Argus Asphalt Report

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Weekly International Pricing and Analysis 11M-46 18 November 2011

Asphalt prices at key locations			
	14-18 Nov		
US (rack prices, fob) $/st	**Low**	**High**	**Change**
Northern New Jersey/New York City Metro	535	545	-15
Coastal Texas	550	560	0
Northern Illinois/eastern Iowa	450	500	15
Southern California	520	530	0
Western Washington/Oregon	520	525	0
US (waterborne, fob) $/st			
East Gulf coast (barge fob)	480	510	12
West Gulf coast (barge fob)	485	495	0
Midwest (barge fob)	440	470	25
Canada (rack prices, fob)			
Quebec	447	456	-2
Ontario	496	504	-2
Europe (rack prices, fob)			
Rotterdam	595	615	-4
Southwest Spain	595	608	-4
Other international (rack prices, fob)			
South Africa	735	750	0
Singapore	620	625	0
Other international (waterborne, fob) *$/t*			
Iran (cargo fob)	570	575	0
Singapore (cargo fob)	600	605	5
Taiwan (cargo fob)	580	590	0
South China (ex-Singapore cfr)	610	645	5

Note: st - short ton, t - metric tonne.

Contents

Summary

- Domestic bitumen prices across most of Europe have held steady during November compared with October levels despite attempts by at least one supplier to raise prices in the north by up to €10-15/t. Supply is now the biggest domestic concern, with buyers pointing to major problems in the south of the country where one Mediterranean refinery is being hit by a shortage of Syrian crude oil that is in turn limiting production of bitumen. Separately, the LyondellBasell refinery in Berre, also on the French Mediterranean coast, is thought to be running at normal rates after recent strike-related stoppages following the company's announcement of its intention to mothball the refinery.

- Prices in Austria rose to around €465/t ex-refinery, while Italian domestic prices jumped in mid-November to €450-460/t inclusive of local taxes but no delivery costs.

- On an otherwise lacklustre Mediterranean market, attention was mainly focused on the outcome of the EGPC tender to buy a total of six cargoes of 60/70 penetration grade bitumen for delivery into Alexandria in December and January. The 3,500-4,000t cargoes are to be delivered on 1-3, 11-13 and 21-23 dates in December and in January. Firm offers into the tender were to be lodged by 14 November, but the tender was valid until 25 November, meaning no awards will be confirmed until then.

- After weeks of tight bitumen supply, some relief is expected in the shape of bulk bitumen shipment into the country. South African bitumen supplier Much Asphalt's CEO Phillip Hechter said on 16 November said the consignment – a 4,000t cargo of 60/70 penetration grade bitumen being imported by Colas – was probably the first bulk shipment there is some relief expected, as one of the first bulk shipment of bitumen to be imported into the country. The cargo is to arrive in Durban during the 19-20 November weekend.

- Singapore's bulk prices for December are up by $5/t to $600-605/t fob this week, driven by strong Indonesian demand. In Malaysia, the country's state-owned refiner is likely to cut production by half in December to maximise its fuel oil production and will look to buy more product from Singapore to meet domestic demand. Bulk prices in Thailand have also moved up by to $595-600/t, in tandem with Singapore's values.

- Indonesian suppliers are scrambling for more cargoes to complete their projects by the end of December. Suppliers are required to use up their budget allocated to them from the Indonesian government by the end of this year.

- In Vietnam, pockets of buying interest have re-emerged in the spot market this week. But the majority of suppliers are not willing to pay up for cargoes at the $600/t fob level and have bought very little in December, market participants said.

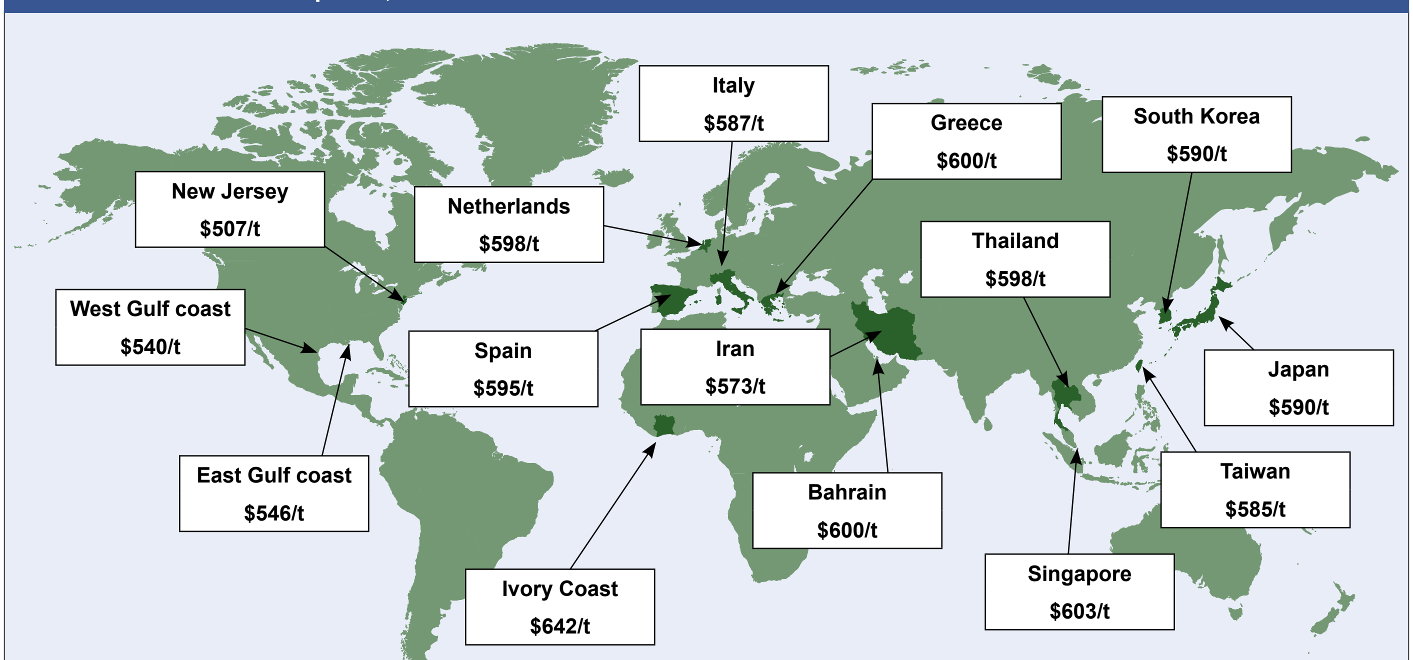
- South Korea's bulk prices are $5/t this week to $585-595/t fob.

- Prices are mostly unchanged this week in China, with ex-refinery prices transacted in the east at 4600-4700 yuan/t and at 4450-4500 yuan/t in the south.

- India dropped the country's rack price by 130 rupees/t ($2.5/t). The small revision is to reflect currency changes and a fall in the export prices in Iran.

- Singapore HSFO values suffered steep losses on Thursday amid strong selling interest in the swaps market. The prompt month fuel oil crack spread widened by $1.27/bl from yesterday to a discount of $3.32/bl against Dubai crude. A slew of tenders from Mideast Gulf refiners weighed on market sentiment.

Global wholesale bitumen prices, fob basis $/t



Note: Med and NWE HSFO prices on 17-Nov were used to calculate Europe and Africa wholesale bitumen prices.

East coast asphalt prices			$/st
Rack prices, fob (14-18 Nov)	**Low**	**High**	**Change**
Maine	550	565*	0
MA/NH	550	565*	0
Connecticut	540	550	0
Eastern and central NY	535	545	-15
Western NY/Western PA	455	510	0
Northern NJ/NY C Metro	535	545	-15
Delaware/SE PA/south NJ	560	565	0
Maryland/northern Virginia	525	560	0
Central and lower Virginia	550	565	0
Coastal Carolinas	550	560	0
Inland Carolinas	550	560	0
Inland Georgia	525	530	0
Coastal Georgia/northeast Florida	540	575	0
West coast of Florida	540	540	0
Southern Florida	525	525	0
Waterborne prices			
New Jersey barge fob	440	480	0
N New Jersey/New York City Metro cif cargoes	445	485	0
New England cif cargoes	515	530*	0

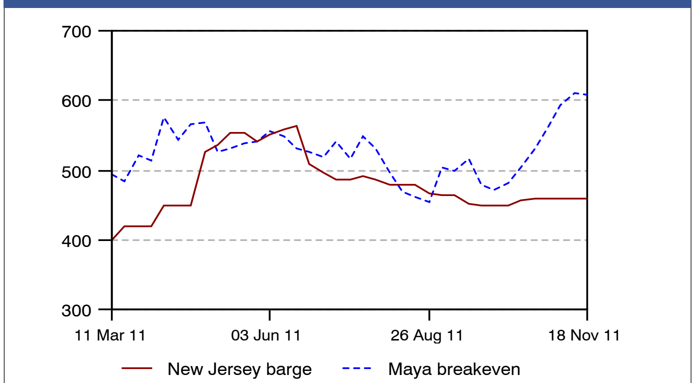
Product prices		
	17-Nov	**Change**
No. 2 oil ¢/USG	307.82	-6.54
3% HSFO $/bl	98.88	-4.65

*Note: Asphaltic crude breakeven economics are for a topping refinery and represent incremental barrels. * Represents PG 64-28; NA = not applicable*

Economics

Asphaltic crude breakeven		$/st
Maya	608.32	-2.53
Arab Heavy	687.21	66.86
Asphalt's HSFO alternative		
East coast	505.04	-29.09
Asphalt's HSFO alternative arbitrage		
Economics to US east coast		
From US Gulf coast	-64.57	33.60
From the Med	-139.50	19.05

New Jersey barge fob vs Maya breakeven $/st



East coast

- In central and eastern New York, including New York City, retail terminals remain open, with some terminals seeing prices rising by around $10/st in discussions due to wholesale pricing and crude pricing, but with an overall range still holding at a lower level than recent weeks, of $535 - $545/st, with $545 being the more predominate number.

- In western New York and Pennsylvania, rack prices are unchanged, with liftings continuing in a range flat to recent weeks, overall from $455-510/st.

- In the Baltimore market, rack prices are unchanged in a range of $525-560/st.

- In inland and coastal parts of the Carolinas, rack prices are unchanged in a range of $550-560/st.

- In the Atlanta market, there were no reported changes to the retail prices, but discussion for prices in December are reflecting stronger prices, on higher wholesale prices.

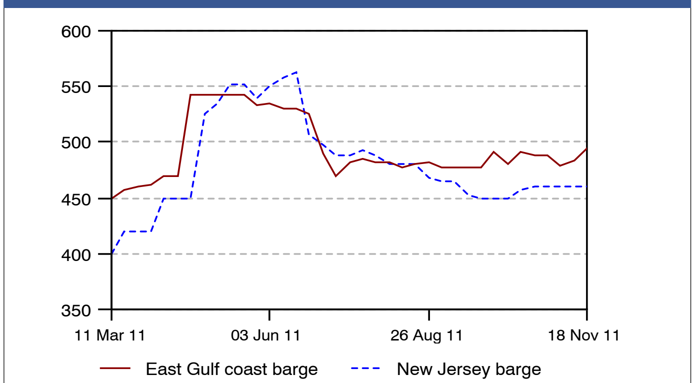
- Coastal Georgia rack prices and nearby northeastern Florida rack prices are all holding unchanged in a range of $540-575/st with the higher end of the range reflecting the Georgia market, and the $540/st price reflecting the Jacksonville, Florida terminals.

- Western Florida rack prices are unchanged this week in postings and liftings prices, at $540/st.

- Southern Florida rack prices are unchanged this week at $525/st.

- Wholesale pricing is unchanged this week with activity very slim due to very tight surplus supply in the region. The market has seen a tight market since mid-summer, and the trend has continued into the fall, in part due to high crude oil and fuel oil prices which continue to incentivize refiners to move asphalt into the alternative fuels market if possible.

East Gulf coast barge vs New Jersey barge $/st



Gulf coast asphalt prices			$/st
Rack prices, fob (14-18 Nov)	**Low**	**High**	**Change**
Alabama (southern)	510	520	0
Alabama (inland)	540	540	0
Louisiana/Mississippi (southern)	510	569	0
Louisiana/Mississippi (inland)	550	550	0
Arkansas/northeast Texas	550	575	0
Texas (coastal)	550	560	0
Texas (inland)	525	525	0
New Mexico	525	550	0
Waterborne fob			
East Gulf coast	480	510	12
West Gulf coast	485	495	0

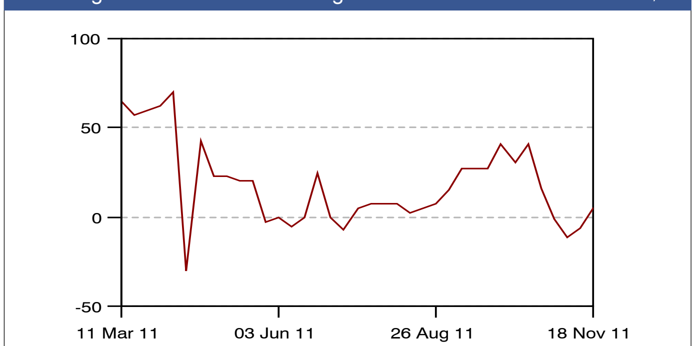
Note: Asphaltic crude breakeven economics are for a topping refinery and represent incremental barrels.

Product prices		
	17-Nov	**Change**
No. 2 oil ¢/USG	304.72	-7.31
3% HSFO $/bl	97.83	-5.35

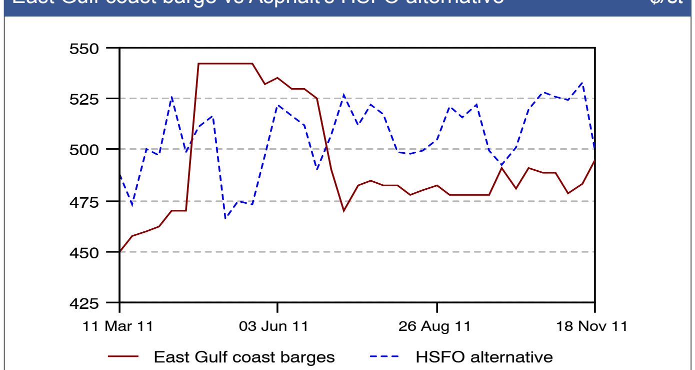
Economics

Asphaltic crude breakeven		$/st
Maya	604.00	-0.51
Arab Heavy	704.25	68.60
Asphalt's HSFO alternative		**$/st**
Gulf coast	499.57	-33.60
General refining economics		
Fob US Gulf coast ($/bl)		
3-2-1 crackspread	12.46	-6.29
2-1-1 crackspread	16.64	-5.74

East barge fob diff West coast barge fob $/st



East Gulf coast barge vs Asphalt's HSFO alternative $/st



Gulf coast

- In the USGC wholesale market, a total of 100,000 bl of Pen 67-22 and some 150-200 was sold at $510/st in PG 67-22 equivalent, all fob the east Gulf coast. The deals were sold into the domestic and export markets, and are for loading in early December.

- Another sale of 35,000 bl of PG 67-22 was completed at $480/st fob east Gulf coast equivalent.

- There were no fresh wholesale deals reported done in the US west Gulf coast market.

- In general, bulk demand is steady, and continues from both the domestic and export market.

- Meanwhile, USGC fuel oil prices have dropped this week, led by weakening crude oil futures and fuel oil swaps.

- Retail prices are unchanged this week across the Gulf coast region.

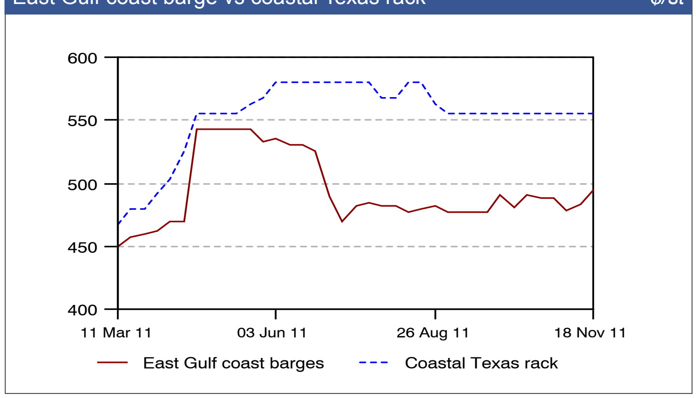
- Southern Alabama rack prices are holding in a range of $510-520/st, with inland terminals in the state unchanged at $540/st.

- Southern Louisiana rack prices are holding at $569/st with southern Mississippi rack prices ranging from $510-540/st across terminals in the southern part of the state.

- Inland regions of both states continue to see retail prices at $550/st.

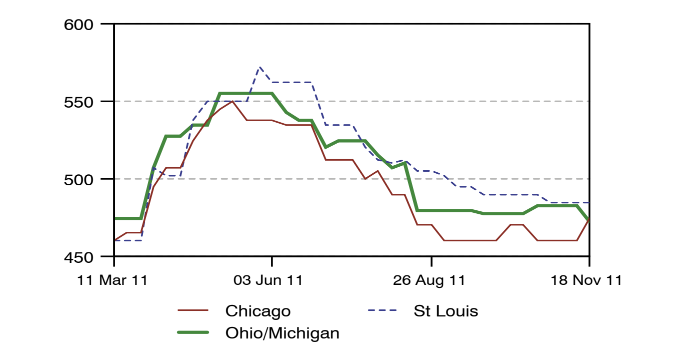
- Inland Texas prices held unchanged this week at $525/st, with Houston area rack prices at $550/st and Brownsville at a standard $10/st to Houston at $560/st.

East Gulf coast barge vs coastal Texas rack $/st

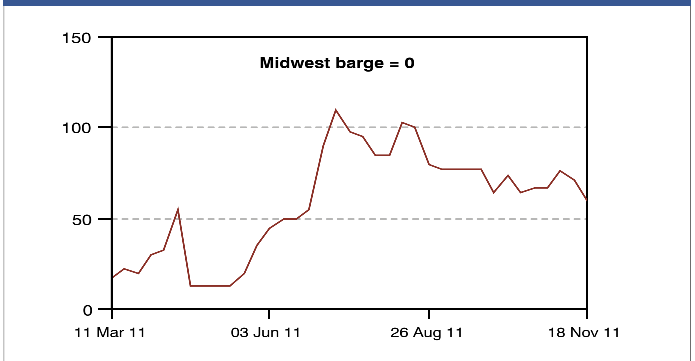


Midwest asphalt prices			$/st
Rack prices, fob (14-18 Nov)	**Low**	**High**	**Change**
West Oklahoma/Texas Panhandle	525	525	0
NE Oklahoma/Kansas/southwest Missouri	525	525	0
North Illinois/eastern Iowa (Chicago)	450	500	15
South Illinois/eastern Missouri (St Louis)	485	485	0
Western Iowa/Nebraska	530	550	0
North Dakota/south Dakota	550	560	0
Northern Minnesota/northern Wisconsin	475	500	8
Southern Minnesota/southern Wisconsin	400	480	5
Northeast Indiana/north Ohio/Michigan	450	495	-10
South Ohio/south Indiana/north Kentucky	460	495	-8
South Kentucky/Tennessee	535	545	0
Waterborne fob			
Midwest asphalt barge	440	470	25
Midwest roofing flux barge	470	510	0

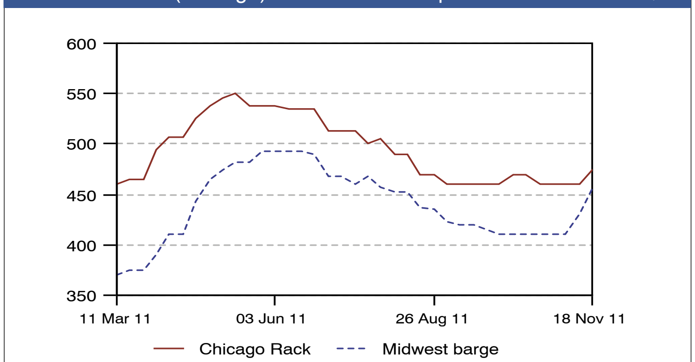
Chicago - St Louis - Ohio/Michigan $/st



Midwest barge diff East Gulf coast barge $/st



Illinois/east Iowa (Chicago) rack - Midwest asphalt $/st



Midwest

- Some of the midcontinent markets are seeing wholesale numbers equal to or higher than retail, an unusual situation. Participants are attributing this to the demand of VTBs in the US Gulf coast and somewhat in the East coast markets, which are both showing continued interest in wet barrels to finish off the season.

- Many participants report that much of the current wholesale volume is not moving into the winterfill actively yet, as demand remains for 2011 and as such the volume is being consumed for 2011 work.

- In the wholesale barge market, midwest barges were done in a range of $450 - $470/st, with others reporting slightly lower this week in a range of $440-460/st, but all deals reported higher than last week's range of $420-440/st.

- In the wholesale railcar market in the Midwest, pricing is rising as well, with low deals reported only for as low as $460/st, with deals reported to as high as $500/st this week.

- There continues to be upward price pressure on December discussions for wholesale pricing in the Midwest. With crude gracing $100/bl this week and differentials on light to heavy crudes narrowing, the costs are up for refiners in the Midwest, a supplier noted.

- In the retail market, liftings remain active at many terminals across the midcontinent region, which is a bit unusual for this time of the year, but mostly driven by the poor paving weather in the mid-fall season. More favorable paving weather this week has helped drive jobs that were delayed by the weather earlier in the fall. As such, prices are holding steady or rising slightly in many Midcontinent regions.

- Retail liftings in Chicago ranged overall from $450-500/st this week, with a supplier moving its pricing up to $500/st officially on the higher liftings prices, effective 21 November. Other retail posted prices have held at $495/st over the past month and remain unchanged at those levels this week.

- In Southern Wisconsin, prices have inched up only slightly to the $460 - $480/st range, but prices in nearby southern Minnesota remain at lower numbers, at as low as $400/st.

- In northern Wisconsin, retail prices were head $490 - $500 for PG 58-28.

- In northern Indiana, prices are ranging from $450 - $460/st in confirmed liftings. Nearby northern Ohio prices are holding unchanged at posted levels of $495/st across the region.

- In southern Indiana, liftings are ranging from $460 – 480/st, and in southern Ohio and northern Kentucky, rack prices are holding unchanged at $495/st.

- Tennessee and southern Kentucky rack prices are still unchanged, in a range of $535-545/st.

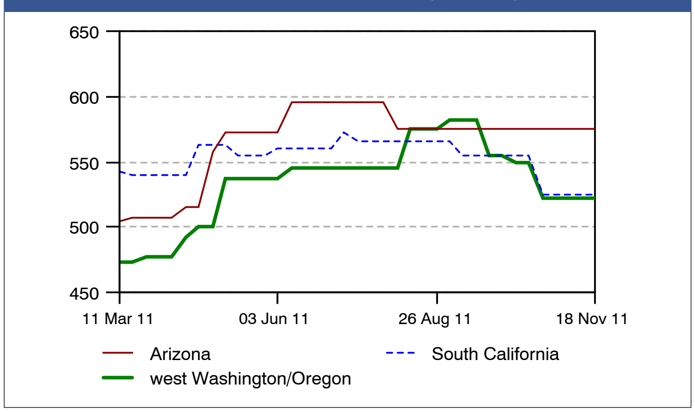
Rocky Mountain asphalt prices			$/st
Rack prices, fob (14-18 Nov)	**Low**	**High**	**Change**
Montana	490	510	0
Wyoming	470	480	0
Colorado	470	480	0
Utah	560	570	0
Idaho/east Washington	500	525	0
Wholesale prices			
Rocky Mountain (rail) fob	395	405	5

Product prices (Los Angeles)		
	17-Nov	**Change**
No. 2 oil ¢/USG	307.82	-8.79
HSFO 380cst $/bl	110.32	1.19

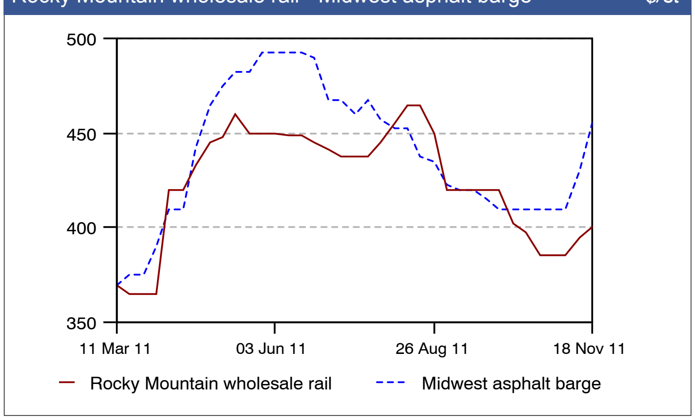
Asphalt's HSFO alternative		$/st
West coast	587.43	572.95

West coast asphalt prices			$/st
Rack prices, fob (14-18 Nov)	**Low**	**High**	**Change**
Western Washington/Oregon	520	525	0
Northern California	555	565	0
Central California	530	550	0
Southern California	520	530	0
Arizona	550	600	0
Nevada	530	535	0
Roofing flux rack prices			
Southern California	570	600	0

Arizona - southern California - west Washington/Oregon $/st



Rocky Mountain wholesale rail - Midwest asphalt barge $/st



Rocky Mountain and west coast

- Wholesale prices continue to strengthen in the Rockies region as railcars are tight and wholesale supply of asphalt is also increasingly tightly held. Prices continued this week to be confirmed around $400/st.

- Meanwhile, turnarounds and maintenance projects are ongoing in the region, including a major turnaround at Chevron's Richmond refinery, which was due to come back up around mid-November following a 45 day outage. Chevron has declined to comment on the status of a crude distillation unit (CDU) at its 225,000 b/d Richmond, California, refinery after a fire took it off line earlier this month. The company reported a fire at the CDU on 14 November as the company brought the unit out of a turnaround, but could not confirm if the unit has returned to normal production levels at this time.

- In the retail market, there were few reported price changes this week.

- Montana rack prices are ranging from $490-510/st.

- Wyoming and Colorado rack prices are holding unchanged at $470-480/st.

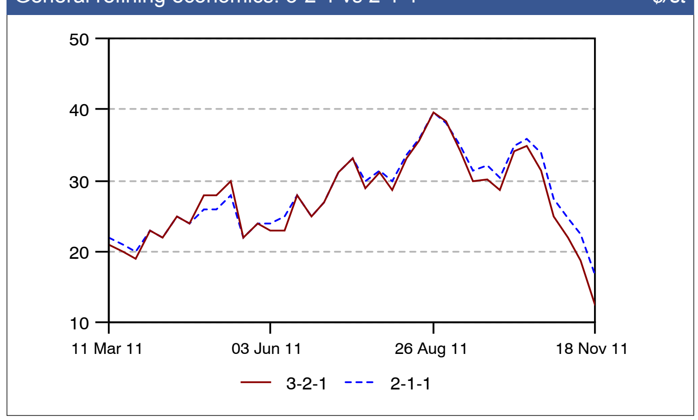
- Utah rack prices are flat to last week in a range of $560-570/st.

- Oregon and western Washington area prices are ranging from $520-525/st in confirmed liftings, although postings remain at higher levels from some suppliers in the region.

- Northern California rack prices are holding unchanged at $555-565/st, with southern California liftings not reported changed, still in a range of $520-530/st.

- Arizona and Nevada rack prices are holding this week- at $550-600/st in Arizona and $530-535/st in Nevada.

General refining economics: 3-2-1 vs 2-1-1 $/st



Canada

- In eastern Canada, a supplier left their posted price unchanged at C$530/t, in effect since 28 September.

- Another supplier in eastern Canada also left their posted prices unchanged this week, in effective since 10 November. The posted price for PG 58-28 is holding at C$525/t, for PG 64-28 at C$565/ t, for PG 58-34 at C$615/t, for PG 64-34 at C$675/t, and for PG 70-28 at C$675/t as well.

- In the retail market in Quebec, the activity was described as moderate this week, with temperatures warmer than normal for this time of the year. Prices for 58-28 ranged from C$505-515/t in reported liftings from one supplier.

- Another supplier reported a selling price of C$505/t this week, effective since Monday 14 November.

- The Quebec prices compare to last week's higher overall range of liftings prices at C$505-525/t.

- Rack spot prices in Toronto, Ontario and surrounding terminals in Ontario are holding unchanged this week.

- Some plants are expected to begin to shut down by next week, but so far the shut-downs have been delayed by the favorable paving weather, unusual for this time of the year.

- There were no changes this week in the western Canadian rack posted or spot prices.

Eastern Canada posted prices for asphalt

Company (location)	Asphalt grade	Posted prices (C$/t)	Differentials	Effective date
Kildair (Sorel-Tracy, Quebec)	PG 58-28	525		10 Nov
	PG 64-28	565	40	10 Nov
	PG 58-34 polymer	615	90	10 Nov
	PG 64-34 polymer	675	150	10 Nov
	PG 70-28 polymer	675	150	10 Nov
Suncor Energy Inc. (Montreal, Quebec)	PG 58-28	530		28 Sep
	PG 64-28	-	-	28 Sep
	PG 58-34 polymer	-	-	28 Sep
	PG 64-34 polymer	-	-	-

Eastern Canada asphalt prices

Rack prices, fob (14-18 Nov)	C$/t			$/st		
	Low	High	Change	Low	High	Change
Quebec	505	515	0	447	456	-2
Ontario	560	570	0	496	504	-2
Roofing BUR* liquid prices						
Ontario	580	600	0	513	531	-3

*Note: st - short ton, t - metric. *BUR = Built-up roofing.*

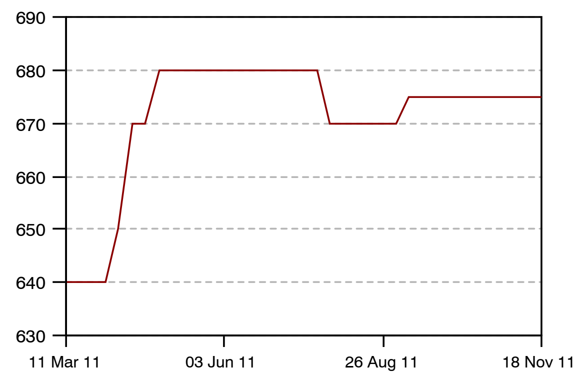
Western Canada Posted Spot Prices for Asphalt

		Current Posted Spot Price		Effective Date
Company (Location)	Asphalt Grade	(C$/t)	($/st)	
Husky (Edmonton, AB)	150/200A	625	553	12 Aug
Husky (Vancouver, BC)	PG 64-25 (80/100A)	665	589	12 Aug
Husky (Prince George, BC)	150/200A	685	606	12 Aug
Husky (Kamloops, BC)	150/200A	675	597	12 Aug
Husky (Winnipeg, Manitoba)	150/200A	665	589	12 Aug

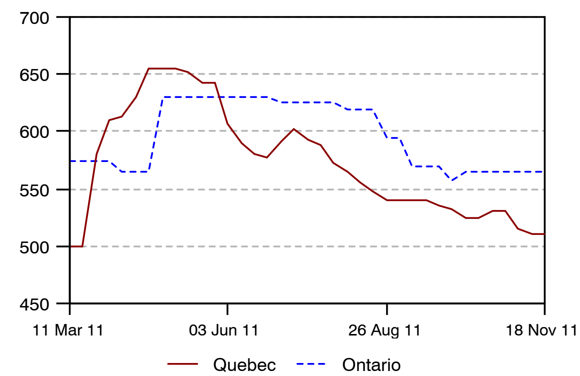
Western Canada asphalt prices

Retail prices, fob (14-18 Nov)	Base Asphalt grade	C$/t			$/st		
		Low	High	Change	Low	High	Change
British Columbia	150/200A or PG 64-25(80/100A)	700	700	0	620	620	-4
Alberta	150/200A	660	690	0	584	611	-3
Saskatchewan	150/200A	700	720	0	620	637	-3
Manitoba	150/200A	700	720	0	620	637	-3

Alberta C$/t



Quebec/Ontario C$/t



Canada – Methodology

Eastern Canada posted prices for asphalt: These are posted prices announced by suppliers and refiners in the Quebec market for asphalt grades they supply (conventional and polymer). The prices are listed by company, location and grades supplied, along with differentials for premium grades. The posted prices are reported in C$/t with effective dates.
Eastern Canada asphalt prices for **Quebec**: This is actual selling prices in the Quebec market for grade PG 58-28.
Eastern Canada asphalt prices for **Ontario**: This is actual selling prices in the Ontario market for grade PG 58-28. Roofing BUR liquid prices: This is built-up roofing pricing in the Ontario market.
Western Canada posted spot prices for asphalt: These prices are also known as “rack postings” in western Canada. They represent pricing to stationary asphalt plants at various locations. Grades represented are Pen 150/200A for Edmonton, Price George, Kamloops and Winnipeg. The grade for Vancouver is PG 64-25 (Pen 80/100A).
Western Canada asphalt prices for **British Columbia, Alberta, Saskatchewan and Manitoba**: These prices represent the “current market” and include winning quotes at highway tenders. Winning quotes are “fob the closest” supplier. Grade represented is Pen 150/200A.

European bitumen prices

Rack prices, fob*	14-18 Nov €/t****			14-18 Nov $/t		
	Low	High	Change	Low	High	
Netherlands-Rotterdam	440	455	0	595	615	-4
Belgium - Antwerp	440	455	0	595	615	-4
Brussels**	455	465	0	615	628	-4
Germany north	445	460	0	601	622	-4
northeast	445	455	0	601	615	-4
south	455	465	0	615	628	-4
southwest	450	465	0	608	628	-4
west	455	465	0	615	628	-4
France north**	460	480	0	622	649	-4
central**	465	480	0	628	649	-5
south**	460	475	0	622	642	-4
UK south (UKP)	465	475	0	732	748	-7
Italy***	450	460	25	608	622	30
Spain northeast	460	470	0	622	635	-4
southwest	440	450	0	595	608	-4

fob Mediterranean

	17-Nov	Change
Straight-run fuel oil 3.5% sul. $/t	637.25	-19.00
Vacuum gasoil 0.5 % sul. $/t	756.63	-31.00

cif northwest Europe

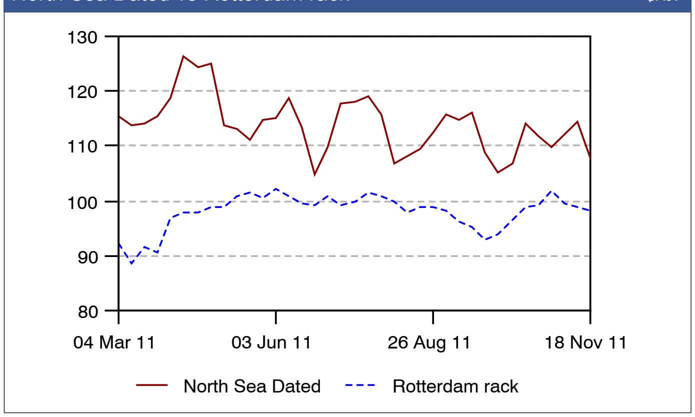
	17-Nov	Change
Straight-run fuel oil 3.5% sul. $/t	653.50	-19.50
Vacuum gasoil 0.5 % sul. $/t	769.63	-28.25

Bitumen's HSFO alternative $/t

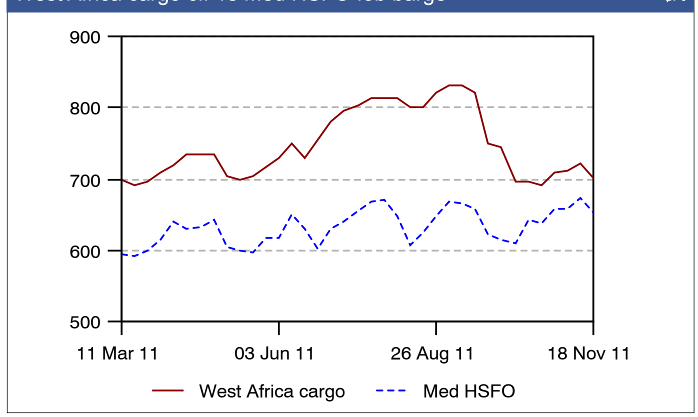
	17-Nov	Change
Mediterranean	592.42	-19.13

** truck prices, fob refinery or terminal.*
***Delivered price.*
**** Price includes €31/t tax.*
*****UK prices in Pounds.*

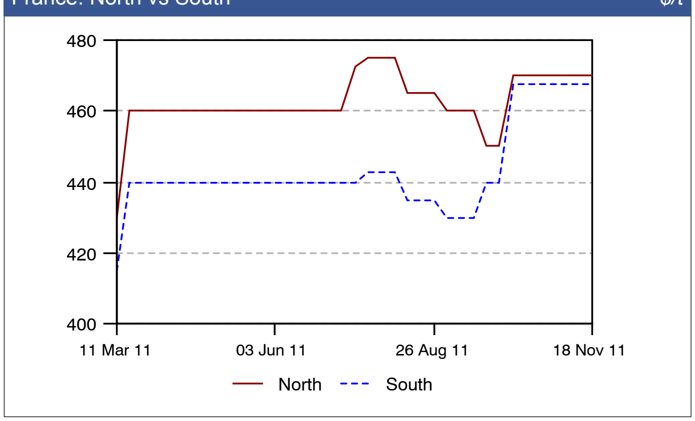
North Sea Dated vs Rotterdam rack $/bl



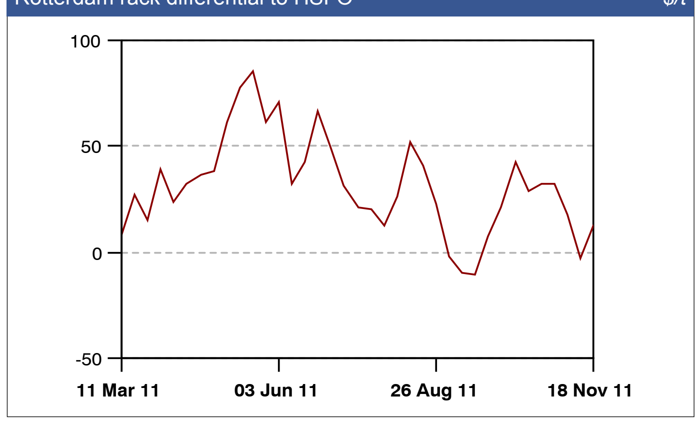
West Africa cargo cfr vs Med HSFO fob barge $/t



France: North vs South $/t



Rotterdam rack differential to HSFO $/t



Europe and Africa bitumen

Northwest Europe

• While spot shipping activity is at a bare minimum, contractual supplies are at reasonable levels as construction and maintenance activity continues because of unseasonably mild weather conditions during November.

• Preliminary data released by the UK government indicated domestic bitumen consumption slipped to 138,000t in August from 149,000t in July and 159,000t in August last year.

France

• Domestic bitumen prices have held steady during November compared with October levels despite attempts by at least one supplier to raise prices in the north by up to €10-15/t. Demand levels remain at reasonable levels because of mild weather conditions allowing construction work to be completed before the winter break

• Supply is now the biggest domestic concern, with buyers pointing to major problems in the south of the country where one Mediterranean refinery is being hit by a shortage of Syrian crude oil that is in turn limiting production of bitumen. Separately, the LyondellBasell refinery in Berre, also on the French Mediterranean coast, is thought to be running at normal rates after recent strike-related stoppages following the company's announcement of its intention to mothball the refinery.

Germany

• The latest monthly data released by official body Bafa showed domestic bitumen consumption stood at 332,640t, up 7.6pc from the July 2011 level of 309,267t, and 16.1pc higher than the August 2010 level of 286,572t. For the whole January-to-August period, German bitumen consumption stood at 1.8mn t, 15.8pc up from 1.56mn t in the same period of last year. Market participants say the demand jump this year has been mainly a reflection of the weak state of the domestic market in 2010, adding that demand remains well below historical levels prior to the recessionary period that began in 2008.

• German economic growth remains weak, as it does across much of Western Europe. Gross Domestic Product in the country rose by 0.5pc in the third quarter compared with the second quarter which in turn experienced 0.3pc GDP growth, according to the Federal Statistical Office (Destatis). Construction spending in the country fell slightly in the third quarter, having been subject to strong growth at the beginning of the year.

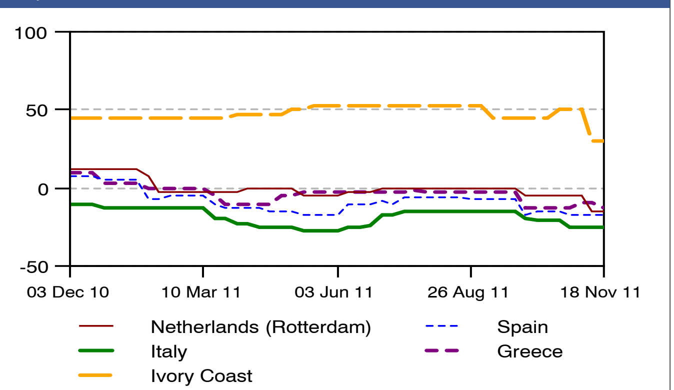
Central Europe

• In its third quarter financial statement, Hungarian refiner MOL expressed concerns that central European economic growth and export volumes were being hit by the "worsening outlook in core Eurozone economies," adding that "rebounding export demand had been the main source of the central European recovery in previous quarters." MOL also said that although central European economies were not currently at the "forefront of the unfolding Eurozone crisis, several of the region's economies (including Slovakia, Hungary and the Czech Republic) remain highly reliant on exports for their recovery."

• MOL also pointed to still weak domestic demand in most central European countries – "with the notable exception of Poland" – pointing to flat "growth" in Hungary in the second quarter of 2011 and worries over the impact of the Eurozone crisis on Slovakia in particular owing to that economy's heavy reliance on exports. MOL point to a return in Croatia to "very modest growth" in the second quarter , but said the task of fiscal consolidation in that country had been left to the next government due to emerge after the planned December 2011 general elections in that country.

• MOL reported sharp year-on-year declines in its third quarter and January-to-September bitumen production at its refineries in Hungary, Croatia and Slovakia. Its third quarter bitumen output stood at 321,000, down 12pc from 363,000t in the same segment of 2010. Total production in the first three quarters of 2011 stood at 903,000t, down 8pc from 983,000t in the same period of last year. MOL's bitumen sales, which are spread across the central European region, including some volumes into Germany, stood at 416,000t in the third

Europe/Africa wholesale bitumen differentials to HSFO $/t



Europe/Africa wholesale bitumen differentials to HSFO $/t

Market	Bitumen's differential to HSFO
The Netherlands (Rotterdam)	-20 to -10
Spain	-20 to -15
Italy	-27 to -23
Greece	-15 to -10
Ivory Coast	+30 to +30
Grade represented Pen 60/70 or equivalent grade	

quarter, sharply up from 351,000t in the previous quarter but slightly down from the third quarter 2010 level of 419,000t. For the first nine months of 2011, MOL's bitumen sales stood at 948,000t, down 2pc from 971,000t in the same period of last year.

Austria/Balkans

- Prices in Austria rose to around €465/t ex-refinery, as mild November allowed for several projects to be completed before the end of the year. A sharp anticipated drop in demand during December, when the bitumen season is officially over, is expected to weigh on prices which historically stall during the winter season.

- Prices in Serbia and Croatia were reported around €660/t ex-refinery, but demand has been dampened as local construction companies are having difficulties financing projects amid the gathering Eurozone crisis.

- Mild weather was allowing construction work to continue in Bulgaria through November, generating requirements for penetration and polymer grades of bitumen, some of them for completion of the Varna airport project. The airport is being built by German engineering and construction firm Max Boegl. Lukoil's Burgas refinery on the Black Sea coast, the country's sole bitumen producing refinery, is in November producing 18,000-20,000t of the product. While around 70pc of the penetration grade volumes are being sold directly into the domestic market, the remainder is being shipped to Romania where it is being converted to polymer-modified bitumen for use back in Bulgaria, much of it for the Varna project. Sales prices for standard 50/70 and 70/100 penetration grades of bitumen from the Burgas refinery

Spain

- Domestic bitumen consumption fell sharply in August this year to 177,599t, down 9.2pc from 195,576t in July and well down from a 2011 peak of 213,186t in June., according to data compiled by Spanish oil industry body Cores. The latest monthly figure of 177,599t was also 4.3pc down from August 2010 when Spanish bitumen consumption stood at 185,525t.

Italy

- Italian bitumen prices averaged €450-460/t inclusive of local taxes but no delivery costs. Negotiations leading to the nomination of a new government to replace the cabinet of former Prime Minister Silvio Berlusconi delayed any talk of significant funds being made available for major road projects. The prospect of severe austerity measures to be introduced by the government in the coming weeks and month sent a bearish signal to bitumen producers and end-users alike. But price were held steady by a turnaround at Api's Falconara refinery on the Adriatic and the closure of Eni's plant at Marghera, outside Venice. Export discounts to the high sulphur formula remained pegged at around $25/t with minimal fixtures for marine exports to North Africa, in line with a stalled domestic market in Libya and seemingly diminished requirements from Algeria.

- Bitumen consumption in the country rose by 4.3pc to 245,000t in October from 235,000t in the same month last year, according to data released by Italian industry body Unione Petrolifera. For the January-to-October period, consumption this year stood at 1.82mn t, up 2pc from 1.78mn t in the same period of last year.

Mediterranean

- There was little spot activity in the Mediterranean, with North African buyers slow to resume buying after the 5-12 November Muslim Eid ul-Adha holiday period. The anticipated winter lull in North Africa bitumen demand is expected to result in widening price discounts to Mediterranean fuel oil quotes. For the time time being, most export quotes are stable, with Italian volumes assessed around $25/t below fob Mediterranean fuel oil cargo quotes and Spanish exports at $15-20/t discounts. Greek discounts remain narrower than Italian or Spanish levels, but they too have steadily widened and are now assessed at $10-15/t.

- The market's attention was mainly focused on the outcome of the EGPC tender to buy a total of six cargoes of 60/70 penetration grade bitumen for delivery into Alexandria in December and January. The 3,500-4,000t cargoes are to be delivered on 1-3, 11-13 and 21-23 dates in December and in January. Firm offers into the tender were to be lodged by 14 November, but the tender was valid until 25 November, meaning no awards will be confirmed until then.

- Only a small number of potential suppliers offered into the tender, with many traders and oil refiners discouraged by the financial terms contained within the terms of the tender document. The document stipulates that payment for the delivered cargoes will be made 60 to 90 days after notice of readiness (NOR) acceptance and without letters of credit. The few firms that were believed to have lodged a bid, mainly global oil trading companies or those with established trading links within the Mideast/North Africa region, were thought to have specified the inclusion of letters of credit as well as shorter payment times.

- Another limiting factor for potential winners of the tender is the requirement for ships with adequate pumping systems on board to enable the discharged bitumen to be moved along a 5km onshore pipeline from the jetty to storage tanks in Alexandria.

West Africa

- The regional picture was mixed, with Nigerian buying still well below normal levels because of problems in obtaining trade finance and the suspension of much road project work on account of the government's failure to pay contractors for work already carried out. On the other hand, Gabon and Equatorial Guinea are in need of product to complete infrastructure work ahead of the African Cup of Nations football tournament being jointly hosted by the countries in January/February 2012. While Gabon has already secured Ivory Coast volumes for November/December arrival, the shape of anticipated Equatorial Guinea requirements was so far unclear.

- Ghana is also seen as an export opportunity by international suppliers, with a recent government-declared switch from AC-10 and AC-20 bitumen grades to US-style Performance Grades triggering a move by traders to secure supply of those grades for delivery during 2012.

- The Nigerian payment problems resulted in the cancellation of a bitumen shipment from Livorno, Italy, to Nigeria on board the Laguna Swan because letters of credit could not be opened.

- A major global shipping/trading company was in mid-November loading a previously chartered bitumen cargo from Mohammedia, Morocco, that was intended for shipment to West Africa.

- Port activities at the Benin port of Contonou were halted on 15-16 November because of strike action in protest at the Benin Government's decision to suspend payment of some allowances to workers of state-owned companies.

South Africa

- After weeks of tight bitumen supply, some relief is expected in the shape of bulk bitumen shipment into the country. South African bitumen supplier Much Asphalt's CEO Phillip Hechter said on 16 November said the consignment – a 4,000t cargo of 60/70 penetration grade bitumen being imported by Colas – was probably the first bulk shipment there is some relief expected, as one of the first bulk shipment of bitumen to be imported into the country. The cargo is to arrive in Durban during the 19-20 November weekend.

- Around 1,200t of the total volume is expected to be secured by Much Asphalt. Hechter pointed out that importing bitumen into South Africa had its complications, as "the logistics were challenging, especially finding adequate storage to enable offloading the ship before incurring punitive demurrage charges."

- Although the Sapref refinery has returned from maintenance, helping to ease demand it was not enough to counterbalance the loss of product caused by the shutdown of the Engen refinery in Durban that the company indicated might not be back online before mid-December and would be possibly not be able to add supply to the market before January 2012.

Africa and Asia bitumen prices

	Local currency/t			$/t		
Rack prices, fob (14-18 Nov)	**Low**	**High**	**Change**	**Low**	**High**	**Change**
Africa						
South Africa (rand)	6,022	6,145	139	735	750	0
South Korea (won)	620,000	632,000	0	547	558	-0
Mumbai, India (rupees)	33,330	34,330	-130	654	673	-15
Mumbai, India — drums (rupees)	36,330	37,330	-130	713	732	-17
Thailand (baht)	18,212	18,366	24	590	595	0
Indonesia (rupiah)	5,393,163	5,393,163	29103	598	598	0
Singapore ($S)	803	809	3	620	625	0
Singapore ex-refinery (to Malaysia)	693	719	2	535	555	0
Japan (¥)	55,000	56,000	0	714	727	6
Export cargo/drum prices, fob						
Iran	Nfc*	Nfc*	-	565	570	0
Iran — drums	Nfc*	Nfc*	-	610	615	0
Bahrain (dinar)	226	226	0	600	600	0
Thailand (baht)	18,366	18,520	178	595	600	5
Singapore ($S)	777	783	9	600	605	5
Singapore — drums	913	926	9	705	715	5
Japan (¥)	45,033	45,803	26	585	595	5
Taiwan ($)	17,514	17,816	-35	580	590	0
South Korea (won)	663,158	674,494	6245	585	595	5
Cargo prices, cfr						
West Africa	Nfc*	Nfc*	-	690	715	-20
China (yuan)						
North coast	3,872	3,936	34	610	620	5
East central	3,872	3,936	34	610	620	5
South coast	3,872	4,094	34	610	645	5
North Vietnam — drums	Nfc*	Nfc*	-	715	740	5
South Vietnam — drums	Nfc*	Nfc*	-	715	730	5

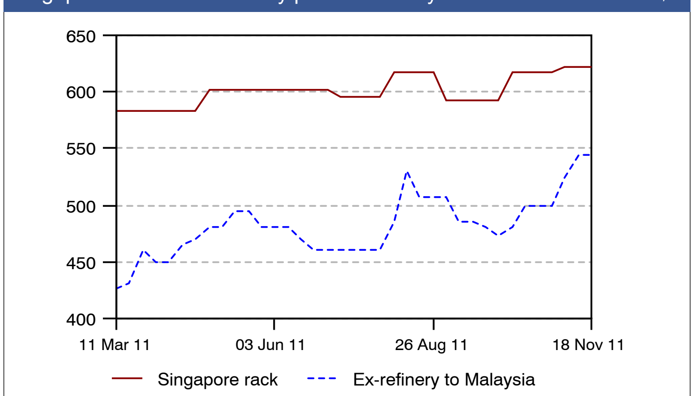
**Not freely convertible. Note: All cargo prices are for heated tankers unless otherwise specified. Exchange rates used effective for Thursday of week reported.*

Asia products

fob Singapore

	17-Nov	Change
HSFO 180cst $/t	696.75	-8.00
HSFO 380cst $/t	681.25	-13.00
Gasoil, high pour $/bl	131.10	1.95

Singapore rack vs ex-refinery prices to Malaysia $/t

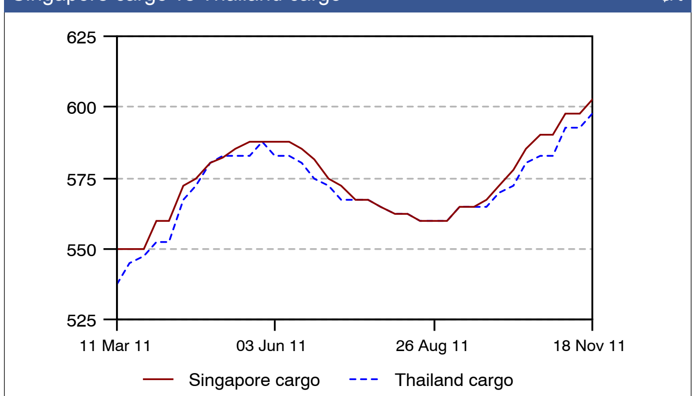


Economics

Bitumen's HSFO alternative $/t

	17-Nov	Change
Singapore	646.53	-13.51

Singapore cargo vs Thailand cargo $/t



Asia and Middle East bitumen

Singapore

• Singapore's bulk prices for December are up by $5/t to $600-605/t fob this week, driven by strong Indonesian demand.

• Very limited product is available for export in December due to a cutback in Singapore refinery production and strong demand in Indonesia. One Singapore refiner was heard to have sold a cargo into southern China at $600/t fob at the end of last week, while other deals for December were heard done at around $600/t fob this week into Indonesia.

• Indonesian buyers are now willing to pay up to $600/t fob for product, in line with the recent deals done in the spot market while selling ideas are pegged slightly higher at $605/t fob for December. Several market participants pointed out that even at the $600/t fob level, bulk prices remain significantly lower than fuel oil prices at close to $700/t and Singapore refiners are likely to maximise fuel oil production in the near term to boost margins. Looking forward, bulk prices in January could slip given reduced demand in Indonesia but given the current high fuel oil prices and tight supplies, market participants said that the fall in prices is unlikely to be drastic.

• Singapore drum prices are $5/t higher at $705-715t fob for December cargoes amid tight avails and strong interest from Indonesia.

• The Singapore rack price is stable at $620-625/t.

• The Singapore ex-refinery price is up by $10/t this week to $545-565/t, amid steady demand from Malaysia.

Malaysia

• The country's state-owned refiner is likely to cut production by half in December to maximise its fuel oil production and will look to buy more product from Singapore to meet domestic demand. The state-owned refiner is likely to raise prices further in December due to high import costs.

• Another Malaysian-based supplier is heard to be facing delays in deliveries and this has led to reduced exports in December. Offers into Indonesia are heard at $605/t fob but these cargoes are expected to arrive into Indonesia during the last two weeks of December. No deals are done at this level yet.

Thailand

• Bulk prices have also moved up by to $595-600/t fob, in tandem with Singapore's values.

• One Thai refiner is looking to offer a December delivery cargo at $615-620 fob into Australia, or at a premium of $20-25/t. But other Thai refiners are still keep inventories at their terminals to meet domestic demand after the floods.

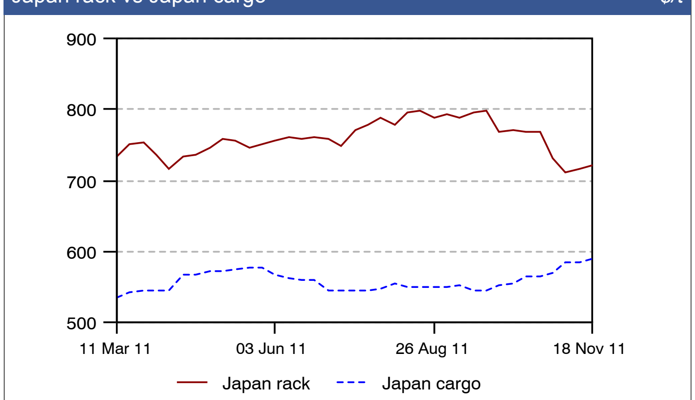
Indonesia

• Suppliers are scrambling for more cargoes to complete their projects by the end of December. Suppliers are required to use up their budget allocated to them from the Indonesian government by the end of this year.

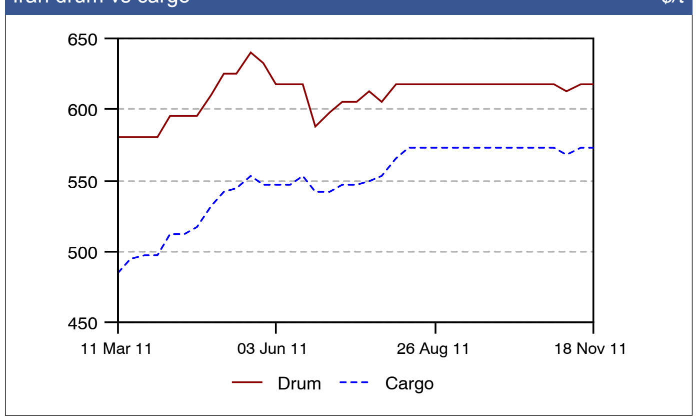
• But product is hard to come by and several terminals are already running low in inventory levels. The country's state-owned supplier is also heard to be facing production issues at its refinery and this has led suppliers to seek more imports. The supplier is seeking 30,000 t of cargoes for December.

• For December, the state-owned refiner is mulling plans to raise the rack price by $20/t to $618/t.

Japan rack vs Japan cargo $/t



Iran drum vs cargo $/t



Vietnam

• Pockets of buying interest have re-emerged in the spot market this week. But the majority of suppliers are not willing to pay up for cargoes at the $600/t fob level and have bought very little in December, market participants said.

• The country's state-owned supplier is likely to turn to China to secure part of their requirements in December.

South Korea

• South Korea's bulk prices are $5/t this week to $585-595/t fob.

• Refineries are looking to offer at the $590/t fob level or even higher for December cargoes, depending on fuel oil values. But even at this level, refineries argued that bitumen values remain sharply lower than fuel oil prices. Two suppliers said that they are likely to have very little export availability for December.

Australia

• Several suppliers are still seeking cargoes in December amid warm weather conditions. Offers for C- specs cargoes are at the $20-25/t fob above Thailand's fob prices while Singapore refiners are believed to be mostly sold out for December.

Australia import cargo prices $/t

	Low	High	Change
Thailand fob (Class 170)	615	625	23
Thailand fob (Class 320)	615	625	23
Singapore fob (Class 170)	625	635	22
Singapore fob (Class 320)	625	635	22

Prices of China main refineries 14 - 18 Nov Yuan/t

Place (Area, Province)		Refinery	Grade	Posted Price	Change from previous week()	Contract Price	Change from previous week()	Posted Price in $/t	Contract Price in $/t
Nothwest	Xinjiang	Petrochina Karamay	AH-70, AH-90, AH-110, AH-130	4,650	0	4,450	-50	733	701
			AH-100, AH-140, AH-180	4,600	0	4,400	-50	725	693
		Sinopec Tahe	90-A	4,500	0	4,400	-50	709	693
			90-B	4,500	0	4,400	-50	709	693
	Gansu	Petrochina Lanzhou	AH-90	No sale	-	No sale	-	-	-
	Shannxi	Sinopec Xi'an	AH-90	No sale	-	No sale	-	-	-
Northeast	Liaoning	Petrochina Liaohe	AH-70, AH-90, AH-110, AH-100, AH-140	4,750	0	4,600	-50	748	725
		Panjin Northern	AH-90, AH-110, AH-100, AH-140	4,750	0	4,650	0	748	733
North	Hebei	Petrochina Qinhuangdao	AH-70, AH-90	4,750	0	4,650	0	748	733
Central	Henan	Sinopec Luoyang	AH-90	4,600	-	4,500	-	725	709
East	Shandong	CNOOC asphalt	AH-70, AH-90	4,880	0	4,830	0	769	761
		Sinopec Qilu	70 -A	4,850	0	4,700	0	764	740
			90 -A, 70-B	4,800	0	4,650	0	756	733
			90-B	4,750	0	4,600	0	748	725
		Sinopec Jinan	AH-100	4,550	0	4,400	0	717	693
	Zhejiang	Sinopec Zhenhai	70-A, 90-A	4,950	0	4,650	0	780	733
			70-B, 90-B	4,900	0	4,600	0	772	725
		CNOOC Daxie	AH-70, AH-90	No sale	-	No sale	-	-	-
		Petrochina Wenzhou	AH-70, AH-90	4,450	50	4,400	50	701	693
	Shanghai	Sinopec Shanghai	AH-70	4,920	0	4,650	0	775	733
	Jiangsu	CNOOC Taizhou	AH-70, AH-90	5,000	50	4,750	50	788	748
		Sinopec Jinling	70-A, 90-A	4,900	0	4,650	0	772	733
South	Guangdong	Sinopec Maoming	70-A, 90-A	4,700	0	4,500	0	740	709
		Sinopec Guangzhou	70-A, 90-A	4,650	0	4,450	0	733	701
		Petrochina Gaofu	AH-70, AH-90	4,600	0	4,450	50	725	701
Southwest	Sichuan	CNOOC Sichuan	AH-70, AH-90	5,030	50	4,950	50	792	780

Source: China refiners and bitumen market participants

Japan

- Japanese suppliers continue to remain on the sidelines ahead of colder weather in Japan this week. Japan's bitumen production fell by 12 pc to 334,325 t in September, compared with the same month a year ago. Imports rose to 105 pc to 20,737 t in September in the same period. Consumption fell by 3 pc to 197,849 t in the same month while exports remain zero.

China

- Prices are mostly unchanged this week in China, with ex-refinery prices transacted in the east at 4600-4700 yuan/t and at 4450-4500 yuan/t in the south.

- Demand in northern and eastern China has waned due to colder weather conditions. But suppliers are still completing their projects in the south and demand remains steady. Cfr prices for imports into China are assessed higher amid tight avails. Prices are up by $5/t to $610-620/t in the north and east China and $610-645/t in the south

- The country's state-owned refiner is looking to offer two cargoes for export in December but this has yet to be finalised.

Taiwan

- Bulk prices are stable at $580-590/t fob this week.

- The state-owned refiner is likely to be out of the spot market for the rest of the year. Details emerged on the tender issued by the country's privately-owned refiner last week. The refiner is heard to have awarded the tender to a Singapore-based buyer at the mid-high $580s/t fob level.

India

- India dropped the country's rack price by 130 rupees/t ($2.5/t). The small revision is to reflect currency changes and a fall in the export prices in Iran. The country's leading supplier is heard to have stopped offering discounts to the majority of its customer. However, the supplier is reported to be giving discounts at 1,000-2,000 rupees/t to a several exclusive dealers.

Bitumen freight rates 14 - 18 Nov			$/t
Route	Low	High	Change from last week (+/-)
Singapore - South China	47.00	51.00	+0.50
Singapore - East China	66.00	71.00	+0.00
Thailand - South China	47.00	51.00	+0.50
Thailand - East China	66.00	71.00	+0.00
Taiwan - East China/South China	27.00	32.00	+0.50
South Korea - East China	26.00	31.00	+0.50
Note: East China and South China both refer to coastal ports in the region			
Source: Bitumen market participants			

- However, demand remains steady in the domestic market and small volumes of exports from Iran into the west coast of India.

- The rack price for packed and bulk cargoes of Pen 80/100 grade is down by 130 rupees/t to 36,530 rupees/t and 33,530 rupees/t respectively. The rack price for packed and bulk cargoes of Pen 60/70 grade is down by130 rupees/t to 37,330 rupees/t and 34,330 rupees/t respectively. The rack price for packed and bulk cargoes of Pen 30/40 grade is down by 150 rupees/t to 39,680 rupees/t and 36, 680 rupees/t respectively.

Bahrain

- Export prices are kept at $600/t fob this week, following last week's price hike.

Iran

Iran export market

- Bulk prices are stable at $565-570/t fob and at $610-615/t fob for drums this week.

- Iran bitumen export price were kept unchanged this week by Pasargad oil, with the settled price still $565/t for bulks fob Bandar Abbas on the Iran Mercantile Exchange (IME). Traders continued offering in a wider range for volumes FOB Bandar Abbas, with prices heard at a lower range of $525-540/t this week.

- Drum cargo prices have also kept unchanged this week at $610/t FOB Bandar Abbas on the IME. Pasargad Oil offered drums cargos of Pen 60/70 at $565/t + $45/t this week, and Jey Oil offered bitumen at $505/t +$70/t for drums ex. Esfahan this week. But resellers and traders showed interested at different price levels this week.

- Bitumen prices on an FOB Bushehr port basis were at $550/t this week, but no demand registered on the IME this week.

- After large sales during the previous week, Jey Oil Company kept export prices unchanged this week at $500/t for cash payments, but sold only 3,600t of Pen 60/70 ex. Esfahan refinery at $500/t this week. There was also some news heard that Jey Oil decreased bitumen production due to low VB delivery.

- Market sentiment for drum cargos was very weak this week. Pasargad oil has not sold any cargos in drums for $610/t FOB Bandar Abbas this week, but they have sold 3,000t of Pen 60/70 in bulk at $565/t FOB Bandar Abbas.

- Pasargad Oil prices are effective for payments within 40 days after the transaction date. Encouraging refunds to the customers on basis of quantity and shipment duration has continued by Pasargad Oil this week.

- Prices from local refineries were steady at $505/t ex. Teheran, Arak and Tabriz this week. Pasargad sold 1,780t of Pen 60/70 in bulk ex. Tehran but no deal closed ex. Tabriz and Arak refineries this week.

- Pasargad offered bitumen on an FCA Abadan and Shiraz refinery basis, for $520/t for bulk this week, and 5000t ex. Shiraz refinery was settled this week.

- Negin Fakhre Azarbaijan supplied 2,000t of Pen 60/70and 85/100 for export ex Jolfa at $520/t on the IME, but no deal happened this week.

- Other private companies and the NIOC didn't supply bitumen on the IME this week.

- The IME costs include a brokerage fee and IME commission, which was a firm $1.58/t on the offered FOB price, for buyers this week.

- Traders' prices have decreased this week. Prices at $525-540/t were heard in bulk on an FOB Bandar basis, with drum cargo prices offered up to a range of $580-600/t by traders this week.

- Iran export demand was low, with producers selling 13,380t of different products on the IME this week for export to target markets.

Iran local market

- Local bitumen prices have kept unchanged for different products this week although local demand has increased this week.

- Different pricing continued by producers for the local market. Jey Oil settled bitumen in bulk for Pen 60/70 and 85/100 ex Esfahan refinery for 5,800 Rials/Kg. Pasargad Oil settled at 5,750 Rials/Kg ex Tehran and Arak and Tabriz refineries, and at 6,050 Rials/Kg ex Bandar Abbas. On the other hand they settled ex Shiraz and Abadan factories for 5,950 Rials/Kg this week.

- Negin Fakhr Azarbaijan sold 220t of Pen 85/100 for 5,750 Rials/kg this week. Bam Gostar Zarin Shragh supplied different products for the local market on the IME, but no deal closed this week.

- Domestic prices continued lower than export prices settled on the IME this week.

- Due to the Muslim holidays, Iran had just four working days this week, but local demand was still healthy this week with market sentiment increasing by 66pc, Thus producers sold 28,126t of different products on the IME this week.

- Producers supplied 75,702t of different products for local customers on the IME and about 30,366t of demand registered on the IME this week.

- VB feeds prices were steady this week. The NIOC sold 11,430t of VB feed ex Esfahan and Tabriz refineries for 5,012 Rials/kg, and also 10,000t ex the Tehran refinery for 5,013 Rials/Kg.

- The NIOC settled 14,000t ex Shiraz and Bandar Abbas refineries at 5,263 Rials/Kg this week.

Report of Iran domestic sale for (12 -17 Nov. 2011)

Product		Volume (MT)	Settled price (Rials/Kg)
Pen 60/70		19,233	5,750-6,050
Pen 85/100		7,680	5,750-5,800
MC-250		1,213	7,050-7,400
Emulsion	Rapid	0	4,050-4,350
	Slow	0	5,350
Exchange rate $1 = 1,185 Rials, t= Metric tonne			

Report of Iran export sale for (12- 17 Nov. 2011)

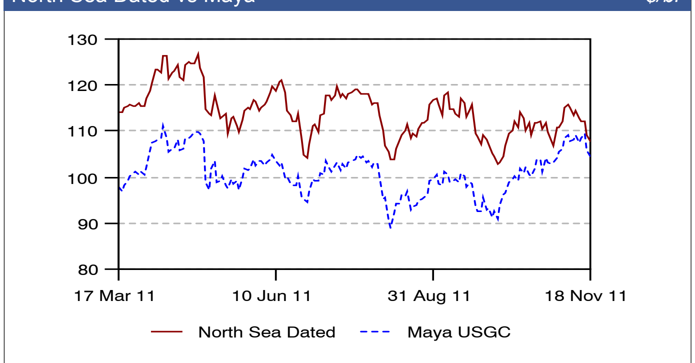
Product	Producer	Settled price on bitumen ($/t)	Packing	Volume (MT)	Destination
Pen 60/70	Pasargad Oil Co.	565	Bulk	3,000	Export by ship from Bandar Abbas port
		610	Drum	0	
		550	Bulk	0	Export by ship from Bushehr port
		505	Bulk	1,780	Export to neighboring countries or move to ports for export by ship
		520	Bulk	5,000	
		575	Drum	0	
	Jey Oil Refining Co.	500	Bulk	3,600	Export by ship and truck
	Negin Fakhr Azarbaijan	520	Bulk	0	
Pen 85/100	Pasargad Oil Co.	No supply	Bulk	-	Export by ship from Bandar Abbas port
			Drum		
			Bulk	-	Export to neighboring countries
	Jey Oil Refining Co.	500	Bulk	0	Export by ship and truck
	Negin Fakhr Azarbaijan	520	Bulk	0	Export by ship and truck
MC-250	Jey Oil Refining Co.	705	Bulk	0	Export by ship and truck
Pen 40/50	Pasargad Oil Co.	580	Bulk	0	Export by ship from Bandar Abbas port
		620	Drum	0	
VG-30		No supply	Bulk	-	

Crude oil

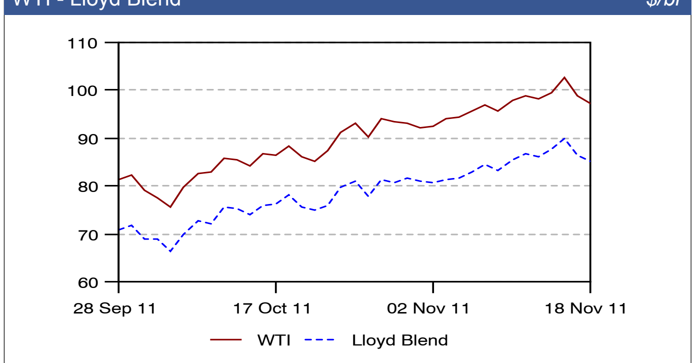
Prices Americas		$/bl
	17-Nov	Change
WTI Cushing	98.82	1.04
WTI Midland	98.14	0.95
WTS Midland	98.00	0.94
ANS USWC	115.07	-0.71
Alberta Par Edmonton	96.52	1.13
Alberta Par Edmonton del Chicago	99.97	1.13
Lloyd Blend (pipeline)	86.55	1.11
Lloyd Blend del Chicago	90.47	1.11
Western Canadian Select (WCS)	86.80	1.11
WCS del Chicago	90.72	1.11
Maya del Houston	105.69	-2.62
Maya del Chicago	106.95	-2.62

Prices international		$/bl
	17-Nov	Change
Tapis	115.43	-4.31
North Sea Dated	109.18	-4.21
Dubai	110.88	1.36
Arab Heavy, fob Ras Tanura		
To Singapore	110.86	1.20
To Europe	104.27	-2.41
To the US	103.36	-4.18
Kuwait fob		
To Singapore	111.96	1.15
Urals NWE	109.23	-4.16
Urals Med	109.38	-4.26

North Sea Dated vs Maya $/bl



WTI - Lloyd Blend $/bl



Oil industry briefs

- **Seaway sale eases Cushing pressure:** ConocoPhillips' sale of its Seaway pipeline stake opens up a route for Cushing crude to reach the US Gulf coast.

Canadian midstream firm Enbridge is buying ConocoPhillips' stake in the 350,000 b/d Seaway pipeline. Enbridge and existing stakeholder Enterprise will reverse Seaway's direction to take crude to the US Gulf coast from the midcontinent hub of Cushing (*see map*). The pipeline will begin shipping 150,000 b/d of crude to Houston from Cushing in the second quarter next year. Southbound capacity will rise to 400,000 b/d in early 2013.

The lack of pipeline routes from Cushing has kept USbenchmark WTI below Atlantic basin marker North Sea Dated for over a year. But news of the Seaway sale helped to narrow WTI's discount to North Sea Dated to less than $10/bl, and triggered a surge in trading along the Nymex WTI and Ice Brent futures curves. Volumes on key December crude contracts in 2012-14 nearly trebled to record levels on both exchanges on 16 November, as firms scrambled to adjust positions.

Reversing and expanding Seaway will all but replace Enbridge and Enterprise's proposed 800,000 b/d Wrangler pipeline to Houston from Cushing. Wrangler or a 400,000 b/d line parallel to the Seaway route will probably be needed eventually to get more Canadian and USmidcontinent crude to the Gulf coast, Enbridge says.

But Enbridge rival TransCanada is competing to fill that role with its 700,000 b/d Keystone XL pipeline. The firm has had to delay the project because the US postponed a decision on approval until 2013. TransCanada is working on rerouting Keystone XL's northern leg away from a large underground aquifer in Nebraska to ease concerns about the environmental impact of its project.

Reversing Seaway will not preclude the need for the southern leg of Keystone XL, to reach the Gulf coast, TransCanada president of energy and oil pipelines Alex Pourbaix says. The firm is studying whether it can start building the line out of Cushing while the State Department reviews the northern route. "There is enough oil in Cushing for both us and Enbridge and Enterprise to compete," Pourbaix says.

ConocoPhillips previously said that the evaluation of any sale

Weekly US ending stocks of asphalt and road oil

of its Seaway stake would have to include an assessment of its impact on crude costs at the firm's refineries. The firm has 420,000 b/d of net crude refining capacity in the midcontinent with pipeline links to Cushing.

Running cheap midcontinent crude has enabled ConocoPhillips and others to benefit from gasoline and diesel margins that have been well above $20/bl for most of this year. Light product margins fell to a 10-month low in the US midcontinent on 16 November but still remain well above margins in other US regions.

- **Market overview — WTI gains on Brent:** US marker crude WTI moved to its narrowest discount to North Sea Dated in nine months on news of a plan to move crude from Cushing to the US Gulf.

WTI settled above the $100/bl mark on 16 November, which was the first time it had breached this level since early June. Its discount to North Sea Dated narrowed to less than $10/bl on the same day for the first time since March. WTI ended at $98.82/bl, up by $1.04/bl in the week to 17 November, while Atlantic basin benchmark North Sea Dated fell by $4.21/bl to $109.18/bl. Market jitters over the eurozone crisis weighed on North Sea Dated but support from winter demand for distillates kept the complex within recent ranges.

Enbridge's purchase of ConocoPhillips' share of the Seaway pipeline and its intention to reverse the line's direction could lead to around 150,000 b/d being shipped from the landlocked midcontinent Nymex WTI pricing point of Cushing, Oklahoma, to refineries on the Gulf coast as early as the second quarter of next year. Limited options to move crude from Cushing have helped to keep WTI at substantial discounts to North Sea Dated this year.

The narrowing of North Sea Dated's premium to WTI has led to a weakening in offer levels for North Sea Dated-related crudes in the US Gulf. Lower offer levels for foreign cargoes have in turn pressured values for domestic crudes. US light sweet LLS moved to a $12/bl premium to WTI, down from around $27/bl a month ago, while the ASCI benchmark, a volume-weighted average of US deepwater sour crude deals, fell to around an $8/bl premium to WTI from $23/bl the previous month. Weak demand for gasoline-rich crude in the US and plentiful gasoline supplies added to the pressure on LLS.

Gasoline stocks rose by 1mn bl in the week to 11 November. Inventories are increasing as refineries step up throughput rates to meet strong demand for diesel. But US distillates stocks are down despite the increase in refinery production. Strong domestic demand and buying interest from Latin America and Europe is supporting diesel prices and encouraging refiners to maximise output. Diesel refining margins remain firm at more than $22/bl, whereas gasoline crack spreads are still negative.

Strong demand in Russia has tightened the flow of gasoil to Europe.This is keeping diesel prices firm relative to crude in western Europe and drawing supply from other regions despite steep backwardation, with prompt prices stronger than those further forward. Diesel refining margins in Europe are at their highest in nearly three years at around $25/bl.

Distillates are driving Asian markets, where gasoline crack spreads fell into negative territory for the first time in almost three years. Chinese state-controlled refiners boosted diesel imports for November to meet a domestic shortfall, and Japan's production of diesel lagged that of kerosine as refiners focus on seasonal heating fuel demand.

Firm Asia-Pacific demand for middle distillates lifted Australian heavy sweet crude markets, with January cargoes of heavy sweet Van Gogh sold at record-high premiums $3.70/bl to North Sea Dated. Firm distillates margins and northeast Asian winter requirements lifted January spot premiums for Mideast Gulf grades such as Qatar Marine.

Asia-Pacific demand was firm for distillate-rich Caspian BTC Blend, which loads at the Turkish port of Ceyhan. The grade is considered a more reliable source of supply for Mediterranean refiners than alternative light Caspian CPC Blend, which loads in the Black Sea and so is affected by delays in transiting the Turkish straits. Pressure on CPC Blend has also come from an increase in Libyan exports, as well as offers of light sweet west African crude, which has been unable to find buyers in the US. Northwest European refiners are looking at Libyan and west African supplies as an alternative to North Sea Forties crude, where output has been affected by production problems at the Buzzard field.

As in the 2008 oil price spike, global diesel demand is driving the complex. But this time around concerns about the possibility of a double-dip recession have capped gains on prices. The other key middle distillate market, heating oil, has been afforded some respite by unseasonably mild weather in demand centres in the US and Germany. But once the northern winter begins to bite, heating oil is likely to add its weight to diesel's momentum.

- **Libya optimistic on production increases:** Libyan state-owned NOC says crude output will double by mid-2012, but strong doubts remain.

NOCforecasts that production will rise to 1.2mn b/d by mid-2012, up from current output of around 600,000 b/d. Gains will largely come from higher output of key light sweet export streams Es Sider and Esharara, it says. The firm has sent production projections to buyers before a meeting in Istanbul to negotiate 2012 term contracts (***see table***).

Libya's output has recovered faster than many expected. But few share NOC chairman Nuri Berruien's prediction that production will return to pre-war levels of 1.6mn b/d by the end of 2012. IEA executive director Maria van der Hoeven and former NOC chairman Shukri Ghanem believe that production will not fully return until the end of 2013.

Foreign oil firms in Libya expect production to plateau after reaching 1mn b/d, and say output is likely to be unstable. Production at restarted fields has fluctuated greatly. Output at Zueitina Oil's fields has fallen because of problems securing natural gas to inject into wells. Italian Eni was providing gas from its Bu Atiffel field before it encountered problems of its own with water injection. Repsol-YPF's El Sharara field has also experienced wide variations in output because of unstable well pressure.

The return of exports from Libya's largest streams, Es Sider and Esharara, will not be immediate. Initial production from Esharara is earmarked for the 120,000 b/d Zawia refinery, which is operating at 80pc of capacity and already exporting fuel oil. Esharara exports are unlikely to resurface until the refinery's requirements are met.

Es Sider's restart has been delayed by strike action at field operator Waha Oil since September. The strike only ended after a new chairman was appointed this month to replace a Gaddafi-era appointee. Waha now says Es Sider production will restart in December. But exports could be delayed by repairs to the loading terminal, which was damaged in the war.

Most other oil ports are functioning again, apart from the Brega terminal. The Ras Lanuf terminal started loading Sirtica and Amna cargoes earlier this month. Libyan Emirates Refining expects to restart its 220,000 b/d Ras Lanuf refinery by early December. The plant runs Sarir and Messla crude.

Libya is expected to export nearly 450,000 b/d of crude this month, up from 180,000 b/d last month. Most will stay in the Mediterranean. ConocoPhillips has taken cargoes to Marseilles for pipeline shipment to the 301,000 b/d Karlsruhe refinery in southern Germany. And Italian Saras bought cargoes for its 300,000 b/d Sarroch refinery on Sardinia. A cargo of light sweet Sarir is going to northwest Europe. And Chinese Sinopec is taking a 1mn bl cargo of Sarir to its 160,000 b/d Yangpu refinery. Around 140,000 b/d is being refined domestically.

- **Enterprise, Enbridge may build 'twin' Seaway crude line:** Enterprise Products Partners and its new joint-venture partner in the Seaway pipeline plan to consider building a "twin" line along the conduit's route after reversing the flow of crude to the Houston area to help ease the US midcontinent oil bottleneck at Cushing, Oklahoma.

Canadian pipeline operator Enbridge agreed to buy ConocoPhillips' 50pc stake in Seaway for $1.15bn, clearing the way to reverse the line by next year's second quarter and expand its southbound shipments to 400,000 b/d by early 2013. Reversing and expanding Seaway will accommodate oil volumes that had been committed by prospective customers of another Enterprise-Enbridge project dubbed Wrangler, but Enbridge said more shipping capacity will eventually be needed to get midcontinent oil down to the US Gulf coast.

That additional demand could be met by Wrangler or by building another line along the Seaway right-of-way, Enbridge investor relations director Jonathan Gould said today. Enbridge and Enterprise anticipate holding a so-called open season to gauge shipper support for an expansion of Seaway.

"Whether additional volumes move on a Seaway twin or on the proposed Wrangler pipeline, it is very likely that one or more additional pipelines will be required to meet future shipper needs," Gould said.

Enbridge rival TransCanada is competing to fill that role with its Keystone XL crude pipeline project, which was delayed by the Obama administration's decision last week to put off a decision on approval until after next year's US elections.

TransCanada is working on rerouting the northern leg of Keystone XL to ease environmental concerns about its project. The Seaway reversal will not preclude the need for the southern leg of Keystone XL, from Cushing to the Gulf region, and the 700,000 b/d northern section will provide a path for Canadian crude to Houston-area refineries, TransCanada's president of energy and oil pipelines Alex Pourbaix said.

"There is enough oil in Cushing for both us and Enbridge and Enterprise to compete," Pourbaix said.

- **TransCanada could advance Gulf Keystone XL leg:** Canadian pipeline company TransCanada is studying whether it can accelerate construction of its Keystone XL project's southern leg from Cushing, Oklahoma, to the US Gulf coast, following a US regulatory delay around its northern route that pushed the inauguration date 2014 from 2013.

TransCanada would be in a position to start construction on the Cushing leg "very early in the new year, in January," TransCanada energy and oil pipelines president Alex Pourbaix said today at the company's investor day in Toronto, Ontario. The company has the majority of the right-of-way agreements necessary for the line.

TransCanada hinted at the plans as competition heated up for pipelines taking crude out of the oversupplied Cushing oil storage hub. Today, Canadian pipeline company Enbridge announced it was buying oil major ConocoPhillips' stake in the Gulf-to-Cushing Seaway oil pipeline and would reverse it with fellow pipeline owner Enterprise Products Partners. The reversed Seaway would open a 400,000 b/d conduit for midcontinent and Canadian crude to flow out of Cushing to Gulf coast refiners.

"Certainly the message we're hearing is that [shippers] would very much like to see that Cushing to Gulf coast phase come in as soon as possible," TransCanada's Pourbaix said. "So, we'll take a really hard look at the commercial underpinnings of that."

The $7bn, 700,000 b/d Keystone XL pipeline project includes a northern leg from Alberta to Nebraska. The US State Department, tasked with reviewing the cross-border project, last week said it would delay a decision until early 2013 so that officials could find an alternative route for the northern section that would avoid the environmentally sensitive Nebraska Sand Hills.

TransCanada, which plans to work in coordination with Nebraska and the State Department, expects it will take around six to nine months to come up with an alternative route for the northern leg, TransCanada chief executive Russ Girling said today. It probably will involve a "quite modest" modification in terms of additional distance, though the move could be significant enough to require a supplemental environmental impact statement, Pourbaix said.

TransCanada is looking at how to proceed on the southern leg from a regulatory perspective, Pourbaix said, and the worst-case scenario would require approval from the State Department, he said. TransCanada has not consulted with the State Department about beginning work on the Oklahoma-to-Gulf portion of the pipeline, a department spokeswoman said.

Committed shippers on Keystone XL are disappointed in the delay yet remain supportive, TransCanada officials said. Shippers, including Gulf coast refiners, recognize opposition to Keystone XL is about "this unrealistic debate centered around fossil fuels versus alternative energy" and opposition to the Canadian oil sands, Girling said.

"If our shippers were to see this was looking like an interminable or an open-ended delay, I think there would be a lot more concern, but I think everybody is looking at this saying the worst case looks like a year or so — 'We'll be sticking with you in the interim,'" Pourbaix said.

TransCanada responded to the Seaway announcement by saying environmentalists would work against any project carrying crude from the Canadian oil sands because of greenhouse gas concerns, and that the Cushing-Gulf coast market could support Keystone XL and the reversed Seaway line.

"From our perspective, there's enough oil in Cushing for both us and Enbridge and Enterprise to compete," Pourbaix said.

In another indication of demand on the Gulf, TransCanada announced today that it had enough customer commitments to proceed on two Keystone XL expansion projects: the 150,000 b/d Cushing Marketlink line from Cushing to Port Arthur, Texas, and a lateral pipeline to Houston, Texas. The Houston connection would expand Keystone's Gulf coast capacity to 830,000 b/d, TransCanada said.

The 1.4mn b/d Keystone pipeline system, including the planned Keystone XL project and existing pipelines in service since 2010, "is now essentially sold out," Pourbaix said.

The company is looking at ways to connect Keystone to shale formations along its route, in addition to a proposed Bakken link, Pourbaix said. West coast and east coast crude options also are under consideration, he said.

- **Excess refining capacity to be cut halved by 2020, Total says:** Global refiners will cut in half their excess capacity between 2010 and 2020, shedding 2mn b/d of the current 4mn b/d of excess capacity, Pierre Louis Sigonney, chief economist at French oil major Total, said at the World Trade Group Global Refining Strategies conference in The Woodlands, Texas.

Growing demand for fuels will come primarily from emerging economies seeking lighter refined products, he said, adding, "Really, in the next five years, the markets will be east of Suez."

US Gulf coast refineries are among the most efficient, which will prevent much capacity from being closed in that area, Sigonney said. Total operates the 240,000 b/d refinery in Port Arthur, Texas. The US midcontinent's unique access to lower cost crudes, which has recently produced massive refining margins for the region, will protect that market, he said.

But is the midcontinent's advantage sustainable? "We don't think so," Sigonney said.

The bottlenecked pipeline situation keeping the midcontinent awash in crude is already beginning to right itself with today's announcement that ConocoPhillips sold its stake in the Seaway pipeline for more than $1bn to Canadian pipeline operator Enbridge, which immediately announced it would reverse the line to bring crude from Cushing, Oklahoma, down to Houston, Texas.

Sigonney said better access to Canadian crudes for US Gulf refiners will take away some of the midcontinent refiners' profits as feedstock costs rise. But the recent federal government decision to delay approval of the Keystone XL crude pipeline – a massive project to bring another 700,000 b/d of crude from Canada to the US midcontinent and 500,000 b/d further down to Texas – could allow the midcontinent advantage to be extended a little longer, he said.

By contrast, Sigonney's outlook for the US east coast and Europe are downright gloomy.

"I think the east coast is in exactly the same situation as Europe, and really, we see a lot of problems," he said.

At the east coast, ConocoPhillips has already shuttered its 185,000 b/d Trainer refinery in Pennsylvania, and Sunoco has said it will sell or shut another 505,000 b/d of capacity in the state in 2012. The company originally said it would give the sale of its Philadelphia and Marcus Hook plants until mid year, but some market players say there are now indications those plants might come down even sooner.

Demand for products will continue to fall in the US and Europe – a trend reflected by ConocoPhillips' decision to idle its 185,000 b/d refinery in Trainer, Pennsylvania, and Sunoco's effort to find buyers for another 505,000 b/d of refining in that state, Sigonney said.

He expects a tough fall season to lead to more announcements that smaller European refiners could add to the more than 1mn b/d of refining capacity closures previously announced, including in economically fragile Italy.

India's huge, complex refineries seem best positioned over the long-term in a global market with fading interest in heating and heavier oils and robust future demand in emerging markets, according to Sigonney. Without more petrochemical assets, it is difficult to see more refining projects in China beyond what's already been announced in the last three years. "These new refineries are not profitable," he said.

- **US independent refiners see midcontinent profits soar:** US independent refiners are working to preserve their hold on as much unconventional crude in the midcontinent as possible, after profits for refiners in the region surged in the third quarter.

Incomplete infrastructure left the rising local crude production with few places to go outside the midcontinent. None benefited more than HollyFrontier, which ran refineries purchased at bargain rates at a $23/bl margin, up from less than $3/bl a year earlier. The company's $523mn profit was up by nearly 1,000pc on the year.

HollyFrontier expects transportation costs to preserve an advantage for its midcontinent and Rocky Mountain refineries, but sees margins narrowing as transport infrastructure improves. A 2013 sulphur plant expansion at its integrated 125,000 b/d complex in Tulsa, Oklahoma, and a contemplated expansion to run more black wax crude at a small, 31,000 b/d Wood's Cross,

Upcoming asphalt/bitumen conferences in 2011

Organization	Date	Location
XVI Congresso Ibero Latino American Asphalt	20-25 November	Rio De Janeiro, Brazil
International Pavement Maintenance Technology Congress	1-3 December	Xiamen, China

Utah, plant could further extend the refiner's access to the discounted feedstock.

CVR Energy is spending $625mn to buy Gary-Williams Energy and its 70,000 b/d refinery in Wynnewood, Oklahoma. The move boosts the firm's midcontinent refining capacity to 185,000 b/d.

Tesoro plans to complete a 10,000 b/d capacity addition to its 58,000 b/d refinery at Mandan, Nebraska, in the second quarter of 2012. A rail project moving Bakken crude to Tesoro's 120,000 b/d Anacortes, Washington, refinery will be complete next year, the firm says.

Others have no appetite for investing in the logistics needed. Murphy exited the US refining business in the third quarter with the sale of its 135,000 b/d Meraux, Louisiana, refinery to Valero and its Sinclair, Wisconsin, refinery to Calumet Specialty Products Partners.

Sunoco, which posted a more than $1bn loss for the quarter and is seeking buyers for two Pennsylvania refineries, says the emergence of small volumes of Bakken crude could make the refineries attractive, to someone else. "I think it is a factor that might be considered beneficial to the potential sale of these locations, and the value someone would put on them," chief executive Lynn Elsenhans says.

Argus
Asphalt Report
is published by Argus Media Inc.

Registered office: Argus House, 175 St John St, London, EC1V 4LW
Tel: +44 20 7780 4200 Fax: +44 870 868 4338
email: sales@argusmedia.com

ISSN 1462-8872

Publisher:
Adrian Binks
Chief operating officer:
Neil Bradford
CEO Americas:
Euan Craik
Global compliance officer:
Jeffrey Amos
Commercial manager:
Karen Johnson
Editor in chief:
Ian Bourne
Managing editor:
Jim Kennett
Editor: Nasreen Tasker
Tel: +1 203 261 6677
asphalt@argusmedia.com

Customer support and sales:
email: support@argusmedia.com

Argus Media Inc, Houston, US
Tel: +1 713 968 0000 Fax: +1 713 622 2991

Argus Media Inc, Washington DC, US
Tel: +1 202 775 0240 Fax: +1 202 872 8045

London, UK
Tel: +44 20 7780 4200 Fax: +44 870 868 4338

Moscow, Russia
Tel: +7 495 933 7571 Fax: +7 495 933 7572

Singapore
Tel: +65 6496 9966 Fax: +65 6533 4181

Tokyo, Japan
Tel: +81 3 3561 1805 Fax: +81 3 3561 1807