

OPI S INTERNATIONAL FEEDSTOCKS INTELLIGENCE

Daily Products and Feedstocks Wire

Daily report on spot price assessment and cargo movements of refinery feedstocks and finished prices

To align the following data, change the font size to 9 in Courier New
March 30, 2009

LATEST MARKET ASSESSMENTS (CENTS PER GALLON EXCEPT WHERE NOTED)

	U. S. GULF	U. S. W. C. (Los Angeles)	U. S. E. C.
70/30 SPLIT*	133.2290	137.6915	- - -
UNLEADED REGULAR	133.880	137.630	- - -
NO. 2 OIL	131.710	137.835	- - -
WTI (MAY)	48.41	48.41	
WTI (JUN)	50.20		
ANS		43.79	

* 70/30 Split is based on Gulf Coast Waterborne products.
(WTI and ANS prices shown in dollars per bbl)

VGO ASSESSMENTS

VGO (LOW SULFUR) CARGO*	119.45-120.60	- - -	- - -
LOW SUL. DIFF. TO SPLIT	(-13.80/-12.60)	- - -	- - -
LOW SUL. DIFF. TO WTI	(1.75/ 2.25)	- - -	- - -
VGO (MED SULFUR) CARGO	114.05-115.25	- - -	- - -
MED SUL. DIFF. TO SPLIT	(-19.15/-17.95)	- - -	- - -
MED SUL. DIFF. TO WTI	(-0.50/ 0.00)	- - -	- - -
VGO (HIGH SULFUR) CARGO	110.50-112.90	- - -	- - -
HIGH SUL. DIFF. TO SPLIT	(-22.75/-20.35)	- - -	- - -
HIGH SUL. DIFF. TO WTI	(-2.00/ -1.00)	- - -	- - -

*all cargo prices are on a delivered, ex-duty basis
(All VGO differentials to WTI or ANS shown in dollars per bbl)

VGO (LOW SULFUR) BARGE	119.45-120.60	129.70-130.70	- - -
LOW SUL. DIFF. TO SPLIT	(-13.80/-12.60)	(-8.00/ -7.00)	- - -
LOW SUL. DIFF. TO WTI	(1.75/ 2.25)	(6.05/ 6.50)	- - -
LOW SUL. DIFF. TO ANS	- - -	(10.70/ 11.10)	- - -
VGO (MED SULFUR) BARGE	114.05-115.25	- - -	- - -
MED SUL. DIFF. TO SPLIT	(-19.15/-17.95)	- - -	- - -
MED SUL. DIFF. TO WTI	(-0.50/ 0.00)	- - -	- - -
VGO (HIGH SULFUR) BARGE	110.50-112.90	119.70-121.70	- - -
HIGH SUL. DIFF. TO SPLIT	(-22.75/-20.35)	(-18.00/-16.00)	- - -
HIGH SUL. DIFF. TO WTI	(-2.00/ -1.00)	(1.85/ 2.70)	- - -
HIGH SUL. DIFF. TO ANS	- - -	(6.50/ 7.30)	- - -

FORWARD VGO ASSESSMENTS

VGO (LOW SULFUR) CARGO*	126.05-127.25	- - -	- - -
LOW SUL. DIFF. TO WTI	(2.75/ 3.25)	- - -	- - -
VGO (MED SULFUR) CARGO	120.70-121.90	- - -	- - -
MED SUL. DIFF. TO WTI	(0.50/ 1.00)	- - -	- - -
VGO (HIGH SULFUR) CARGO	117.15-119.50	- - -	- - -
HIGH SUL. DIFF. TO WTI	(-1.00/ 0.00)	- - -	- - -

*all cargo prices are on a delivered, ex-duty basis
(All VGO differentials to WTI or ANS shown in dollars per bbl)

VGO (LOW SULFUR) BARGE	126.05-127.25	- - -	- - -
LOW SUL. DIFF. TO WTI	(2.75/ 3.25)	- - -	- - -
VGO (MED SULFUR) BARGE	120.70-121.90	- - -	- - -
MED SUL. DIFF. TO WTI	(0.50/ 1.00)	- - -	- - -

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VGO (HIGH SULFUR) BARGE	117.15-119.50	- - -	- - -
HIGH SUL. DIFF. TO WTI	(-1.00/ 0.00)	- - -	- - -

OTHER FEEDSTOCK ASSESSMENTS

LT. CYCLE OIL	123.70-124.70	113.35-115.35	- - -
LT. CYCLE DIFF TO NO.2	(-8.00/ -7.00)	(-24.50/-22.50)	- - -
LS LT. CYCLE OIL	127.70-128.70	- - -	- - -
LS LT. CYCLE DIFF TO NO.2	(-4.00/ -3.00)	- - -	- - -
NAPHTHA (OFFSHORE 40N+A)	122.65-123.15	- - -	- - -
NAPHTHA DIFF. TO UNLEAD	(-11.25/-10.75)	- - -	- - -
NAPHTHA (DOMESTIC 40N+A)	122.65-123.15	- - -	- - -
NAPHTHA DIFF. TO UNLEAD	(-11.25/-10.75)	- - -	- - -
PARAFFINIC NAPHTHA (\$/MT)	406.50-407.50	- - -	- - -
N. GASOLINE (\$/MT)	406.95-413.90	- - -	- - -
ALKYLATE	147.38-148.13	- - -	- - -

ST. RUN RESID (LO SUL)	47.40- 48.40	- - -	- - -
LOW SUL. DIFF. TO WTI	(-1.00/ 0.00)	- - -	- - -
ST. RUN RESID (HI SUL)	40.40- 41.40	- - -	- - -
HIGH SUL. DIFF. TO WTI	(-8.00/ -7.00)	- - -	- - -

(All St. Run prices and differentials shown in dollars per bbl)

NO. 6 OIL .3% HIGH POUR	- - -	- - -	42.50- 43.50
NO. 6 OIL 1.0%	- - -	- - -	36.50- 36.70
NO. 6 OIL 3%	37.95- 38.05	- - -	36.75- 36.95

(All heavy fuels prices shown in dollar per bbl)

PROMPT REFINED SPOT PRICES

UNLEADED REGULAR	133.63-134.13	136.88-138.38	124.49-125.49
NO. 2 OIL	131.46-131.96	137.21-138.46	133.01-134.01
JET 54	133.01-133.51	- - -	139.46-140.46

FORWARD REFINED SPOT PRICES

UNLEADED REGULAR	134.08-135.08	- - -	124.49-125.49
NO. 2 OIL	132.71-133.71	- - -	133.01-134.01

ANY CURRENT MONTH NGL ASSESSMENTS*

N. GASOLINE (RIVER) ANY	104.750-106.500	- - -	- - -
N. GASOLINE (RIVER) OUT	105.125-107.250	- - -	- - -
PROPANE TET	64.000- 65.500	- - -	- - -
NORMAL BUTANE TET	81.250- 83.500	- - -	- - -
ISOBUTANE TET	99.500-100.000	- - -	- - -

* Except where noted as out month

MARKET OVERVIEW:

3/30/2009 - Wall Street turned south today and the U.S. dollar strengthened. This spelled losses for the oil complex, and front-month WTI crude kissed the \$50/bbl mark goodbye.

After nearly \$4 of losses by settlement time, May WTI nosed under \$48.50/bbl, giving credence to the sentiment held by some market watchers that we've seen prices peak for the time being. Many predict a return to the \$30-\$40/bbl area in the cards soon. Keep in mind, though, that the May contract is about to expire, and crude futures for forward months all settled over \$50/bbl today.

The extreme shifts in oil prices the past several months have been based on a supply and demand picture in flux. Now that demand has come off so dramatically in this global economic atmosphere, producers around the world are trimming back production to send the pendulum of supply and demand swinging back the other direction. Refiners in the U.S. are shutting down or considering idling facilities because of poor economics.

What could happen, as with any real pendulum, is that momentum comes

careening back. The U.S. has seen oil inventories swell and swell, with refiners able to make good margins following a period of negative gasoline crack spreads not long ago. Now storage is brimming and the arbitrage flow to other shores like Europe has certainly slowed. These two factors combine with a grim demand forecast to spur refiners towards less output.

But what happens if summer hits the gasoline sector and agricultural demand sucks up distillate barrels, and/or the economy picks up, returning demand to more palatable levels? This shift would effectively catch the market off-guard and supplies would be drained, leaving the market susceptible to another extreme spike.

In short, both U.S. refiners and OPEC are focused on reducing production in order to return markets to a more balanced supply and demand relationship. However, to get there, volatility may rear its head, and market watchers already know what 21st Century volatility can be like.

FEEDSTOCKS:

The USGC waterborne unleaded crack slipped by \$0.55/bbl today to \$7.82/bbl versus May WTI, and the No. 2 crack saw even more nominal weakening to \$6.90/bbl. That put the USGC 70/30 crack down by about \$0.45/bbl to \$7.54/bbl.

Low sulfur and medium sulfur VGO deals today showed values weakening relative to May WTI.

A trader that on Friday sold a part-cargo of Venezuelan medium sulfur VGO to a major at May WTI +\$0.50/bbl today sold 100,000-115,000 bbl of Venezuelan material to a trader at May WTI -\$0.25/bbl delivered St. Rose basis in an April 3-7 window. The seller actually had been offering 180,000-190,000 bbl of the material, but reports today indicated that 115,000 bbl was the maximum volume that today's buyer could take. The seller reportedly is still trying to sell the balance of the Venezuelan medium sulfur VGO.

Also today, a refiner-to-trader deal involved a barge volume of sweet VGO (0.3-0.4% sulfur, 190-195 aniline, 1.3-1.5 vanadium) trading at May WTI +\$2.00/bbl delivered basis.

Still other deals were done versus publications.

A refiner sold to another refiner two 150,000-bbl part-cargoes of Caribbean sweet VGO versus publications, with USGC delivery slated for April 27-29 and May 4-6.

And 125,000 bbl of Caribbean low sulfur VGO got sold to another USGC refiner versus publications for delivery in an April 11-15 window.

Naphtha sellers appeared to step back a bit today after differentials to USGC waterborne unleaded got pummeled on Friday.

"I had five offers last Friday, so it was kind of 'name your price,'" one end-user said today.

One market-watcher said today's naphtha market was marked by "no trade, no new offers, and no buyers -- pretty poor out there."

REFINED PRODUCTS:

IN GASOLINE...

Both summer grades of U.S. GULF COAST gasoline moving in the Colonial Pipeline system saw their values shaved down considerably with the rest of the mogas pool. M2 unleaded even fell below \$1.30/gal (by a penny), a level not seen in a week and a half.

After signs of softening all day, cash basis levels for the 9.0-lbs. RVP M2 spec rebounded to a discount of 10.35cts versus May RBOB futures, following at least one trade at 11cts under futures earlier.

The 7.8-lbs. RVP M1 unleaded has become spicier in its relation to the more liquid (for now) M2 spec. After being talked around 3.25-3.50cts over M2 during its initial few days in the market, M1 traded at 6cts under the NYMEX today, the only deal we witnessed for that grade. That brings its value relative to M2 to around 4.25-4.50cts now.

In premium-grade gasoline, it was all buyers for the 7.8-lbs. RVP (V1)

material whereas the 9.0-lbs. RVP (V2) market was offered lower and lower. Colonial code V2 traded at 2.5cts under the Merc today, some 8cts more than its regular-grade counterpart -- a notable slide from 10ct-plus premiums not long ago. Meantime, V1 traded at Merc plus 8cts. The buyer said sellers had just vanished for this urban-spec fuel, so the only way to ensure Cycle 19 product today was to keep hiking bids higher.

GROUP 3 prompt spot prices are still referenced against the April NYMEX, while Chicago and Gulf Coast prompt cycles have shifted to being referenced against the May NYMEX. Given the higher May futures prices this slants Chicago/Group prompt price comparisons a tad.

Group 3 prompt March gasoline was valued 9cts under the April NYMEX, and part of the reason sellers trimmed the discount was to realign March physical prices to more closely approximate April physical barrels. Deals were reportedly done between 10.85cts under and 9cts under the April Merc.

Group 3 had a closing value of \$1.2899/gal, falling back to under \$1.30 gal for the last barrels of March.

Meanwhile Chicago unleaded for April declined about 10cts in value. The sharper drop in futures prices was offset by a slight improvement in unleaded basis differentials for Chicago. The discount narrowed to 6.75cts under from 8cts under earlier in the day. The current discount is roughly in the mid-point of where they have been since the low-RVP barrel made its debut several weeks back.

Spot gasoline prices in the NEW YORK HARBOR saw double-digit losses alongside futures today, though cash market activity was exceedingly quiet with most positions already squared ahead of month's end. M4 regular unleaded was pegged at a roughly 13ct discount to futures, while an 072E M2 batch traded at 8.25cts under May futures.

RBOB was slightly more active than regular unleaded, with prompt F4 trades reported at 12.5cts and 12.0cts under futures, while F2 April ratables traded at minus 1.6cts under the May print.

IN DISTILLATES...

As goes a typical U.S. GULF COAST diesel trading session, the afternoon saw activity heat up and a handful of deals transacted. However, those deals did little to change the slumping effect of heating oil futures on cash prices.

Outright values across the board dove lower. Gulf ULSD ended the day down more than 11.5cts, at \$1.35/gal. That's the lowest price in the last week and a half and marks more than 15cts of value lost since last Thursday.

Jet fuel reached its Cycle 18 scheduling day, but still managed to lose a dime to \$1.3326/gal.

ULSD saw the biggest drop in basis, with trading done as low as a 25pt premium to futures before rebounding to a 75pt premium. That's a fall of 2.5cts from where we left off Friday. Low-sulfur on-road fuel managed to gain a penny in basis on the day, with talk last heard around Merc level.

The paltry action of late is mostly due to low demand and a lack of trading opportunities outside the region. Group 3 and Chicago ULSD aren't holding any premium to Houston barrels. Europe is becoming a much riskier option as well. The carry seen in the market that enticed a few buyers to ship material overseas was beginning to come in, making the arb less attractive and less certain.

CHICAGO ULSD made a huge move in basis late in the day, dropping 4cts to 2cts under the May NYMEX. Cash prices took a hit too, dropping over 12cts to \$1.3296/gal, making it the cheapest market east of the Rockies for the sixth consecutive trading session. Sources blamed bad demand figures and a rainy entrance into spring for the basis decrease.

ULSD in the Group 3 has seen little trading action today, yet outright values dove due to the crumbling NYMEX. Cash prices for barrels which trade versus the April NYMEX finished over a dime weaker today to \$1.3576/gal by presstime.

Distillate values in the NEW YORK HARBOR also sank with NYMEX futures today, though basis levels were slightly improved. No.2 heating oil, which closed at 1.25cts under futures Friday, traded offline today at minus 0.75cts

for Cycle 14 and at minus 0.50cts for Cycle 15.

Jet fuel delivering offline, meantime, traded at a nickel over the May print, while Buckeye Pipeline barrels pumping April 8 traded at plus 3.5cts.

ON THE WEST COAST . . .

West Coast cash markets were pressured lower by the losses in the futures markets. Basis levels for gasoline and distillate moved in opposite directions today with CARBOB seeing a bit of an uptick while distillate basis levels dropped from the early trading levels.

Los Angeles CARBOB started out trading at a 10.5cts premium for the April market, but saw that premium escalate to 12cts over the futures market matching the high seen on Friday. Prices however fell to the \$1.4988-1.5138/gal level. There is a bit of contango going forward as cycles 2-4 were seen trading 12.5cts over the futures market today. The May market for CARBOB was running roughly 11cts over June RBOB futures as flat prices dropped to around the \$1.515/gal level. The San Francisco market was considered about 50 points better than Los Angeles.

Portland gasoline saw two trades today at a 6cts premium against both the April contract and the May contract for prompt delivery. The two trades at the same basis level, but against different months works out to around the \$1.4468/gal level.

Distillate markets fell on the back of a softening paper market, but also basis levels fell throughout the day. CARB diesel in Los Angeles started out trading at a 5cts premium but from there saw the premiums get whittled down to the 3.75cts level as spot values fell into the \$1.3871-1.3996/gal range. Jet fuel was the other product to see a fall in basis. Like CARB diesel L.A. jet fuel traded at a 5cts premium to start and then fell from there to as low as 3.5cts over the futures market. San Francisco CARB diesel this afternoon traded at a 3cts premium as spot values slipped to the \$1.3796/gal level. Diesel in the Northwest was pegged at a 4cts premium, essentially unchanged in basis from Friday, but flat prices were down into the \$1.3826/gal area.

GAS LIQUIDS:

The NYMEX petroleum folded under economic pressures with oil prices dropping well below \$50/bbl. A combination of weak equities markets across the globe in tandem with a strong U.S. dollar pushed May WTI lower to make the day's losses at \$3.97/bbl for a settlement price of \$48.41/bbl. Although NGL trading saw a slight jump in activity late day, the market stayed relatively quiet as traders watched the market from the sidelines.

In spot trading, Mt. Belvieu TET (LDH) propane anys ranged from 64-65.5cts/gal, while non-TET saw heavier activity resulting in a range of 64-66cts/gal. Hattiesburg anys moved at 64.5-66cts/gal and at a 3.5cts/gal premium. Conway propane anys were done from 65.5-66cts/gal with an April trade at 67cts/gal.

For heavies, Belvieu non-TET normal butane anys saw deals from 82.75-85cts/gal with April at 0.25-0.375cts/gal premium. Non-TET isobutane anys transacted from 99.5cts/gal to \$1.00/gal. Non-TET natural gasoline anys worked from \$1.0225-\$1.04/gal with April as high as \$1.0475/gal.

In Conway, normal butane traded from 65-67cts/gal. Isobutane saw offers of \$1.05/gal, while natural gasoline had sellers offering \$1.02/gal - no deals were reported for either product in Conway.

In the light products, Belvieu purity ethane anys moved from 31.75-32.125cts/gal with April done flat to anys. E/p mix ranged from 30.5-31.25cts/gal. Conway e/p mix sold at 23cts/gal.

RESIDUAL FUEL:

Spot residual fuel prices lost as much as crude oil making for a much softer spot market on Monday.

Gulf Coast 3% traded as high as \$42/bbl last Friday but today deals were confirmed at \$37.95-\$38.05 bbl. Glencore bought four pieces of 3% from Shell

and Valero.

Offered on the Atlantic Coast was 100-120mb of 0.3% high pour at a 1% mean plus \$6.50, delivered New York Harbor, April 5-9.

Most swaps prices lost \$3, with 1% swaps at \$38.35 for April, May quoted at \$38.85 and June seen at \$39.55.

The 3% assessments pegged April at \$38.15 with May at \$37.85 and June at \$38.25.

NEWS:

***EPA CALLS FOR LOWER FUEL EMISSIONS FROM U.S.-BOUND SHIPS

The Environmental Protection Agency (EPA) has asked the International Maritime Organization (IMO) to create a 230-mile coastal buffer zone to reduce ships' fuel emissions in specific portions of U.S. and Canadian coastal waters.

The move toward an Emission Control Area (ECA), announced Monday by EPA administrator Lisa Jackson at Port Newark in New Jersey, is a beginning step in imposing stricter environmental air emission standards on tankers and other large vessels headed for U.S. ports. It could increase the amount of distillate fuel used on voyages or mean ship owners retrofit their vessels to capture sulfur after fuel consumption. IMO members will consider the proposal at the next session of the Marine Environmental Protection Committee in July.

When adopted, the program would cut sulfur in fuel used in the zone by 98%, particulate matter emissions by 85% and nitrogen oxide emissions by 80%, the EPA said in a statement. To achieve the reductions in the ECA, ships must use fuel with no more than 0.1% (1,000 ppm) sulfur beginning in 2015, and new ships must use advanced emission control technologies that cut nitrogen oxide emissions by 80% beginning in 2016. Member states of the IMO agreed in 2008 to amend new engine standards with similar but less stringent sulfur and nitrogen oxide controls.

All major ships coming into U.S. ports, both U.S.-flagged and foreign-flagged, would be subject to Coast Guard inspection of records, logs and equipment for compliance with the regulations.

Jackson characterized the move as a bold stroke, saying, "We want to send a strong message to the shipping industry and the world that this can be done and should be done."

The proposed ECA (developed with Canada) includes waters adjacent to the Pacific coast, the Atlantic/Gulf Coast and the eight main Hawaiian Islands. It excludes the Pacific U.S. territories, the western Hawaiian Islands, Puerto Rico, U.S. Virgin Islands, Aleutian Islands and Western Alaska, and the U.S. and Canadian Arctic.

The zone doesn't take in coastal waters off of Mexico. EPA wants Mexico's participation, Jackson said, but the agency didn't want to hold off on submitting the proposal while it undertook talks with the country.

To meet the 2015 requirement of 0.1% sulfur fuel, ships may need to add to their storage capacity for distillate fuel, the EPA statement said. Alternatively, ship operators could choose to add scrubbers to their exhaust stacks to extract sulfur.

EPA estimates the total costs of improving ship emissions from current performance to ECA standards to be about \$3.2 billion in 2020.

The announcement closely followed a report from the EPA's Office of the Inspector General that found the agency hasn't done enough to protect human health by reducing air pollution in communities near U.S. ports.

In a March 23 report, the oversight body urged the EPA to establish ECAs for ports that address the pollution emanating from all ships, 90% of which, the report claimed, are foreign-flagged.

According to the Inspector's office, the EPA had dithered on whether it has the authority to regulate emissions from foreign-flagged ships; failed to put into practice at U.S. ports voluntary partnership programs such as regional diesel collaboratives; and "lacks a transformation plan to assure that the goals (of its 2008 Strategy for Sustainable Ports) are realized."

"As a result, EPA lacks the management framework and controls necessary to assure the successful implementation of its strategy," the Inspector's office said.

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In October 2008, the IMO agreed to revise the MARPOL Annex VI Treaty to adopt sweeping new emissions standards for diesel fuel used on large ships.

The treaty revisions call for a progressive reduction in the global sulfur cap for bunker fuel to be reduced to 3.5% from 4.5% by Jan. 1, 2012. The next phase of the plan requires slashing the cap to 0.5%; the change would take effect as early as January 2020 or as late as 2025, depending on the findings of a feasibility review to be completed by 2018.

The IMO also agreed to reduce nitrogen oxide, with the most stringent controls placed on Tier III engines to be installed on ships built after 2016 and operating in ECA areas.

--Beth Heinsohn, bheinsohn@opisnet.com

PRODUCT SPECIFICATIONS:

The 70/30 Split and the Refined Spot prices for the U.S. Gulf Coast are based on the Gulf Coast Waterborne Unleaded Regular 7.8PSI Full Day Average Prompt and Gulf Coast Waterborne High Sulfur No2 Full Day Average Prompt prices. The differentials for Naphtha and Light Cycle Oil prices are always against the Gulf Coast Waterborne Prompt Unleaded and No2 spot prices respectively. The 70/30 Split and the Refined Spot prices for the U.S. West Coast are based on the Los Angeles Unleaded Regular Full Day Average Prompt and Los Angeles Ultra Low Sulfur No 2 Full Day Average Prompt prices. The Refined Spot prices for the U.S. East Coast are based on the NY Harbor Barge Unleaded Regular Full Day Average Prompt and NY Harbor Barge High Sulfur No2 Full Day Average Prompt prices. The midgrade and premium prices, where applicable, also refer to the same gasoline Spot products.

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