



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR MARCH 10, 2011**

#### **NATURAL GAS MARKET NEWS**

##### **North American**

Lukoil said today that it is interested in shale gas and shale oil technologies and are interested in looking for partners in North America and to use the technologies in Russia and third countries as well.

The FERC has approved the application to begin commercial operations at the Golden Pass LNG terminal in Texas. The terminal has been receiving test cargoes since October, but until now has not been allowed to send commercial deliveries into the grid.

The U.S. Climate Prediction Center reported this morning that the current La Nina weather anomaly should be gone completely by June. The center reported that the majority of the computer weather models predict a return to neutral conditions by this coming summer. The 2010/11 La Nina weather pattern was one of the strongest in the last decade. If the weather pattern persisted into the summer, it was seen as increasing the risk for more tropical storms to form in the Atlantic and Caribbean basin.

##### **EIA Weekly Report**

	03/04/2011	02/25/2011	Change	03/04/2010
<b>Producing Region</b>	703	696	7	553
<b>Consuming East</b>	748	809	-61	799
<b>Consuming West</b>	223	240	-17	290
<b>Total US</b>	1674	1745	-71	1642

\*storage figures in Bcf

Canada's National Energy Board today gave the Mackenzie gas pipeline project its final approval on Thursday after the federal cabinet cleared the project. The \$16.5 billion project has been undergoing regulatory review since October 2004. The project's backers, Imperial Oil, Shell, ConocoPhillips, ExxonMobil, and the Aboriginal Pipeline Group have still not decided whether to build the line or not. The project participants are now looking to re-initiate discussions with the Canadian government on the fiscal framework for the project, such as seeking government support for the building of roads, airstrips and other permanent infrastructure in the sparsely populated Northwest Territories in order to reduce the project's financial risk. The line has a projected 1.3 bcf/d of capacity. The current startup estimate would now be 2018.

##### **Generation Outages**

The NRC reported this morning that some 85,109 Mw of nuclear generation capacity is online, up 0.2% from yesterday and some 2.2% higher than the same day a year ago.

##### **Canadian Gas Association**

##### **Weekly Storage Report**

	05-Mar-11	25-Feb-11	05-Mar-10
<b>East</b>	63.9	70.6	74.5
<b>West</b>	159	176.1	191.2
<b>Total</b>	222.8	246.7	265.7

storage figures are in Bcf

##### **International**

Gazprom announced today that it has agreed with Wintershall to jointly develop the Urengoy gas fields in the Russian Arctic as well as deposits in the North Sea.

Woodside Petroleum said today that it expects to make a final investment decision on the Greater Western Flank project early next year. The company views the project as being able to maintain its capacity for longer, not expanding the North West Shelf overall production. The North West Shelf has seen capacity expanding slowly and it produced 16.5 million tones of LNG in 2010, up from 16.3 million tones in 2009.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	787,300	\$3.873	\$0.155	\$0.035	\$0.108	(\$0.029)
Chicago City Gate	511,300	\$3.955	\$0.002	\$0.117	\$0.085	\$0.051
NGPL- TX/OK	831,400	\$3.774	\$0.038	(\$0.064)	\$0.121	(\$0.153)
SoCal	566,800	\$3.795	\$0.038	(\$0.043)	\$0.121	(\$0.105)
PG&E Citygate	1,000,100	\$4.007	\$0.060	\$0.169	\$0.143	\$0.112
Dominion-South	549,400	\$3.993	\$0.013	\$0.155	\$0.095	\$0.089
USTRade Weighted	19,415,700	\$3.872	\$0.025	\$0.034	\$0.11	(\$0.029)

Algeria's energy minister said yesterday that Algeria is sitting atop huge underdeveloped reserves of shale gas that the country now intends to develop with the

assistance of international partners. He estimated the country may have 1,000 tcf of natural gas trapped in shale deposits some 1000 meters below the surface.

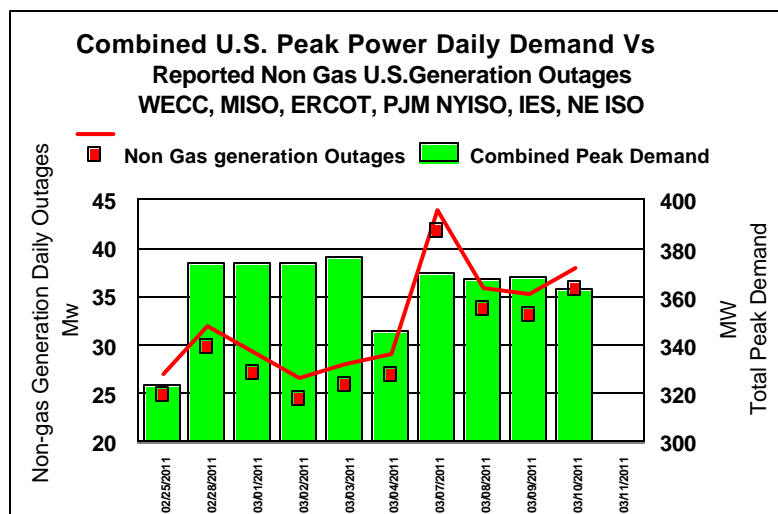
Russian energy ministry said today that it is considering the construction of a Black Sea LNG plant as a possible alternative to the underwater section of the South Stream natural gas pipeline.

Statoil said Thursday that output from its Gullfaks C platform in the North Sea was unaffected by a gas alarm that was triggered overnight by traces of gas in the ventilation system. There was no risk of any explosion though and production was not interrupted at any time during the incident, which lasted for approximately one hour.

### ELECTRIC MARKET NEWS

The US NRC said it will extend Entergy Corp's license to operate its Vermont Yankee nuclear power plant in Vermont by another 20 years.

The chairman of the Texas Public Utility Commission said today that Texas regulators want to know more about how the state power grid operates under stress, such as the extreme cold that led to power plant shutdowns and rolling outages in early February. The PUC, ERCOT and the FERC are all looking for the causes of a February 2<sup>nd</sup> power emergency. The chairman of the Texas PUC said the event of February 2<sup>d</sup> was not likely the result of market manipulation, as some lawmakers had

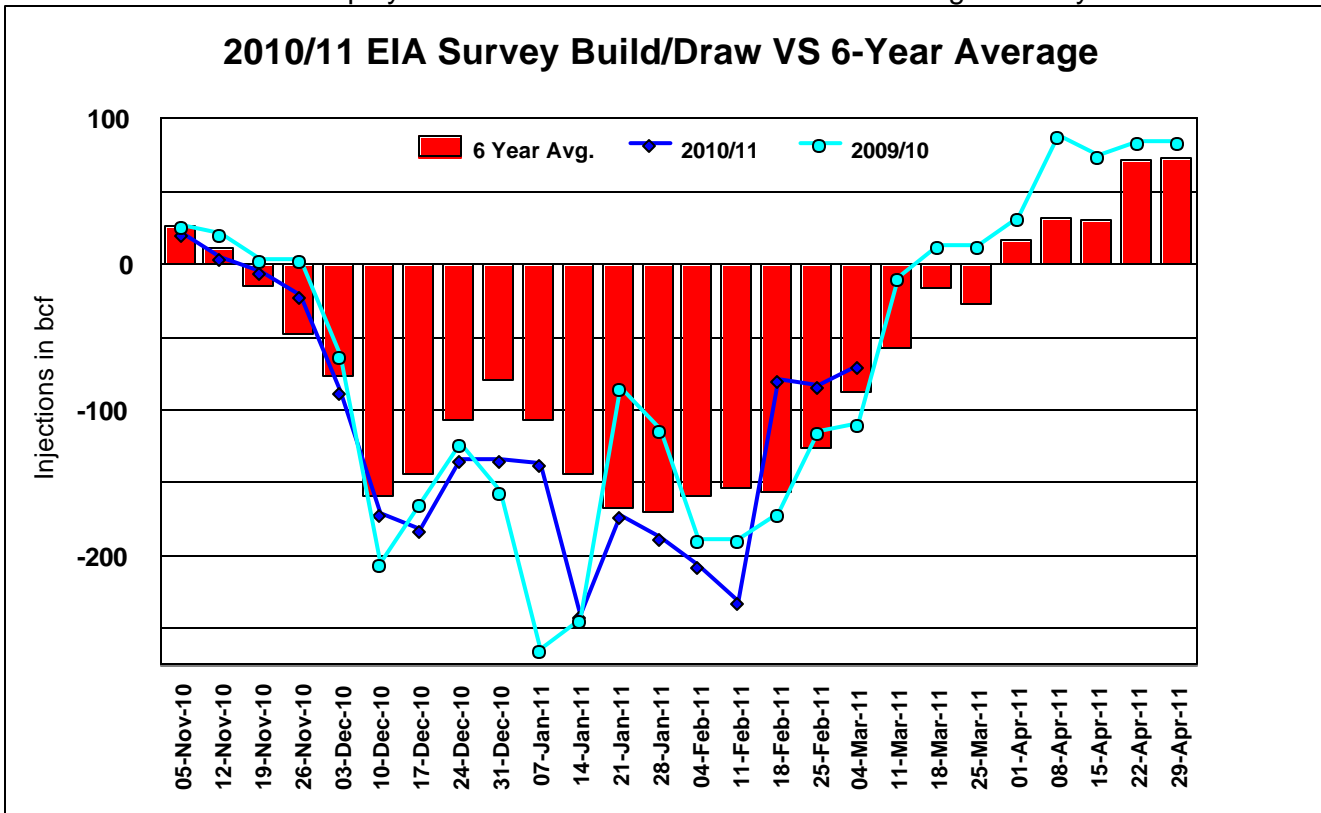


alleged. The chairman of the FERC said his agency's inquiry would take a look at pipeline delivery disruptions of natural gas that day in Texas, New Mexico and Arizona.

### ECONOMIC NEWS

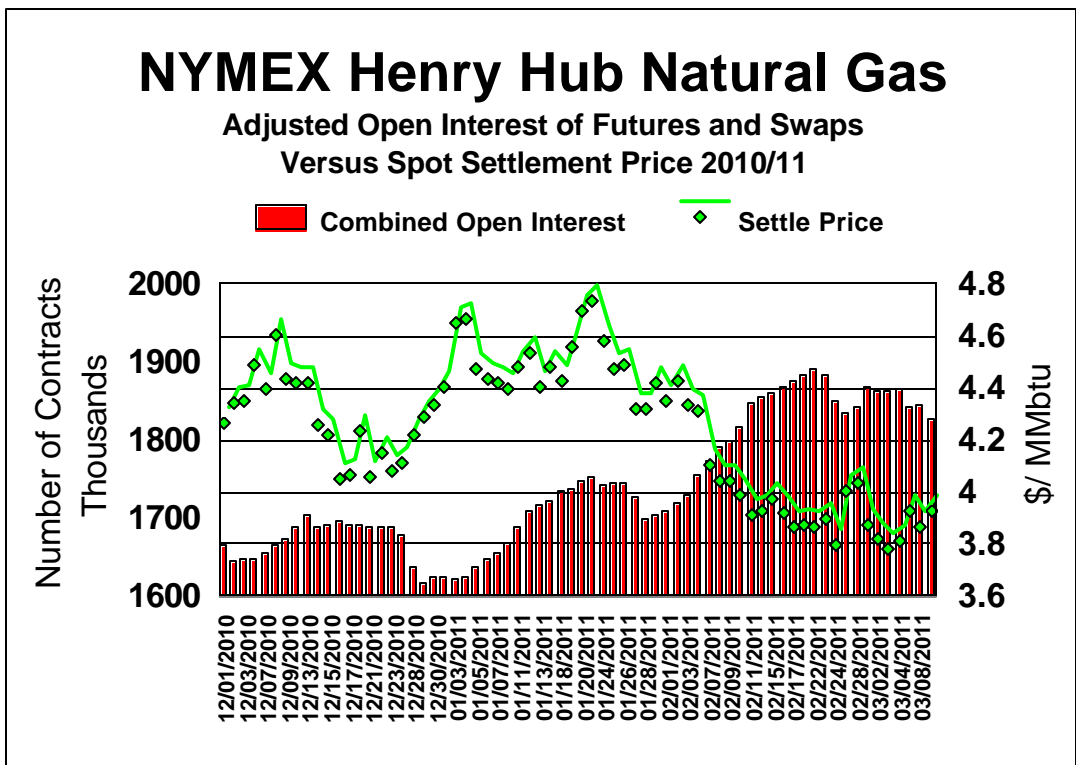
The US Labor Department reported the initial claims for unemployment benefits in the week ending March 5th increased more than expected. Initial jobless claims increased by 26,000 to 397,000. The prior week's figures were revised up to 371,000 from an original estimate of 368,000. The four week moving average of new claims increased by

3,000 to 392,250 in the week ending March 5<sup>th</sup>. The Labor Department reported that the number of continuing claims fell by 20,000 to 3,771,000 in the week ending February 26<sup>th</sup>. The unemployment rate for workers with unemployment insurance was 3% in the week ending February 26<sup>th</sup>.



The US Commerce Department reported that the US trade deficit in January widened to its highest level in seven months. The US deficit in international trade of goods and services in January increased by 15.1% to \$46.34 billion from a downwardly revised \$40.26 billion in December. The December trade gas was originally reported as \$40.58 billion. The US trade deficit with China increased by 12.5% to \$23.27 billion in January. The US bill for crude oil imports in January increased to \$24.51 billion from \$22.54 billion in December.

The Federal Reserve said the net worth of American increased towards the end of last



year and overall household debt declined. Its Flow of Funds data showed that US households' total net worth increased by 3.9% during the October through December period to \$56.823 trillion. Household debt fell by about 0.5%. It reported that home mortgage debt fell by 1.25% while consumer credit increased by 2%.

China reported an unexpected trade deficit in February as increasing prices for oil and other commodities raised its import bill. February export growth fell to 2.4% as businesses were idled for the Lunar New Year holiday while imports increased by 19.4% for a deficit of \$7.3 billion.

Spain's government debt was downgraded by Moody's following concern that the cost of rescuing the country's banks is higher than previously estimated. New capital requirements could see the Spanish bank needing as much as 50 billion euros, 2.5 times the government's estimate.

### **MARKET COMMENTARY**

This morning's EIA Storage Report came in a bit smaller than expected and as a result helped to push prices lower at mid morning. Working gas inventories have once again moved back above a year ago levels as well as above the five year seasonal average, as a result of more moderate heating demand over the past couple of weeks. With the outlook for storage declines to remain limited in the coming weeks we feel that this market will remain on the defensive with a slow erosion in prices and the likelihood that the second half of this month should see prices gravitating around the \$3.50 area.

We see support tomorrow at \$3.795 followed by \$3.731, \$3.71, \$3.656, \$3.41 and \$3.255. Resistance we see at \$3.92, \$3.964, \$4.10, \$4.139, \$4.265 and \$4.392.

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