The Windham Group
Energy Futures Brokerage

ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132   (888) 885-6100

www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 30, 2010

NATURAL GAS MARKET NEWS

Generation Update
The NRC reported today that some 90,418 Mw of generating capacity was online today, down 1.39% from Monday and 5.21% higher than the same day a year ago.

Europe will show strong demand for gas in the long term according to Gazprom LNG's president and managing director following a dent in the gas demand during the recession. He said the increase in shale gas production in the United States has left LNG terminals in the United States—capacity for which costs total about $2 billion a year—largely sitting unused as LNG is shipper to other markets.

Construction of the South Stream pipeline carrying Russian and Central Asian natural gas to Europe will cost around EUR15.5 billion, Gazprom, the project's majority stakeholder said today. Costs of the offshore part of the pipeline through the Black Sea will cost EUR10 billion, while the price of the land part will be EUR5.5 billion.

The LNG Ebisu tanker, which holds 145,000 cubic meters, is due to unload at Belgium's Zeebrugge terminal on December 8 from Trinidad, according to the local port authority. A surge in gas prices has made northwest Europe relatively attractive for spot sales of LNG from Trinidad in late November, ending a four month period when markets in Asia were more lucrative.

Abu-Dhabi based Dolphin Energy said today that it had completed the 244 km (151.6 mi) Taweelah-Fujairah gas pipeline, which will provide gas to two power stations in the north of the United Arab Emirates.

The Norwegian Petroleum Directorate said today that Royal Dutch Shell has drilled a dry well in the Norwegian Sea, denting industry hopes that the region could serve as a new hub for natural gas production. The well was the first drilled in Dalsnuten production license, in which Shell is the operator and holds 30 percent. It was drilled about 50 km northeast of Shell's Gro gas discovery in the Norwegian Sea, which at one point was seen big enough to create a gas hub in the region, which already has the Ormen Lange field which supplies up to a fifth of Britain's gas. But in August, Norway scaled down the resource estimate for Gro to the "lower part" of its previously estimated 10-100 billion cubic meters range, casting doubt on the scale of future development in the region or its ability to serve as a hub.

Saudi Arabia's gas demand is growing 5 to 6 percent annually but the world's top oil exporter is trying to curb domestic consumption, an executive from state oil giant Saudi Aramco said today. "Annual growth is around 5-6 percent and is going to continue at this level as things stand now," Ahmed Al-Sa'adi, vice president of gas operations at Aramco, told Reuters. "There is a lot of effort in adopting energy efficient programs to curtail demand," he said when asked about what could contribute to a drop in demand. Saudi Arabia is raising gas production from non-associated gas fields to cater for rising domestic demand which has been growing by 7 percent annually in recent years due to an economic boom fuelled by the oil price rally. Aramco is currently developing Karan, its first non-associated offshore gas field project, which is expected to be completed in 2013. It is also working on two new projects, the Wasit gas development program and Shaybah natural gas liquids which Sa'adi said would be online by mid-2014.

ECONOMIC INDICATORS

The Conference Board said its index of consumer confidence increased to 54.1 in November, from a revised 49.9 in October, previously reported as 50.2. The November reading was the highest since a 54.3 reading in June and was better than the 52.5 expected by economists. The present situation index increased to 24 from a revised 23.5, originally reported as 23.9. Consumer expectations for economic activity over the next six months increased to 74.2 from a revised 67.5, previously reported as 67.8.

MARKET COMMENTARY

Natural gas futures fell for the second straight day on expectations that above normal temperatures will stretch across the central and southwestern parts of the U.S. Previously, hedge funds had been adding to their long positions on expectations that cold weather would grip most of the eastern and central U.S. from Dec. 4 through Dec. 8. In anticipation of greater demand, hedge funds placed their bets on the long side and as result bullish bets rose to their highest level in four months. With temperatures now forecasted to be milder than originally forecasted, longs were forced to liquidate. There is still an overhang of supply in this market and if weather forecasts don't begin to indicate colder temperatures in the future, we could see this market dip back down to the $3.700 level. As of the close today, the January contract settled below the $4.183 ascending trend line basis a spot continuation chart. Yesterday's cross of the slow stochastics to the downside gave a bearish signal for prices. For the near-term we would make $3.700 our initial downside objective.