



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 7, 2008

Russia contradicted the US and Britain, saying there was no agreement among the six major powers on whether to pursue new UN sanctions against Iran. Russia's UN Ambassador Vitaly Churkin said there were no firm agreements or understandings or any kind of concerted work. The US and Britain has stated that the six major powers agreed to consider possible outlines of a fourth sanctions resolution at the UN Security Council. Meanwhile, the deputy head of the UN's IAEA arrived in Iran on Thursday for talks on the country's nuclear program.

Indonesia's OPEC governor Maizar Rahman said the country was

Market Watch

According to the Associated Press, Israel is building up its capabilities amid growing concern over Iran's nuclear program and appears confident that a military attack would cripple Iran's nuclear program, even if it cannot destroy it. It believes Iran will have enriched enough uranium for a nuclear bomb by next year or 2010 at the latest. Israel has purchased 90 F-161 fighter plans that can carry enough fuel to reach Iran and is expected to receive 11 more by the end of the year. It has also purchased two submarines reportedly capable of firing nuclear armed warheads, in addition to the three it already has. This follows its air maneuvers earlier this summer. According to foreign media reports, Israeli intelligence is active inside Iranian territory. However the cost of an attack by Israel, the US or both is likely to be enormous. Iran could halt its oil production and shut down tanker traffic in the Strait of Hormuz. It could also stir up trouble for the US in Iraq by revving up Shiite militias. Any strike on Iran, especially if it is done without having exhausted all diplomatic channels could have the opposite effect and actually increase the nationalist commitment to build a nuclear weapon.

The National Oceanic and Atmospheric Administration said the Atlantic hurricane season will be slightly more active this year than previously forecast. It said the 2008 season could produce between 14 and 18 named storms, with 7 to 10 becoming hurricanes and three to six of them being classified as major hurricanes.

Southeast Asian energy ministers will join Japan, South Korea and China to set up an oil stockpiling working group. The Association of the South East Asian Nations energy ministers' meeting on Thursday is focusing on energy security. They are will also move forward with plans to develop the use of civilian nuclear energy. According to a draft of a joint ministerial statement, ministers recognize the need of oil stockpiling initiatives but they will be voluntary and non-binding.

Japan Airlines Corp said it expected additional fuel costs of 22 billion yen or \$201 million this financial year. It said it would suspend flights on 12 domestic and three international routes. It will however add five domestic and four international routes while reducing the number of flights on four domestic routes. Meanwhile, All Nippon Airways said it would reduce or halt services on 11 routes, due to the rising cost of aviation fuel.

Venezuela's President Hugo Chavez has decreed changes to PDVSA's statutes, officially expanding the company's activities into other areas of the economy. Among the changes, Venezuela's President has given PDVSA the responsibility of participating in ventures intended for sustained, organic and integral development of the country, including agricultural and industrial activities. It also frees members of the PDVSA board to actively participate in political activities.

August Calendar Averages

CL – 120.86

HO – 330.81

RB – 299.86

seeking a suspension of its OPEC membership rather than a complete withdrawal. He said informal discussions have taken place with OPEC officials but added that Indonesia has not officially notified the secretariat and remains a member until the end of the year.

Oil Movements reported that OPEC's oil shipments are expected to fall by 360,000 bpd in the four weeks ending August 23 to 24.46 million bpd as Gulf countries cut exports in anticipation of lower seasonal demand. Shipments from Middle Eastern OPEC producers are expected to fall by 490,000 bpd to 17.46 million bpd in the four week period.

The US EPA denied a request by Texas to cut the federal ethanol mandate requiring 9 billion gallons of ethanol and other renewable fuels to be blended into gasoline this year. Texas Gov. Rick Perry asked the EPA in April to cut the mandate by 50% in 2008.

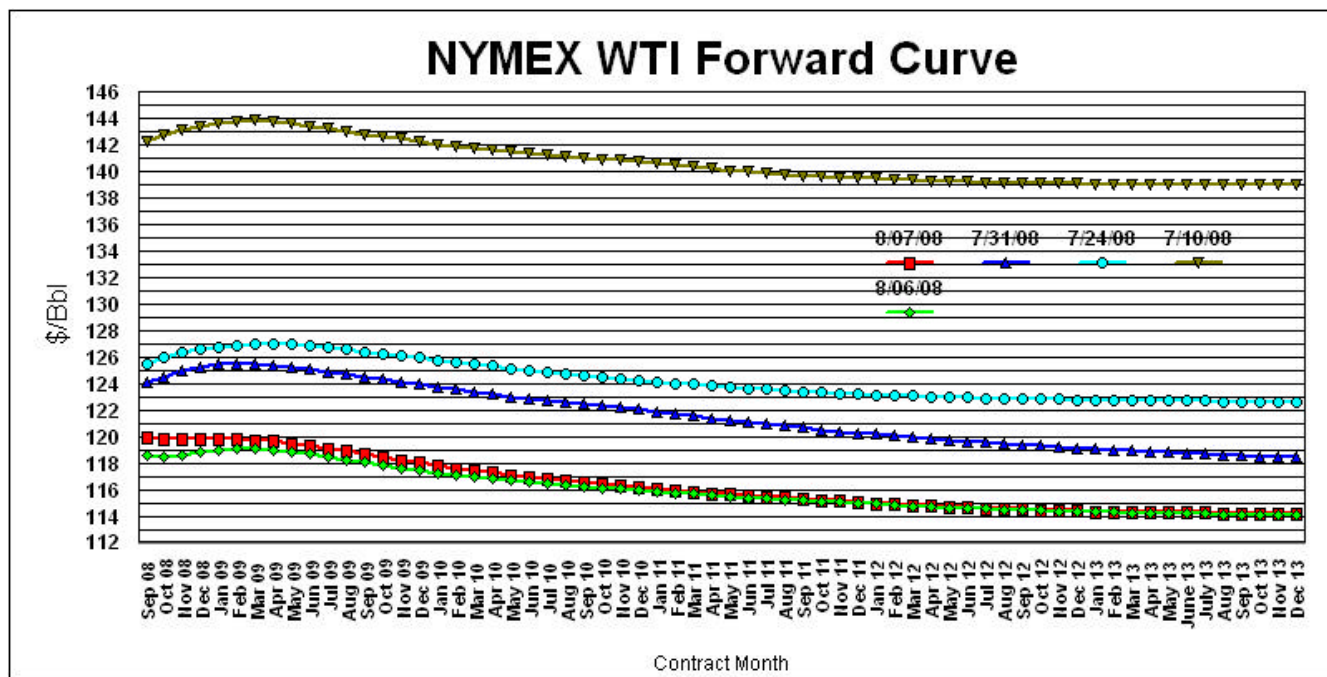
Refinery News

Ship pilots and the US Coast Guard said all restrictions have been lifted on ships in the Sabine Pass Ship Channel and at the port of Texas City, Texas. Restrictions have been eased along most of the Houston Ship Channel. The restrictions were put in place to prevent damage to large ships while inspections were performed for debris or damage in the ship channels from Tropical Storm Edouard. A total of 14 ships were waiting to enter the Houston Ship Channel.

Calpine Corp said a failure at its Corpus Christi power plant Thursday morning caused a loss of power at Citgo's 156,000 bpd East plant refinery and Flint Hills' 300,000 bpd refinery. Citgo Petroleum Corp restarted a crude vacuum unit, saturated gas plant, sulfur recovery unit, fluid catalytic cracking unit and a platformer at its 156,000 bpd refinery in Corpus Christi, Texas on Thursday after the units lost steam. According to a report filed with the Texas Commission for Environmental Quality, the restart process may take until August 13 to be completed.

LyondellBasell's 270,000 bpd refinery in Houston reported an upset at its fluid catalytic cracking unit Wednesday.

Alon USA Energy Inc expects repairs to its 70,000 bpd Big Spring, Texas refinery to be completed by



the end of August following a fire in February.

Frontier Oil Corp is reviewing plans to revamp a fluid catalytic cracking unit at its 110,000 bpd refinery in El Dorado, Kansas.

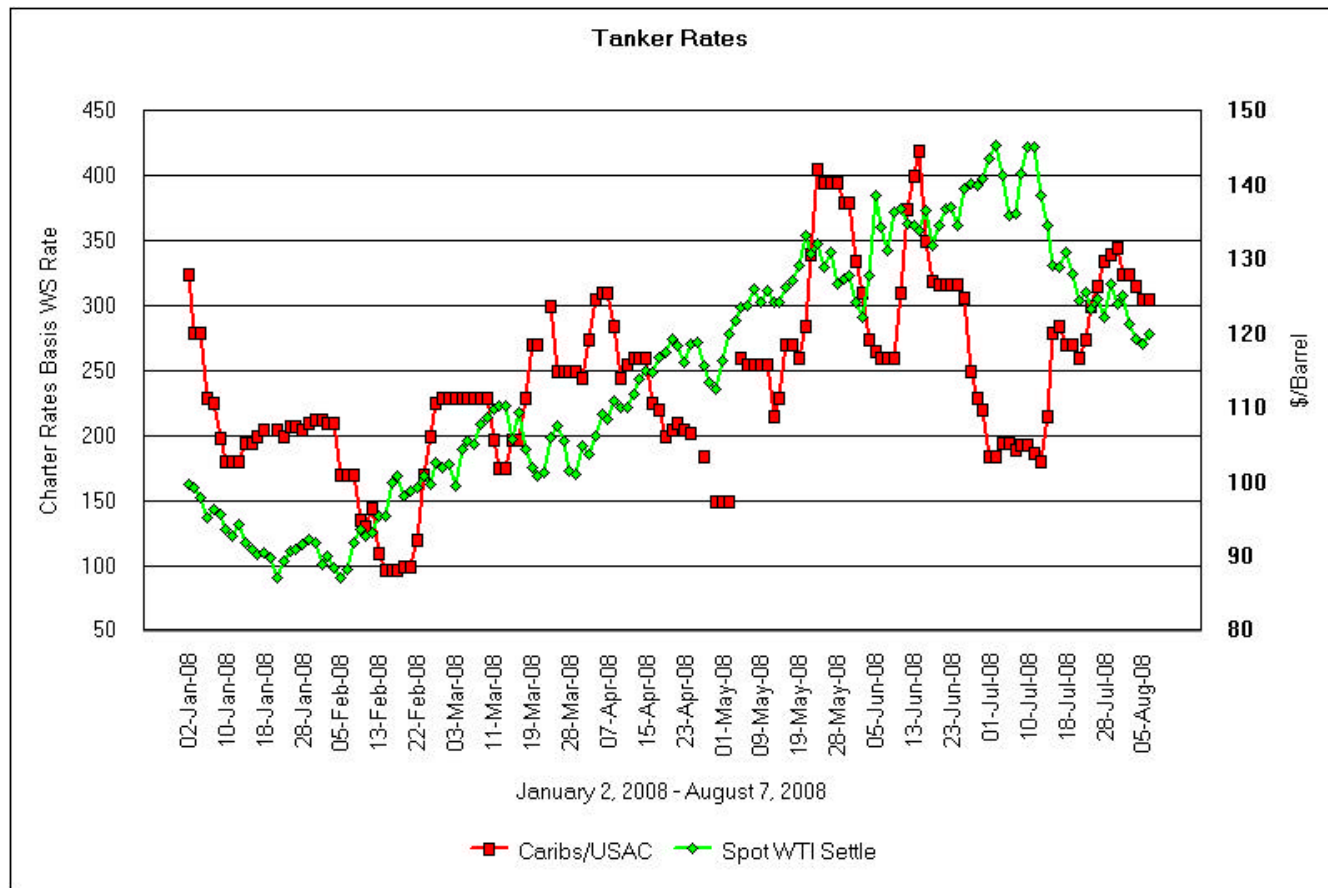
Sunoco Inc said it has no significant turnaround work planned for the rest of 2008 at any of its oil refineries.

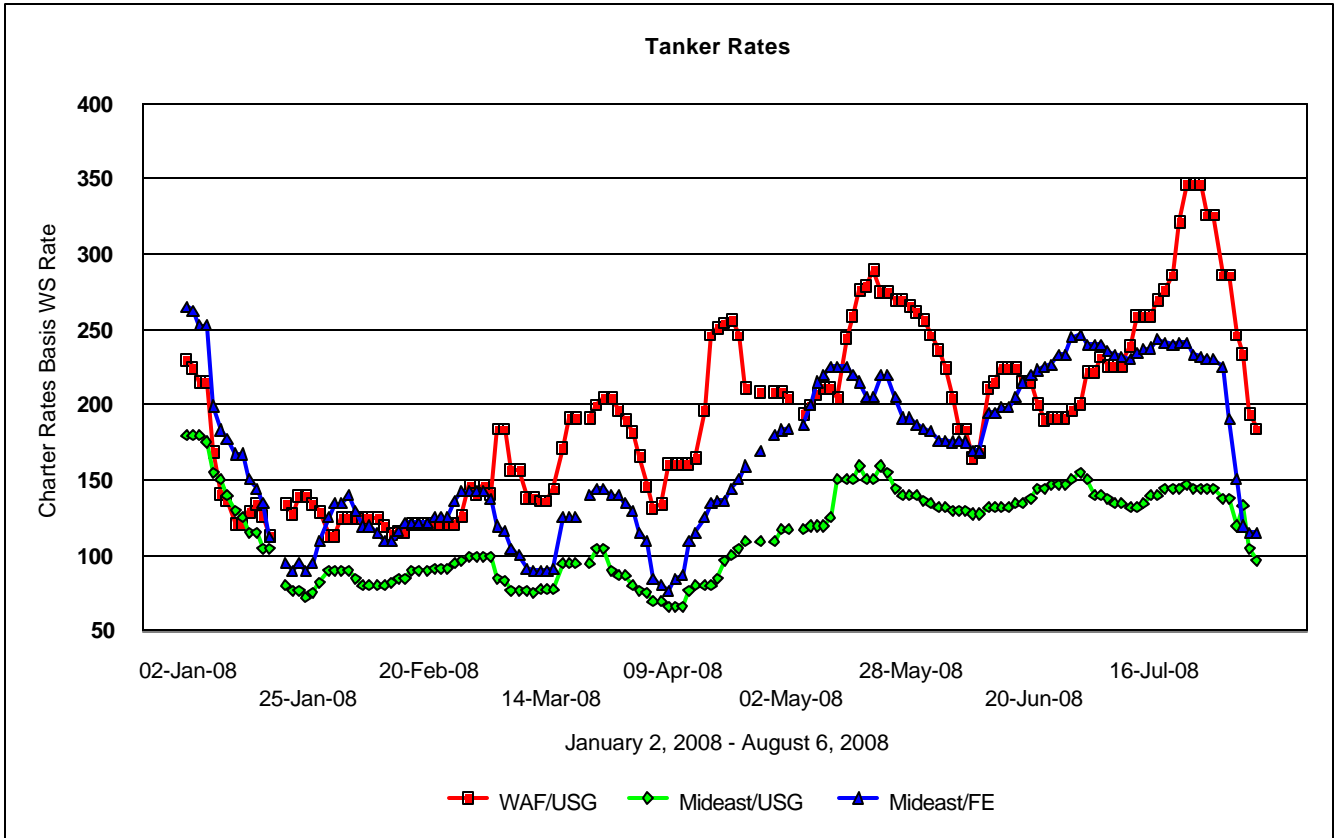
Canadian Natural Resources Ltd said it made a long term shipping commitment on TransCanda Corp's proposed oil sands pipeline to the US Gulf Coast. It has committed to ship 120,000 bpd of heavy crude for 20 years on the Keystone pipeline expansion between Alberta's oil sands to Port Arthur, Texas. It has also signed a 20 year agreement with a major refiner to supply its facilities in the Gulf Coast area with 100,000 bpd of heavy crude at market prices.

Kuwait's 200,000 bpd Shuaiba oil refinery was operating at full capacity on Thursday after an emergency shutdown earlier this week. The refinery suffered a power failure on Tuesday.

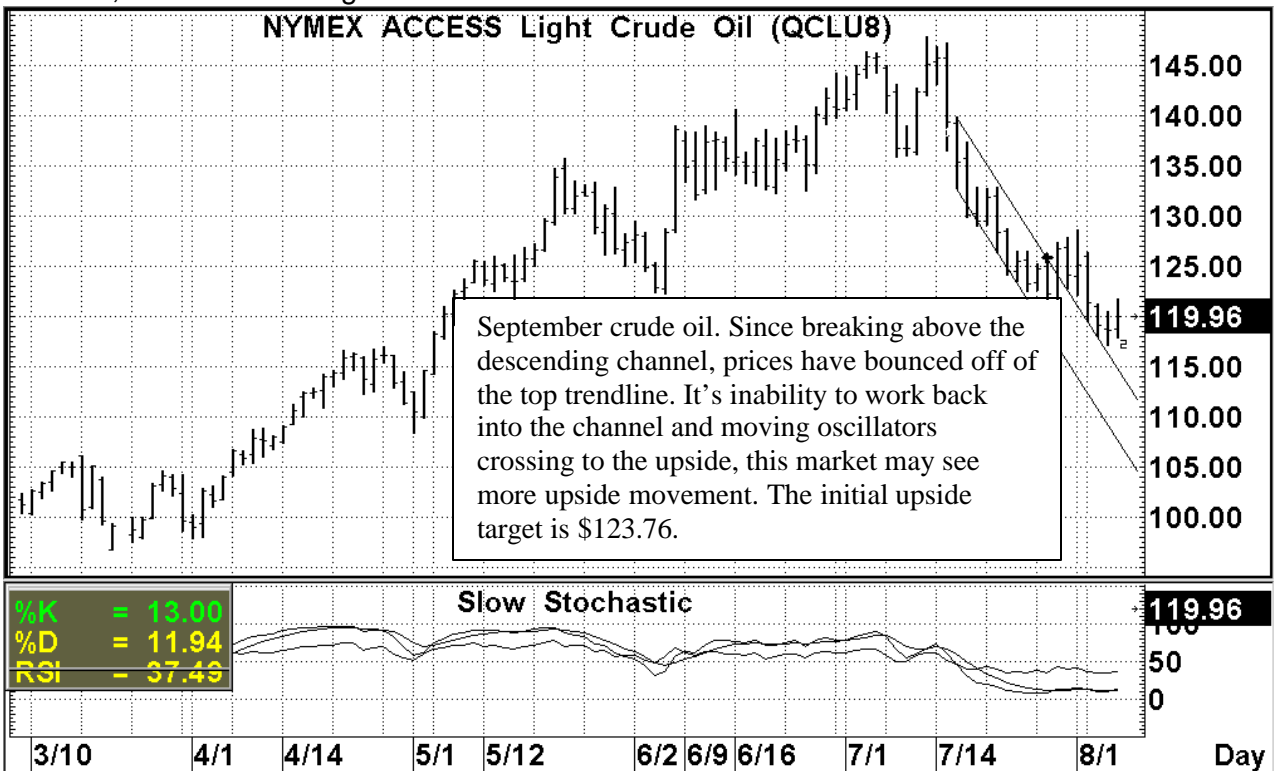
Gasoline inventories in independent storage in the Amsterdam-Rotterdam-Antwerp area fell by 2.71% on the week but increased by 16.89% on the year to 789,000 tons in the week ending August 8th. Gas oil stocks increased by 9.1% on the week but fell by 7.84% on the year to 1.822 million tons while fuel oil stocks increased by 12.39% on the week and by 71.73% on the year to 735,000 tons. Naphtha stocks fell by 19.84% on the week and increased by 165.79% on the year to 101,000 tons while jet fuel stocks increased by 6.76% on the week but fell by 17.69% on the year to 363,000 tons.

Indonesia's Pertamina is expected to import 11.28 million barrels of oil products in September. It is expected to import 4.5 million barrels of gasoline, 5.4 million barrels of diesel and 1.1 million barrels of





fuel oil in September. It is also expected to import 280,000 barrels of jet fuel in September compared with 420,000 barrels in August.

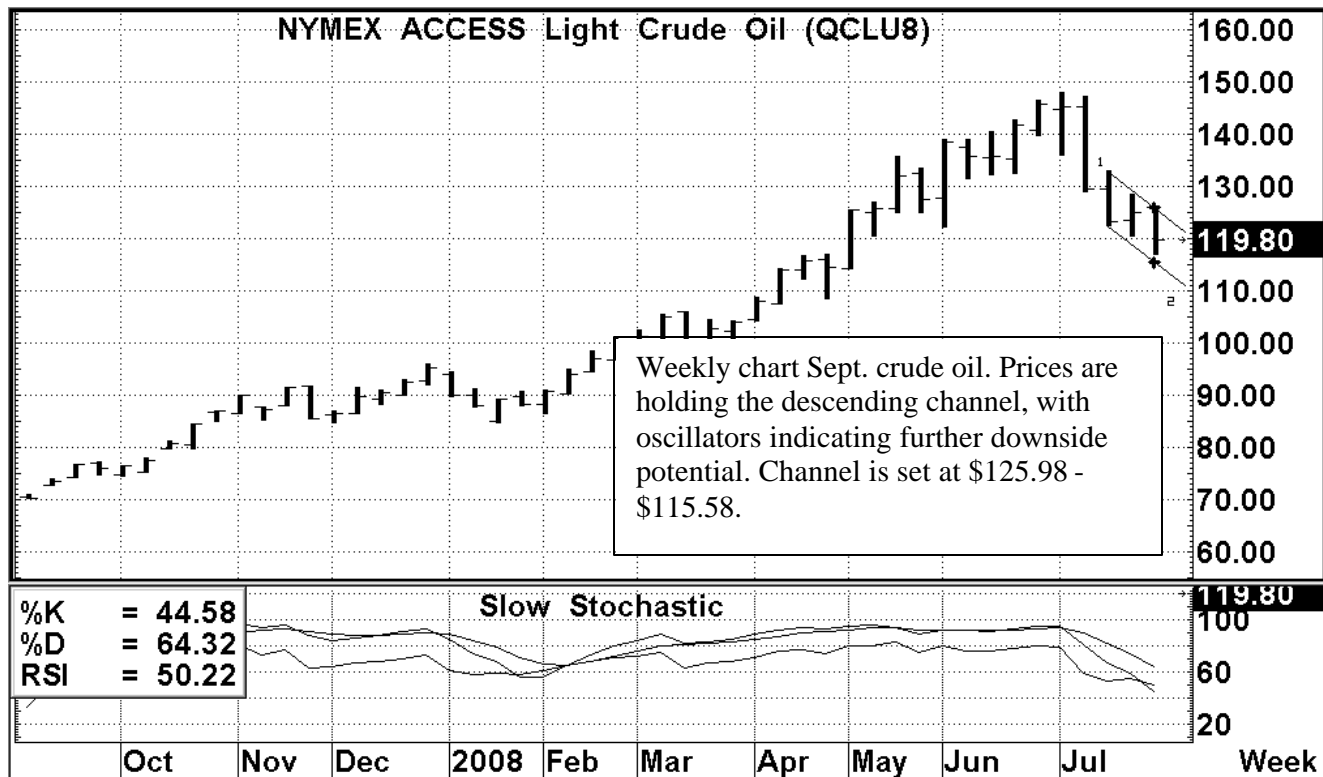


Singapore's International Enterprise reported that the country's residual fuel stocks fell by 843,000 barrels to 19.564 million barrels in the week ending August 6. It also showed that light distillate stocks increased by 549,000 barrels to 10.039 million barrels while middle distillate stocks fell by 479,000 barrels to 9.709 million barrels on the week.

Production News

A source at Turkey's Botas said the Baku-Tbilisi-Ceyhan oil pipeline is still on fire after an explosion and may not reopen for another one to two weeks. The source said stocks at the Ceyhan depot, which have been used to continue loadings at the port following the explosion on Tuesday night, have been depleted. Trade sources said loadings of Azeri crude at Ceyhan were halted. The Kurdistan Workers' Party claimed responsibility for the explosion. Meanwhile, BP said the group producing oil in Azerbaijan has started diverting crude meant for Ceyhan to other routes, including Georgia's port of Supsa after the explosion. Separately, Lehman analyst said less than 100,000 bpd of the 850,000 bpd Azeri crude flow cut by a fire on the Baku-Tbilisi-Ceyhan pipeline is likely to make it to market via alternative routes while the line undergoes repairs.

Iraq pumped oil through its northern pipeline to Turkey at a rate of 430,000 bpd on Thursday. The flow to the Turkish terminal of Ceyhan was restarted early Tuesday after a one day stoppage for an unknown reason. Iraq held about 300,000-400,000 barrels in storage at the terminal.

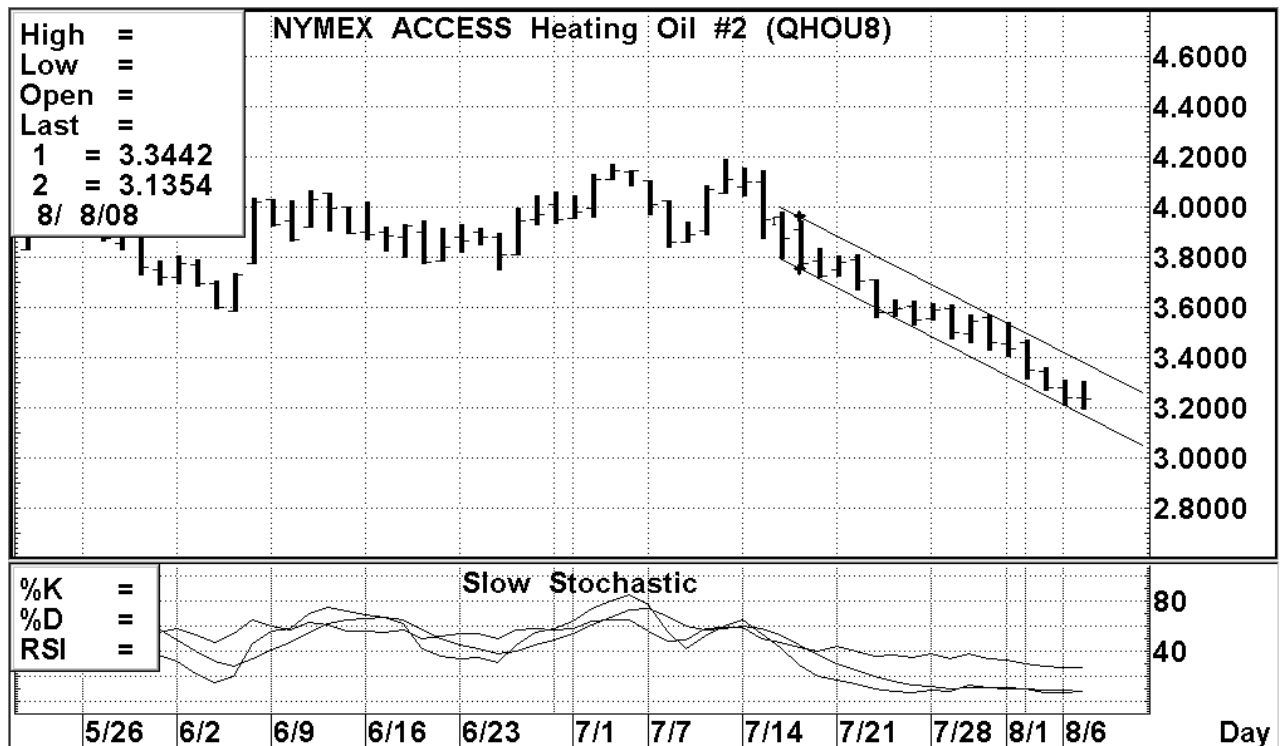


An Iraqi Oil Ministry official said Iraq's oil exports increased to 1.93 million bpd during the first seven months of 2008, up 23.7% on the year.

Venezuela's information ministry said the country booked an additional 5.553 billion barrels of proven oil reserves this year as part of its ongoing effort to quantify how much oil it holds underground. It has a total of 134.844 billion barrels of proven crude reserves.

Royal Dutch Shell said repairs were ongoing on a major Nigerian crude oil pipeline sabotaged by militants last week. This is contrary to statements made by Nigeria's Oil Minister Odein Ajumogobia that all the pipelines damaged from the July 28 attacks were fixed and some production was restarted.

Transneftproduct reported that Russia cut its gasoil exports from Latvia's port of Ventspils by 15% from July as it started to export diesel from the Baltic Sea port of Primorsk. Refineries cut production of gasoil assigned for exports from Ventspils after they increased output of low-sulphur diesel to feed



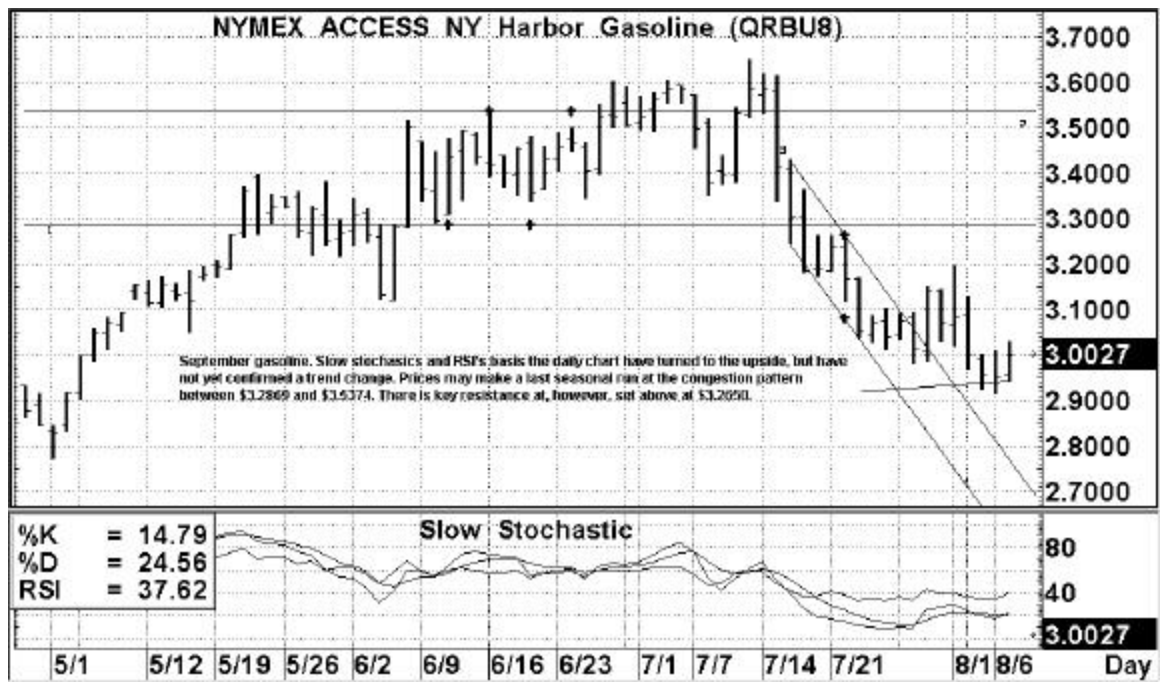
TNP's new diesel pipeline to Primorsk. Russia is expected to more than double diesel exports from the port of Primorsk from October after Transneft ties in two more refineries to its newly built pipeline. Its diesel exports are expected to increase to 460,000 tons per month in October from 220,000 tons per month in July.

Russia's Transneft has raised its oil shipping fee by 10.7% on August 5. Russia's tariffs agency said the increase will help it finance Russia's first pipeline to China, which is expected to come onstream at the end of 2009.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$114.64/barrel on Wednesday from \$116.22/barrel on Tuesday.

Market Commentary Crude oil rose for the first time in four days after Turkey said a pipeline carrying crude to the country's Mediterranean coast from Azerbaijan might remain shut for two weeks following an explosion on Aug. 5. Baku-Tbilisi-Ceyhan pipeline was pumping up to 800,000 barrels per day. The shape of the forward curve has changed, with the front end pulling away from the deferred. After five bounces off of the descending channel top depicted on a daily bar chart, this market may head a little higher, before resuming its downside movement. Although the slow stochastics and RSI's have turned higher, a confirmation of a change in trend has not yet taken place. Support and resistance numbers basis a weekly chart are holding, with moving oscillators indicating further downside potential.

Gasoline followed crude oil higher today in light of weakening demand. This very well may be a last seasonal attempt to work back up to the congestion area of \$3.2869 and \$3.5374. Although technical indicators on a daily bar chart have crossed to the upside, a bullish confirmation has not been given. Weekly technical indicators are calling for further downside movement. Based on a weekly chart for September gasoline, there is a channel set at \$3.1300 and \$2.8776. With the weekly indicators pointing to the downside, it doesn't appear that prices will penetrate the channel top but instead work towards the lower half of this channel. Heating oil continues to drift lower and was not able to take out the highs of yesterday but did manage to post a lower low. This, in and of itself is bearish for this product. Both the slow stochastics and the RSI appear range bound with in oversold territory and do not appear to be turning towards the upside. As long as prices fail at the top and bottom of the descending channel on a daily bar chart, these levels can be used as selling and buying opportunities. Tomorrow's channel is set at \$3.3442 and \$3.1354. Open interest for crude oil is 1,274,141 up 24,839, September 08 272,989 down 238, October 08 163,063 up 21,863 and December 08 184,688 down 616. Total open interest for heating oil is 225,440 down 475, September 08, 66,559 down 2,451 and October 08 30,503 up 928. Total open interest for gasoline is, 216,918 down 1,207, September 08, 75,264 down 2,301 and October 08 39,657 up 1,817.



Crude Support	Crude Resistance
115.55, 108.40, 85.40	132.90, 134.85, 140.60, 144.00, 147.90,
Heat support	Heat resistance
3.1680 3.0980, 3.0285	3.6135, 3.8215, 4.0210, 4.0765, 4.1200, 4.3614
Gasoline support	Gasoline resistance
2.8190, 2.7285, 2.5920	3.1680, 3.1760, 3.6021, 3.755, 34655