



AUSTRALIAN PETROLEUM MARKETER NEWS

**PUBLISHED BY HEH AUSTRALIAN PETROLEUM
CONSULTANCY**

EDITION (87) JUNE 2011

THIS ISSUE PUBLISHED 1ST July 2011

APMN FIRST PUBLISHED JULY 2003



CALTEX PROFIT TAKES A HIT

Caltex, Australia's largest petroleum refiner marketer and only publically listed oil company, was recently obliged to advise the Australian Stock Exchange of a sharp fall in profits.

The news caused a slump in their share price of around 7% to a 10 month low of \$10.60 which price is a far cry from their 52 week high of \$16.44. Although, their shares did recover to \$11.20 as at 28/6/2010.

Caltex advised it expected a half year net profit of between \$110 - \$115 million compared to a net profit of \$163 million in the first half of 2010.

Unplanned weather related maintenance problems at its Lytton refinery in Brisbane in January and May apparently caused a loss of around \$10 million and a 32% drop in its Refiner Margin are being blamed for the losses.

The Refiner Margin in May was \$US7.82 per barrel compared to \$US11.56 per barrel in the previous year.

Caltex profit problems are in direct contrast to those experienced by the rest of the world's oil majors. Chevron, the U.S. second largest oil company and 50% shareholder of Caltex, achieved net earnings for the first quarter of \$US6.2 billion compared to \$4.6 billion for the previous year.

However, Caltex is always at a disadvantage when comparing it to other world major oil companies. Unlike its competitors on the world oil scene – it does not have its own indigenous oil supplies or gas well resources to boost its profits. It is therefore, subjected to the vagaries of having to purchase both crude and refined product on the open market.

Although, one has to wonder whether or not an error may have been made in its Hedging cover arrangements causing such a significant decline in its Refiner Margin.



OPEC IN A BATTLE WITH THE IEA

As the world economies struggle to recover from the Global Financial Crisis (GFC) the International Energy Agency (IEA), in an effort to ease the pressure on world oil prices, moved to have its member countries release 60 million barrels of oil from their strategic reserves into the market place.

OPEC, which at its most recent meeting decided not to increase supply to the market was the catalyst to cause the IEA to act.

However, OPEC has slammed the decision by the IEA stating "it should be stopped immediately."

This is certainly strong language from OPEC and a departure from the usual diplomatic dialogue.

OPEC Secretary General, Abdullah al-Badri, today criticised the move and the amount of oil which was being released.

"I hope this practice will be stopped and stopped immediately," Reuters quoted al-Badri as saying.

"We don't see a good reason to release this quantity and I hope the IEA will refrain from using this practice."

The IEA view is that it is high oil prices that are helping to slow the world economies from recovering from the GFC.

As at June 27th crude prices have fallen since the end of May by -West Texas crude has fallen by around \$US10

Brent crude has fallen by around \$US9 and Tapis, the crude price on which Australia's pricing is predicated fell by around \$US10.

The outlook appears to indicate that crude prices will continue to fall as the injection of the IEA crude input continues, at least in the short term, to influence the market. The faltering economies in Europe and the U.S. will also dampen demand.

BP: OPEC Must Up Output By 1m bpd:

BP forecasts that OPEC will need to increase oil supply by an additional million barrels of oil per day in order to balance supply and demand in oil markets, an executive of the UK supermajor said recently.

"Based on our analysis of the short-term balance for supply and demand in the world and if Libya supply remains offline, we think to calibrate supply and demand will require roughly an additional million barrels per day of OPEC supply," said Mark Finley, BP's General Manager for Global Energy Markets.

Upstream 23/6/2011



7-ELEVEN ENTERS SOLE SUPPLY AGREEMENT WITH MOBIL

7-Eleven has announced it will enter into a sole supply agreement with Mobil Oil Australia Pty Ltd from January 1 2012.

According to CEO Warren Wilmot, the company currently sources fuel from both Shell & Mobil.

"Prior to our acquisition of the Mobil retail sites we worked with Shell to supply our stores for eight years. The Mobil retail stores of course sourced fuel from Mobil," Mr Wilmot said.

National Fuel Manager John Pettit says a one supplier agreement will provide synergies and better economies of scale.

"Although the security of a dual supply arrangement can be attractive it has been far outweighed on this occasion by the commercial benefits realised through leveraging our total volume through the one supply