

Snapshot: More than 1.4mbpd of production and more than 1.7 mbpd of refining still down

BULLISH FACTORS:

Short Term

- According to Minerals Management Service **95.2% of Gulf production is still shut in** after the destructive passage of **Hurricane Katrina**.
- As a result of the hurricanes force, around **1.8 million barrels per day of refining capacity remains down** and will not be up for at least the next 8-10 days.
- **Port Fourchon** from where ¾ of offshore workers pass through, has suffered significant damage.
- **Shell's 147,000 bpd Mars platform** has been damaged. Two other **Shell Oil Platforms** are broken loose and drift in the Gulf.
- **Colonial pipeline** is reported to be still down. Colonial Pipeline carries 2.3 mbpd of products.
- **Big damages are reported** at port facilities in the Gulf including the huge Baton Rouge.
- **83% of the Gulf gas output is also down** representing daily production of 8.299 million cf.
- China's **Q2 GDP was reported up 9.5%** on year and Chinese **domestic petroleum sales up 37.4%** on the first half of 2005, against expectations of a slowdown.

Long Term

- **New emission standards in India and China** will up demand on already scarce sweet crude grades.
- **Chinese Oil Demand Growth** has been forecasted by IEA to rebound in 2006 from 360k bpd in 2005.

BEARISH FACTORS:

Short Term

- **The Louisiana Offshore Oil Port** of 1mbpd capacity seems to have escaped major damages and is expected to resume operations today.
- **The huge Exxon Mobile 494,000 bpd Baton rouge refinery** has resumed full operation.
- **US administration** announced that they are ready to offer crude loans from the Strategic Petroleum Reserve to offer relief to oil companies.
- **IEA Chief Claude Mandil**, announced that IEA is ready to ship oil to the US from the European Emergency Reserves.
- **Saudi Arabia** announce that they are ready to **raise production to 11 mbpd** to fill any supply shortages from hurricane Katrina.
- **OPEC officials** mull raising output by 500,000 bpd on the September 19th meeting.
- **According to Petrologistics**, OPEC oil output in August reached 30.50 mbpd which is the highest level since 1979.
- **Both OPEC and IEA have** revised down world demand growth for 2005 by 150,000 bpd and 200,000 bpd respectively.

Long Term

- **Japan suspended plans** for creating a strategic petroleum reserve this year.
- **Deterioration of demand** on high oil price environment could lower demand for H2 2005

Today's Focus

Damages are significant in the southern US coast at the Mexican Gulf from the destructive passage of hurricane Katrina. 2800 platforms were exposed to hurricane force winds resulting to a 95% shut-in of US Gulf production. As a result prices sky-rocketed as the oil produced from the Gulf is mainly light sweet crude which can be used at any refinery and produces a high yield of gasoline and other light products. Prices will definitely stay high until a full count of damages is completed. What needs to be underlined is that for the oil industry to begin operations both production and refining need to be recovered. That means that 9 refineries need to be repaired, a few dozens of oil platforms and an unaccounted number of pipelines, power cables, valves, moorings and other supportive equipment, For the full recovery from Ivan last year it took 6 months and 45 million barrels of production was lost. In a few days we will have the first estimates from Katrina's destruction, but it seems as if a similar picture to last year will be drawn.

Major Technical Levels

| Brent 1 st Month | | |
|-----------------------------|--------------|----------------|
| 2 nd Res. | 70.00 | Basis WTI |
| 1 st Res. | 68.89 | Overnight high |
| NOW | 68.70 | |
| 1 st Sup. | 66.00 | Daily Support |
| 2 nd Sup. | 64.50 | Daily Support |

Energy Calendar

31/08 EIA Petroleum Report

| WTI 1 st Month | | |
|---------------------------|--------------|-----------------|
| 2 nd Res. | 72.00 | Projected Level |
| 1 st Res. | 70.85 | Overnight high |
| NOW | 70.60 | |
| 1 st Sup. | 68.50 | Daily Support |
| 2 nd Sup. | 66.00 | Daily Support |

US INVENTORIES (Mbbbls) - EIA

| | Aug 19/05 | Aug 19/04 | CHG % |
|--|-----------|-----------|-------|
| | | | |

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|-------|--------------------------------|
| 31/08 | Expiration NYMEX products |
| 01/09 | EIA natural gas report |
| 02/09 | CFTC report |
| 05/09 | Labor Day |
| 08/09 | EIA Petroleum Report (Delayed) |

| | | | |
|--------------------|--------|---------|------|
| CRUDE | 322.9 | 285.3.4 | 13.2 |
| DISTIL. | 132.5 | 127.0 | 4.3 |
| MOGAS | 194.9 | 209.6 | -7.0 |
| HEAT.OIL | 55.4 | 50.6 | 9.5 |
| Tot. stk (exc.SPR) | 1022.1 | 983.2 | 4.0 |