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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 21, 2005

Just weeks after Goldman Sachs' warning that oil prices could top $100 was pooh-poohed by many as outlandish, another major Wall Street firm has picked up the gauntlet. Analysts at CIBC World Markets released a report stating oil prices will almost double over the next five years, averaging $77 a barrel and reaching as much as $100 by 2010. CIBC Chief Economists and Chief Equities Strategist Jeffrey Rubin wrote that markets won't need the sort of supply shocks seen in the 1970s and 1980s to send prices soaring. Instead, the gains will come as surging global demand continues to stress falling conventional crude supply.

OPEC's Secretary General Adnan

Market Watch

The US House of Representatives is expected to approve an $8 billion energy bill on Thursday after brushing aside Democratic criticism. The bill would encourage more long term production of domestic oil, natural gas, coal, nuclear and other forms of energy. It would also increase production of ethanol. The measure would have to be reconciled with the Senate's version before it could become law. The Senate Energy Committee is expected to finish writing its energy bill in May followed by a vote in the full Senate. President George W. Bush, who supports the House bill, acknowledged that it would not lower prices at the gasoline pump anytime soon. Democrats in the Republican led House failed to make several changes to the bill on Wednesday. They were prevented from offering an amendment to strip the bill's language providing protection from certain lawsuits to big oil companies that make the MTBE gasoline additive. The House also voted down a Democratic attempt to remove the bill's provision allowing oil drilling in Alaska's Arctic National Wildlife Refuge.

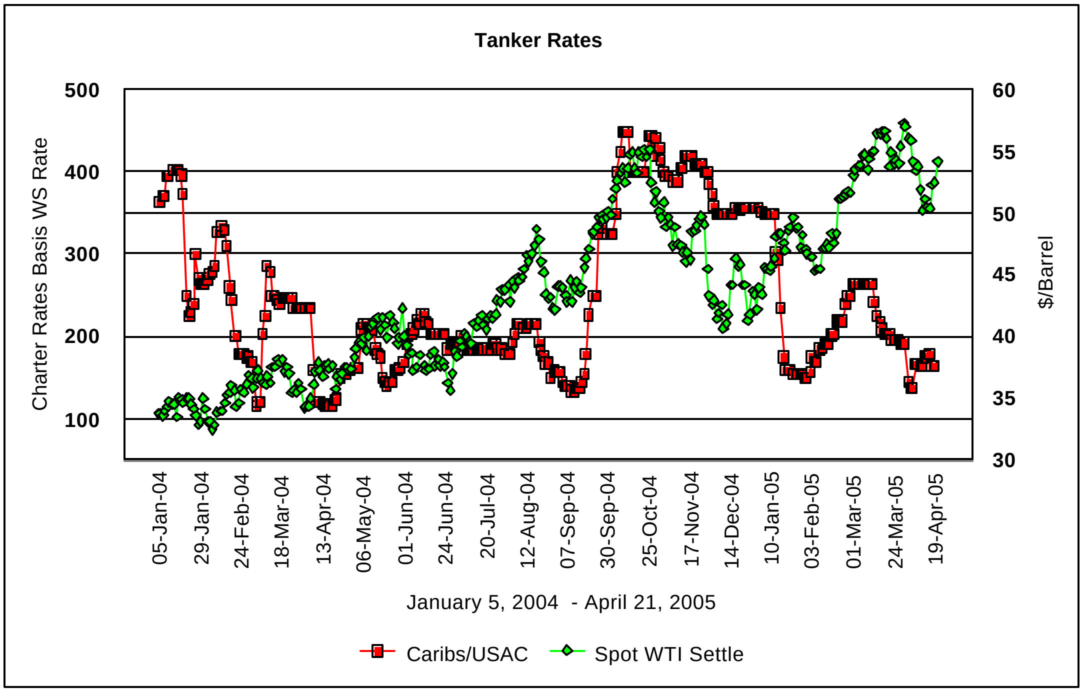
Total SA's chief executive Thierry Desmarest said that oil prices were having a delayed economic impact and warned it will be hard to pump the extra oil the world needs due to limited access of key producing regions. He said $40/barrel oil seemed bearable but cautioned that higher prices were starting to have an impact.

Russia's Finance Ministry forecast that world oil prices will fall in coming years. Finance Minister Alexei Kudrin said increasing oil production and switching to alternative sources of energy could cause prices to fall. He said high demand for oil in China and other developing countries is one of main factors driving high oil prices. He also stated that high prices are caused by a lack of transparency in oil producers' reports of their reserves and production.

Russia has scrapped plans for a full merger between Gazprom and Rosneft following months of discussions between Kremlin factions. Senior officials stated that under a new scheme being worked on Yuganskneftegaz would not be spun off but would stay in Rosneft. Sources confirmed that the state was still committed to increasing its stake in Gazprom to over 50% from the current 38%.

South Korea has extended lower tariffs on oil imports to the end of 2005 to help shield the economy from increasing oil prices. South Korea is extremely vulnerable to world oil price fluctuations because it imports all of its crude needs.

Shihab-Eldin said OPEC must be careful not to oversupply the oil markets as forward stock cover begins to trend above the five year average. He also stated that OPEC does not want oil consuming countries to increase interest rates as a measure to curb oil demand. In regards to China, he stated that China's strong first quarter growth is in line with OPEC's expectation. He said it continues to believe China will maintain reasonable growth.



Speaking after President George W. Bush voiced concerns about high gasoline prices and said he needed a clear answer from the Saudi government about the size of its spare capacity, Saudi Arabia's Oil Minister Ali al-Naimi said the country is committed to maintaining spare capacity of 1.5-2 million bpd, even as it pumps 9.5 million bpd. He said Saudi Arabia has increased its production to 9.5 million bpd to meet customers' demand, increased its production capacity to 11 million bpd and will increase its capacity to 12.5 million bpd by early 2009. However he also stated that OPEC's ability to control oil prices was now limited by the growing influence of funds as well as refinery bottlenecks in consuming countries. He stated that volatility in refined product markets is having more of an influence on international crude oil prices than ever before. He however stated that market fundamentals are sound. In regards to Saudi Arabia's capacity expansion plans, he stated that in 2004, Saudi Aramco brought on line two crude increments in the Abu Safah and Qatif fields, with a combined capacity of 800,000 bpd. In mid-2006, another increment of 300,000 bpd of Arabian Light crude is scheduled to flow from the Haradh field while the development of the Khursaniyah field with a capacity of 500,000 bpd is planned for 2007. It also plans to expand the Shaybah and Central Arabian fields in 2008, which would provide another 300,000 bpd of lighter crude and an increment of 1.2 million bpd of Arabian Light crude is scheduled to be commissioned in the Khurais field in 2009.

The head of the IEA, Claude Mandil said OPEC should proceed with an increase in crude oil output to help lower oil prices. He said an increase would be a good signal to the market. He also stated that inventories were at a reasonable level. Separately, the head of the IEA called on Mexico to increase its production and open its oil industry to foreign investment. Mexico may need foreign companies' capital and technology to increase its oil output. Mexico's President Vicente Fox has been seeking legislative approval for changed that would allow Pemex to form alliances with private companies in order to explore reserves in deep waters off the Gulf of Mexico. However the government has so far failed to win support from the country's two main opposition political parties.

Norway's Oil and Energy Minister Thorhild Widvey said that prices may rise further and that the current high prices are not likely to fall back. She is calling on governments in oil producing countries to offer more attractive investment opportunities in order to improve development of the industry.

The head of the API, Red Cavaney said the inclusion of the MTBE liability waiver is the top priority for the US oil industry. He said there is no room to compromise on the liability waiver as far as the industry is concerned.

Oil Movements stated that OPEC's crude oil exports will increase by 320,000 bpd in the four weeks ending May 7 to 24.46 million bpd. It said exports from the Persian Gulf to Asia will increase, while westbound sailings will fall.

OPEC's news agency reported that OPEC's basket of crudes increased by $1.31/barrel on Wednesday to $49.02/barrel, up from Tuesday's $47.71/barrel.

Refinery News

Reuters reported that a fluid catalytic cracker at ConocoPhillips' 255,000 bpd refinery in Lake Charles, Louisiana failed to restart following its maintenance. The unit has been delayed in returning from planned maintenance for about a week. Meanwhile, Dow Jones reported that its maintenance was on schedule. It said the unit is expected to remain shut for a few more days.

Valero Energy Corp. is doing significant work on its refineries in the first two quarters of the year, including unplanned maintenance at its St. Charles refinery. Crude run rates at St. Charles have been cut back to 70,000 barrels a day. The unit was expanded during the first quarter to run 105,000 barrels a day. The company announced early in the week that unexpected maintenance on the refinery's catalytic cracker would last approximately 10 to 14 days.

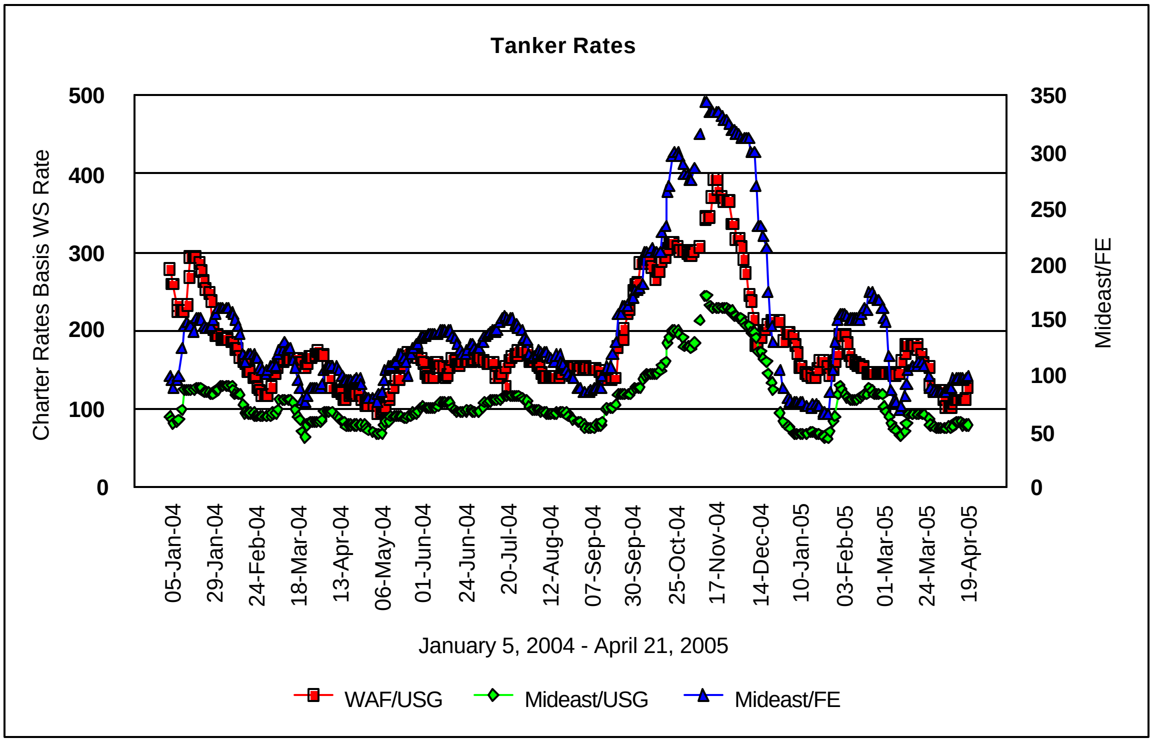
Citgo Petroleum Corp has completed an expansion of its Lake Charles, Louisiana refinery. The company said its crude vacuum expansion project has added 105,000 bpd of crude processing capacity to the refinery. It will improve the facility's ability to process heavy, high sulfur Venezuelan crude. The expansion, completed in March brings the refinery's capacity to 425,000-440,000 bpd.

India's Haldia Petrochemicals Ltd restarted its 520,000 ton per year naphtha cracker following 19 days of routine maintenance.

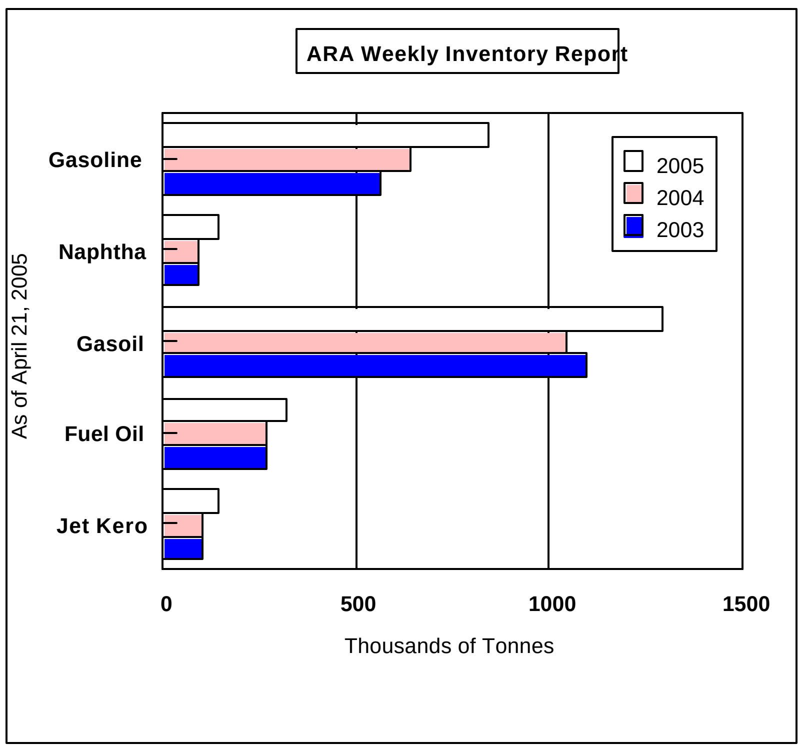
Production News

Euroilstock reported that total refinery output in Europe fell by 2.5% on the month to 13.008 million bpd in March. However it was up 0.8% on the year. It showed that gasoline production in March fell by 4% on the month to 3.331 million bpd while middle distillate production also fell by 1% to 5.978 million bpd. Meanwhile, fuel oil production increased by 0.6% to 1.763 million bpd while naphtha production fell by 5.6% to 994,000 bpd in March. It reported that capacity utilization stood at 92.74%, down from February's 93.94%.

Norway's Thorhild Widvey said Norway plans to announce the result of the 19th licensing round by the summer of 2005. It will open up previously closed areas in the Norwegian Sea and the largely unexplored Barents Sea. Separately, she stated that the number of exploration wells drilled in the North Sea is expected to double this year compared with 2004 as investment reaches a record high. However she added that rig availability could limit activity. The number of exploration rigs is expected to increase to 35-40 this year from 17 last year.



Iran's senior oil adviser, Hossein Kazempour Ardebili said that pumping oil at maximum capacity risks damaging the wells. He agreed with Saudi Arabia's Oil Minister that low interest rates were tempting investors on betting on rising oil prices. He said if interest rates rise then speculators in the market would start pulling out.



Gasoline and gas oil stocks in independent Amsterdam-Rotterdam-Antwerp storage tanks fell in the week ending April 21st by 50,000 tons each to 850,000 tons and 1.3 million tons, respectively. However gasoline stocks were much than a year ago when stocks stood at 650,000 tons while gas oil stocks were also above last year's level of 1.05 million tons. Meanwhile, naphtha stocks were unchanged on the week at 150,000 tons while fuel oil stocks increased by 25,000 tons to 325,000 tons and jet fuel stocks fell by 50,000 tons to 150,000 tons.

Georgia's Black Sea port of Batumi increased its crude shipments to 1.168 million tons in the first quarter of 2005 from 1.066 million tons in the same period last year. Shipments of refined products fell to 576,000 tons in the first quarter of 2005 from 788,000 tons in the same period of 2004. The terminal is expected to increase its shipments in 2005 to 7.5 million tons from 6.7 million tons in 2004.

Nigeria cut its official selling prices for May loading Bonny Light and Qua Iboe crudes to Dated Brent plus 25 cents from April's Dated Brent plus 57 cents. Its Escravos and Forcados crude was set at Dated Brent plus 10 cents from April's Dated Brent plus 45 cents.

Algeria's Sonatrach cut the May official selling price for its Saharan Blend crude to Dated BFO minus 35 cents. The price is 78 cents lower than the April official selling price of Dated plus 43 cents.

Singapore's International Enterprise said the country's middle distillate stocks increased by 694,000 barrels to 7.199 million barrels in the week ending April 20. It reported that light distillate stocks fell by 387,000 barrels to 8.424 million barrels in the same week while residual fuel stocks fell by 9,000 barrels to 10.441 million barrels.

According to Japan's Ministry of Finance, Japan imported 21.827 million kiloliters or 4.43 million bpd of crude in March compared with 21.575 million kl a year earlier. It reported that in March, the amount of electricity generated by oil and gas fired thermal power plants increased by 10.1% year on year. The increase in thermal power generation increased oil consumption by 85% to 767,149 kl or 156,000 bpd from a year earlier. It reported that low sulfur fuel oil demand increased by 21.5% to 1 million kl or 203,000 bpd.

Japan's Minister of Economy, Trade and Industry Shoichi Nakagawa said Japan and Russia will continue to hold expert level talks on a Japanese proposed project to build a crude pipeline spanning eastern Siberia and terminating at Perevoznaya, near Nakhodka on Russia's Pacific Coast. However Russia still has an option to build a branch oil pipeline to China from eastern Siberia before completing construction of the main pipeline to Perevoznaya.

China's imports of oil products fell in the first quarter, however dealers stated that strong economic growth should fuel a rebound in buying. Record international prices compared with suppressed domestic rates helped cut net oil product imports a third to 300,000 bpd in March compared to a year ago. In March, China became a net diesel exporter in March while gasoline exports surged to a 21 month high.

Technical Analysis

		Levels	Explanation
		55.05, 55.11, 56.07	Previous high, 50%(58.20 and 49.75), 62%
	Resistance	54.30, 54.50	Thursday's high, Wednesday's high
CL	54.03, up 46 cents		
	Support	53.00	Thursday's low
		52.10, 51.01	Previous lows
		155.65, 158.64	50% and 62% retracement (168.30 and 143)
	Resistance	154.00	Thursday's high
HO	149.30, up 5.07 cents		
	Support	151.00, 149.25, 147.75	Thursday's low, Wednesday's low
		145.50, 143.00	Tuesday's low, Previous low
		163.87, 166.30	62% retracement (174.80 and 146.20), Previous high
	Resistance	162.40	Thursday's high
HU	162.00, up 3.87 cents		
	Support	160.00, 158.90	
		157.00, 155.25	Thursday's low, Previous low

A senior PetroChina official said China will get about 15% of its crude oil imports through three or four pipelines by 2010. China, which imported 40% of its oil last year, is keen to diversify supply routes in the face of transport bottlenecks at its ports and railways. He stated that about 30-40 million tons of crude a year or 600,000-800,000 bpd is likely to reach China through the pipes in five years.

Market Commentary

The oil market opened 78 cents lower at Wednesday's low of 53.25 in follow through selling seen in overnight trading after the market failed to maintain its gains. The market traded to a high of 53.60 before it posted a low of 53.00 within the first hour of trading. The June crude contract settled in a sideways trading range as it traded within a range from 53.00 to 53.50 for most the session. However the market later breached its high and rallied to a high of 54.30 in light of the rally seen in the gasoline market. The crude market settled up 17 cents at 54.20. Volume in the crude market was good with over 226,000 lots booked on the day. Meanwhile, the gasoline market settled up 3.87 cents at 162.00 after it rallied to a high of 162.40 ahead of the close. The market was well supported amid the reports that ConocoPhillips' fluid catalytic cracking unit failed to restart following its maintenance outage. This was contrary to other reports stated that maintenance on the unit is on schedule and the unit is expected to remain down for a few more days. The market opened at its intraday low of 157.00 and never looked back as it breached Wednesday's high of 159.50 and traded to 160.00, where it held some resistance, ahead of its late rally on the refinery news. Similar to the gasoline market, the heating oil market opened at its intraday low of 149.25 and never looked back as it traded higher. Early in the session, the market settled in a sideways trading range as it held good resistance at its Wednesday's high of 151.10. The market however breached its high of 151.00 and extended its gains to 4.7 cents as it rallied to a high of 154.00 ahead of the close. It settled up 2.53 cents at 153.40. Volumes in the product markets were good with 61,000 lots booked in the gasoline market and over 35,000 lots booked in the heating oil market.

The oil market, which held good support at its low, may continue to trade higher as it seeks to test its previous high of 54.50. The market may remain support amid the refinery news as well as analyst's report stating that prices can reach as much as $100 in the next five years, similar to the Goldman Sachs report released just a few weeks ago. Technically, the market is seen finding resistance at 54.50 followed by its high of 55.05, 55.11 and 56.07. Meanwhile support is seen at 53.00, 52.10 followed by 51.01.