



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 20, 2008

Democrat Barack Obama's energy adviser said the presidential candidate would take an active role in the US oil market as president. He said an Obama administration would crack down on any competition lapses in the sector that have resulted from big corporate mergers and would consider releasing oil from the US strategic reserves as a way to bring down the cost of gasoline.

According to Oil Movements, OPEC's oil exports are expected to increase by 60,000 bpd to 24.5 million bpd in the four weeks ending April 5.

Colombia's main rebel force, FARC, denied it received funding from

foreign governments and rejected claims that it received support from the leftist governments in Venezuela and Ecuador. Colombia alleged that the information on a computer recovered in a raid by Colombian forces indicates the FARC was supposed to receive \$300 million from the Venezuelan government, had sought to purchase uranium and gave money to the 2006 presidential campaign of Ecuador's leader Rafael Correa.

Market Watch

The transatlantic gasoline arbitrage is expected to reopen for deliveries to the US from the middle of April as a US gasoline glut dissipates. US traders however were skeptical of renewed spot deliveries and New York Harbor availability of European cargoes remained low as trader directed March barrels to the Middle East and markets as far away as Australia. The fall in US gasoline prices have made it largely unprofitable to export spot cargoes across the Atlantic. European companies provisionally booked 21 cargoes or 250,000 bpd of gasoline for spot export to the US Atlantic Coast and the US Gulf for loading on March 1-26.

The International Monetary Fund said a fall in world economic growth in 2008-09 would mostly dampen demand and prices for commodities if the slowdown were substantial. The resilience of high commodity prices would depend on the extent of spillovers of slowing growth in advanced economies to the rest of the world. The IMF considers that the US economy remains weak and close to a possible recession, according to a draft of the IMF's World Economic Outlook.

Barclays increased its crude oil price forecast for 2008 to \$108/barrel, citing lower than expected supply growth from countries outside OPEC. Its previous forecast was \$97.70/barrel.

The NYMEX announced that it would increase margins on its Heating Oil and RBOB contracts at the close of business Thursday, March 20. It increased the margin requirement for non-member customers for the spot contract from \$9,450 to \$10,125 while margins for the second month were increased to \$9,450 from \$8,775. The NYMEX increased the margin requirement on its spot RBOB contract to \$8,775 from \$8,100 while margins for the second month were increased to \$8,100 from \$7,425.

March Calendar Averages

CL – 106.12

HO – 299.72

RB – 264.73

Iraqi Kurdish officials said Turkish warplanes bombed Kurdish rebel hideouts in northern Iraq. The Turkish planes flew reconnaissance flights over the border area before bombing targets of the Kurdistan Workers' Party or PKK. There was no immediate confirmation of the new attack from the Turkish military Thursday.

Refinery News

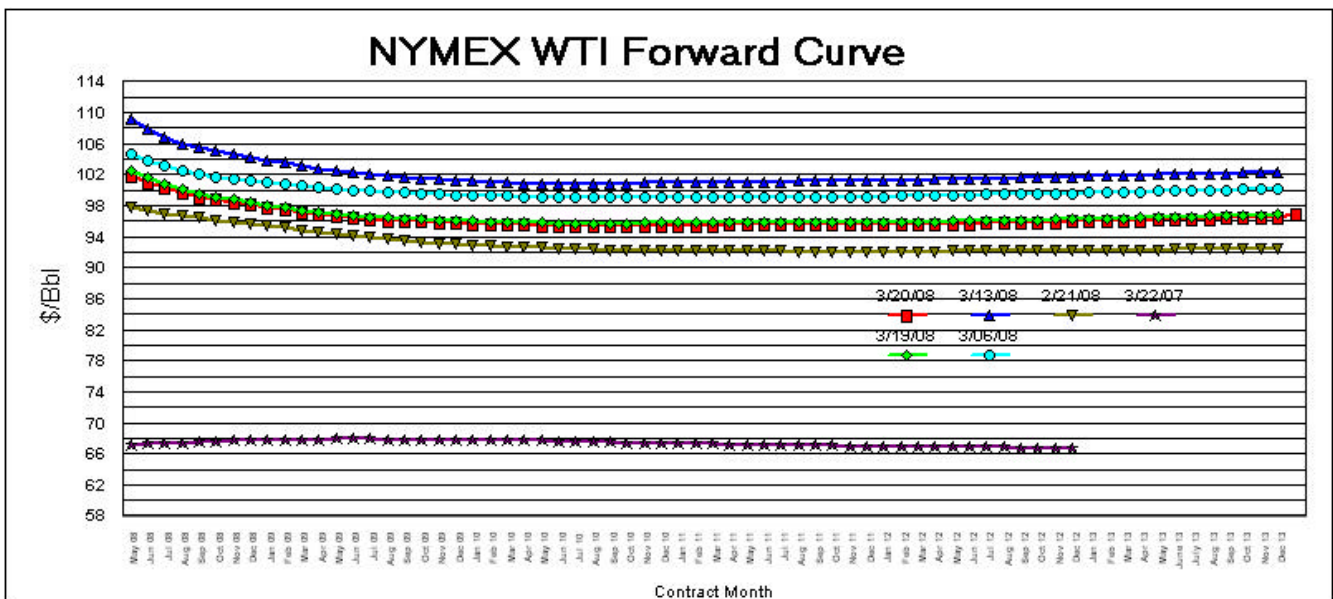
LyondellBasell's Houston, Texas refinery has been operating at reduced rates since early Wednesday following a compressor failure that resulted in the shutdown of the plant's fluid catalytic cracking unit. It is expected to work on the 100,000 bpd unit for five days

India's Mangalore Refinery and Petrochemicals Ltd said it planned to shut a 120,000 bpd crude distillation unit for a week from the end of March for planned maintenance. It is also expected to shut a 1.23 million ton a year hydrocracker for 15-20 days.

South Korea's SK Energy is expected to keep its crude processing rates below 700,000 bpd in April as margins fall to recover. SK Energy is operating its refinery at about 690,000 bpd in March, falling below 700,000 bpd for the first time since June 2006. SK is not expected to export high sulfur fuel oil for the third consecutive month in April due to low run rates. Separately, SK Incheon is expected to keep its runs low at about 130,000-140,000 bpd, running at about half of its capacity. Meanwhile S-Oil Corp is expected to keep its crude runs for April at 500,000 bpd as refining margins remain weak. It has cut its runs by 50,000 bpd since January.

Mexico's Communications and Transport Ministry reported that the one of the country's main Gulf of Mexico terminal of Cayo Arcas was reopened on Thursday. Mexico's two other terminals of Dos Bocas and Pajaritos remained closed for the second consecutive day due to poor weather conditions.

Gasoline stocks in independent storage in the Amsterdam-Rotterdam-Antwerp area fell by 15,000 tons to 1.162 million tons in the week ending March 20. It was up 347,000 tons on the year. Gas oil stocks built by 69,000 tons on the week but fell by 663,000 tons on the year to 1.279 million tons while fuel oil stocks fell by 55,000 tons on the week and increased by 124,000 tons on the year to 539,000 tons on the week. Naphtha stocks built by 30,000 tons on the week and by 43,000 tons on the year to 84,000 tons while jet fuel stocks built by 48,000 tons on the week but fell by 162,000 tons on the year to



221,000 tons.

Russia's Industry and Energy Ministry reported that the country's oil exports are expected to amount to 153.4 million metric tons in the period from April to December.

Separately, Russia's Industry and Energy Ministry said TNK-BP was the only company given permission to export oil from Russia to China through the Atasu-Alashankou oil pipeline in Kazakhstan in 2008. It is expected to deliver 500,000 metric tons of oil along the route in 2008. The ministry refused OAO Gazprom permission to export oil through the pipeline.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 111,000 barrels to 17.95 million barrels in the week ending March 19. It reported that its light distillate stocks fell by 740,000 barrels to 9.297 million barrels while middle distillate stocks fell by 184,000 barrels to 8.105 million barrels.

Production News

Australia's Santos Ltd said production at the Mutineer-Exeter oil fields had restarted following electrical repairs. Daily production is expected to total 20,000-22,00 barrels of oil. The offshore field was shutdown early last month after damage rendered subsea pumps inoperable.

Market Commentary

The global economic situation led the energy markets lower today as longs liquidated their positions. A rise in heating oil margins most likely impacted price movement as well, as this would mean that hedge funds would have to put up more money. This is the biggest weekly fall the commodities markets have experienced in 50 years. A global economic slump will surely impact demand across the commodity span, with energies being one of the hardest hit. Prices did come back at the end of the floor trading session and we would attribute this to the long weekend that is coming up. The December 08/December 09 crude oil spread mentioned in yesterday's wire experienced another wide trading range, penetrating the \$2.12 support level, traded down to a low of \$1.70 and back up to \$2.63. With a settlement in this spread below the \$2.43, 62% retracement number, we would look for another test at the bottom of the pennant formation, which is \$2.19. This market has been a tough read lately and for that reason we would still consider buying and selling against the support and resistance number. Total open interest for crude oil is 1,367,984 down 39,817, May08 373,668 down 9,528, June08 156,648 down 2,922 and Dec08 205,521 up 192. Meanwhile, the product markets ended mixed with the heating oil market settling down 3.95 cents at 297.72 and the RBOB market settling up 4.48 cents at 260.51. The heating oil market sold off and retraced almost 32% of its move from a low of 244.16 to a high of 322.20 as it sold off to a low of 292.95 early in the day. The market later retraced some of its losses and held good support above the 294.00 level. The RBOB market retraced some of Wednesday's losses as it continued to trade within Tuesday's trading range. The RB/HO spread

continued to come in as it settled at -37.21. It is seen targeting the -25 cent level.

| | | Explanation | |
|-----------|-------------------|--|---|
| CL | Resistance | 103.60, 105.70, 106.60, 108.80, 110.35 | Previous highs |
| | Support | 102.00, 102.69 | Thursday's high |
| HO | Resistance | 99.95, 98.65 | Thursday's low |
| | Support | 98.35, 95.51, 86.33 | Previous low, 62% retracement(86.33 and 110.35), Previous low |
| HO | Resistance | 312.20, 315.41, 319.00, 322.20 | Previous highs |
| | Support | 298.00, 300.00, 303.35 | Thursday's high |
| RB | Resistance | 294.00, 292.95 | Thursday's low |
| | Support | 292.39, 283.18, 273.97 | 38%(244.16 and 322.20), 50%, 62% |
| RB | Resistance | 265.63, 268.25, 273.55, 274.35, 275.56 | Previous highs |
| | Support | 262.00 | Thursday's high |
| RB | Resistance | 253.90, 250.46 | Thursday's low |
| | Support | 249.56, 246.55, 242.37, 238.14, 238.07 | Previous lows |