

Marcon International, Inc.

Vessels and Barges for Sale or Charter Worldwide

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The Price of Fuel (continued)

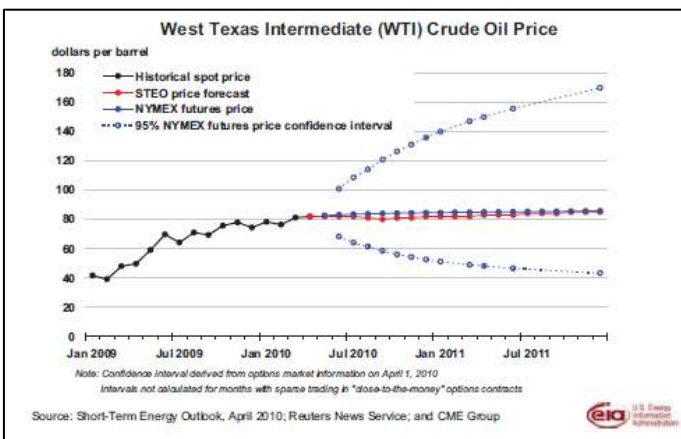
U.S. territories) falling by 2.3% year-on-year in January, reversing December's +1.2% growth. Economic and oil demand indicators remain mixed, with increasing signs of industrial activity weighed down by still falling oil consumption. The U.S. featured the steepest oil demand decline, with January preliminary data showing a 3.1% year-on-year fall. Although January temperatures were milder than in the previous year (but much colder than the 10-year average), heavy snow disrupted transportation, underpinning the weaker demand picture. Global oil supply and OPEC crude production both fell though in March, while OECD industry stocks fell by 38.4mb in February, 1.6% below 2009's levels with lower crude, distillates and "other products".

The cost of crude oil has been constantly bouncing around, losing a little one day and then gaining a little the next due to mixed signals in supply and demand. At 355.9 million barrels, U.S. crude oil inventories, as of 16th April, were above the upper limit of the average range for this time of year. Benchmark crude oil prices were down about US\$ 2/bbl on average in February, but the month-on-month decline mask the sharp recovery in prices over the last three-weeks of that month. Futures prices for both WTI and Brent rebounded by almost US\$ 10/bbl from four-month lows posted on 5 February. Brent futures averaged just under US\$ 75/bbl in February and rebounded to US\$ 80.50/bbl as of 12th March, US\$ 84.73 as of 20th April and US\$ 85.62/bbl as of 27th April. As the numbers keep bouncing a few cents up or down, the one thing you can count on are continuing headlines boldly announcing the latest change.



The **U.S. Energy Information Administration's** assessment of world oil markets indicates that world oil prices will likely continue to firm and increase slightly in response to the global economic recovery. As long as the global economy continues to recover, and OPEC remains satisfied with its constrained supply targets, the EIA believes that global oil markets should remain in this situation. Major uncertainties include the pace of global economic recovery and the extent to which the largest economies continue their stimulus and other economic policies. EIA projects that world oil consumption will grow by 1.5 million bbl/d in 2010 and 1.6 million bbl/d in 2011. This growth is the result of an expected recovery in the global economy, with world GDP assumed to rise by more than 3% per year. EIA revised its assessment for Asia upwards and Europe downwards for 2010 in response to preliminary first-quarter data for those regions. Most of the growth in oil consumption is expected in the Asia-Pacific and Middle East regions.

WTI crude oil spot prices averaged US\$ 81/bbl in March 2010, almost US\$ 5/bbl above the prior month's average and US\$ 3/bbl higher than forecast in the EIA's March "Outlook". Oil prices quickly rose from a low this year of US\$ 71.15/bbl on 5th February US\$ 80/bbl by the end of February, generally on news of robust economic and energy



demand growth in non-OECD Asia and the Middle East, and held near US\$ 81 until rising to US\$ 85 at the start of April. EIA expects WTI prices to average above US\$ 81/bbl this summer and US\$ 85/bbl by fourth quarter 2011. As always, these energy price forecasts are highly uncertain, as both recent experience and the sizable participation in near-term futures options contracts (with a wide range of strike prices) clearly demonstrate that prices can move within a wide range in a relatively short period. Over the 5-day period ending April 1, June 2010 WTI futures contracts averaged US\$ 83.07/bbl. Over the same 5-day period, the lower and upper limits for the 95% confidence interval for June 2010 futures were US\$ 68 and US\$ 101/bbl, respectively, based on the June 2010 implied volatility

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of 28% calculated from New York Mercantile Exchange near-the-money options on WTI futures. One year ago, futures contracts for WTI delivered into Cushing, Oklahoma, in June 2009 averaged about US\$ 45/bbl and implied volatility, at 74%, was more than twice the rate now trading in the options markets. EIA's market's assessment of the probability of the realized WTI spot price exceeding US\$ 100/bbl during 2010 increases from 3% for the June 2010 contract to 21% for the December 2010 contract.

Many investors are betting on crude oil prices to fall – but most are watching relatively shorter-term fluctuations, like the Iceland's volcanic ash plume disrupting airline flights, budget deficits in Greece and Portugal, or a strengthening of the U.S. dollar against the Euro and other currencies. The investors though are not the people who plan vessel operating budgets for the next quarter, quote on long distance tows or have to top off the thirsty tanks of an ocean-going tug.

I expect to see higher marine diesel and gasoline prices over the second half of this year and on into 2011. Problems caused by the financial meltdown should continue to be slowly and painfully resolved which should gradually increase demand. The probability of oil supply disruptions also remains strong. While I doubt that we will see the price of crude oil reaching a spot price of US\$ 100/bbl by the end of this year, I would not be surprised to see US\$ 90/bbl during the fourth quarter of 2010.

2010 Crude Oil in U.S. Dollars per Barrel, Products in Cents per Gallon

	13 April	14 April	15 April	16 April	19 April	20 April
Crude Oil						
WTI – Cushing, Oklahoma	83.80	85.62	85.25	82.97	81.52	82.98
Brent - Europe	83.44	85.81	86.9	84.81	83.09	84.73
Gasoil						
Amsterdam-Rotterdam-Antwerp	222.75	227.15	228.99	224.73	220.2	221.72
Singapore	224.29	225.71	227.38	228.1	220.83	222.98
Low Sulphur No. 2 Diesel						
New York Harbor	223.3	226.85	227.73	224.35	216.52	218.28
U.S. Gulf Coast	218.3	220.6	221.48	218.1	212.02	215.78
Los Angeles	226.8	230.35	231.23	221.1	214.77	223.53
Residual Fuel Oil						
New York Harbor	179.48	179.48	182.21	180.29	178.29	178.29
U.S. Gulf Coast	175.31	175.52	177.69	172.69	171.5	171.5
Los Angeles		187.14	190.34	190.34		190.34
Amsterdam-Rotterdam-Antwerp	182.61	186.76	186.76	185.04	182.61	185.63
Singapore	183.71	184.88	186.68	186.76	181.31	183.91

Credit: U.S. Energy Information Administration