



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR AUGUST 11, 2010**

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The National Hurricane Center said Tropical Depression Five remained disorganized and could dissipate later Wednesday as it moved northwest across the eastern Gulf of Mexico towards the Louisiana coast. It had earlier predicted that the depression could strengthen into a tropical storm within 24 hours before making landfall Thursday night. The computer

#### **Market Watch**

The US Commerce Department said the US trade deficit widened unexpectedly to a record 21 month high in June. It reported that the shortfall in international trade of goods and services increased by 18.8% to \$49.9 billion. The trade deficit in May was revised down to \$41.98 billion from an initial estimate of \$42.27 billion. The US trade gap with China increased to \$26.15 billion in June, the widest level since October 2008 and a 17% gain on the previous month's bilateral deficit of \$22.28 billion. The US bill for crude oil imports in June increased to \$22.6 billion from \$21.54 billion in May as volumes increased by 32 million barrels to 311.93 million barrels.

The US Labor Department said US job openings were flat in June while the number of new hires fell. It said there were 2.9 million job openings in June. With about 14.6 million people unemployed, the figures indicate there are five job seekers for every available position. Hires totaled 4.3 million in June, down from 4.6 million in the previous month.

Russia's Finance Ministry said the country's oil export duty for September may increase by 10% to between \$274 and \$277/ton following a rise in crude prices in July and August. The export duties on light refined products will increase to \$197-\$199/ton, up from the current level of \$190 while export duties on heavy refined products will increase to \$106-\$107/ton, up from the current level of \$102.40.

models forecast it would make landfall in Mississippi. Separately, the NHC said a tropical wave in the central Atlantic about 350 miles east of the eastern Caribbean Islands still had a low 10% chance of strengthening into a depression over the next 48 hours as it moves west. The NHC also continued to follow another low pressure system in the central Atlantic about 700 miles northeast of the eastern Caribbean Islands with a 50% chance of developing.

The Bureau of Ocean Energy Management said there have been no reports of oil or gas output cuts in the Gulf of Mexico due to the threat of tropical weather. However oil companies have evacuated non-essential workers from its Gulf of Mexico facilities. BP

#### **DOE Stocks**

**Crude** – down 2.988 million barrels  
**Distillate** – up 3.456 million barrels  
**Gasoline** – up 409,000 barrels  
**Refinery runs** – down 3.1%, at 88.1%

Plc said it started evacuating non-essential workers from its eight BP operated facilities in the US Gulf of Mexico. Meanwhile, Anadarko Petroleum Corp said it evacuated non-essential workers from its natural gas facility, Independence Hub, and its oil and gas platform, Neptune, in the eastern Gulf of Mexico due to the threat of a storm in the area. The

Independence Hub natural gas platform has the capacity to process up to 1 bcf/d of supply while the Neptune platform can produce 30,000 bpd of oil and 100 mmcf/d of natural gas. Separately, Eni SpA is evacuating non-essential personnel from its Gulf of Mexico oil facilities due to the threat of a tropical storm. Also, Royal Dutch Shell said it is evacuating workers from its Nautilus rig and Fairway field in the Gulf of Mexico due to the threat of storm in the area. It said the Fairway field will operate remotely and added that its production will not be affected. Transocean has evacuated 127 workers from three oil drilling rigs in the Gulf of Mexico and plans full evacuation of the Deepwater Nautilus.

<b>August Calendar Averages</b> <b>CL – \$81.10</b> <b>HO – \$2.1556</b> <b>RB – \$2.1270</b>
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The Louisiana Offshore Oil Port was operating normally but was monitoring the threat of tropical weather.

The IEA said global oil demand growth will increase higher over the rest of this year and into 2011. It said world oil demand would increase by 1.8 million bpd on the year to 86.6 million bpd in 2010, up 80,000 bpd from its previous forecast. For 2011, it forecast demand would increase to 87.9 million bpd, up 1.3 million bpd on the year and up 50,000 bpd from its previous forecast. The IEA forecast that non-OPEC supply would grow by 200,000 bpd in 2010 to 52.6 million bpd and by 100,000 bpd in 2011 to 52.9 million bpd. Oil stocks held in countries within the OECD amounted to 61 days of forward supply in late June. It said the amount of crude in floating storage fell to 59 million barrels at the end of July from 85 million barrels in June. Oil products stored at sea increased by 4 million barrels to 34 million barrels over the same period. The IEA said oil refiners will process an average of 74.7 million bpd in the current July-September quarter, up 70,000 bpd from its previous estimate and 1.1 million bpd above the third quarter of 2009. The IEA said Venezuela's crude production in July stood at 2.23 million bpd, unchanged on the month.

Turkey's Energy Minister Taner Yildiz said the country will support petrol sales by Turkish companies to Iran despite sanctions aimed cutting Iran's fuel imports.

Separately, Russia's Lukoil resumed gasoline sales to Iran in partnership with China's Zhuhai Zhenrong. Russia and China agreed with the latest round of UN sanctions against Iran but refuse to support measures that target Iran's oil and gas sector. Lukoil's trading arm, Litasco, and Zhenrong discharged a 250,000 barrel gasoline cargo at the Iranian port of Bandar Abbas last week. Litasco was expected to ship a second cargo of gasoline Bandar Abbas later this week.

### **Refinery News**

United Refining Co said gasoline shortages may occur due to the prolonged outage of Enbridge's ruptured crude oil pipeline in Michigan. Enbridge's Line 6B, which feeds United's 65,000 bpd refinery in Warren, PA as well as several others in the Midwest and Canada, was shutdown on July 26<sup>th</sup> after a pipeline rupture was discovered near Kalamazoo, Michigan.

Chevron Corp reported flaring at its 265,500 bpd El Segundo, California refinery. The cause of the flaring is currently under investigation but did not specify whether production was affected.

Tesoro Petroleum Corp reported unplanned shutdown of an unidentified process unit at its 100,000 bpd refinery in Wilmington, California.

Abu Dhabi National Oil Co plans to shut a gasoline reformer unit and an isomerizer unit at its 415,000 bpd Ruwais refinery for a month starting in September. The shutdown could lead ADNOC to import 150,000 tons of gasoline.

Nexen Inc said its Long Lake oil sands upgrader was shut for unplanned maintenance over the weekend. It expected to complete the maintenance within a week or two.

China's crude runs in July fell from the previous month's record high, as two refineries at the northeastern port of Dalian cut output following a pipeline blast and other plants were shut for maintenance. China processed 35.3 million metric tons or 8.35 million bpd of crude in July, down from 8.62 million barrels in June. However China's crude runs in July were 6.7% higher than a year earlier.

China's implied oil demand increased by 2.2% on the year but fell by 6% on the month in July. The China Petroleum and Chemical Industry Federation said China's apparent crude oil demand will increase by 11% this year. Apparent demand for refined fuels will increase by 6.7% while demand for natural gas will increase by 11.4% on the year.

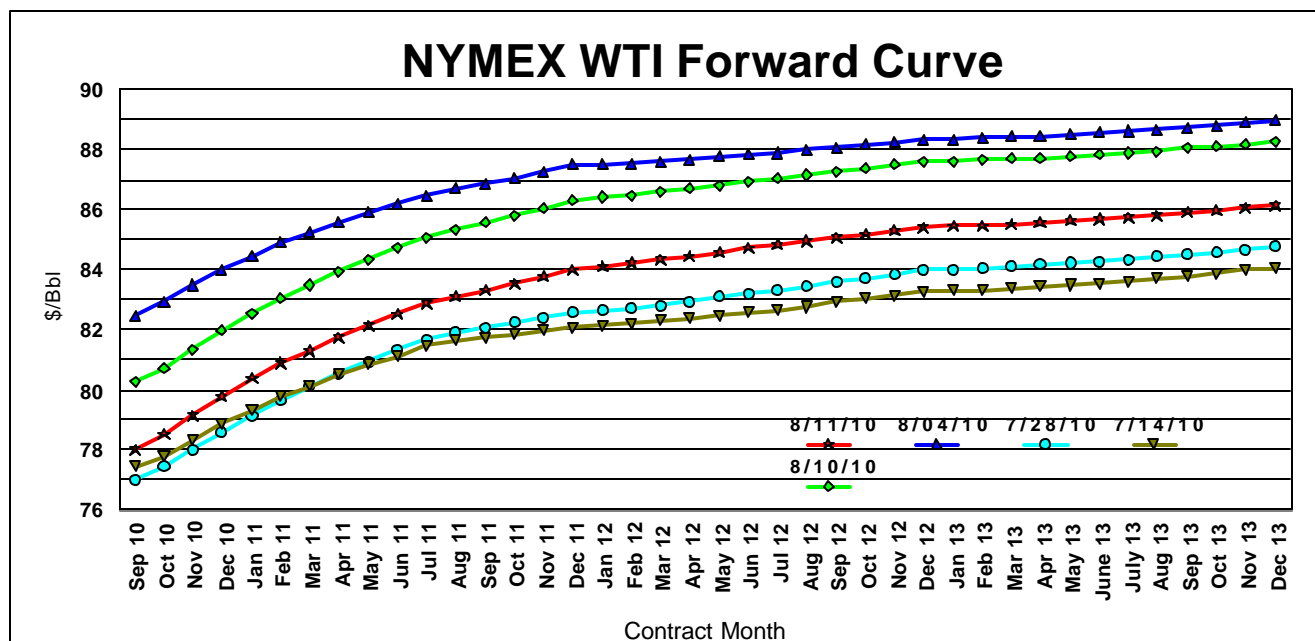
Hindustan Petroleum Corp has crude inventories of about 220,000 metric tons that can last for about 17 days if crude shipments at two of India's ports in Mumbai remain shut. A source said the refiner requires about 13,000 tons/day of crude and is not facing any shortage yet. The Mumbai Port and the Jawaharlal Nehru Port were closed after two vessels collided off the coast Saturday morning.

### Production News

Crude oil supplies along the Iraq-Turkey export pipeline were cut on Tuesday following an attack on the pipeline in Turkey. Before the suspension, Iraq was pumping about 18,000 to 20,000 barrels/hour or 432,000 to 480,000 bpd to the Turkish port of Ceyhan. Efforts are underway to shift to a smaller alternative pipeline and restart the flow of oil later on Wednesday.

The September loading program for North Sea Grane crude is scheduled at 4.8 million barrels, up 600,000 barrels on the month. The volume is equivalent to 160,000 bpd in September, up from 135,484 bpd in August. The September loading program for North Sea Alvheim crude is scheduled at 3.9 million barrels, unchanged on the month. The volume is equivalent to 130,000 bpd, up from 125,806 bpd in August.

Denmark's DUC crude oil stream is expected to load about 120,000 bpd or 3.6 million barrels of crude in September, down from 97,000 bpd in August.



ExxonMobil Corp lifted a force majeure and resumed oil deliveries from Nigeria after cleaning up a spill from an offshore platform. It declared a force majeure declared on May 12<sup>th</sup> following a leak on May 1<sup>st</sup> on a key pipeline connected to its Qua Iboe export terminal in southern Akwa Ibom State.

China's National Bureau of Statistics reported that the country's crude oil production in July increased by 6.4% on the year to 17.22 million tons or 4.07 million bpd. In the January-July period, China produced 115.7 million tons, up 5.3% on the year. It also reported that China's natural gas production in July increased by 3.6% on the year to 7.19 billion cubic meters.

Separately, China's National Energy Administration and the National Bureau of Statistics said the country did not surpass the US to become the world's largest energy consumer in 2009. China's energy consumption in 2009 totaled 2.146 billion metric tons of standard oil equivalent, 200 million tons lower than the US.

Private petrol companies in Ecuador are concerned by the delayed delivery of their new contract models, which had been expected last week. On July 27<sup>th</sup>, Ecuador passed a new Hydrocarbons Law which aims to expropriate foreign company operations unless they sign new service contracts increasing state control of the industry. The law set a fixed deadline of 120 days from July 27<sup>th</sup> for major operators to change over to the new service contracts.

BP Plc has delayed the start of its exploration for oil in deepwater offshore Libya for an unspecified period of time to ensure all its plans are in order. It said it will proceed with its first deepwater well offshore Libya some time later this year. The chairman of Libya's National Oil Co, Shokri Ghanem, said BP's operations will have strong oversight.

Kuwait Petroleum Corp set its official selling price for September loading crude oil at \$2.35/barrel below the average of Oman and Dubai assessments, down 35 cents on the month.

OPEC's news agency reported that OPEC's basket of crude fell by \$1.41 to \$76.87/barrel on Tuesday, down from \$78.28/barrel on Monday.

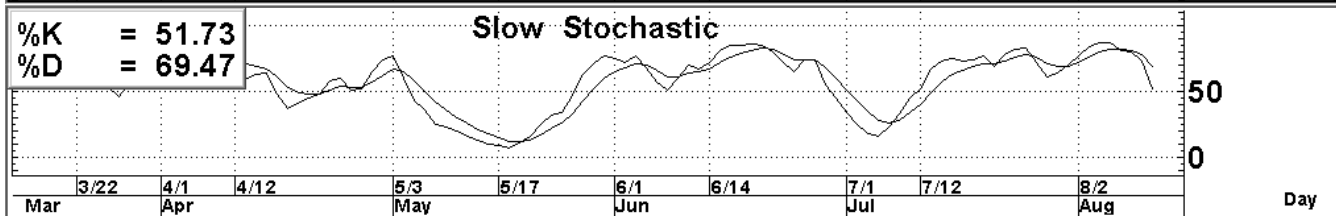
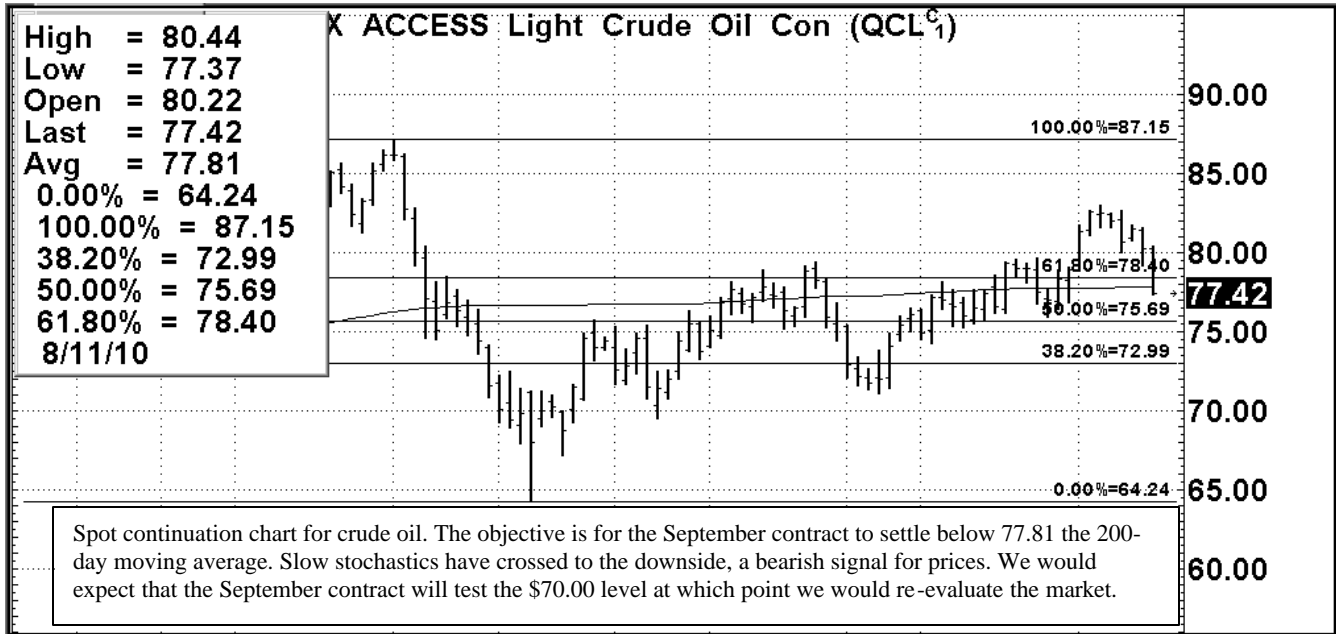
**Market Commentary**

Crude oil fell the most in six weeks on signs that the economic recovery is not progressing as economists had hoped it would. This market has been unable to gain support from the equities markets. Although crude oil inventories fell more than expected, product inventories increased at a time of sluggish demand and an already well-supplied market. The margin for processing three barrels of crude oil into two of gasoline and one of heating oil narrowed to \$7.107 a barrel, an 11 percent drop and its lowest level since February. The September crude oil contract dipped below the \$77.81 200-day moving average however, failed to settle below it. Given the current economic uncertainty and the supply/demand scenario of this market, we would look for a test at the \$70.00 level.

Crude oil Sept 10 228,129 -23,922 Oct 10 169,670 +18,786 Nov 10 119,237 +6,470 Totals 1,274,605 +6,544 Heating oil Sept 10 64,365 -8,443 Oct 10 50,454 +3025 Nov 10 38,887 +985 Totals 301,750 -2,758 Rbob Sept 10 70,082 -6,183 Oct 10 61,126 +2,799 Nov 10 45,616 +3,127 Totals 244,407 -4,565.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7781	7885		22530		22345
7569	8325	20590	22700	18890	24880

7299	8625	20000	22945	18750	27085
7000	8710	18965	23775	18420	



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