



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR AUGUST 31, 2007**

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The EIA reported that US oil demand in June was down 0.7% on the year at 20.737 million bpd. Its preliminary data had shown a smaller decline of less than 0.2%. During the first six months of the year, the revised data showed oil demand averaged 20.718 million bpd, up 1.4% from 20.44 million bpd a year earlier. It reported that gasoline demand averaged 9.51 million bpd in June, up 0.7% on the year but down 50,000 bpd from its previous estimate.

#### **Market Watch**

The release of the US DOE's weekly petroleum stock report for the week ending August 31 will be delayed by one day to Thursday, September 6 due to the Labor Day holiday.

The US EPA has granted a 20 day waiver for North Dakota to import winter grade gasoline from Canada earlier than normal, in response to tight inventories. The move would allow fuel dealers access to more than 2 million gallons from Canada so they can get through the Labor Day weekend.

#### **Refinery News**

The Longhorn Pipeline carrying refined products from the US Gulf Coast to El Paso, Texas is expected to restart operations by Sunday after it was shut for a week of repairs. Planned maintenance on the pipeline started August 24 and anomalies were found that required Longhorn Pipeline Partners to reduce pressure in the line below levels that would not enable products to pass through at the higher elevation of the Davis mountains in west Texas.

Indian Oil Corp is scheduled to shut a 35,000 bpd crude distillation unit at its Barauni refinery for 40 days of maintenance starting Saturday. It is also expected to shut a 10,000 bpd coker unit from September 1 for 56 days at the 120,000 bpd refinery. The IOC said it also planned to shut its 120,000 bpd Haldia refinery for 25-30 days from September 20 to revamp a power plant and add a gas turbine.

Russia's Lukoil Holding said it currently had no plans to shut its Bulgarian refinery for maintenance.

The nation's first renewable fuels standard (RFS) program is set to take effect September 1. Authorized by the Energy Policy Act of 2005, the program will promote use of fuels largely produced from American-grown crops. September 1 marks the deadline when obligated parties such as major refiners, blenders, and importers must meet reporting, registration, and other key compliance requirements. The RFS program requires that at least 7.5 billion gallons of renewable fuel be blended into motor vehicle fuel sold in the U.S. by 2012. It also requires the obligated parties to use a minimum volume of renewable fuel each year between 2007 and 2012. That minimum volume is determined as

a percentage of the total volume of fuel a company produces or imports. The minimum volume will increase every year through 2012.

### **Production News**

Gas oil inventories in independent storage in the Amsterdam-Rotterdam-Antwerp area increased by 111,000 tons on the week to 1.956 million tons in the week ending August 30. Gasoline stocks increased by 50,000 tons to 741,000 tons while fuel oil stocks fell by 31,000 tons to 568,000 tons. Naphtha stocks increased by 16,000 tons to 132,000 tons while jet fuel stocks increased by 32,000 tons to 434,000 tons on the week.

Japan's Ministry of Economy, Trade and Industry reported that Japan's oil product sales in July fell by 9.3% on the year to 16.59 million kiloliters or 3.37 million bpd. It reported that the Japan's gasoline sales fell by 4.5% to 5.23 million kl or 1.06 million bpd while its kerosene sales fell by 26.1% on the year to 840,000 kl or 170,000 bpd. It reported that Japan's crude oil imports increased by 7.1% to 21.3 million kl or 4.32 million bpd in July. Japan's commercial crude stocks totaled 18.34 million kl at the end of July, down 0.9% on the month. Crude throughput at Japanese refineries in July increased by 1.8% on the year to 19.74 million kl.

Japan's Ministry of Economy, Trade and Industry has issued a tender to sell 230,000 kl or 1.45 million barrels of Khafji crude for November-December loading. The government has also tendered to buy the same volume of light sour Abu Dhabi crude to be delivered November 20 and December 20 to fill in the void. Japan said it was reselling Khafji crude from its national reserves and was seeking to replace it with lighter Abu Dhabi grades, as it upgrades its stocks to meet changing domestic demand.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$69.10/barrel on Thursday, up from Wednesday's \$68.30/barrel.

### **Market Commentary**

Initially opening higher on storm concerns in the Atlantic Ocean, crude oil continued to trade higher through out the session in response to statements by U.S. President George Bush. President Bush held a news conference stating that the government has a plan to help borrowers having trouble paying their mortgages. In addition to this, was a favorable statement by Chairman of the Federal Reserve, Ben Bernanke, stating that the central bank would step in as needed. This was supportive to the stock market and energies, with the exception of gasoline. It appears that fears of an economic slow down are subsiding. This evident in the growing open interest we have seen, with new long entering the market. Support comes in 73.00, 72.08, 71.53, 71.20, 70.67 and **69.96** Resistance is set, 74.87, 75.95 and 76.97.