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Market News

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Marketing Activity Newsletter

Oil Outlook

By Imen-Nidhal Boudinar

In the first half of March oil prices registered a seesaw trend amid escalating tensions over the Iranian nuclear case and the seasonal decline of world oil demand. The evolution of oil prices over the period was influenced by the combination of the following factors:

- Hurricane Georges sweeping near Australia and provoking the shutdown of offshore oil installations which represent an output of nearly 180 000 B/day, namely, half of the country's production.

- OPEC-10 (excepting Iraq and Angola) substantial downturn in February mainly as a consequence of a declining Saudi production.

- OPEC decision to maintain unchanged its output further to the 15th March meeting in Vienna.

- Fears over a slackening world growth economy especially in the USA.

In addition, Brent prices climbed to new records by the end of March, hitting $70 /bbl for Brent, amid a worsening political outlook, a perceptible pressure on market fundamentals and multiple technical and social issues. Indeed, the main drivers behind the significant move in prices are:

- The sustained growth of US oil demand over the first quarter with an increase by 700 000 b/day compared to the corresponding quarter in last year.

- Decline of US gasoline stocks for the sixth successive week in a context marked by a record demand for fuels and a reduction of refineries operation rate.

- Furthermore, unforeseeable events have stressed the bullish trend in prices mainly spurred by:

- The capture of six British seamen by Iran leading to a diplomatic crisis with UK.

- Tension between the UN and Iran with a new Security Council resolution imposing further sanctions to Iran.

- Part of Marseille oil terminal workers launched a strike on 14 March forcing a rate reduction of refineries (to 65%) supplied by Fos-Lavéra oil terminals.

- A series of technical incidents in US refineries pushing gasoline prices upward

Energy cooperation

Algerian delegation in Italy on 26-27 March 2007

Dr Chakib Khelil, Minister of Energy and Mines at the head of the Algerian delegation on a work visit to Italy, from 26 to 27 March 2007.

During the visit, The Minister of Energy and Mines held discussions with several Italian high executives on both countries commitment to construct the Galsi gas pipeline linking Algeria directly to Italy via Sardinia to transport 8 billion cm of natural gas towards the peninsula, thus, reinforcing Algeria role as a major supplier of the market.

Also, during a meeting with Sonatrach, several companies operating on the Italian gas market, expressed their interest for a prospective natural gas supply by "Sonatrach Gas Italia", a 100 % Sonatrach affiliate created for the marketing of gas volumes directly in the Italian market.

Mr Chawki Mohamed Rahal, Marketing Activity Vice President, delivered to the companies present at the meeting, a presentation on Algeria role as a reliable supplier of natural gas to Italy since the commissioning of the GEM (Enrico Mattei Gas pipeline) in 1983.

Since then, Algerian gas exports have never been interrupted; on the contrary, they have been expanded and reached 26 bcm in 2006, namely 33 % of the total natural gas imports to Italy.

Algeria's role as top supplier to Italy should be reinforced with the extension of the EMG capacity (+ 6.5 Gm3/year) and the Galsi project completion (+8Gm3/year/ expected in 2008 and 2010-2011, respectively.

Concerning the setting up of Sonatrach Gas Italia, the Vice President has indicated that the objective of the affiliate is the trading of natural gas directly to the Italian market and allowing the small and medium sized distributors to have access to Algerian natural gas.

Ibérian peninsula

Strategic partnership between Sonatrach and Portugal's EDP (Energias de Portugal)

Sonatrach and Portugal's Energias de Portugal (EDP) on 11 April 2007 signed a Memorandum of understanding (MoU) to establish a strategic partnership in the gas natural and electricity sector.

Sonatrach and EDP partnership is orientated towards the following objectives:

- The provision by Sonatrach, for a long period, of up to 2 bcm /year of natural gas to EDP. Most of this volume will be allocated to CCGT projects in partnership between Sonatrach and EDP.

- Joint marketing of natural gas in the Iberian region through the setting up of a 50-50% marketing joint venture.
The joint venture will be in charge trading the whole gas volumes supplied by Sonatrach within the frame of partnership.

- Sonatrach participation as a minority shareholder with at least 25 % interest in investments relating to EDP's CCGT projects in Spain and Portugal to be supplied with natural gas made available by Sonatrach.

The MoU also provides for the development by the parties of opportunities offered in the gas upstream and downstream.

Sonatrach and EDP are negotiating agreements in order to implement the strategic partnership with a deadline of 31st July 2007.

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Oil outlook

HIGHLIGHTS

Russia: signing of the new Bourgas-Alexandroupolis oil pipeline

Russia, Bulgaria and Greece signed an agreement relating to the construction of a new oil pipe connecting the Black Sea to the Aegean Sea, enabling Russia to diversify the transport of its oil supplies. Linking the Bulgarian port of Bourgas to Alexandropoulis, North of Greece, the 277 km pipeline will carry Russian oil from the Caspian Sea oil straight to Western Europe, bypassing the saturated Turkish straits of Bosphorus and Dardanelles. Alexandroupolis port depth allows for the loading of tankers with 300 000 tpl towards remote markets and especially, the US markets. In addition, with storage capacity of 300 000 MT in Bourgas and 600 000 MT in Alexandroupolis, the future oil pipe will reinforce the security of supply of both countries in the event of pressure on the global market.
With a cost of $ 900 million, the construction works of the oil pipe should start in 2008. Its initial capacity reaches 35 MT of crude oil/year and could be raised to 50 MT in 2009 or 2010.

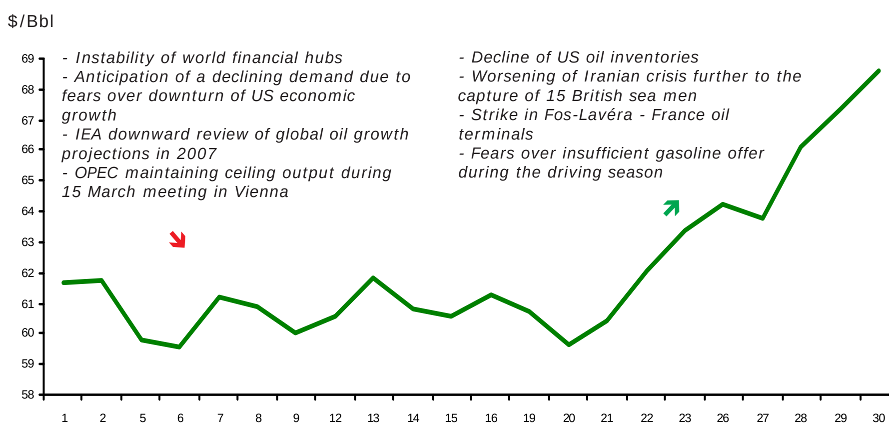
Brazil, the USA, China and the EU create an International Forum of Biofuels

In order to establish and stimulate a global biofuels market, Brazil, the USA, China and the EU initiated on 2nd March an International Forum of Bifuels. The Forum should bring together green energy producers and consumers so as to promote production and use of this alternative fuel. Brazil, world's biggest ethanol producer using sugarcane and the USA, first producer of corn-based ethanol, supply 70 % of the global biofuel market.
This forum could also address issues relating to lifting US tariffs on Brazil biofuel imports.
In December 2006, the American Congress extended till 2009 the tax on Brazil biofuel imports which reaches $ 0.14 /L.

Iran: rationalisation of fuel as of 22nd May 2007

The Iranian parliament has decided to cut fuel consumption as of 22nd May 2007, rationalise sale and increase price at the pump.
Moreover, the budget allocated to fuel imports will be reduced to nearly $ 2.5 billion over the year.
These measures will be implemented in a context marked by threats over international sanctions against Iran with cuts of hydro-carbon supplies, lack of refining capacity and over-consumption of oil products urging Iran to import 40 % of fuel for consumption.

Brent prices in March



Gas outlook

By Othmane Irain

North Europe

In March 2007, Natural gas spot prices in the UK registered a slight increase compared to last month and stood around 20 pence/th.

Thus, starting the month around 21 pence/th, Day Ahead NBP prices have been almost stable throughout March and closed at 20 pence/th by the end of the month.

Price stability resulted from the combination of two major factors: a moderate decrease of demand and, at the same time, a decrease of supplies especially from Norway, which limited the fall in prices. Globally, demand daily average dropped by nearly 18 Mm3 in March to settle at 335 Mm3/day against 352 Mm3/d during the previous month, in spite of falling temperatures compared to the seasonal average (-16%).
The decrease of supplies from Norway have been registered firstly at the beginning of the month following works on the Sleipner natural gas production platform , then during the last week due to technical problems on the Troll field.
The average demand level in March 2007 compared to demand level in 2006 shows a slight increase estimated at nearly 5 Mm3/d.

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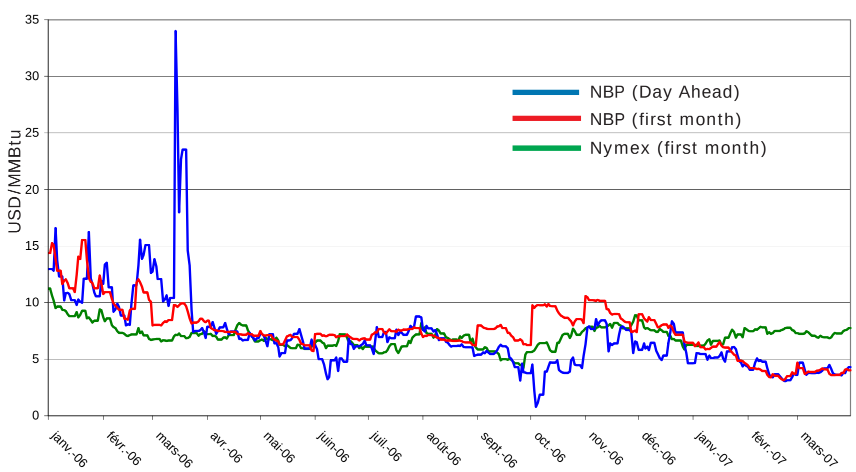
UK and US price evolution



Actualité

Gas Exporting Countries Forum

Doha hosts the 6th Ministerial Meeting of Gas Exporting Countries Forum

The sixth Ministerial Meeting of the gas exporting countries convened in Doha, Qatar on 9 and 10 April 2007.
The meeting aimed at enhancing cooperation between producing countries, improving dialogue among Producers/consumers and increasing transparency in the gas market.
The objective is to contribute to the development of natural gas industry considering its increasing role as a major source of energy in the world.
Fifteen countries have attended the meeting including the five major producers, namely: Russia, Iran, Qatar, Venezuela and Algeria.
Stressing the necessity to develop cooperation through exchanges of views, the participants have agreed on the following points:

1. Creation of a High Committee Chaired by Russia with the mission to 1- take stock of the whole task carried out to date, within the Forum framework ; 2- to think over the future structure of the Forum.

2. The next Forum ministerial meeting will take place in Moscow in 2008.

In addition, the Gas Exporting Countries Forum calls for more cooperation between producers and consumers in order to guarantee a stable global gas market based on fair conditions ensuring the interests of all parties.

Landmarks

1. The Forum of Gas Exporting Countries is an informal structure set up in 2001 and regrouping fifteen countries, among them, the five major gas producers (Russia, Iran, Qatar, Venezuela and Algeria), which hold 73 % of the world reserves and 42 % of gas production. The Forum of Gas Exporting Countries includes the UAE, Libya, Oman, Egypt, Indonesia, Brunei, Malaysia, Nigeria, Norway and Trinidad.

2. Previous Ministerial Meetings:
- 5th Ministerial Meeting, Port of Spain, Trinidad and Tobago, April 26, 2005
- 4th Ministerial Meeting, Cairo, Egypt, March 14, 2004
- 3rd Ministerial Meeting, Doha, Qatar, February 4, 2003
- 2nd Ministerial Meeting, Algiers, Algeria, February 2002
- 1st Ministerial Meeting, Tehran, Iran, May 2001

Ibérian peninsula

Strategic partnership between Sonatrach and Portugal's EDP (Energias de Portugal)

(Continued from page 1)

Anticipating the strategic partnership with EDP, Sonatrach has acquired on 26 March 2006 a 2.035% stake in EDP group share capital and signed on 11 April 2007, a shareholding agreement with the Portuguese Participation Holding "Parpublica-SGPS, SA", and the Portuguese deposit office (fund) "Caixa Geral De Depositos, Ltd" enabling Sonatrach to be appointed as member in the General Supervisory Board of the Portuguese energy group, the highest strategic body of the group. Thus, Sonatrach becomes for the first time in its history, a shareholder in a European energy company.
The acquisition of a share capital and the strategic partnership are part of Sonatrach's global strategy based on the expansion of its international activities and the deployment of its gas downstream.
As a reminder, Sonatrach's supplies to the Portuguese gas market account for up to 43%, and the average annual growth of natural gas demand represents of 4.5 %, one of the highest in Europe.

8th International Oil Summit -Paris

The key players exchanging views at the Paris Annual Summit last April, 5.

The Summit organised by the IFP, SPTEC and PETROSTRATEGIES, has given the opportunity to the market players (Producing countries, consuming countries and international companies) to address the current oil market outlook and prospects. In addition to the NOC, The Summit has gathered many representatives from oil majors, of which Total, Shell or Chevron (IOC).

The Summit focused the debate on the major challenges the companies have to take up and on the expansion of cooperation between the different players of the oil chain aiming to face the prospects of demand sustained growth.

According to the IOC representatives (Majors), by 2020, oil demand is set to increase by nearly 20 % compared to 2005, namely, an extraction level of 100 Mb/d, slightly higher than a current 85 Mb/d. Each year, the coming into production of some additional 1.5 Mb/d of oil would be necessary to meet the increasing demand and to replace the depleting deposits. An objective extremely difficult to achieve. Among the proposed solutions is expanding the National Oil companies' investments in the oil upstream.

According to the NOC, represented by the OPEC, there still remain uncertainties linked to the perspectives of demand development. An OPEC representative estimated that if consuming countries require a security supplies, they should also, in exchange, ensure a stable and sustained demand (Security of demand). Moreover, some analysts insisted on the fact that it is more and more difficult to make oil demand forecasts because of two phenomena: the first one relates to China and India weight in incremental demand, and the second is the increasing possibility of substituting Natural gas or coal to fuel in power stations.
The Summit has also provided the opportunity to stress the necessity to boost cooperation between international and national companies. This was the message Mr Mohamed Meziane, Sonatrach CEO, delivered in his presentation on evolution and expansion of Sonatrach activities. He called on the IOC and the NOC to find new solutions for the benefit of the consuming and producing countries, emphasising that partnership is central to Sonatrach strategy.

Gas outlook

(continued from page 2)

However, Day ahead prices fell by an average 57 pence/th, namely, 77 pence/th in March 2006 against 20 pence/th this year.

On Zeebrugge market, Day ahead prices registered the same trend as NBP prices with a difference of 0.5 pence/th.

Starting the month in forward flow, the Interconnector registered in March 2007 four (04) changes in direction. The first change was registered on 19 March 2007 but lasted only for a few hours to come back to forward mode. The third change took place on 20 March but operated only for one day then resumed forward flow on 21st March. The net average flow was 138 GWh/d.

First Month NBP prices (April 2007 contract), lost nearly 4 pence/th since the beginning of the month and closed around 20 pence/th. Compared to last month, First Month prices have registered in average a slight increase of nearly 1 pence/th.

Similarly, First Month prices on Zeebrugge registered in average a level of 20 pence/th against nearly 19 pence/th the previous month, i.e, an increase of nearly 1 pence/th.

Forward prices registered an upward trend and finished at 42.39 pence/th for Q4-2007 contract and 52.13 pence/th for Q1-2008 ICE contract

USA :

In March 2007, natural gas prices in the USA slightly dropped Compared to the previous month although in average their level remained higher than $ 7 /MMBtu.

Starting the month around $ 7.50/MMBtu, First Month Prices (April 2007 contract) somehow fell then stood at $ 6.85/MMBtu, to firm up and close at $ 7.56/MMBtu by the end of the month.

On spot markets, gas prices remained at high levels particularly in the North East region where the average reached $ 8.58/MMBtu on New York Hub.

Stock market:

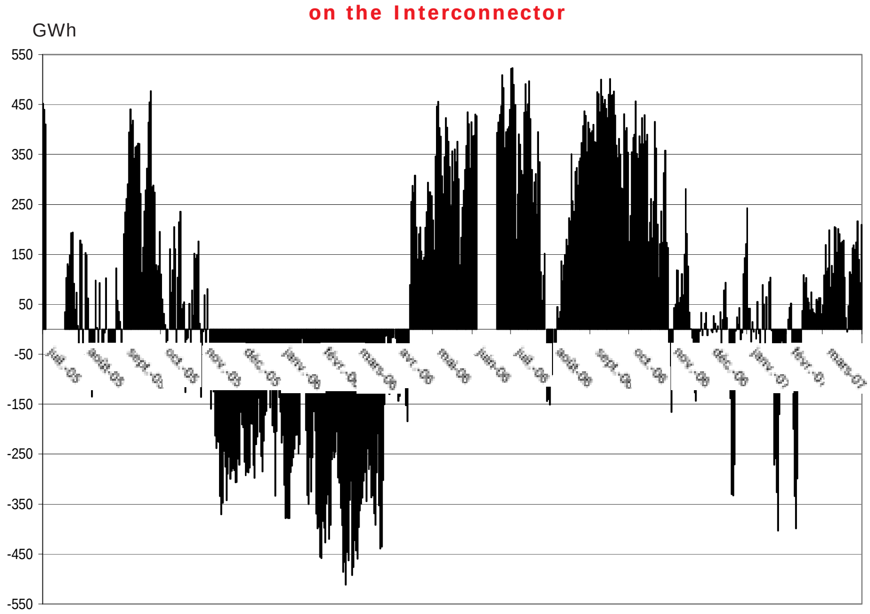
£/$ parity has stagnated in comparison to the beginning of the month, and then stood at 1.96 at the closing against 1.95.

CO2 market:

CO2 Quota prices for the first phase (2007 contract) remained at a very low level then stood around 1 euro/EUA. They closed at 1.31 euros/EUA against 1euro/EUA at the beginning of the month.

Quota prices for the second phase (2008 and 2009 contracts) registered a slight increase to close at 17.5 and 18 euros/EUA, respectively.

Evolution of natural gas flow on the Interconnector



In brief

Signing of a $ 5 billion deal between ExxonMobil, Sinopec and Saudi Aramco

The US group, ExxonMobil, the Chinese company Sinopec and the Saudi group Saudi Aramco have decided to launch a project in China refining/distribution sector with a total investment of $ 5 billion. The project expects to triple to 240000 b/d the Fujian refinery capacity in the South West of China, and construct four petrochemical units: a steam cracker (800 000 t/y), a polyethylene unit (800 000 t/y), a polypropylene unit (400 000 t/y) and an aromatics complex to produce 700 000 t/y of paraxylene. The facilities also including a cogeneration installation should start up in 2009. The joint venture between Sinopec and the province government of Fujian will control 50 % of the project whereas ExxonMobil and Saudi Aramco will hold a 25 % share each.

The Netherlands - BP, becomes unique owner of Nerefco refinery, in Rotterdam

BP which sold its Lavéra refinery in France two years ago, and recently Coryton refinery in the UK, becomes the unique owner of the 400 000 b/d refinery, operated by Netherlands Refining Company (Nerefco) in the Netherlands. Indeed, the British group which had a 69 % control over the unit has proceeded to the takeover for $ 900 million of the Dutch affiliate of Chevron which held the remaining 31%. The deal, which also relates to several infrastructures and a wind farm located on the refinery site, should start operation in the first half this year, subject to the required authorisations. Following the acquisition of the Coryton refinery by the Swiss Petroplus for an amount of $ 1.5 bn and the acquisition of the 31 % in Nerefco, BP will have shares in seven refineries in Europe, with a refining capacity of 878 000 b/d.

Russia - Eni and Enel acquiring stake equity in Yukos

Enineftegas, a company owned by Eni (60 %) and Enel (40 %), has won the auctioned assets of the Russian group Yukos for 4.36 Euros, overbidding two competitors: Rosneft and Unitex. The main assets in this block of shares represent 20 % of the equity of Gazpromneft, an affiliate of Gazprom, and 100 % of three companies: Arctic Gas, Urengoil and Neftegaztechnologia. Eni has announced granting Gazprom an option for $ 2.8 billion for acquiring within two years a 20 percent stake in Gazpromneft and 51 percent in the three other gas companies.

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