Russia had proposed enriching Iran's uranium in Russian soil. However Iran is unwilling to surrender its right to enrich uranium on its own soil. Iran's Foreign Ministry spokesman Hamid Reza Asefi said Iran was not reconsidering the Russian proposal. He also stated that Iran had no immediate plans to pull out of the nuclear Non-Proliferation Treaty because it was reported to the UN Security Council. Meanwhile Foreign Minister Manouchehr Mottaki said Iran would not use its oil exports as a political tool. Iran's Supreme National Security Council said Iran has not plans to play the oil card at present but could do so if conditions change. Meanwhile Russia's Foreign Minister Sergey Lavrov said Russia would hold another round of nuclear consultations with Iran shortly. The talks

Market Watch

Iran's Finance Minister Davoud Danesh-Jafari said Iran faces a hard choice of rationing gasoline from March 21 or increasing the price of heavily subsidized petrol imports later in the year. Iran's government proposed spending \$4 billion on gasoline imports in the budget for the 12 months to March 20, 2007. However parliament cut its proposed spending to \$2.5 billion.

The EIA will start trading the amount of ultra low sulfur diesel fuel that increases in sulfur content on its way from refineries to storage terminals. Starting April 12, the EIA is scheduled to show volumes of the new product category called downgraded distillate. Essentially, the EIA's new data would document the increase in sulfur levels that occurs and help fill in some of the blanks for the industry.

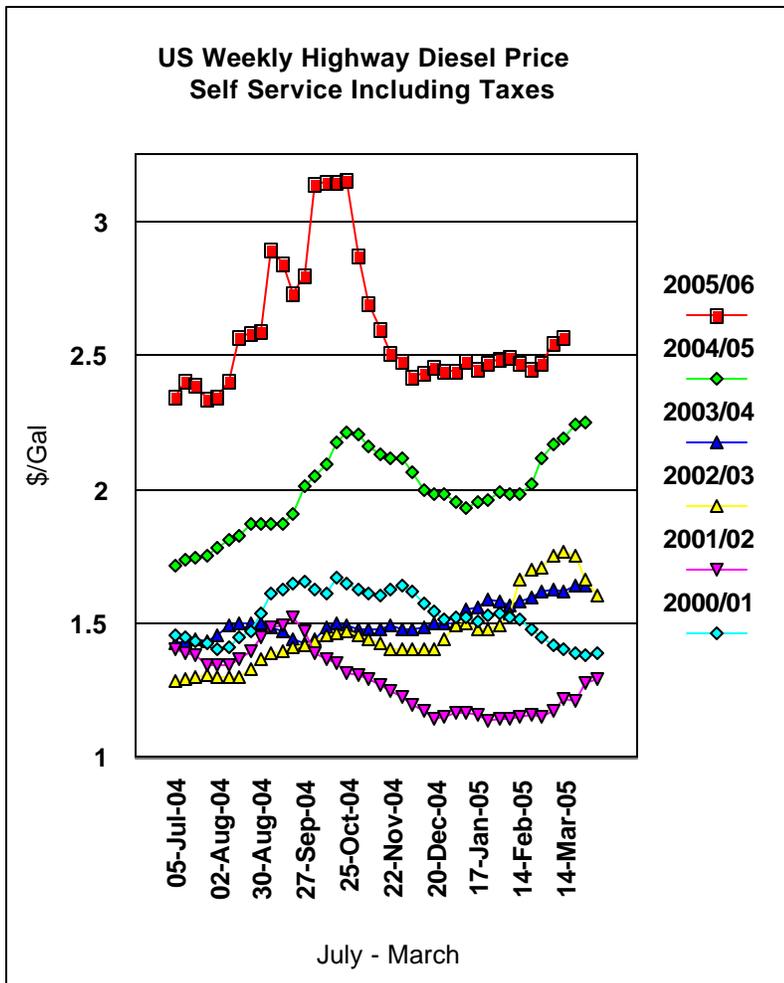
The American Trucking Associations' seasonally adjusted truck tonnage index increased by 0.9% in January, revised up from its previous estimate of 0.6%. Also, December's originally reported contraction was revised up to a 0.2% increase. January's 0.9% increase put the index up at 118.5. The non-seasonally adjusted index increased for the first time since August 2005, increasing 1.8% in January.

The NYMEX extended its ACCESS and Clearport trading hours. NYMEX ACCESS trading hours will end at 9:50 am on Monday to Friday, instead of at 9:30 am. The new trading hours for NYMEX miNY crude oil, heating oil and gasoline futures contracts will be 7:00 pm Sunday through 2:30 pm Monday and 3:15 pm Monday to 2:30 pm Friday with a 45 minute break each day between 2:30 pm and 3:15 pm. The NYMEX also announced that Access will have an additional trading session from 3:15 pm to 5:00 pm each Friday afternoon and preceding all major holidays.

Saudi Arabia's Oil Minister Ali al-Naimi said shares of some oil companies may be sold in initial public offerings by the end of 2006.

According to the International Monetary Fund warned that a severe Avian flu pandemic would likely cause significant harm to the world economy. It added that once the pandemic has run its course, economic activity should recover relatively quickly.

Royal Jordanian Airlines in Amman confirmed that explosives were found at Baghdad airport on Saturday. This prompted the US embassy to prohibit American officials from using the airport for flying out of Iraq until further notice.



could take place in Moscow on Tuesday and Wednesday.

Iran's Economy Minister Dawoud Danesh-Jaffari said the consequences of a possible US backed trade and economic sanctions could have severe effects on the US if oil prices rallied and on European countries due to their trade relations with Iran. He also stated that if Iran's banking transactions were put under added restrictions, Iran would shift to other international currencies.

The Washington Post reported that the Bush administration intends to mount a campaign against Iran's religious leaders in its effort to build international pressure against Iran's nuclear program. Board members of the Stanford University's Hoover Institution who met with President Bush, Vice President Dick Cheney and the national security adviser Stephen Hadley had the impression that the administration had shifted to a tougher policy against regime. The Washington Post also reported that the President Bush had personally been

spending more time on the Iran issue and his advisers had invited 30-40 specialists for consultations in recent months. It reported that the state department created an Iran desk in Washington last week and was also starting more training in the Farsi language.

Separately, President George W. Bush accused Iran on Monday of contributing to the unrest in Iraq, saying Iran was helping build lethal explosive devices.

Iraqi President Jalal Talabani said it was important to accelerate efforts to form a broad government to stop any slide into civil war after bombs killed 52 people in the Shi'ite Sadr City district. Politicians said they would step up negotiations but doubted a deal would be possible by the time the parliament elected in December meets for its first session on Thursday.

According to the Lundberg Survey, retail gasoline prices increased 11 cents to \$2.38/gallon in the two weeks ending March 10.

The EIA reported that US retail diesel prices fell 0.2 cents/gallon to \$2.543/gallon in the week ending March 13. It however reported that the US retail gasoline price increased 3.5 cents/gallon to \$2.366/gallon on the week.

Refinery News

BP Plc cut its runs at its 260,000 bpd Carson, California refinery due to unplanned repairs. Gasoline prices in the LA spot market rallied 6 cents as BP was reportedly buying heavily.

Exxon Mobil started performing maintenance on its C-2 flare gas recovery compressor on the East Loop Flare System at its Baytown, Texas refinery. The maintenance work started on March 13 and is seen ending on March 27.

PDVSA shut a 50,000 bpd catalytic cracking unit at its La Isla refinery last week for planned work. The unit is expected to resume operations by April 16.

S-Oil Corp wants to build a 440,000 bpd refinery in western South Korea, increasing its total capacity by 70% to 1.02 million bpd. The plan would increase South Korea's total refining capacity to 3.175 million bpd from 2.735 million bpd.

Production News

Saudi Arabia's has kept April crude supply to world oil majors and European refiners unchanged on the month.

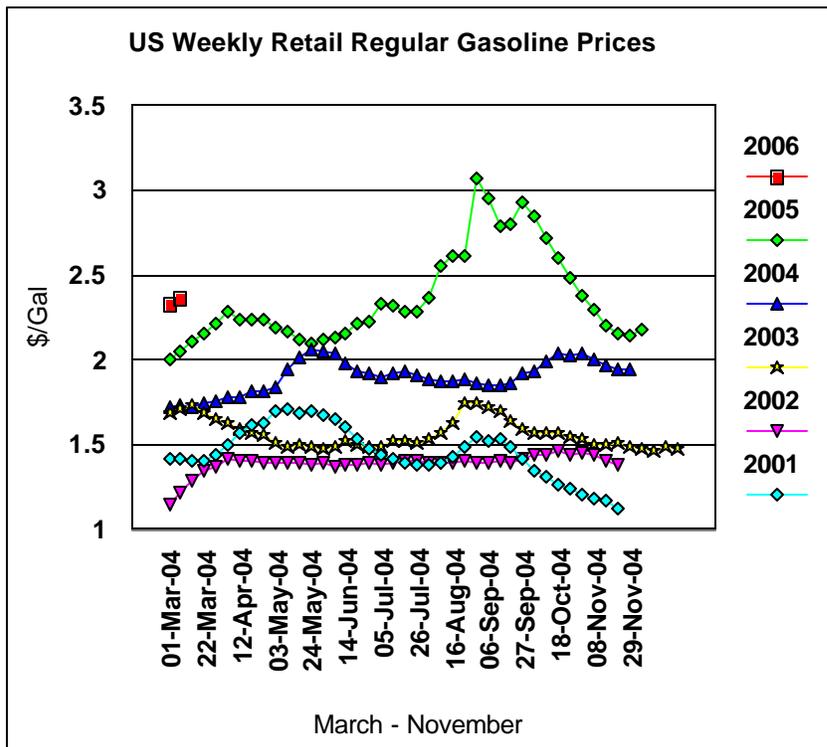
Iraq resumed oil exports from its southern Basra terminal on Sunday after terminal operators were forced to suspend operations due to poor weather conditions. Berthing operations restarted on Sunday afternoon. Prior to the disruption, the terminal was pumping at about 67,000-70,000 barrels per hour.

Royal Dutch Shell has no timeframe for resuming full production after militant unrest in Nigeria led to the shut in of 455,000 bpd of crude. Nigeria's Minister of State for Petroleum Edmund Daukoru said last week that about 75% of the shut in production should be restored in about two weeks.

Petroecuador's oil production increased on Monday to 166,177 bpd, down 17% from the normal level of 200,000 bpd but 18% higher than on Friday. Protesters and government officials reached an agreement on Sunday to end the strike by promising to pay workers \$20 million in late salaries.

ConocoPhillips said it would shut in production at its 400,000 barrel of oil equivalent/day Ekofisk field for three to four days to modify a flare unit. The outage would also affect an additional 200,000 boe/d output from linked fields.

Traders said German consumer stocks of heating oil fell last month as cold weather increased demand for winter heating fuels. Heating oil stocks stood at 49% of capacity as of March 1 compared with 52.7% the previous month. The stock level was unchanged from



the same time a year ago.

According to preliminary data from MWV, total sales of oil products in Germany fell by 4.2% on the year in February to 6.36 million tons. Heating oil sales fell by 6.6% on the year to 2.22 million tons while gasoline sales fell by 3.5% on the year to 1.67 million tons.

Kazakhstan's oil and gas condensate production in January-February stood at 9.71 million metric tons or 1.8 million bpd, down 3.6% on the year. Exports of oil fell 11% on the year to 3.32 million tons or about 807,000 bpd.

An official at China's National Development and Reform Commission said China would try not to increase oil imports this year over 2005 levels. He said China would slow down growth of energy consumption per unit of GDP by 20% by 2010. Domestic energy production is expected to remain flat at about 180-200 million tons a year or 3.6-4 million bpd in the years to come, which would make it even more important to impose curbs on increasing energy consumption.

China's Shenhua Ningxia Coal Mining and Royal Dutch Shell aimed to produce 3 million tons/year of oil products from a coal to oil plant by 2010. The plant is expected to produce 1.95 million tons/year of diesel and 1.05 million tons/year of naphtha and LPG. It also plans to start commercial production from a 1 million ton/year coal to oil plant by the end of 2007.

OPEC's news agency reported that OPEC's basket of crudes increased by 45 cents/barrel to \$56.18/barrel on Friday. It also reported that OPEC's basket of crudes increased by 62 cents/barrel to \$57.39/barrel in the week ending March 9th.

Indonesia's Pertamina has reached a joint operation deal with ExxonMobil Corp for the Cepu oilfield development. The Cepu oilfield would allow Indonesia to increase its production by a fifth after production begins in late 2008. The signing of the agreement is expected to take place on March 15.

Separately, Algeria's Sonatrach is keen to building an oil terminal in Indonesia as part of its plan to sell petroleum based fuels, including liquefied petroleum gas.

Technical Analysis		
	Levels	Explanation
CL 61.77, up \$1.81	Resistance 62.50, 63.50 61.90	Previous highs Monday's high
	Support 61.50, 61.00 59.95, 59.70, 59.55, 59.25	Monday's low, Previous lows
HO 173.78, up 5.32 cents	Resistance 174.75 to 175.55, 179.50 174.70	Remaining gap (March 7th), Previous high Monday's high
	Support 171.60, 168.60 167.25, 167.00, 165.80, 162.55	Monday's high Previous lows
HU 174.33, up 5.52 cents	Resistance 174.75, 175.50, 178.90 175.00	Previous highs Monday's high
	Support 172.70, 171.00 169.00, 167.50, 167.00 to 165.40	Monday's low, Previous low, Remaining gap (March 9th)

Market Commentary

The oil market opened relatively unchanged at its low of 59.95 and quickly bounced higher. The market, which traded lower on Access in light of the reports stating that Iran would not use its oil as a

weapon, seemed to have shrugged off those statements. An Iranian official stated that Iran's plans could be reconsidered while Iran also stated that it was no longer considering Russia's proposal to enrich its uranium in Russia. The market was also well supported by the strength in the gasoline market amid unconfirmed indications that BP was having problems with its Carson, California refinery. The crude market traded to 60.90 and held some resistance at that level as it settled in a range. However the market breached that level and rallied over \$1.90 as it posted a high of 61.90 ahead of the close. It settled up \$1.81 at 61.77. Volume in the crude market was good with over 238,000 lots booked on the day. The gasoline market, which led the complex higher, settled up 5.52 cents higher at 174.33 amid the refinery news. The market opened at its low of 169.00 and rallied to 173.25 before it settled in a sideways trading pattern. However the market later breached its resistance and extended its gains to over 6 cents as it traded to a high of 175.00 ahead of the close. The heating oil market also rallied and posted a high of 174.70 ahead of the close. The market opened at a low of 168.60 and extended its gains to over 6 cents late in the session. Volumes in the product markets were good with 54,000 lots booked in the gasoline market and 50,000 lots booked in the heating oil market.

The oil market will likely remain range bound as it retraces some of its late gains. However the market's losses will remain limited amid the concerns over the Iranian situation. While Iranian officials have stated that it would not use oil as a weapon they have stated that its policy could be reconsidered. Technically, the crude market is seen finding resistance at 61.90 followed by 62.50 and 63.50. Meanwhile support is seen at 61.50, 61.00, and 59.95. More distant support is seen at 59.70, 59.55 and 59.25.