



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 5, 2007

OPEC agreed on Wednesday to leave its production unchanged. It justified its decision on its assessment that it was already producing enough crude to meet winter demand following its previous decision to increase its production starting in November. OPEC is scheduled to meet on February 1 and then

March 1 to review policy by which time it may be facing renewed calls to help lower inflated energy costs. During the meeting, OPEC also set output targets for its new members, Angola and Ecuador at 1.9 million bpd and 520,000 bpd, respectively.

OPEC's Secretary General Abdullah al-Badri said world oil stocks are sufficient and there is no reason for prices to reach \$100/barrel. He said OPEC had no target price for oil and added that the group's decision to keep its production quotas unchanged was aimed at creating stability in the market. He later downplayed last week's massive decline in US crude oil inventories. Meanwhile, Nigeria's Minister of State for Oil, Odein Ajumogobia said the world economy as a whole has proved resilient to the impact of high oil prices. He said Nigeria was producing just over 2.1 million bpd.

The IEA chief economist Fatih Birol said it saw no signs yet that growing problems in US housing markets and world credit markets would lead to a slowdown in oil demand growth and hoped OPEC would increase its output at its next meeting in February. The IEA's executive director Nobuo Tanaka said OPEC's decision to keep output unchanged may do little to calm the market's anxiety about tight supplies.

US Secretary of State Condoleeza Rice criticized the lack of democracy in Iran after Iran boasted that it had secured a

Market Watch

The nonpartisan Congressional Budget Office said the US is at an elevated risk of economic recession because of the housing crisis, faltering confidence within financial markets and high oil prices.

The US Commerce Department reported that new orders at US factories increased by 0.5% in October, helped by demand for defense and transportation equipment.

LCH.Clearnet is launching its own over the counter carbon credit clearing service to rival that of its European Climate Exchange partner Climate Exchange Plc. There are fears that brokers could take their over the counter business away from ECX and remain with LCH as it launches its own clearing service.

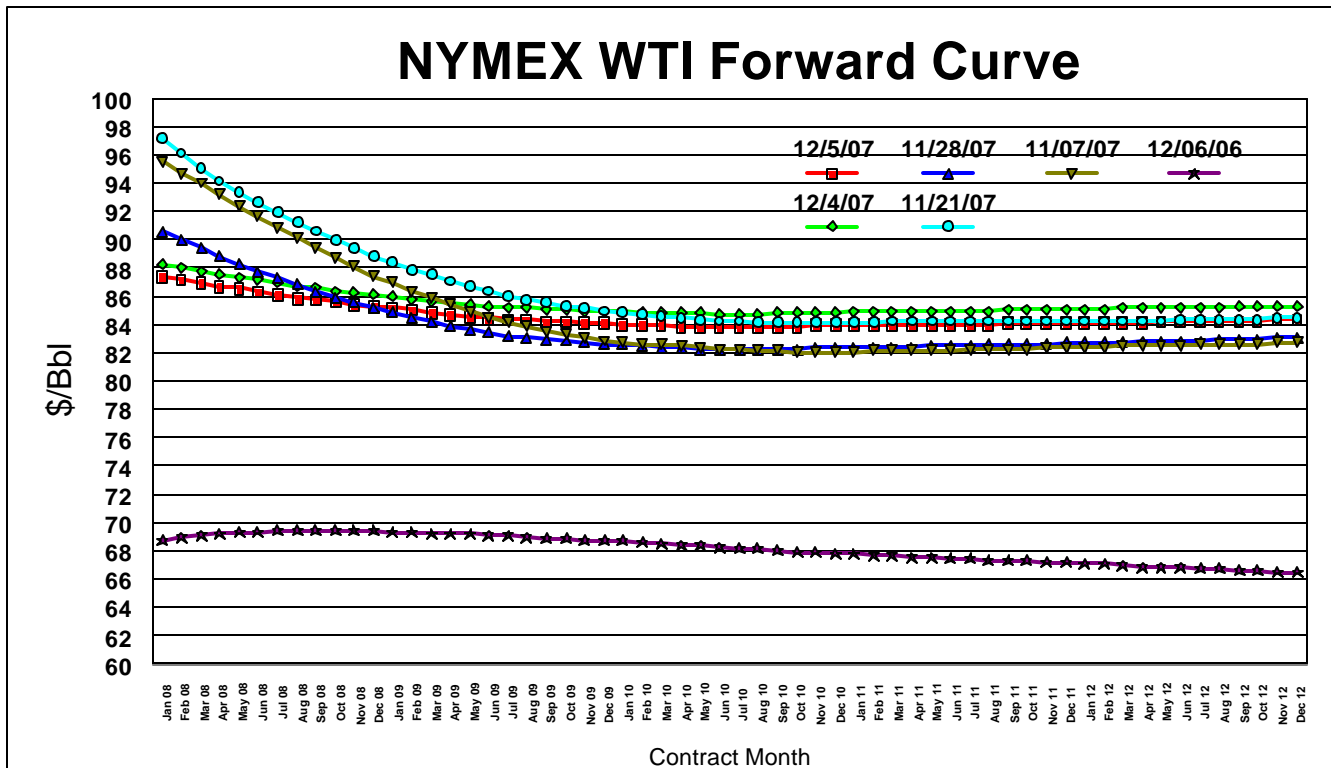
DOE Stocks

Crude – down 8 million barrels

Distillate – up 1.4 million barrels

Gasoline – up 4 million barrels

Refinery runs – unchanged, at 89.4%



victory through the National Intelligence Estimate report on its nuclear program. She also called for diplomatic pressure to be maintained on Iran. On Tuesday, she vowed to pursue tougher UN sanctions. Meanwhile, UK Foreign Secretary David Miliband said the UK would press ahead with demands for tighter sanctions against Iran. He said Iran was defying international demands to end uranium enrichment and should face a third UN resolution over its nuclear program.

The head of the IAEA, Mohamed ElBaradei said Iran has been “somewhat vindicated” by the National Intelligence Estimate report. He said the release of the report signaled an opportunity for Iran to prove it had no plans to develop a weapons program and added that Iranian authorities should seize the opportunity to prove that they have peaceful plans for nuclear energy.

Russia’s Foreign Minister Sergei Lavron said President Vladimir Putin urged Iran to freeze its controversial uranium enrichment program during a meeting with Iran’s nuclear negotiator, Saeed Jalili. Russia’s Foreign Minister said there was no proof that Iran has ever run a nuclear weapons program. He said the IAEA should continue its work in Iran to clarify all outstanding issues related to Iran’s nuclear program.

Israel’s Foreign Minister Tzipi Livni said that stronger sanctions were the best way of ensuring Iranian compliance with UN demands to halt uranium enrichment.

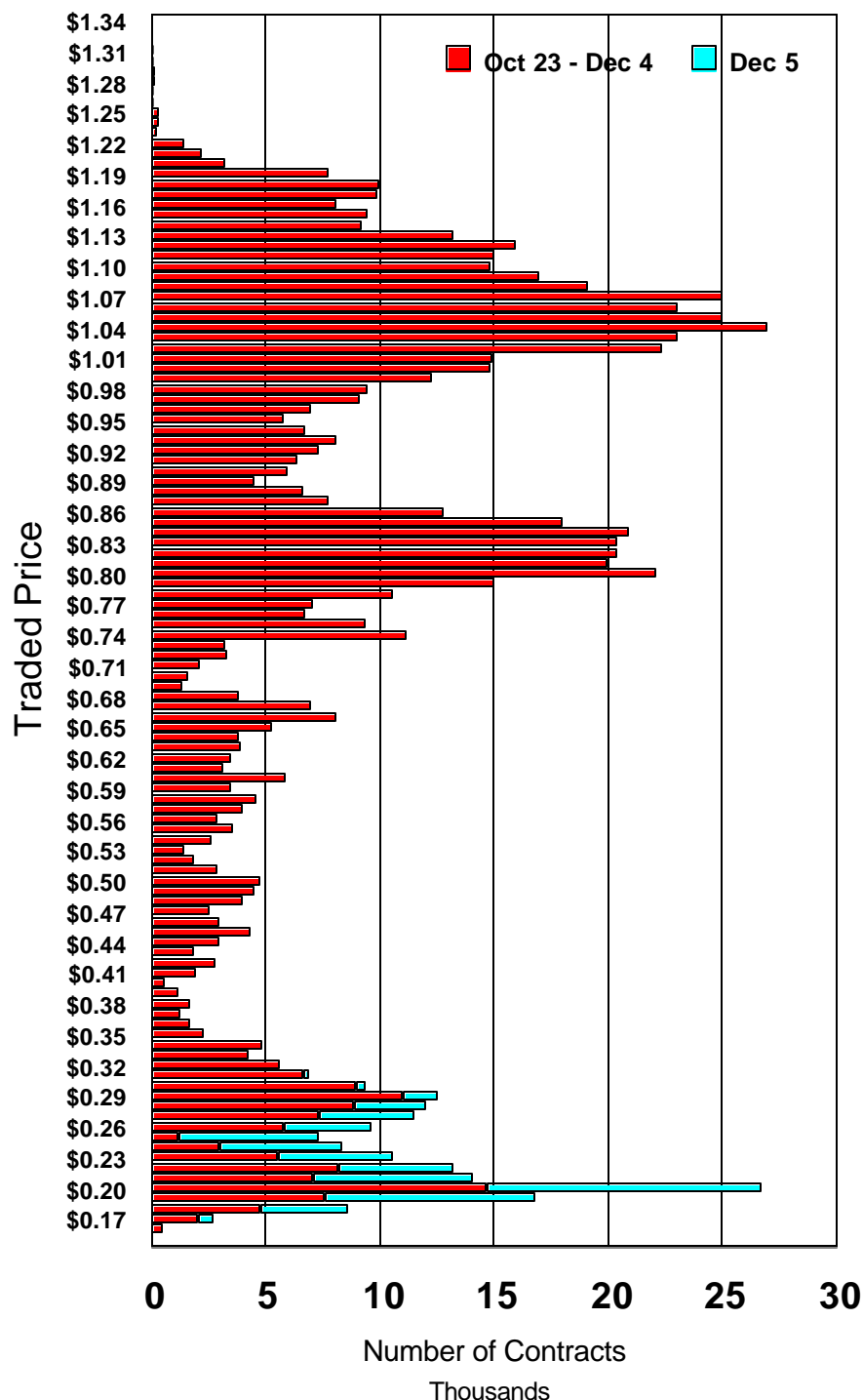
Iraq’s Oil Minister Hussein al-Shahristani said irreconcilable differences between factions in Iraq’s parliament meant the country’s oil law would not be passed any time soon.

A senior Iranian police official said authorities planned to increase the amount of rationed gasoline available for motorists. In a bid to cut consumption, Iran’s President Mahmoud Ahmadinejad in June introduced rationing. The government allocated motorists 100 liters per month or 600 liters for six months. The Iranian police official said the amount of rationed gasoline could be increased by shortening the rationing period to four from six months or by directly raising the monthly allocation.

NYMEX WTI: January February Spread

Price Vs Volume for October 23 - December 5, 2007

Trade Weighted Avg: 12/5 .22 12/4 .21 12/3 .31 11/30 .50 11/28 .666



French energy unions called for a 24 hour strike on December 6 following a breakdown in negotiations over salaries. A CGT union spokesman said they have not reached an agreement on salaries.

Refinery News

Colonial Pipeline extended shipping allocations on its main distillate line from Houston to Greensboro, North Carolina to cycle 70 because demand for space exceed its capacity.

Enbridge Inc said it restarted oil shipments on its Line 3 pipeline on November 29, shipping the heavy crude to storage at Clearbrook, Minnesota or to the Minnesota pipeline.

Total Petrochemical SA said it was performing required maintenance repairs to units 807 and 835 at its 232,000 bpd Port Arthur, Texas refinery.

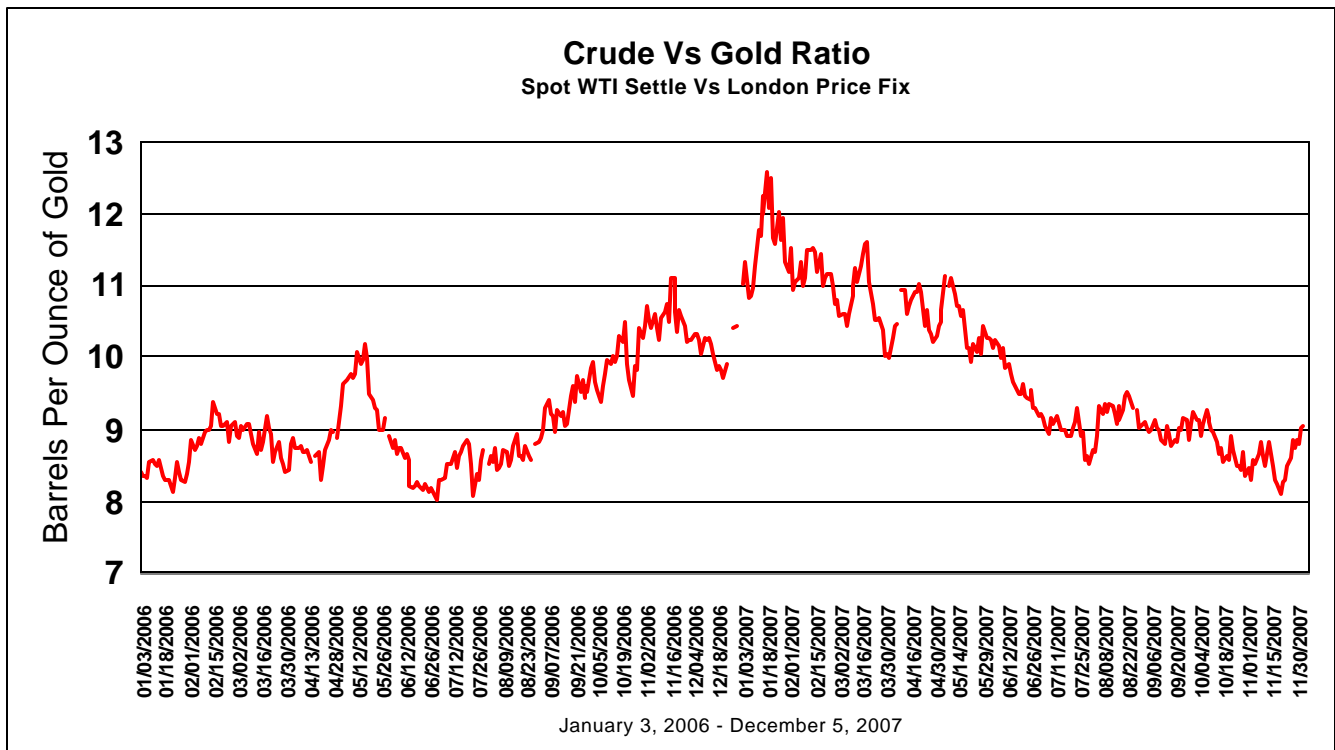
PDVSA confirmed that a power outage shut its 300,000 bpd Cardon refinery on Monday. It said a power surge on Monday in substation T-31 caused the shutdown of processing units. The refinery is expected to be fully operational within 7 days.

Canadian Oil Sands Trust announced that Syncrude had a fire in part of its coker 8-3 in the flue gas section of the unit late in the day on December 4. The fire was extinguished.

Production from coker 8-3 is continuing at minimum rates. It said the two undamaged cokers were each capable of producing 70,000 to 90,000 bpd.

The Shetland Islands Council reported that Brent crude oil exports increased to 219,752 tons in the week ending December 4 from 171,344 tons in the previous week.

The Petroleum Association of Japan reported that the country's crude stocks fell by 2.84 million barrels to 102.89 million barrels in the week ending December 1. Japan's gasoline stocks fell by 470,000 barrels to 11.95 million barrels while kerosene stocks fell by 1.84 million barrels to 25.81 million barrels and naphtha stocks fell by 500,000 barrels to 11.4 million barrels. It reported that crude runs increased by 220,000 bpd to 4.56 million bpd while refinery utilization increased by 4.5% to 93.1%.



China's National Development and Reform Commission said China may suspend import tariffs on oil products for some companies as part of a range of finance and tax measures to tackle a fuel crisis. It said low state-set fuel prices were still causing diesel shortages and some areas faced dry pumps or rationing. It also called for strengthening of logistics and transport, improved market supervision and demand management and prevention of illegal price increases and hoarding. It gave no details of when the measures might take effect, which firms they would affect or how they would be managed.

Production News

Iran's Oil Minister Gholamhossein Nozari said the country's oil output was running at 4.15 million bpd with an output capacity of 4.3 million bpd. He also stated that Iran needs \$150-\$160 billion investment in its oil and gas sector to increase its output capacity over the next seven years to 5.6 million bpd. He said the UN sanctions would prevent the country from attracting the investment needed to develop its energy sector. He said the US should drop sanctions imposed against Iran in light of the National Intelligence Estimate report that concluded the country stopped developing a nuclear weapons program in 2003.

The head of Libya's National Oil Corp, Shokri Ghanem said Libya planned to nearly double its crude oil production to 3 million bpd by 2012 with an investment outlay of between \$30 and \$40 billion. He said its current production stood at 1.75 million bpd and added that Libya had spare capacity of 200,000 bpd.

BP Plc said it started up the world's deepest subsea multiphase pump project at its US King oilfield. It said the pumps would

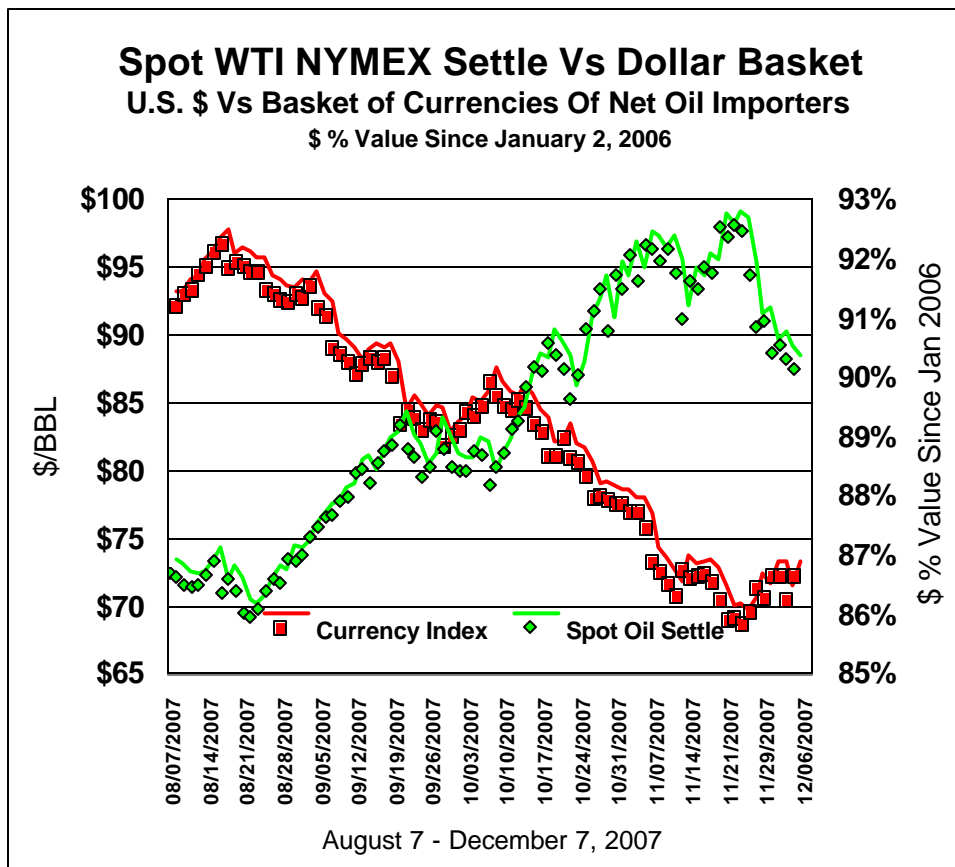
		Explanation	
CL	Resistance	91.52, 93.38, 94.32, 95.17, 97.28, 99.29	Wednesday's high
	Support	86.82 86.43, 84.65, 84.00, 78.30	Wednesday's low
HO	Resistance	259.86, 266.65, 268.61, 270.57	Previous highs
	Support	246.05, 243.61, 239.49, 238.79, 232.90	Wednesday's high
RB	Resistance	236.09, 239.77	Wednesday's low
	Support	220.77 220.19, 218.20, 217.52, 212.90, 212.82	Previous lows, 62% retracement, Previous low
		225.75, 229.00, 230.43	Previous highs
			Wednesday's high
			Wednesday's low
			Previous lows, 62%(198.39 and 248.48), Previous lows

increase production from the Gulf of Mexico field by 20% from a current 27,000 bpd of equivalent and extend its life by five years.

OPEC's news agency reported that OPEC's basket of crudes increased to \$85.33/barrel on Tuesday from \$84.28/barrel on Monday.

Market Commentary

The run up in prices after the release of the API/DOE numbers was short lived once the realization set in that overall stock levels were down 3.8 million barrels and that crude oil stocks were still in the upper half of the average range for this time of year. Total crude stocks were down 8 million barrels per day with levels at Cushing, OK building 700,000 barrels. Imports were down 980,000 barrels per day but are 121,000 barrels a day more than averaged over same period last year. Distillate stocks built by 1.4 million barrels and are in the middle of the average range with demand averaging 4.4 million



barrels per day over the last four weeks and 5.9% above the same period last year. Total gasoline stocks were up 4.0 million barrels and are in the lower end of the average range with demand up 0.2% on the year set at 9.3 million barrels per day. Once again the front end of the forward curve came under pressure while the back end held steady. With time we would look for this pattern to continue and for the front end to dip into the contango area. The January contract settled 7 cents higher than the 38.2% retracement number but settled below the upward channel that began back in August. Although on the low side, the slow stochastics haven't given an indication that this downward move in prices is about to correct itself. We would like to be sellers of any rallies in this market and would not look to exit unless prices trade over the \$93.38 resistance number. Our initial downside objective still remains the \$84.65 support area and ultimately \$78.35. Fibonacci retracement numbers based on the low of \$68.22, and the recent high, \$99.29, are as follows; 38.2% - \$87.42, 50% - \$83.76 and 61.8% - \$80.09. Total open interest in crude oil is 1,382,526 down 2,656, JAN.08 322,877 down 15,843, FEB.08 149,583 up 13,565. The product markets also ended the session in negative territory after they retraced their earlier gains amid the weakness in the crude market. The heating oil market posted a high of 257.29 in early morning trading as the complex was supported by the news that OPEC decided to leave its production quotas unchanged. The market however erased its gains and traded to 250.15, where it held some support. The market later breached its support and extended its losses to 3.59 cents as it traded to a low of 247.59. It settled down 2.25 cents at 248.93. The RBOB market also settled down 3.47 cents at 221.70 after the market sold off to a low of 220.77 late in the session. It however held its support at its previous low. Early in the session, the market retraced some of its previous losses as it traded to a high of 230.43 in light of the OPEC decision. The January RBOB crack held its resistance level at 6.50 and settled at 5.624. It is seen finding resistance at 6.287, basis a trendline. The market will likely retrace some of its losses where traders will continue to sell into rallies. In the heating oil, support is seen at 247.59, 246.05, 243.61, 239.49, 238.79 and 232.90. Resistance is seen at 250.00, 252.15, 255.50, 257.29 and 259.86. In the RBOB, support is seen at 220.77, 220.19, 218.20, 217.52, 212.90 and 212.82. Resistance is seen at 225.75, 229.00, 230.43 followed by 236.09 and 239.77.