



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR MARCH 29, 2011**

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According to MasterCard Advisors' SpendingPulse report, US gasoline demand was flat last week but fell by 0.2% on the year to 9.3 million bpd. Over the last four weeks, US gasoline demand fell by 0.7% on the year to 9.176 million bpd. It reported that retail gasoline prices were also flat at \$3.56/gallon.

The North Atlantic Treaty Organization

said it will shortly be in charge of all military operations in Libya. It denied reports of a delay.

Libyan leader Muammar Gaddafi called for an end to the "barbaric offensive" against Libya in a letter addressed to international powers meeting in London on Tuesday to discuss the country's future. He said he would accept any decision taken by the African Union. A Libyan delegation to African Union talks said Libya is ready to implement an African Union roadmap to resolve the Libyan crisis while also demanding a halt to the Western strikes on the country.

US Secretary of State Hillary Clinton said that international military action would continue in Libya until Muammar Gaddafi met UN terms, stopped attacking civilians and pulled back his forces. Separately,

Admiral James Stavridis, who is NATO's Supreme Allied Commander, Europe and also the commander of US European Command said Libya's leader is likely to leave power if an international military drive applies full range of military pressure on him. Later, international partners meeting in London agreed to continue their military mission until Libyan leader Muammar Gaddafi complied with all terms of a UN

#### **API Stocks**

**Crude** – up 5.691 million barrels  
**Distillate** – down 112,000 barrels  
**Gasoline** – down 1.953 million barrels  
**Refinery runs** – up 0.7% at 83.3%

resolution to protect civilians. They also agreed to set up a contract group to coordinate political efforts and said that Qatar agreed to convene the first meeting of this body as soon as possible.

<b>March Calendar Averages</b>
<b>CL – \$102.74</b>
<b>HO – \$3.0434</b>
<b>RB – \$2.9887</b>

Libya’s opposition promised to work for free and fair elections as they set out their vision of a democratic state ahead of talks by world powers on the future of the country. The Transitional National Council representing rebels fighting Libyan leader Muammar Gaddafi’s regime said it wanted a modern, free and united state. It promised to draft a national constitution establishing legal, political and civil institutions and separating legislative, executive and judicial powers. In reference to Libya’s oil reserves, the council added that the interests and rights of foreign nationals and companies would be protected.

Forces loyal to Libyan leader Muammar Gaddafi have killed at least 142 people and wounded more than 1,400 since March 18<sup>th</sup> in an offensive on Misrata. They also pushed rebels back into eastern Libya. Meanwhile, US planes and a destroyer attacked Libyan ships after reports they were firing indiscriminately at merchant vessels in the port of Misrata. The attack was part of US participation in the UN mandated mission to protect Libyan civilians. Libyan rebel fighters later on Tuesday appealed for Western air strikes as Gaddafi’s forces pushed them back to Bin Jawad.

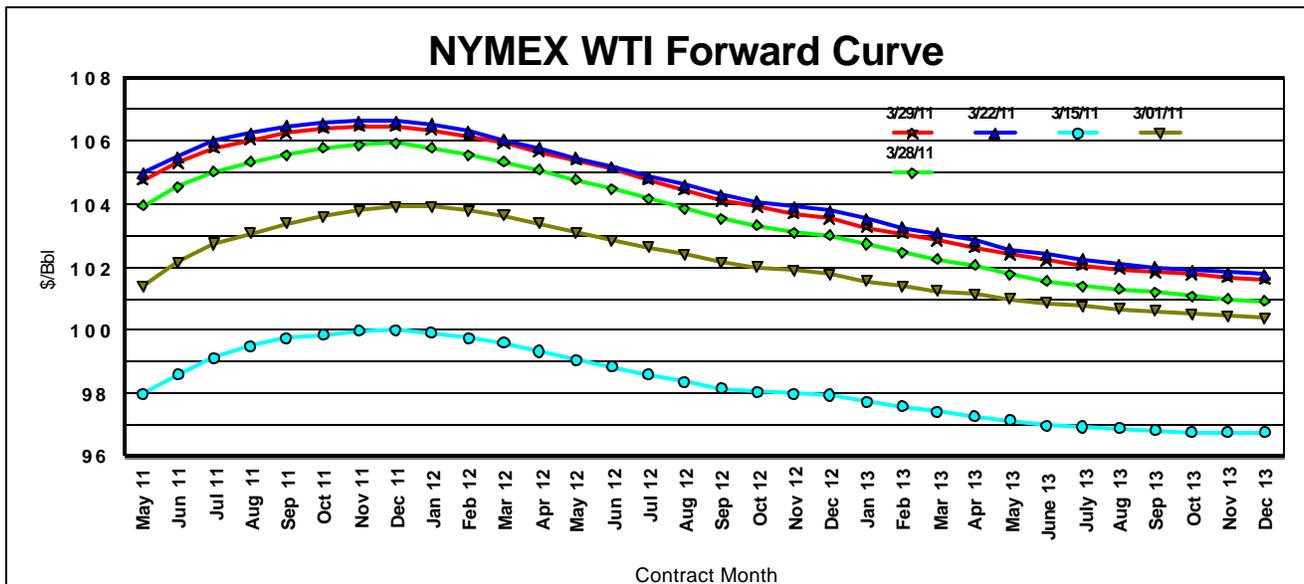
Qatar’s Prime Minister Sheikh Hamad bin Jassim al-Thani urged Libyan leader Muammar Gaddafi to step down to halt bloodshed and said that he may only have a few days to negotiate an exit.

The European Commission clarified that EU sanctions on Libya only apply to the people and companies specifically listed. Earlier The EU’s executive arm seemed to suggest that current sanctions apply to all oil exports from Libya and would therefore affect oil exports sent from opposition controlled areas. On Monday, a US Treasury Department official said if Libyan rebels are able to independently export oil from fields formerly overseen by Muammar Gaddafi’s regime, they would not face sanctions.

Saudi Arabia’s state news agency said Saudi Arabia is printing 1.5 million copies of an edict by religious scholars outlawing protests in the country as un-Islamic.

**Refinery News**

Enterprise Products Partners LP is starting open season for proposed expansion of its mid-America



pipeline system. The expansion project would add 45,000 bpd to 85,000 bpd of incremental annual average capacity. It said the Rocky Mountain portion of the MAPL system currently has a capacity of 275,000 bpd. The additional capacity could be available as soon as the third quarter of 2014.

ExxonMobil Corp resumed maintenance work at its 605,000 bpd Singapore refinery that was suspended after one worker died in an incident Monday evening. The company suspended all maintenance work related to a nine week revamp of the refinery immediately after the incident.

Sunoco's 178,000 bpd refinery in Marcus Hook, Pennsylvania is operating at 85% following a power failure on Monday afternoon.

Valero Energy does not expect any material impact on production from planned maintenance on a butamer upgrade unit at the west plant of its 142,000 bpd Corpus Christi, Texas refinery. It reported emissions due to preparations for the planned maintenance.

The 105,000 bpd Holborn oil refinery in Hamburg, part of Libya's Tamoil group, is operating. On Monday, Tamoil shut its Cremona refinery in Italy.

BP said a gasoline barge exploded at its 93,000 bpd German Emsland refinery on Monday night. It said the fire was extinguished and refinery operations had not been affected. The barge was loading from the refinery when it caught fire.

Royal Dutch Shell Plc announced it signed a sales and purchase agreement for its 270,000 bpd Stanlow refinery in the UK and certain associated local marketing businesses with Essar Oil Ltd for \$1.3 billion. The transaction is expected to close during the second half of 2011.

### **Production News**

Saudi Arabia's plan to increase the number of rigs by 28% suggests the country is struggling to maintain the 12.5 million bpd of output capacity. Two Saudi officials said the extra rig activity would maintain rather than increase the country's oil capacity. Saudi Aramco met with leading oil service companies including Halliburton to discuss plans to increase the country's rig count this year and next to 118 from about 92.

Saudi Arabia has sold about 2 million barrels of crude, blended to compensate for lost Libyan barrels to European buyers. Meanwhile, Saudi Aramco is seeking an extra five cargoes of gasoline through tenders in April-June, potentially reducing the Mediterranean supply overhang. Trade sources said the firm would buy an extra 180,000 tons of gasoline through two buy tenders.

OMV said it was making spot purchases of oil to compensate for Libyan oil production loss.

The Arabian Gulf Oil Co said the Libyan rebel held oil terminals at Ras Lanuf, Zueitina and Es Sider suffered minor damage during recent fighting and would be ready to operate once the area is secure and workers return. It said it would likely take at least two weeks to get oil production in the rebel held east up to 300,000 bpd from 100,000-130,000 bpd, depending on security and other facilities.

Venezuela's Energy Ministry said the country's oil exports fell by 16% to 2.17 million bpd in February compared with January. It imported almost 50,000 bpd of crude and oil products during the same period.

Russian crude oil exports to northwest Europe via the Baltic port of Primorsk is expected to increase by 5% in April while loadings from Novorossiisk are expected to fall by 6.3%. Primorsk's loading are expected to increase to 6.3 million tons in April compared with 6.2 million tons in March.

Norway's Statoil said it will fast track the development of two additional oil and gas projects off Norway. The projects, the Gamma/Harepus field and a new installation at the Snorre B platform, could start production in the fourth quarter of 2013. The Gamma/Harepus field holds close to 20 million barrels of oil equivalent gas while the Snorre B installation could produce 33 million barrels of oil.

Petroecuador received 11 offers from nine companies for contracts to improve and recover production at mature oil fields. It expects to award the contracts in July. Last year Petroecuador called private companies interested in service contracts to increase production at Shushufindi, Libertador, Auca, Lago Agrio and Cuyabeno, which currently produce an average of 150,000 bpd.

### **Market Commentary**

Crude oil climbed steadily throughout the session, supported by higher equities and supply concerns out of Libya. Volume was once again thin. News of the restoration of Sunoco's Marcus Hook refinery helped to boost products, already supported by expectations that supplies would reflect declines in this weeks inventory numbers. Technically, prices appear to still be in a corrective phase and there are enough longs in the market for crude oil to test the \$100 level. Slow stochastics remain in over bought territory and have not yet crossed to the downside. Despite today's higher close, the market was unable to surpass yesterday's high. The May crude oil contract settle right at a line of resistance based upon the descending trendline on a spot continuation chart. This line comes into tomorrow's session set at \$104.17. We would continue to look for volatile trading activity as this correct phase is completed. The immediate downside objective is \$100.

Crude oil: May 11 351,089 -4,391 June 11 159,837 +1,526 July 11 104,911 +3,318 Totals 1,516,018 -1,185 Heating oil: Apr 11 15,310 -6,464 May 11 98,622 +5,777 June 11 56,320 +609 Totals 302,912 +600 Rbob: Apr 11 19,345 -7,866 May 11 103,113 +2,200 June11 44,868 +519 Totals 282,008 -5,080

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
10136		30810		30130	
10000	10695	27980	31525	26965	31970
9622	10880	26680	33510	26300	32450
9540	111.65	27375		25683	35915
9267		23685		25145	36310
9635		22960		24240	
8385				23631	
				23414	

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