

Argus Asphalt Report

Weekly International Pricing and Analysis

8M-31

3 August 2012

Asphalt prices at key locations			
	30 Jul-3 Aug		
US (rack prices, fob) \$/st	Low	High	Change
Northern New Jersey/New York City Metro	570	585	
Coastal Texas	575	585	
Northern Illinois/eastern Iowa	525	565	-8
Southern California	580	620	
Western Washington/Oregon	620	640	
US (waterborne, fob) \$/st			
East Gulf coast (barge fob)	475	485	-8
West Gulf coast (barge fob)	485	485	-8
Midwest (barge fob)	430	460	-18
Canada (rack prices, fob)			
Quebec	578	605	-16
Ontario	623	628	2
Europe (rack prices, fob)			
Rotterdam	600	612	29
Southwest Spain	600	612	29
Other international (rack prices, fob)			
South Africa	680	710	25
Singapore	630	635	-10
Other international (waterborne, fob) \$/t			
Iran (cargo fob)	505	515	
Singapore (cargo fob)	605	610	
Taiwan (cargo fob)	585	590	
South China (ex-Singapore cfr)	615	660	

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

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Summary

- In the US East coast and Midwest retail market, asphalt rack selling prices are softening as demand is slowing (especially in the northern states) and suppliers are pricing asphalt competitively to keep volumes moving out of inventory.
- US asphalt wholesale prices softened in the Midwest and Gulf coast barge markets. Midwest barge prices fell by \$18/st compared to last week, with the range at \$430-460/st for PG 64-22. Wholesale prices in the east Gulf coast softened by \$8/st, with prices moving to \$475-485/st for PG 64-22 and PG 67-22.
- Overall, supply is also still outpacing demand this week in the US Rockies region, refiners said, putting downward pressure on both wholesale and retail prices across the Rockies and West coast this week. The Rockies rail range fell by \$10 to \$430-470/st for PG 64-22 for August sales.
- US Midwest flux prices for August are ranging from \$540-560/st, which is down from the July range of \$550-575/st. Prices have fallen as roofing demand is down, so roofing plants are operating at a lower rate than at this time last year.
- Bitumen prices rose sharply across much of northwest Europe as producers reacted to sizeable crude oil and fuel oil gains during July to restore their margins. The bitumen price hikes, which took effect from 1 August, also factored in a depreciating Euro versus dollar rate that further added to oil-denominated costs of crude and fuel oil.
- The bitumen price increases ranged from around €20-30/t in




Argus Asian Bitumen 2012

Asia-Pacific growth and impact of changing Middle East supplies

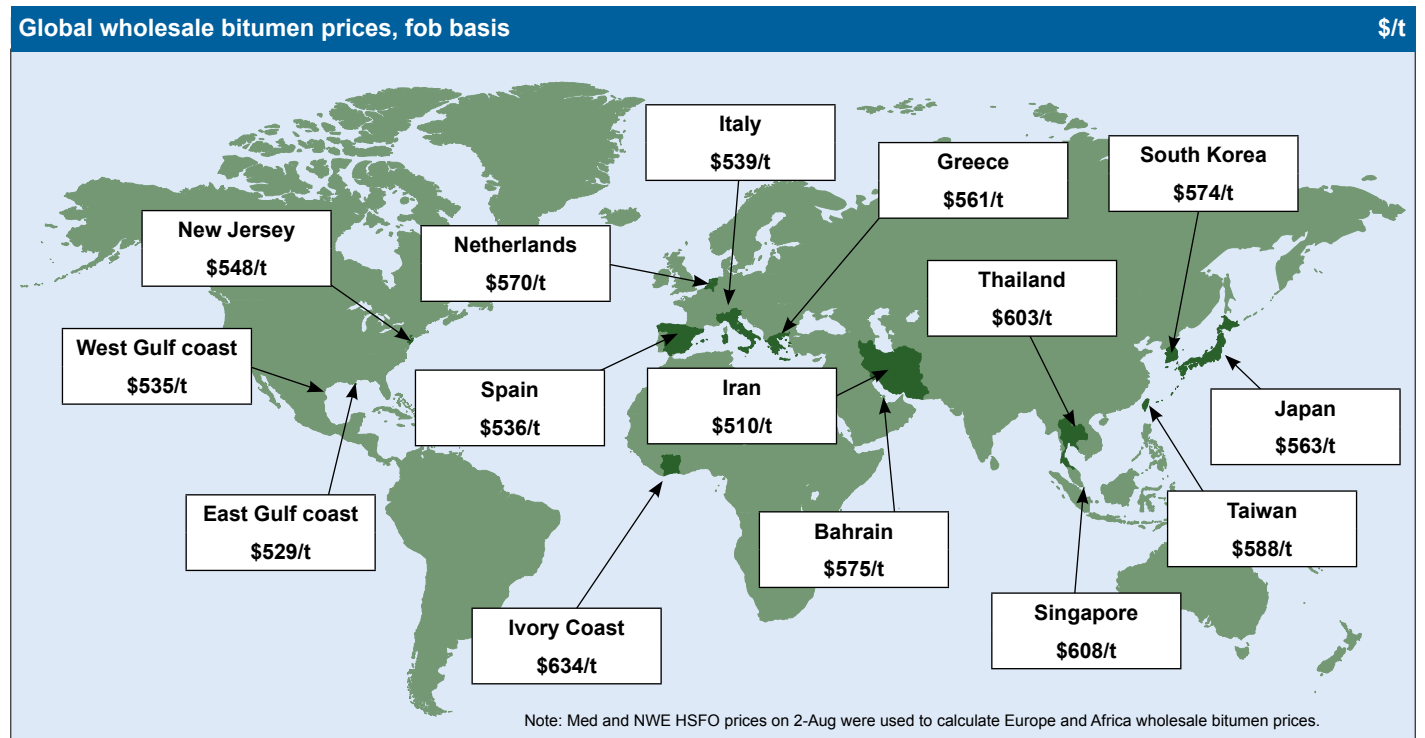
Singapore
10-12 October

www.argusmedia.com/Asian-Bitumen-2012
(see brochure at the back of the report)

Germany and France to average gains of €15-20/t in the Netherlands, while the UK market saw no price change after a modest 1 July fall of £20/t in that market that had followed a hasty retreat in oil prices during June.

- Monthly domestic prices in Spain for standard penetration grades of bitumen and polymer-modified bitumen grades rose by €25/t with effect from 1 August to reach the €505-520/t ex-refinery range in the northeast of the country and €490-500/t ex-refinery in the southwest. The increases, linked to high-sulphur fuel oil price gains during July, were accompanied by price gains of around €15/t for bitumen emulsions across the country.
- Domestic bitumen producers in South Africa released their August prices this week and it was a mixed bag, as some increased values because of higher crude costs while others reduced or maintained their July numbers amid weak demand during the low winter season.
- Singapore bulk cargo prices for September are steady at \$605-610/t fob, with very few actual trades concluded in the spot market this week. The lack of deals is largely due to an absence in offers in the spot market, market sources said.

- Indonesian demand is expected to drive Singapore fob prices, with additional demand from China and Australia looking set to support the spot market.
- More tank trucks made their way into Malaysia this week, as a result of some incremental volumes offered by refiners and price hikes by Malaysian sellers.
- Thailand's bulk prices rose slightly by \$3/t to \$600-605/t fob this week. Demand remains strong in Indonesia, with several suppliers seeking August and September delivery cargoes.
- Japanese refiners have kept their rack price unchanged in August. Hot weather conditions meant that some of the existing road-paving works has to come to a halt, sources said.
- Imported prices into China are unchanged. Sentiment was also further dampened by the wet weather brought by the two typhoons arriving on east coast. Market participants are hoping that demand will pick up in mid-August, after the rain.
- Demand remains weak this week in India and the country kept the rack price unchanged on 1 August.



East coast asphalt prices			\$/st
Rack prices, fob (30 Jul-3 Aug)	Low	High	Change
Maine	575	590*	-8
MA/NH	575	590*	-8
Connecticut	550	570	
Eastern and central NY	570	585	
Western NY/Western PA	540	575	-5
Northern NJ/NY C Metro	570	585	
Delaware/SE PA/south NJ	550	575	
Maryland/northern Virginia	550	570	
Central and lower Virginia	580	590	
Coastal Carolinas	580	600	-5
Inland Carolinas	575	590	-10
Inland Georgia	570	575	-3
Coastal Georgia/northeast Florida	590	610	-5
West coast of Florida	560	575	-8
Southern Florida	575	595	-10
Waterborne prices			
New Jersey barge fob	465	530	8
N New Jersey/New York City Metro cif cargoes	470	540	3
New England cif cargoes	550	570*	-5

East coast

- Wholesale railcar asphalt prices have continued to weaken week over week. Wholesale railcar asphalt sales from western Pennsylvania for August were ranging from \$450-500, depending on the destination, and with lighter grades, including PG 58-28 and PG 52-28 priced \$20 higher. Asphalt railcars from the Midwest were reported to be landing on the East coast at \$510-515 delivered.
- There were no new wholesale prices heard from the East coast. However, some buyers were informing Gulf coast suppliers that some East coast barge prices were \$10-20/st lower than Gulf coast barge prices.
- In the US northeast, rack prices slipped this week. Local participants reported weak demand, competitive supply prices and a limited remaining paving season were reported to be the key reasons behind the price softening.

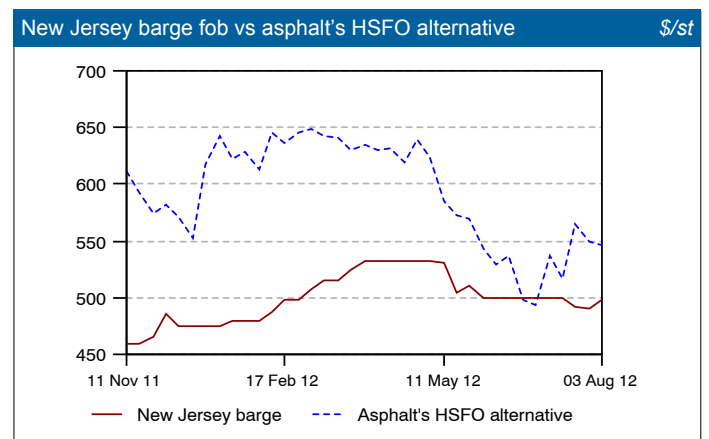
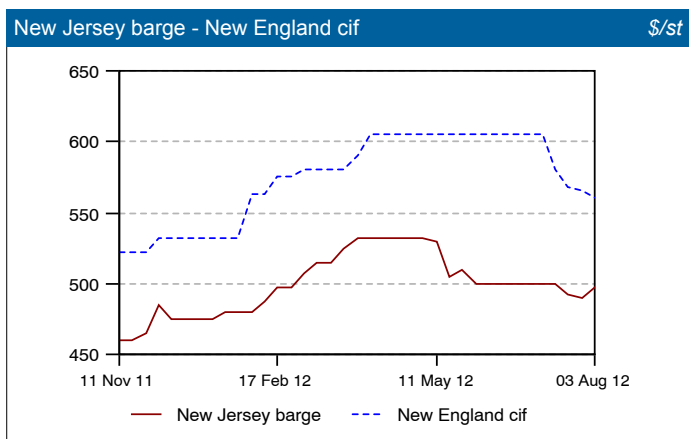
Product prices		
	2-Aug	Change
Heating oil ¢/USG	282.73	-3.75
3% HSFO \$/bl	98.05	2.63

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	465.50		-38.20
Arab Heavy	568.79		-3.66
Asphalt's HSFO alternative			
East coast	515.97		21.42
Asphalt's HSFO alternative arbitrage			
Economics to US east coast			
From US Gulf coast		-6.98	10.03
From the Med		-71.37	3.64

- One supplier decreased northeast terminal prices by \$15/st effective 1 August from New York to northern Virginia.
- Similarly, in the New England retail market, margins on sales from terminals are thin to non-existent, distributors said this week. Prices for PG 64-28 were reported in Maine and New Hampshire to be at \$550 or higher. Asphalt sales from Canada into New England are at competitive prices and putting downward pressure on retail selling prices in the region.
- Rack prices in western Pennsylvania were reported in a range of \$540-565/st this week from various suppliers by the end of the week. One supplier decreased their prices mid-week by \$10/st to \$565/st.
- Western New York rack selling prices are ranging from \$545-565/st, at a slight premium to western Pennsylvania. One supplier decreased priced mid-week by \$10/st to \$565/st, effective 1 August.



- New York City and northern New Jersey rack prices fell from \$590-595/st by \$15 at each terminal to \$575-580/st effective 1 August for one supplier. Selling prices in this market were at \$555-575/st for PG 64-22.
 - Philadelphia-area rack prices fell by \$15/st to \$570/st for one supplier, effective 1 August. The low in the Philadelphia market was at \$555/st.
 - Baltimore rack prices moved down by one supplier by \$15/st, to \$575/st, effective 1 August. Other suppliers reported prices ranging from \$555-565/st this week in Baltimore.
 - Central Virginia rack prices fell by \$15/st to \$585/st effective mid-week on 1 August, for one supplier.
 - Southeast terminal prices also fell among various suppliers.
- Some suppliers lowered official rack postings, while some others reduced selling prices this week.
- Inland Carolinas rack prices fell to a range of \$575-590/st this week in reported selling prices. Similarly, coastal Carolinas selling prices at the racks fell to a range of \$580-600/st this week.
 - In Atlanta, below average demand continues in spite of relatively good paving weather. Rack prices were reported ranging from \$570-575/st among various suppliers.
 - In coastal Georgia, rack prices were ranging from \$590-600/st this week, while nearby northeastern Florida rack prices ranged from \$600-610/st.
 - West coast Florida rack prices fell this week by around \$15/st for one supplier, to \$560/st effective 1 August. Southern Florida rack prices fell by \$20/st to \$575/st effective 1 August.

Gulf coast asphalt prices			\$/st
Rack prices, fob (30 Jul-3 Aug)	Low	High	Change
Alabama (southern)	580	590	
Alabama (inland)	575	600	-13
Louisiana/Mississippi (southern)	579	590	
Louisiana/Mississippi (inland)	590	610	
Arkansas/northeast Texas	590	610	
Texas (coastal)	575	585	
Texas (inland)	570	575	
New Mexico	570	575	
Waterborne fob			
East Gulf coast	475	485	-8
West Gulf coast	485	485	-8

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

Product prices		
	2-Aug	Change
Heating oil ¢/USG	281.88	-2.19
3% HSFO \$/bl	93.25	-1.25

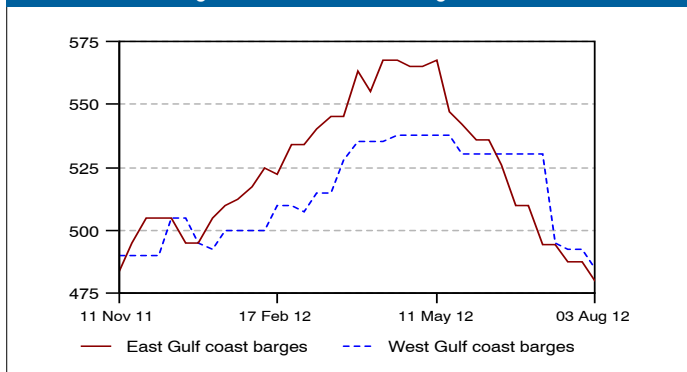
Economics

Asphaltic crude breakeven			\$/st
Maya	456.50	-30.43	
Arab Heavy	583.70	5.79	

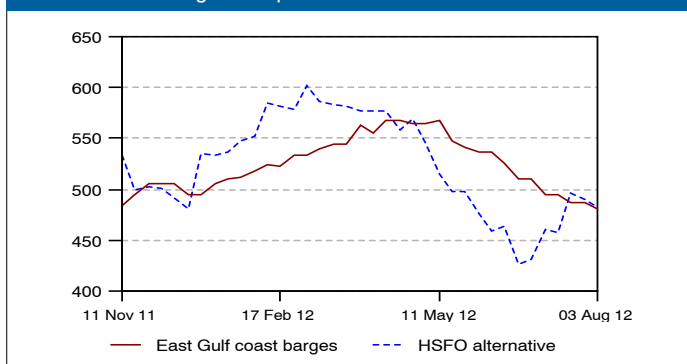
Asphalt's HSFO alternative			\$/st
Gulf coast	481.98	-7.53	

General refining economics		
Fob US Gulf coast (\$/bl)		
3-2-1 crackspread	34.64	6.85
2-1-1 crackspread	33.80	5.48

East Gulf coast barges - West Gulf coast barges \$/st



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



Gulf coast

- There was some softening in wholesale prices in the Gulf coast this week due to pressure from weaker prices in the Atlantic coast and the Midwest markets.
- One east Gulf coast supplier sold 145,000bls of PG 67-22 for August at \$479/st fob or fob equivalent price. This was a mix of domestic and export transactions. There were no new transactions reported from the west Gulf coast market.
- While Midwest barge prices fell this week to \$430-435 on the low end, these volumes have not started to make their way to Gulf coast region. Some Midwest vacuum tower bottoms have been moving into the Gulf coast, but mostly for usage as coker feed.
- Wholesale railcar prices were reported this week at around \$470/st.
- Rack selling prices were stable to softer in the Gulf coast market this week.
- Inland Alabama rack prices were unchanged this week- still holding at \$575/st for paving grade asphalt. Industrial grade asphalt held at a premium of \$15/st at \$590/st.
- In southern Mississippi, a supplier is informing customers that they will lower rack prices effective 6 August by \$10/st, to \$580/st for PG 67-22 and \$740/st for PG 76-22.
- A supplier decreased their southern Louisiana rack price by \$10/st to \$579/st effective 1 August.
- Demand has picked up across the coastal region, driven at least in part by the improvement of weather in the region, compared to poor wet weather earlier in the season, which has helped to increased paving activity late in the season that had to be delayed.
- There were no reported changes this week to prices in coastal or inland Texas.

Midwest asphalt prices			\$/st
Rack prices, fob (30 Jul-3 Aug)	Low	High	Change
West Oklahoma/Texas Panhandle	570	575	
NE Oklahoma/Kansas/southwest Missouri	560	575	-25
North Illinois/eastern Iowa (Chicago)	525	565	-8
South Illinois/eastern Missouri (St Louis)	570	575	
Western Iowa/Nebraska	575	595	
North Dakota/south Dakota	590	600	
Northern Minnesota/northern Wisconsin	540	585	
Southern Minnesota/southern Wisconsin	500	550	
Northeast Indiana/north Ohio/Michigan	525	580	-13
South Ohio/south Indiana/north Kentucky	560	575	
South Kentucky/Tennessee	570	590	-10
Waterborne fob			
Midwest asphalt barge	430	460	-18
Midwest roofing flux barge	540	560	-13

Midwest

- Midwest asphalt barge prices were reported in a wide range this week, with \$430-435/st on the low end and \$460/st on the high end for PG 64-22.

- The Midwest rail range is wide as well. One supplier reported a range of \$430-475/st, with the bulk of the volume moving at \$450/st or less. Another supplier reported that Midwest wholesale railcar prices are still ranging from \$465-475/st fob. Another supplier, further east, is able to sell in a slightly wider price range, due to some freight advantage in sales heading to the East coast, in a range overall of \$450-500/st.

- Midwest flux August prices are ranging from \$540-560/st, which is down from the July range of \$550-575/st. Prices have fallen as roofing demand is down, so roofing plants are operating at a lower rate than at this time last year.

- In the retail market, prices are softening as demand is slowing and suppliers are pricing competitively to keep volumes moving out of inventory.

- Chicago prices further softened this week to a low of \$525/st for PG 64-22, but a range of \$525-540. PG 58-28 has a \$30 premium in this market.

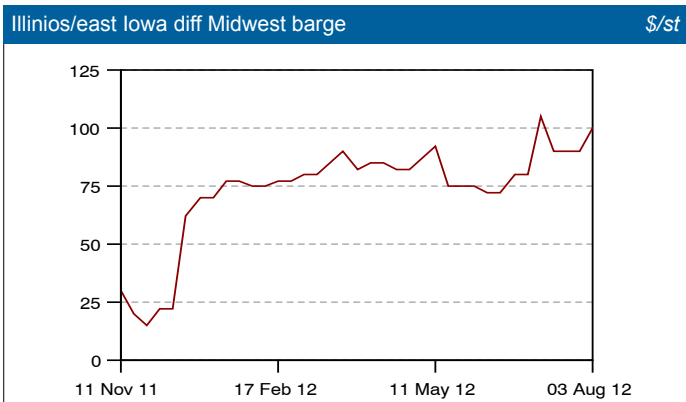
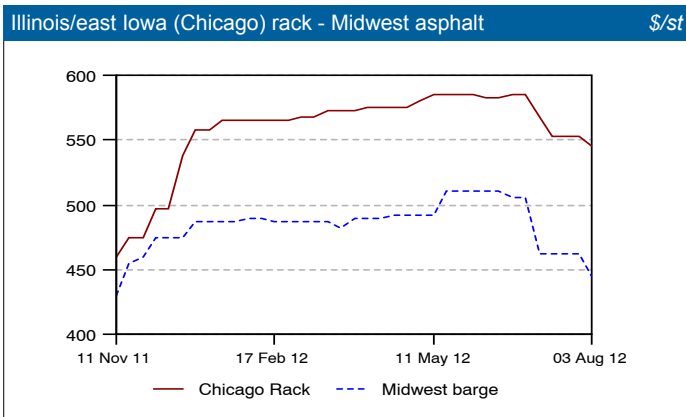
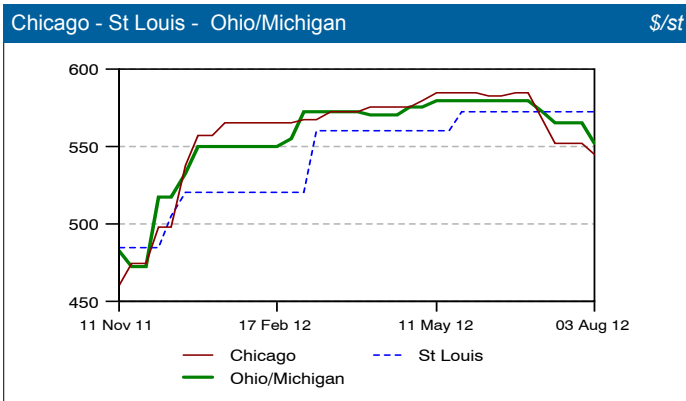
- A supplier decreased their Detroit, Michigan rack price by \$10/st to \$570/st effective 1 August. Another supplier decreased prices to \$540/st in northern Michigan, also effective 1 August.

- Northern Indiana rack prices were reported ranging from \$525-540/st for PG 64-22. Southern Indiana rack prices fell by \$10/st this week to \$565/st effective 1 August.

- Northern Ohio rack prices fell on 1 August to \$565/st across the board, all off from \$575/st. Southern Ohio rack prices also fell by \$10/st to \$560/st effective 1 August.

- Northern Kentucky rack prices ranged from \$560-570/st this week, with terminals in the region seeing prices fall by \$10/st to the lower end of the reported range, effective 1 August.

- Rack prices in Tennessee and southern Kentucky mostly moved lower this week, with the changes all going into effect on 1 August. Prices fell from a range of \$580-590/st to a range of \$570-580/st on the first of the month, at most terminals. In Tennessee, Chattanooga prices were at \$575 fob for PG 64-22.



Rocky Mountain asphalt prices \$/st

Rack prices, fob (30 Jul-3 Aug)	Low	High	Change
Montana	520	530	-5
Wyoming	520	530	
Colorado	520	530	
Utah	590	620	
Idaho/east Washington	590	600	
Wholesale prices			
Rocky Mountain (rail) fob	420	470	-10

Product prices (Los Angeles)

	2-Aug	Change
EPA diesel oil ¢/USG	289.98	-0.46
HSFO 380cst \$/bl	96.51	-0.71

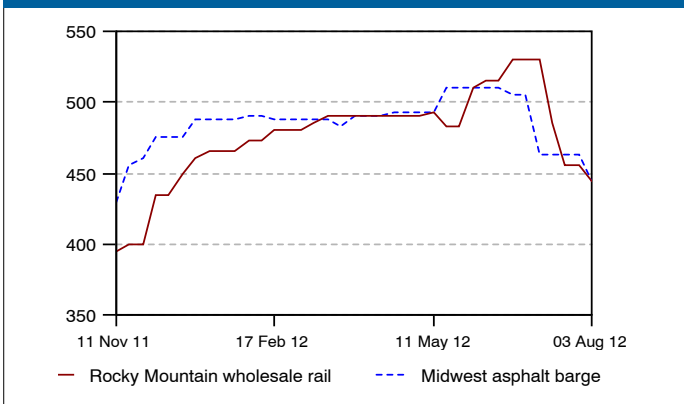
Asphalt's HSFO alternative \$/st

West coast	505.13	499.68
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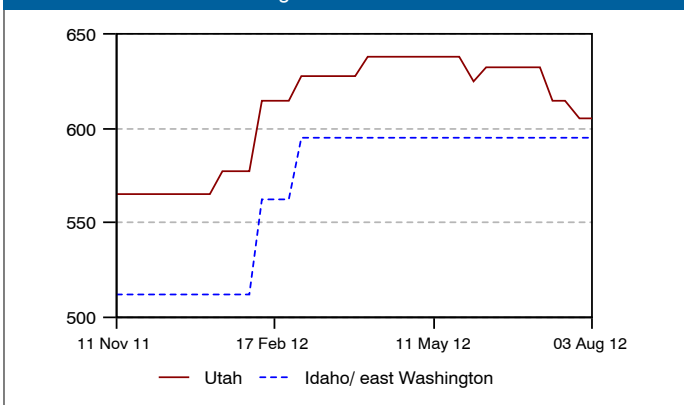
West coast asphalt prices \$/st

Rack prices, fob (30 Jul-3 Aug)	Low	High	Change
Western Washington/Oregon	620	640	
Northern California	635	675	
Central California	580	620	
Southern California	580	620	
Arizona	630	640	
Nevada	630	640	
Roofing flux rack prices			
Southern California	610	640	

Rocky Mountain wholesale rail - Midwest asphalt barge \$/st



Utah vs Idaho - east Washington \$/st



Rocky Mountain and west coast

- Overall, supply is also still outpacing demand this week in the Rockies region, refiners said, putting downward pressure on both wholesale and retail prices across the Rockies and West coast this week.

- Wholesale prices have continued to fall this week. Purchases were confirmed at as low as \$420-435/st fob Rockies. At least one supplier is still confirmed selling at a higher \$470/st, according to purchasing customers.

- The widespread range of wholesale prices among different refiners is due to significantly different supply dynamics at several large Rockies refineries over the past month. Two refiners were said to have cokers down last month, which increased asphalt supply and put downward pressure on their prices. Other suppliers were still running their coker through that period, so did not face the downward pressure and were not forced to offload asphalt inventories at discounted rates.

- In Colorado and Wyoming rack prices are still holding at \$520-530/st, effective throughout this week at those levels.

- Similarly, rack prices in Montana have fallen to match the range in the nearby states, in a range of \$520-530/st this week.

- Demand at the racks in the Pacific Northwest is not as weak as other regions. Liftings volume was on budget for July, or just under, a supplier in the region reported. Liftings this week for the beginning of August registered stronger than July, and there is the expectation that August and September demand could continue relatively strong based on annual trends.

- Oregon rack prices moved down by \$25/st to \$625/st effective 1 August primarily thanks to lower wholesale prices out of the Rockies, which helped to relieve previous upward pressure on rack prices. Selling prices throughout the week ranged from the new lower rack price at \$625/st to \$640/st, the higher end of the range at the start of the week.

- In northern California, prices were in the \$635-675 range for PG 64-16 and PG 64-10, while southern California prices were mostly in the \$580-620 range for PG 64-10.

Canada

- Suppliers in Quebec lowered prices this week, each by around C\$30-40/t, to a range this week of C\$640-645/t. Some of the price changes did not go into effect until mid-week this week, on 1 August, while others reported the lower range as effective throughout this past week.
- Toronto rack prices held steadier, seeing only a minimal C\$5/t drop on the high end of the price range this week, to C\$690-695/t.
- One supplier in eastern Canada lowered their posted price to C\$655/t effective 1 August.
- Another supplier adjusted posted prices on all grades effective 30 July. The posted price for PG 58-28 fell to C\$660/t. The posted price for PG 64-28 fell to C\$710/t. The posted price for PG 58-34 fell to C\$760/t. The posted price for both PG 64-34 and PG 70-28 fell to C\$820/t.
- Quebec rack prices fell on slower paving activity, due to many contractors taking holidays from construction jobs over the past week, a supplier said.
- There were no reported changes to posted or selling rack prices in western Canada this week.

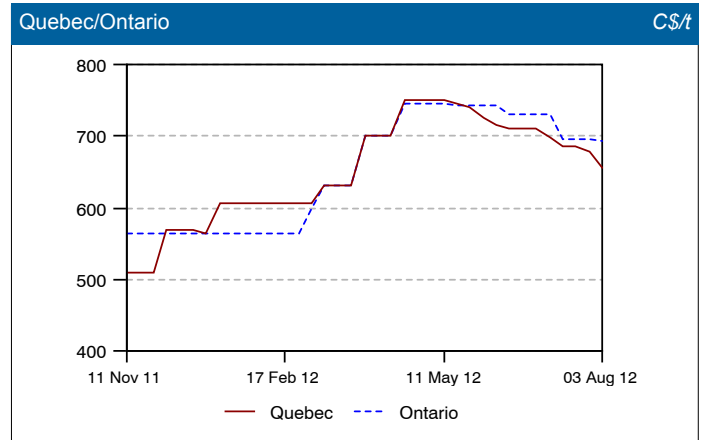
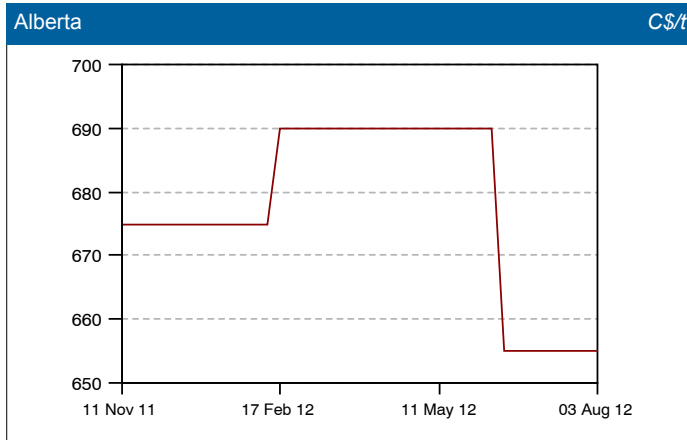
Eastern Canada posted prices for asphalt				
Company (location)	Asphalt grade	Posted prices (C\$/t)	Differentials	Effective date
Kildair (Sorel-Tracy, Quebec)	PG 58-28	660		30 Jul
	PG 64-28	710	50	30 Jul
	PG 58-34 polymer	760	100	30 Jul
	PG 64-34 polymer	820	160	30 Jul
	PG 70-28 polymer	820	160	30 Jul
Suncor Energy Inc. (Montreal, Quebec)	PG 58-28	655		01 Aug
	PG 64-28	-	-	01 Aug
	PG 58-34 polymer	-	-	01 Aug
	PG 64-34 polymer	-	-	-

Eastern Canada asphalt prices						
Rack prices, fob (30 Jul-3 Aug)	C\$/t			\$/st		
	Low	High	Change	Low	High	Change
Quebec	640	670	-23	578	605	-16
Ontario	690	695	-3	623	628	2
Roofing BUR* liquid prices						
Ontario	800	875		723	791	5

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

Western Canada Posted Spot Prices for Asphalt				
Company (Location)	Asphalt Grade	Current Posted Spot Price		Effective Date
		(C\$/t)	(\$/st)	
Husky (Edmonton, AB)	150/200A	675	610	05 Jul
Husky (Vancouver, BC)	PG 64-25 (80/100A)	715	646	05 Jul
Husky (Prince George, BC)	150/200A	735	664	05 Jul
Husky (Kamloops, BC)	150/200A	725	655	05 Jul
Husky (Winnipeg, Manitoba)	150/200A	715	646	05 Jul

Western Canada asphalt prices							
Retail prices, fob (30 Jul-3 Aug)	Base Asphalt grade	C\$/t			\$/st		
		Low	High	Change	Low	High	Change
British Columbia	150/200A or PG 64-25(80/100A)	640	660		578	596	4
Alberta	150/200A	640	670		578	605	4
Saskatchewan	150/200A	630	660		569	596	4
Manitoba	150/200A	650	680		587	614	4



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*	30 Jul-3 Aug €/t****			30 Jul-3 Aug \$/t		
	Low	High	Change	Low	High	Change
Netherlands-Rotterdam	490	500	25	600	612	29
Belgium - Antwerp	485	495	25	594	606	29
Brussels**	495	510	25	606	624	29
Germany north	495	510	25	606	624	29
northeast	500	515	25	612	630	29
south	510	525	25	624	643	29
southwest	500	515	25	612	630	29
west	510	525	25	624	643	29
France north**	510	525	25	624	643	29
central**	510	525	25	624	643	29
south**	515	530	25	630	649	29
UK south (UKP)	505	515		784	800	-5
Italy***	460	480	8	563	588	8
Spain northeast	505	520	25	618	636	29
southwest	490	500	25	600	612	29

fob Mediterranean

	2-Aug	Change
Straight-run fuel oil 3.5% sul. \$/t	593.75	0.75
Vacuum gasoil 0.5 % sul. \$/t	787.00	9.50

cif northwest Europe

	2-Aug	Change
Straight-run fuel oil 3.5% sul. \$/t	610.50	0.25
Vacuum gasoil 0.5 % sul. \$/t	791.00	9.50

Bitumen's HSFO alternative \$/t

	2-Aug	Change
Mediterranean	546.19	-3.82

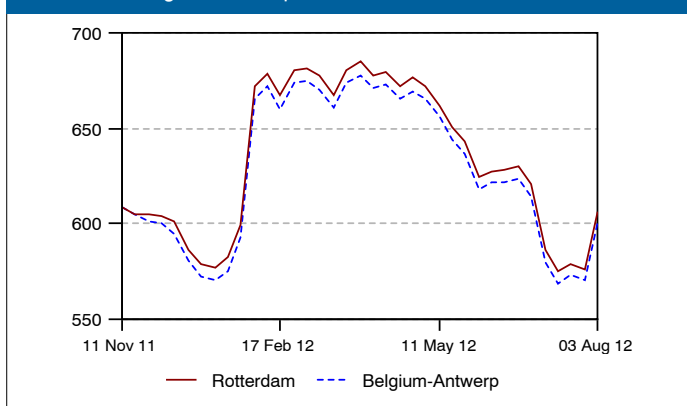
* truck prices, fob refinery or terminal.

**Delivered price.

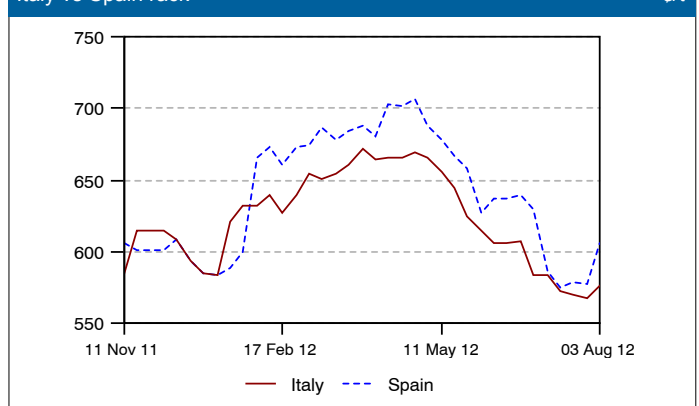
*** Price includes €31/t tax.

****UK prices in Pounds.

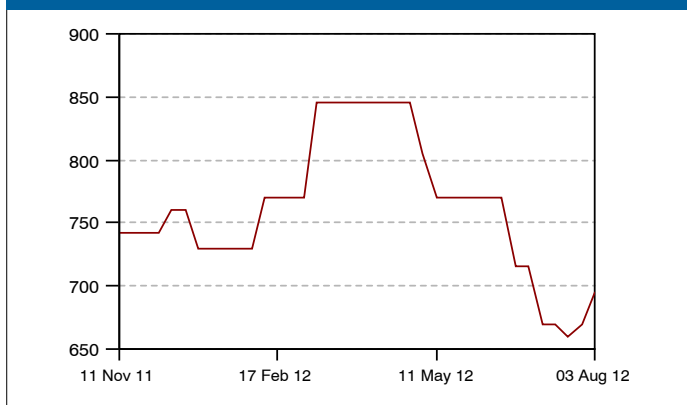
Rotterdam - Belgium-Antwerp \$/t



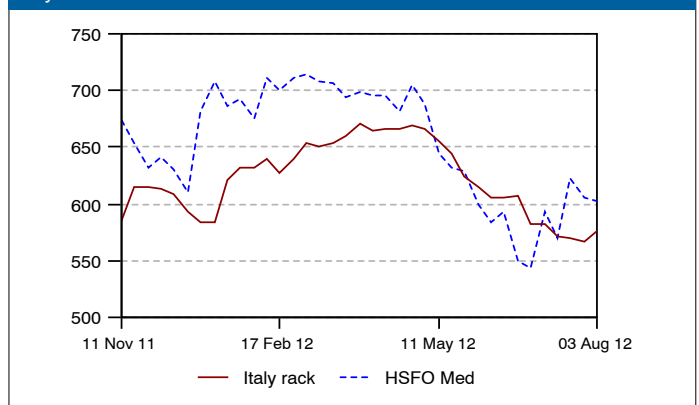
Italy vs Spain rack \$/t



South Africa \$/t



Italy rack - HSFO alternative Med \$/t



Europe and Africa bitumen

Northwest Europe

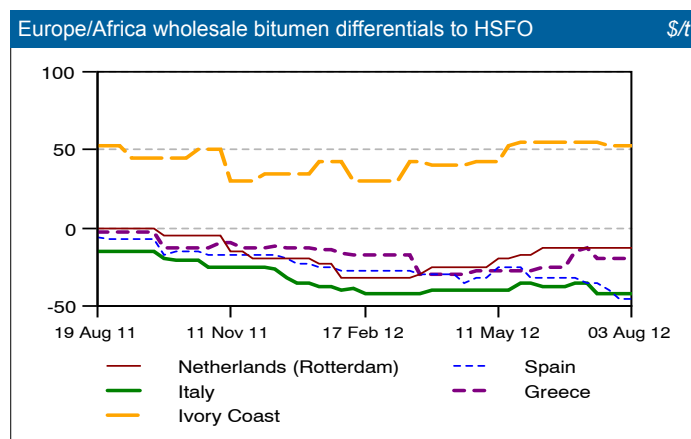
- Bitumen prices rose sharply across much of the region as producers reacted to sizeable crude oil and fuel oil gains during July to restore their margins. The bitumen price hikes, which took effect from 1 August, also factored in a depreciating Euro versus dollar rate that further added to oil-denominated costs of crude and fuel oil.
- The bitumen price increases ranged from around €20-30/t in Germany and France to average gains of €15-20/t in the Netherlands, while the UK market saw no price change after a modest 1 July fall of £20/t in that market that had followed a hasty retreat in oil prices during June.
- The Argus volume-weighted average (VWA) price for high-sulphur fuel oil barges stood at an average level of \$586.50/t fob Rotterdam for the whole of July, up \$27.25/t from the average daily VWA level of \$559.25/t in June. There was no sign of a let-up in price gains as physical North Sea Dated crude oil stood at \$107.65/bl on 2 August, up \$2.79/bl from a week earlier, although aggressive offers on the high-sulphur fuel oil barge market saw the fuel oil VWA fall slightly to \$600/t fob Rotterdam on 2 August from \$601.75/t on 26 July.
- The average Euro value during July was around \$1.23, down from around \$1.25 in June, further adding to the cost of crude and fuel oil borne by Eurozone refiners producing bitumen for sale into their domestic markets in the Euro currency.
- Shipping activity levels were fairly high across northwest Europe and Scandinavia in the midst of the summer high season for bitumen and asphalt consumption. Nearly all bitumen tankers were employed, with rare exceptions. One major shipping company was scheduled to have a vessel open for spot business on 5 August off north Spain, but that ship was expected to be moved straight back up to the northwest European continent area for contractual bitumen movements. The next ship to become open was scheduled for 15 August, shipping sources said.

Germany/Austria

- The relatively robust German market, where additional government stimulus spending and modest economic growth is helping to keep bitumen demand steady to slightly down on last year's levels, was a factor in lifting domestic prices by €20-30/t rise from 1 August compared with July levels. Some suppliers limited their price hikes to around €15/t in a still challenging business environment, while others said their prices had been lifted by around €30/t. The continued long-term shutdown of the bitumen-producing Ingolstadt refinery in the south of the country after its owner, Petroplus, fell into insolvency at the end of last year, continues to keep supplies tight in the south of the country.
- Trading firm Gunvor, which bought the Ingolstadt refinery in May, plans to resume crude runs there in August. CPC Blend and Tengiz will account for about 75pc of all crude processed by the refinery, while Azeri Light and light Libyan crudes will account for the rest. Crude is delivered to the refinery via the Trans-Alpine oil pipeline (TAL) through Trieste port in Italy.
- Official data released in early August showed German bitumen demand stood at 234,840t in May, 22.6pc down from the same month last year. Cumulative demand has also slumped, with total January-to-May consumption declining by 24.3pc from the same period last year to 673,890t.
- No price changes were reported in Austria as local producer OMV maintained prices at July's ex-refinery level of €470-480/t. But some increases were planned for later this month, depending on the evolution of demand during August.

Benelux

- The Dutch market witnessed a range of price hikes that widened the overall domestic price range for standard penetration grades of bitumen. One of the country's main bitumen producers raised its prices by €25-30/t, but most increases were in the €10-15/t range that were expected to be followed up further September hikes if the momentum of rising crude and fuel oil prices is maintained through August. In the wake of the 1 August price hikes, domestic Dutch prices range from as low as €480/t to €505-510/t ex-refinery Rotterdam depending on supplier.



Europe/Africa wholesale bitumen differentials to HSFO \$/t	
Market	Bitumen's differential to HSFO
The Netherlands (Rotterdam)	-15 to -10
Spain	-50 to -40
Italy	-45 to -40
Greece	-25 to -15
Ivory Coast	+50 to +55
Grade represented Pen 60/70 or equivalent grade	

- Asphalt consumption volumes on the Dutch market were expected to dip during the first half of August because of the holiday period in that country. A pick-up in demand and activity levels is expected from mid-August onwards, with buoyant market conditions likely to follow in September and October.

- The Belgian market was extremely quiet at the start of August, with nearly all market participants absent. Prices were indicated firmer broadly in line with Dutch market gains. Virtually the entire country shuts down for holidays from mid-July through to the first week of August, with many domestic Belgian suppliers and purchasers set to return from 6 August.

UK

- Domestic prices have been held steady for August deliveries, with no suggestion yet of any price change for September. UK suppliers usually notify their customers of any monthly price change with 30 days' notice, but the absence of such notification as of 3 August suggested that prices could be held steady even for 1 September. Customers did not however rule out September price hikes if the recent upward oil price momentum is maintained.

- Activity and demand levels in the southeast of England were not as low as has been feared in view of the "embargo" imposed on London area road construction and maintenance work during the period of the Olympic Games. There were still no supply-side shortages, either, as demand this summer remains well below year-ago levels. With surface dressing requirements for bitumen emulsions and related grades restricted by the embargo and by changeable weather over recent months, bitumen supply has been freed up – as have bitumen trucks – to enable deliveries of standard penetration grades and polymer-modified bitumen.

- The lack of bitumen shortages – despite the absence of southern England bitumen production after the closure of bitumen-producing refinery units in the region - were cited as one possible factor preventing UK suppliers seeking domestic price hikes for August. Market participants are still waiting to see if the joint venture partners that bought the Coryton refinery in southeast England from insolvent Petroplus at the end of June will make bitumen available to the market by importing it into storage tanks at the oil terminal there. Shell, one of the partners, is widely expected to move bitumen cargoes from its Pernis refinery in Rotterdam, although the timetable for such flows is not yet known.

Portugal

- Prices are around €30/t higher for August sales volumes in the wake of July price gains in crude oil and high-sulphur fuel oil. Levels were mostly in the €525-545/t delivered range. The rise partially reversed a sharp €46/t fall in July versus June levels.

- Domestic demand has picked up slightly in recent weeks, mainly on the back of routine road maintenance work. Overall, the market continues to shrink as demand between January and June this year contracted by 8pc compared to the same period last year to 140,000t. The fall between January and May was 6pc, indicating an acceleration in the year-on-year decline.

Czech Republic

- Posted ex-refinery prices from Litvinov were raised by €20/t to €480/t at the turn of the month. Levels from the Pardubice refinery were quoted at around €500/t ex-refinery.

- Lower price levels were also heard amid stiff competition between domestic and imported product. Reports of deals being concluded at €450-460/t for August could not be confirmed, although some market participants thought these were likely to be exceptions made for special cases.

- Going forward, market participants were hopeful that next year's presidential elections will boost demand for the remainder of 2012 as new infrastructure projects get commissioned. The elections are expected to be held in January.

Balkans/Romania

- Prices across the region were raised. Greek refiner Hellenic Petroleum increased its posted prices for sales into the domestic market to €513.5/t and €516.75/t ex-refinery for Aspropyrgos and Thessaloniki bitumen volumes respectively. Those prices, applicable on 3 August and linked directly to Mediterranean high-sulphur fuel oil cargo quotes, were up from €508.75/t and €512/t respectively on 19 July.

- On the Bulgarian market, prices for 50/70 and 70/100 penetration grades of bitumen sold from its Burgas refinery on the Black Sea coast rose to Lev 1,060 in early August from Lev 1,035/t in the second half of July.

- Exports into the Balkan region from Lotos terminals in Poland were pegged at prices around \$495-500/t ex-works and from Hungary's MOL refineries at around €490/t ex-refinery.

- Bitumen truck flows to the Black Sea/Balkan region from the Romanian Black Sea terminals that receive bitumen tanker imports were reported at around €480/t ex-terminal Galati, \$635/t ex-terminal Constanta and \$620/t ex-terminal Mangalia.

- Truck shipments of standard penetration grades of bitumen from Serbia and Bosnia stood at around \$600/t ex-refinery Pancevo and \$590/t ex-refinery Bosanski Brod, respectively.

- Importers in Slovenia have seen higher prices for this month despite strong competition among suppliers from neighbouring

countries. Delivered prices on trucks averaged around €550/t, according to one major importer.

Mediterranean

- There was upward momentum in bitumen prices generated by the recent gains in crude and fuel oil prices, with the Spanish market witnessing a €25/t price jump that took effect from 1 August. Italian and Greek domestic prices rose slightly (see Balkans section for Greek prices).
- Export price discounts to fob Mediterranean high-sulphur fuel oil cargoes remained very wide at \$40-50/t for Spanish volumes, \$40-45/t for Italian and \$15-25/t for Greek export shipments.
- Spot activity was thin in the early days of August, although that was mainly because nearly all ships were already committed to moving bitumen into eastern Mediterranean markets like Turkey and Lebanon – as well as the key Black Sea market, Romania.
- An international trading company was reported to be shipping 2,600-3,000t cargoes into the western Turkish port of Aliaga as the rate of Turkish bitumen imports rises during the peak summer consumption season. There was also a steady volume of import activity into the Mediterranean oil terminal at Mersin.
- One of the very few spot bitumen tankers reported to be lying idle was the Orobica that has been sitting off the Moroccan oil terminal at Mohammedia since late July.
- Requirements were reported into West Africa, but independent trading companies continued to find it extremely difficult to conclude spot business to the region from the Mediterranean or northwest Europe. That is because of lack of suitable vessels, very high freight costs and the difficulty of competing with major established export players to West Africa like European oil majors and global bitumen shipping and trading companies.

Spain

- Monthly domestic prices for standard penetration grades of bitumen and polymer-modified bitumen grades rose by €25/t with effect from 1 August to reach the €505-520/t ex-refinery range in the northeast of the country and €490-500/t ex-refinery in the southwest. The increases, linked to high-sulphur fuel oil price gains during July, were accompanied by price gains of around €15/t for bitumen emulsions across the country.
- The higher prices also followed a much stronger month of July in activity terms than had been anticipated. A major Spanish construction company reported "very good" asphalt and bitumen demand levels, although industry forecasts for the third quarter as a whole remain downbeat. Spanish bitumen consumption levels are expected to be well down in August, with very low volumes expected in the

south of the country because of the holiday period with some activity is likely to be maintained in the north.

- There has been industry speculation that tenders will be issued in 2013 for public projects to be undertaken the following year, with the Spanish market expected to remain weak for the remainder of 2012 to be followed by a possible modest revival next year.

Italy

- Italian bitumen prices edged up to a broad €460-480/t ex-refinery range after recent crude and fuel oil price gains. The country's producers have found it difficult during the course of July to raise prices to reflect crude and fuel oil price gains, given the very difficult market conditions that have seen domestic consumption fall sharply relative to year-ago volumes. Further price increases are expected during the course of August, with tighter supply caused by plant closures in Italy seen helping to balance the market as the summer/autumn construction season proceeds.
- Italian oil major Eni said in its second quarter results statement issued on 1 August that its "refinery margins are anticipated to remain at unprofitable levels due to high costs of oil supplies and oil-linked energy utilities, falling demand and excess capacity."
- However, the refiner's second quarter refinery margins "showed a remarkable recovery from the depressed levels registered" in the same quarter of 2011, rising to \$5.89/bl from \$1.09/bl last year. Eni continued to reduce processed volumes at its refineries in response to falling demand as its refined products sales fell to 11.9mn t in the first half of 2012 from 11.6mn t in the same period of last year and amid "a negative trading environment".
- The oil refiner said it aims to improve profits and to minimise any losses "by means of better yields, plant re-configuration and flexibility" which includes its existing programme of "rotating refinery capacity reductions."

Morocco

- Domestic bitumen sales volumes for the country's only refiner and bitumen producer, Samir, were forecast to stand at 22,000t, with export activity varying according to price levels and regional requirements.
- The new 88,000 b/d crude distillation unit at Samir's refinery in Mohammedia, Morocco, is still being started up. The unit was scheduled to come on line on 25 July, although the feeding of crude oil into the unit was put back to the beginning of August.
- The new CDU will lift the refinery's total crude distillation capacity to 218,000 b/d, although under existing plans Samir is, in the longer term, to close two old CDUs at Mohammedia with a combined 40,000 b/d capacity, taking total capacity back down to 178,000 b/d.

Egypt

- Lebanon-based trading firm Bitco has so far only managed to deliver two of the five scheduled cargoes it was awarded by Egyptian oil refiner EGPC in an import tender issued early this year. A combination of transport difficulties and adequate domestic supply means EGPC are delaying the remaining deliveries.
- The tender for the supply of five 3,500-4,000t cargoes of 60/70 penetration grade bitumen was awarded in March of this year, at around a \$24/t premium to fob Mediterranean high-sulphur fuel oil cargo price quotes on a delivered basis into onshore tanks at Alexandria. The product then needed to be moved along a 5km onshore pipeline into Alexandria tanks, but damage to this duct meant the first delivery was delayed by a month as it was transported by truck instead.
- The second delivery came two months later around June/July when the pipe was fixed, but EGPC took just 2,000t as there was enough domestic availability. Now Bitco is waiting on the buyer before it ships the rest of the cargoes, but this may not be until September at the earliest.
- EPGC's Al Nasr refinery in Suez is fully up and running, producing around 108,000t/yr of bitumen, after having closed for two weeks after a 16 April fire. But its Amerya refinery in Alexandria, which produces around 252,000t/yr of bitumen, remains offline, having been shut since autumn 2010 because of political unrest in the region. EGPC said that the material from the Al Nasr refinery was enough to satisfy local demand, which is low at the moment as major road building projects are currently suspended because of Ramadan and very high temperatures. Prices were pegged at around \$600/t on a fob basis.

Ethiopia

- The Ethiopian Roads Authority plans to build around 97,517km of road for approximately 125.3bn birr as part of its five-year Road Sector Development Program, according to reports. Construction of 71,523km of all-weather roads is scheduled for the first four years of the program, which began in 2010/2011, with 20,760km due to be built over the next year. In addition, the government intends to build 26,181km of all-weather roads connecting rural localities all over the country, as part of its Universal Road Access Program.

Kenya

- Very little buying interest is coming from Kenya amid the rainy season and importers say there is next to no material coming in. Demand is expected to pick up in September when the weather clears and road building projects can resume, but in the meantime prices remain at around \$600-650/t cfr Mombasa.
- The World Bank approved The National Urban Transport Improvement Project (NUTRIP) this week, committing \$300mn to develop new mass rapid transport systems to reduce traffic congestion in Nairobi and other major cities.
- The Kenyan Government will also invest \$113mn into the project, which will expand the capacity of the Uhuru highway, bisecting Nairobi's central business district, and develop access roads from Jomo Kenyatta International Airport through Nairobi to Rironi on the Northern Corridor. It will also finance the building and operation of new rapid bus transit and commuter rail transport systems.

South Africa

- Domestic bitumen producers released their August prices this week and it was a mixed bag, as some increased values because of higher crude costs while others reduced or maintained their July numbers amid weak demand during the low winter season.
- BP and Shell raised their prices, the former by R120/t to R5,970/t and the latter by R300/t to R6,000/t. Engen shaved R150/t off its list price to R5,410/t, while Chevron kept its numbers steady at R5,240/t, all on an ex-refinery basis.
- Some local buyers have complained that some suppliers are indicating there is no excess material available despite it being the low demand season. Engen is exporting surplus material to Reunion Island while Chevron is having problems meeting the 70/100 specification, which is leading to a more balanced market dynamic.
- Domestic buyers are concerned for future availability, as Engen is planning to shut its 105,000 b/d Enref refinery in Durban around March next year for six weeks. The plant produces up to 160,000 t/yr of bitumen, and will follow Sasol's two-month turnaround of its 107,000 b/d refinery in October. Both shutdowns will occur during South Africa's peak road building period, which is likely to result in much greater import demand between October and May.

Africa and Asia bitumen prices						
Rack prices, fob (30 Jul-3 Aug)	Local currency/t			\$/t		
	Low	High	Change	Low	High	Change
Africa						
South Africa (rand)	5,681	5,931	232	680	710	25
South Korea (won)	700,000	750,000		618	662	8
Mumbai, India (rupees)	33,870	35,370		607	634	-1
Mumbai, India — drums (rupees)	36,970	38,470		662	689	-1
Thailand (baht)	19,409	19,567	538	615	620	18
Indonesia (rupiah)	6,147,916	6,147,916	13278	650	650	3
Singapore (\$S)	786	792	-15	630	635	-10
Singapore ex-refinery (to Malaysia)	736	743	11	590	595	11
Japan (¥)	54,000	55,000		690	703	0
Export cargo/drum prices, fob						
Iran	Nfc*	Nfc*	-	505	515	
Iran — drums	Nfc*	Nfc*	-	555	570	
Bahrain (dinar)	217	217	1	575	575	
Thailand (baht)	18,936	19,094	65	600	605	3
Singapore (\$S)	755	761	-2	605	610	
Singapore — drums	899	905	-3	720	725	
Japan (¥)	43,809	44,200	10	560	565	
Taiwan (\$)	17,530	17,680	-80	585	590	
South Korea (won)	645,926	653,858	-7945	570	577	
Cargo prices, cfr						
West Africa	Nfc*	Nfc*	-	735	760	-3
China (yuan)						
North coast	3,850	3,882	-10	605	610	
East central	3,882	4,328	-10	610	680	
South coast	3,914	4,200	-10	615	660	
North Vietnam — drums	Nfc*	Nfc*	-	728	753	
South Vietnam — drums	Nfc*	Nfc*	-	728	743	

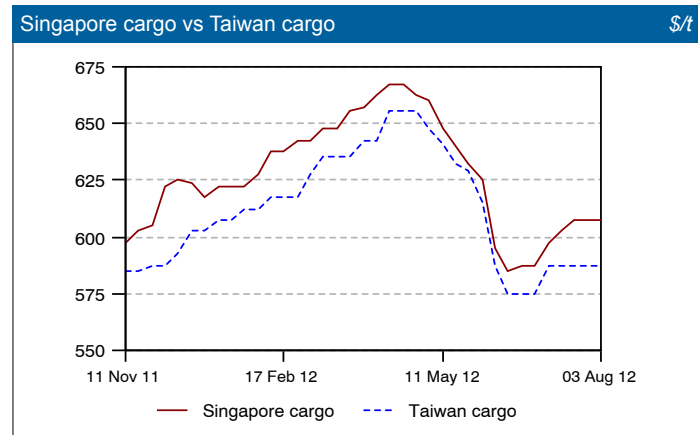
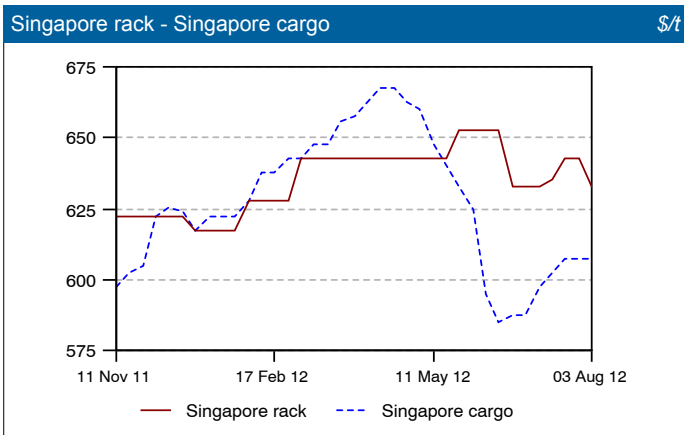
*Not freely convertible. Note: All cargo prices are for heated tankers unless otherwise specified. Exchange rates used effective for Thursday of week reported.

Asia products

fob Singapore		
	2-Aug	Change
HSFO 180cst \$/t	640.75	8.75
HSFO 380cst \$/t	628.00	7.25
Gasoil, high pour \$/bl	120.90	2.25

Economics

Bitumen's HSFO alternative		
	2-Aug	Change
Singapore	593.97	7.05



Asia and Middle East bitumen

Singapore

- Singapore bulk cargo prices for September are steady at \$605-610/t fob, with very few actual trades concluded in the spot market this week.
- The lack of deals is largely due to an absence in offers in the spot market, market sources said. Only one Indonesian supplier bought a Singapore-origin cargo at \$610/t fob September. There are expectations of higher prices in the near term as Indonesia enters into its peak demand season in September. But notional offers are being lined up at \$610/t fob. Singapore fob prices are assessed as unchanged, taking into account of the notional offers and the deal concluded.
- Small volumes of incremental August product have been offered by one refiner, due to a sudden change in production plan. Some Indonesian buyers are keen to receive the cargoes but virtually no spot vessels are available for August, sources said.
- Looking ahead, spot prices are expected to rise as demand from Indonesia rises. Indonesian demand is expected to drive Singapore fob prices, with additional demand from China and Australia looking set to support the spot market. In terms of regional availability, one Singaporean refiner has completed its scheduled maintenance while South Korean refiner S-oil will enter into maintenance in September.
- Singapore drum cargoes are assessed as unchanged at \$720-725/t fob in a thinly-traded market.
- Singapore's rack price is lower at \$630-635/t, down from \$640-645/t last week. The price hike is due largely to an increase in supply being offered in the domestic market.
- More tank trucks made their way into Malaysia this week, as a result of some incremental volumes offered by refiners and price

hikes by Malaysian sellers. The Singapore ex-refinery price is up by \$11/t to \$590-595/t fob, based on a weighted price netback of deals for Singapore tank trucks and domestic prices concluded in Malaysia.

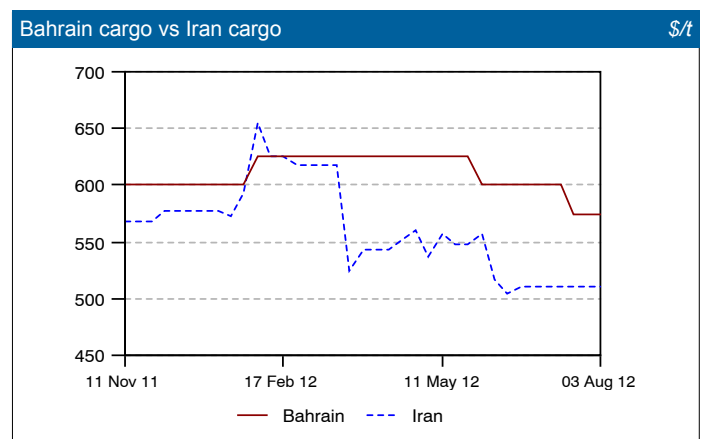
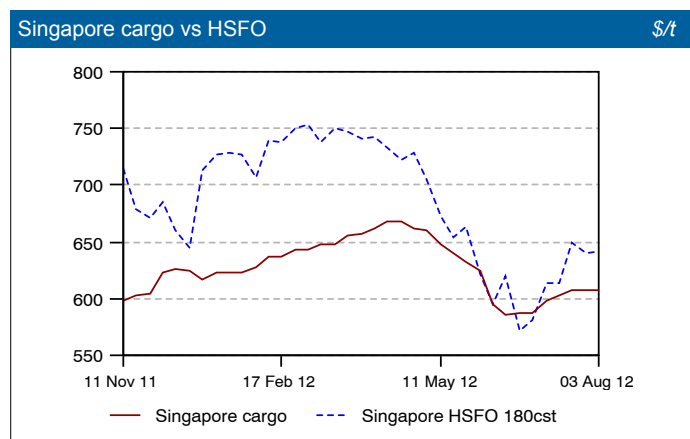
- Singapore HSFO prices rose on crude and paper values. The September fuel oil margin against Dubai crude widened by \$0.44/bl to a discount of \$3.25/bl. Two physical deals were concluded during afternoon trade in Singapore. In the paper market, the August/September time spread narrowed by \$0.50/t to \$5/t in backwardation. The viscosity spread was assessed at \$13.50/t, from 13.25/t previously.

Malaysia

- The country's state-owned supplier raised its posted price by \$8/t this week. The refiner refuted talks that it has offered lesser product in the spot market this week and expects to have ample stocks until the end of next week.
- Another leading domestic supplier and Singapore sellers are selling at around \$2,050 ringgit/t, but very few deals were done due to the significantly higher price level.
- Demand is expected to fall as road paving works are expected to stop on 16 August and will not resume until 31 August due to Hari Raya Puasa celebrations.

Thailand

- Thailand's bulk prices rose slightly by \$3/t to \$600-605/t fob this week.
- One refiner sold three August-loading cargoes of 5,000t each. One cargo was sold to south China at \$605/t fob while the other two cargoes are headed into eastern Australia at \$615-620/t fob. Another supplier is offering September cargoes at \$605/t fob.



• Demand remains strong in the domestic market, and the country's rack price has risen to \$615-620/t, compared with the previous level at \$600/t.

Indonesia

- Demand remains strong in Indonesia, with several suppliers seeking August and September delivery cargoes.
- Demand for August delivery cargoes are largely due to vessel delays, buyers said. Buyers conceded that August delivery cargoes will be harder to secure because of the existing tight vessel availability. Several suppliers are also facing low inventory levels.
- More enquires for cargoes are heard this week but with very few offers for September, many suppliers are watching the spot

market closely to see how the spot market unfolds in the coming weeks. Only one deal was done at \$610/t fob.

- The country's state-owned supplier has raised the rack price by \$3/t to \$650/t for August.

Vietnam

- Vietnamese buyers have completed their procurement for their requirements.

Australia import cargo prices			\$/t
	Low	High	Change
Thailand fob (Class 170)	610	615	5
Thailand fob (Class 320)	610	615	5
Singapore fob (Class 170)	615	620	5
Singapore fob (Class 320)	615	620	5

Prices of China main refineries 30 - 03 Aug									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		
Northwest	Xinjiang	Petrochina Karamay	AH-70, AH-90, AH-110, AH-130	4,650		4,450	100	731	699	
			AH-100, AH-140, AH-180	4,600		4,400	100	723	691	
		Sinopec Tahe	90-A	4,600		4,300		723	676	
			90-B	4,600		4,300		723	676	
	Gansu	Petrochina Lanzhou	AH-90	No sale	-	No sale	-	-	-	
	Shannxi	Sinopec Xi'an	AH-90	4,850		4,600		762	723	
Northeast	Liaoning	Petrochina Liaohu	AH-70, AH-90, AH-110, AH-100, AH-140	5,200		4,900		817	770	
			Panjin Northern	AH-90, AH-110, AH-100, AH-140	5,200		4,900		817	770
North	Hebei	Petrochina Qinhuangdao	AH-70, AH-90	5,200		4,900		817	770	
Central	Henan	Sinopec Luoyang	AH-90	4,850		4,550		762	715	
East	Shandong	CNOOC asphalt	AH-70, AH-90	5,200		4,900	50	817	770	
			Sinopec Qilu	70 -A	5,150		4,800		809	754
				90 -A, 70-B	5,050		4,750		794	746
				90-B	5,000		4,700		786	739
			Sinopec Jinan	AH-100	No sale	-	No sale	-	-	-
		Zhejiang	Sinopec Zhenhai	70-A, 90-A	5,100		4,800		801	754
		70-B, 90-B		5,050		4,750		794	746	
		CNOOC Daxie	AH-70, AH-90	No sale	-	No sale	-	-	-	
		Petrochina Wenzhou	AH-70, AH-90	5,050		4,700		794	739	
	Shanghai	Sinopec Shanghai	AH-70	5,050		4,750		794	746	
	Jiangsu	CNOOC Taizhou	AH-70, AH-90	5,300		4,850		833	762	
			Sinopec Jinling	70-A, 90-A	5,050		4,750		794	746
South	Guangdong	Sinopec Maoming	70-A, 90-A	5,100		4,750	50	801	746	
			Sinopec Guangzhou	70-A, 90-A	5,050		4,750	50	794	746
		Petrochina Gaofu	AH-70, AH-90	5,000		4,700	50	786	739	
Southwest	Sichuan	CNOOC Sichuan	AH-70, AH-90	5,400		5,250		849	825	

Source: China refiners and bitumen market participants

- Buyers have yet to return for September cargoes but low domestic prices mean that buyers are set to look to Taiwan, China and even South Korea for imports.

- The rack price in Vietnam is at \$630/t.

South Korea

- Trade is muted this week, after the sale of the bulk of August-loading spot cargoes last week.
- But looking forward, South Korean refiners are set to export more into Vietnam, Australia and other export markets as the demand outlook in China remains bearish.
- The South Korea bulk cargo price is unchanged at \$570-577/t fob, taking into account of the deals concluded this week.

Japan

- Japanese refiners have kept their rack price unchanged in August.
- Hot weather conditions meant that some of the existing road-paving works has to come to a halt, sources said.
- No fresh information emerged on the spot deals into Japan this week.
- One Japanese refiner sold a total of 3 cargoes in total for August –loading over the past weeks. The refiner has yet to announce its export plan for September.

Australia

- Demand remains steady for September delivery cargoes.
- One Thai importer sold two cargoes for August loading at \$610-615/t fob. Singapore refiners continued to withhold on their offers but C-specs prices are assessed a tad higher at \$615-620/t fob, in line with the higher prices concluded for Thai-origin C-specs cargoes.

Taiwan

- Taiwan's bulk prices are unchanged at \$585-590/t fob.
- The country's privately-owned supplier issued a new spot tender to sell 4,000t of cargo for September loading. The tender closes on Friday but no details were heard on the price at the end of the week. However, expectations are that the spot cargo to be awarded at the \$580s/t fob level.
- The supplier is likely to offer three- four September loading

cargoes next week to its term customers, following the spot tender.

China

- Imported prices into China are unchanged at \$605-610/t cfr in northern China, and \$610-680/t cfr in eastern China and \$615-660/t in southern China.
- Sentiment remains bearish this week. Chinese refineries kept their posted prices largely unchanged, with the exception of a few refineries that raised their posted price by 50 yuan/t. Deals are done at 4700-4750 yuan/t in south China, 4,750-4,800 Yuan/t in east and 4850-4900 yuan/t in the north.
- Sentiment was also further dampened by the wet weather brought by the two typhoons arriving on east coast. The rainy weather began at the end of July on the northern and eastern coast. Market participants are hoping that demand will pick up in mid-August, after the rain.
- Although demand is low, prices have remained stable as Chinese refineries are unwilling to cut prices amid rising fuel oil values. A lack of government funding remains the key factor for the delay in new highway projects.
- China imported 266,039t in June, similar to the level the same period a year ago. But imports for the first half of the year reached 940,000t, a 50 pc cut in the same comparison.

India

- Demand remains weak during the week, and India kept the rack price unchanged on 1 August.
- But refiners are expecting a slight adjustment to the rack price on 30 August,
- India's state-controlled IOC is expected to issue more sell export tenders in the coming weeks. These cargoes are expected to make its way into Asia.

Bitumen freight rates 30 - 03 Aug			\$/t
Route	Low	High	Change from last week (+/-)
Singapore - South China	48.00	59.00	
Singapore - East China	66.00	73.00	
Thailand - South China	48.00	59.00	
Thailand - East China	66.00	73.00	
Taiwan - East China/South China	30.00	36.00	
South Korea - East China	29.00	35.00	
Note: East China and South China both refer to coastal ports in the region			
Source: Bitumen market participants			

Bahrain

The state-owned producer kept prices unchanged this week at \$575/t. But demand has fallen with the start of the fasting season in the UAE. Prices are expected to remain unchanged over the next two weeks.

Iran

Iran export market

Iran bitumen prices were kept unchanged on the Iran Mercantile Exchange (IME). Jey Oil started credit sales again this week, and Pasargad Oil supplied bitumen only from Arak this week. Bulk prices were unchanged at \$505-515/t fob Bandar Abbas, while drum prices are also stable at \$555-570/t fob. Exchange rate fluctuations resulted in some lower prices for cash payment.

Corus Energy Development Company held prices steady and sold 3,000t in bulk at \$670/t on the IME fob Bandar Abbas this week.

The exchange rate was at \$1=20,500-19,600 (Rials) in the open market. Thus, the offered bitumen bulk price fob Bandar Abbas was \$415-420/t this week, with some traders' prices heard at \$450-470/t for cash payment. Other bulk prices were unchanged at \$505-515/t fob Bandar Abbas.

Pasargad Oil Company had no drums supply from their factories on the IME this week. Jey Oil supplied bitumen, with \$100/t added as a premium for drums ex-Esfahan this week. Drum prices were reported to be stable at \$555-570/t fob Bandar Abbas, but some numbers were heard at \$505-515/t.

Pasargad Oil just supplied bitumen ex-Arak and increased prices to \$618/t. The company sold 2,000t of Pen 60/70 this week. With respect to previous sales, no bitumen was supplied from other factories this week.

Pasargad Oil had no bitumen to supply from Bushehr this week.

Jey Oil Company supplied Pen 60/70 and 85/100 for export at \$580/t cash payment, and sold 8,840t in advance cash payment. The company settled 30,000t of Pen 60/70 and 85/100 by credit payment at \$600/t. The premium for credit payment for each month was \$10/t.

Negin Fakhr Azerbaijan kept prices unchanged at \$625/t and settled 2,000t of Pen 60/70 in bulk ex-Jolfa at \$625/t this week. A premium of \$100/t was added for drums.

Azar bam Company increased prices from \$625/t to \$652/t and settled 1,100t of Pen 60/70 in bulk ex-works Tabriz.

BamGostar Zarin Shargh had no bitumen supply on the IME this week.

Isogum Tabriz has settled 1,000t at \$625/t from their Tabriz factory. Akam Bitumen Company sold 2,500t at \$590/t. East Bitumen Company settled 250t at \$630/t.

Report of Iran domestic sale for 28 July-2 August 2012			
Bitumen grade		Volume (MT)	Settled price (Rials/Kg)
Pen 60/70		40,605	6,680-7,010
Pen 85/100		10,184	6,680-6,766
MC-250		2,067	8,100-9,470
Emulsion	Rapid	0	4,180
	Slow	0	5,650
Exchange rate 1\$ = 12,260Rials, t= Metric tone			

Report of Iran export sale for 28 July-2 August 2012						
Bitumen grade	Producer	Settled price on bitumen (\$/t)	Packing	Volume (MT)	Destination	
Pen 60/70	Pasargad Oil Co.	No supply	Bulk	-	Export by ship from Bandar Abbas port	
			Drum	-		
			Bulk	-		
			Bulk	-		
	Corus Energy Development Co.	618	Bulk	2,000	Export to neighboring countries or move to ports for export by ship	
			Drum			
	Corus Energy Development Co.	670	Bulk	3,000	Export by ship from Bandar Abbas port	
	Jey Oil Refining Co.	600	Bulk	20,000	Export by ship and truck	
	Jey Oil Refining Co.	580		7,100		
	Negin Fakhr Azerbaijan	625	Bulk	2,000		
	Bam Gum Ayegh	No supply	Bulk	-		
	East Bitumen Company	630	Bulk	250		
	IsoGum Tabriz	625	Bulk	1,000		
	Bamgostar zarin shargh	No supply	Bulk	-		
Akam Bitumen Co.	590	bulk	2,500			
Azar Bam Co.	625	Bulk	600			
	652		500			
Pen 85/100	Pasargad Oil Co.	No supply	Bulk	-		Export by ship from Bandar Abbas port
			Bulk	-		Export to neighboring countries
	Jey Oil Refining Co.	580	Bulk	1,740		Export by ship and truck
		600		10,000		
Negin Fakhr Azerbaijan	No supply	Bulk	0			
Exchange rate 1\$ = 12,260 Rials, t= Metric tone						

- IME costs included brokerage fee and IME commission of \$1.87/t for buyers this week on settled fob Bandar Abbas price.
- Traders' prices were heard at \$450-470/t in bulk fob Bandar Abbas. Also, traders supplied drums at \$505-515/t fob Bandar Abbas.
- Market sentiment was strong, referring supplying bitumen on credit payment by Jey Oil Company this week and producers have sold 50,690t of different products in IME.
- Bam Gostar Zarin Shargh supplied MC-250 on the IME for the local market and 280t was sold at 8,800(Rials/kg) this week. Other producers didn't participate in IME.
- MC250 price were steady this week, Pasargad oil settled MC250 on 8,860(Rials/Kg) Ex. Abadan this week also they settled on 8,800(Rials/kg) ex. Tehran and on 9,470(Rials/kg) ex. Shiraz this week. Jey oil has sold Mc250 on 8,100(Rials/kg) ex. Esfahan this week.

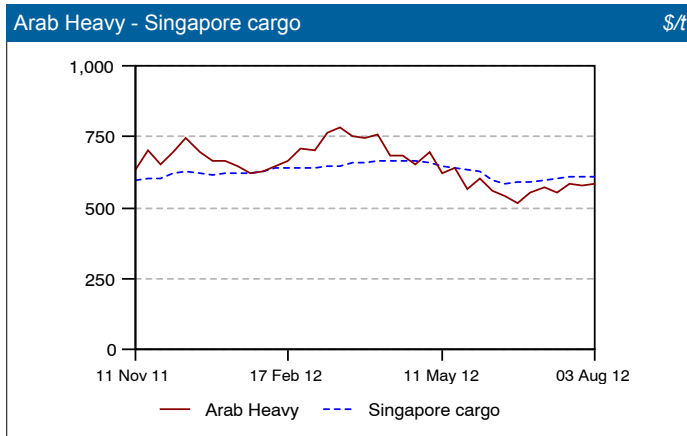
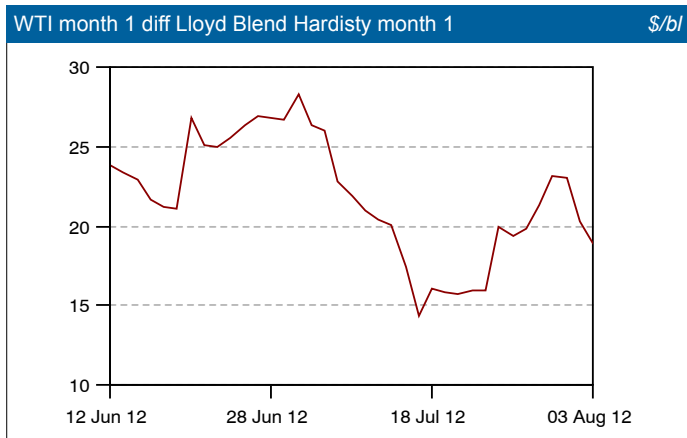
Iran local market

- Local bitumen prices were kept unchanged on the IME except ex-Tehran. Jey Oil returned with the same prices as past deals and settled Pen 60/70 and 85/100 at 6,680 (Rials/kg) on the IME.
- Pasargad Oil's prices were steady this week, the company settled Pen 60/70 and 85/100 on 6,680(Rials/kg) ex-Arak. Also, they settled Pen 60/70 at 7,010(Rials/kg) ex-Abadan, Bandar Abbas and Shiraz factories.
- Bitumen prices from Tehran increased this week and settled on 6,680, 6,723 and 6,816(Rials/kg) on the IME this week.
- Pasargad Oil supplied Pen 85/100 ex-Tabriz at 6,766(Rials/kg).
- Market sentiment was strong this week and producers have sold 52,856t of different products in IME this week; about 33Pc increase compared to the previous week.
- Producers supplied 66,177t of different products for local customers in IME and about 61,256t demand have registered in IME this week.
- National Iranian Oil Company (NIOC) kept prices unchanged this week and sold 1,486t ex-Tehran at 5,633(Rials/kg) this week. NIOC sold 10,000t ex-Shiraz at 5,647(Rials/kg) and 6,000t ex-Bandar Abbas at 5,647(Rials/kg). No VB feed supplied ex-Esfahan and Tabriz refineries.
- About 42,550t demand for VB feed was registered on the IME from refineries this week, but NIOC supplied only 17,500t of VB.

Crude oil

Prices Americas		\$/bl	
	2-Aug	Change	
WTI Cushing	87.13	-2.26	
WTI Midland	86.31	-2.18	
WTS Midland	84.71	-0.94	
ANS USWC	104.03	-1.26	
Mixed Sweet (MSW)	82.02	-1.63	
Lloyd Blend (pipeline)	66.90	-3.13	
Western Canadian Select (WCS)	67.15	-2.88	
WCS del Chicago	71.12	-2.88	
Maya del USGC	93.23	-1.57	

Prices international		\$/bl	
	Basis	2-Aug	Change
Tapis		110.15	1.99
North Sea Dated		107.65	2.79
Dubai		101.82	1.12
Arab Heavy, fob Ras Tanura			
Differential to Asia	Oman/Dubai	-0.30	
Differential to Europe	Ice Bwave	-5.50	
Differential to US	ASCI	-3.00	
Kuwait fob			
Differential to Asia	Oman/Dubai	0.70	
Urals NWE		107.80	3.19
Urals Med		108.05	2.79



Asphalt and bitumen industry briefs

• **Georgia road bill defeat hits asphalt demand:** Road and highway projects in Georgia were dealt a blow on Wednesday after much of the state rejected a proposed tax hike.

Most of 12 regions encompassed by the bill voted against the increased sales tax, which would have spurred up to \$18bn of investment in roads, highways, and bridges.

Only Central Savannah, River Valley and Heart of Georgia approved the tax hike. The three regions are planning to spend a combined \$1.2bn on transportation projects over the next 10 years.

"It's certainly disappointing that we won't have the resources to accomplish all the projects needed to get Georgians moving quicker," state Governor Nathan Deal said in a statement. "For example, [the tax] contained \$600 million to rebuild the Ga. 400/I-285 interchange," he said.

US asphalt demand has softened as a weak economy stifles road and highway investment. Prices in the Atlanta region have fallen to \$575/short ton for performance grade 67-22 due to weak demand and competitive pressures.

• **Pemex wholesale asphalt posted prices decrease for August:** Mexico asphalt supplier Pemex decreased asphalt posted prices in the country by 5pc for the month of August, on top of decreases of 5-6pc in July.

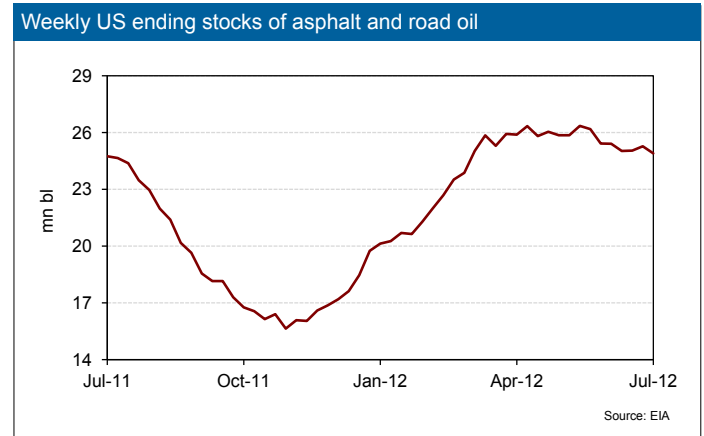
Pemex posted prices for AC-20, its primary grade, decreased by 5pc to 10,045.47 Ps/t fob all five Pemex refineries effective 1 August, down from the July posted price of 10,570.37 Ps/t.

Posted prices for AC-5 from Madero and Salamanca refineries decreased to 10,166.70 Ps/t fob refinery effective 1 August, off from 10,641.66 Ps/t in July.

Pemex typically announces changes to its wholesale posted prices on the first of the month. The prices are then effective for all wholesale volumes until the close of the month.

Selling prices for spot customers are at even to posted prices on all grades, if the product is sourced from Pemex.

Pemex does offer discounts of 230 Ps/t off the posted prices for contract customers lifting a minimum of 1,000t per month, or 6,000t



over a period of six months. But currently, only customers that were offered this discounted contract in the past are able to receive this discount. Pemex is not offering any new customers the option to enter into this contract to receive a discount on liftings at this time.

Oil industry briefs

- **Diverging fortunes:** Supply factors drove crude prices on either side of the Atlantic in opposite directions. Economic weakness and a lack of decisive action by central banks in Asia, Europe and the US to address the problem dominated the news. But rising tensions in the Middle East and looming maintenance in the North Sea helped boost Atlantic basin benchmark North Sea Dated by \$2.79/bl over the week to 26 July, taking it to \$107.65/bl.

US prices moved the other way, with marker September WTI falling to \$87.13/bl, \$2.26/bl down over the same period. Gloomy economic data outweighed news of an unexpectedly sharp 6.5mn bl fall in US crude inventories in the week to 27 July. The moves in crude prices had a predictable effect on refining margins. US refiners' returns increased by most, especially for gasoline. Refinery shutdowns once again hit the Chicago region, boosting gasoline and distillate prices in the area and forcing east coast buyers to compete with Chicago for Gulf coast products. The stronger margins boosted US light sweet LLS to a \$19/bl premium to WTI, the highest level since April.

As Chicago provided a profitable home for Gulf coast ultra-low sulphur diesel supply, little or none was heading transatlantic to European buyers. This helped prop up margins for European refiners, which are maximising diesel production to compensate for lower US imports, despite faltering demand. But the rising cost of crude is eating away at refiners' profitability.

Approaching field maintenance in the North Sea, especially on the Buzzard field that is the largest contributor to benchmark setting Forties, will cut September supplies. Forward structures are already reflecting this, with backwardation increasing since the start of July, taking second-month North Sea forwards to \$1.60/bl above the third month for the first time in 10 months.

Slacker demand growth has not stopped oil prices staying strong, because of supply-side concerns in products markets. If supply is constrained, prices will move up to trim demand and balance the two. But higher prices erode economies' ability to recover, and encourage governments to stimulate growth with moves that tend to boost oil prices. Weaker demand should mean lower prices, but not always.

- **Caracas weighs potential impact of Iran sanctions:**

Venezuela's government is studying the potential implications for state-owned oil company PdV of soon-to-be expanded US sanctions against Iran, according to an aide to energy minister Rafael Ramirez.

The US Senate approved a new round of Iran sanctions this week that US President Barack Obama is almost certain to sign into law. The new sanctions target companies partnering with Iran's state-owned oil company NIOC to develop resources outside of Iran. Any

joint venture created after 1 January 2002 in which Iran is a "substantial investor or partner" would be subject to sanctions.

PdV could be exposed to the new penalties because of its crude production, natural gas development and oil shipping agreements with NIOC subsidiary Petropars and Iranian shipyard Sadra, which involve close to \$4bn of combined capital spending, even though the agreements appear to be more substantial on paper than in reality.

The Venezuelan and Iranian governments also have at least two joint banking relationships in Tehran and Caracas. The Tehran-based Iran-Venezuela development bank was created in April 2009 with a \$200mn initial capitalization.

PdV was already sanctioned once in May 2011 under the Iran Sanctions Act (ISA) of 1996 – as amended by the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA) of 2010 – for sending two shipments of reformat worth \$50mn to Iran between December 2010 and March 2011.

PdV has been prohibited since last year from competing for US government procurement contracts, from securing financing from the US Export-Import Bank, and from obtaining US export licenses – none of which it does anyway. But these sanctions do not apply to PdV subsidiaries like Citgo, its US refining arm, and do not prohibit Venezuelan crude exports to the US.

But President Hugo Chavez's government is concerned that expanded sanctions against Iran could lead to tougher sanctions against PdV if Washington determines that it is materially supporting Iran's energy, financial and oil shipping sectors.

Chavez has a close strategic alliance with Iranian president Mahmoud Ahmadinejad, who last visited Caracas in June. Chavez also is a longtime supporter of Iran's controversial nuclear development program. In April 2009, Chavez and Ahmadinejad agreed to create a joint Iran-Venezuela development bank based in Tehran, with a mandate to fund joint energy, mining and infrastructure projects in both countries.

Venezuela's banking authorities also authorized the Iranian-owned International Development Bank to establish offices in Caracas. The US treasury department believes that Iran's government uses this bank to circumvent US sanctions.



PdV and Petropars signed an agreement in 2009 to create a jointly owned oil shipping company based in Tehran. But the oil shipping company is not operational yet.

PdV placed a \$278mn order with Iranian shipyard Sadra in 2009 for four Panamax-class oil tankers, and expects to take delivery of the first tanker next month. The other three are scheduled for delivery in 2013 and 2014.

Venezuelan government lawyers are concerned that the US and EU sanctions in place against Iran could make it difficult for PdV to insure the tankers and their cargoes, and obtain international seaworthiness and safety documentation required by most countries before tankers are allowed into port to load or discharge oil cargoes.

PdV and Petropars have also signed at least five oil and gas joint venture agreements since 2005, but their only operational venture in Venezuela is the Dobokuki oil field in Anzoategui state.

A PdV and Petropars deal inked in April 2009 calls for making \$1.5bn-\$2bn in joint capital expenditures to increase Dobokuki's crude output 10-fold to 40,000 b/d. But that spending never happened and today the field produces an average 6,000 b/d.

Other joint venture agreements signed by PdV and Petropars since 2005 have never been carried out. These stalled agreements include a proposed Orinoco extra-heavy crude production venture in Block 7 of the oil belt's Ayacucho section. They also include small Iranian stakes in PdV's Mariscal Sucre offshore gas initiative, and an offshore gas exploration accord in the Gulf of Venezuela's Cardon 2 block.

Two years ago in Iran, PdV signed an agreement with Petropars

to take a 10pc stake valued at \$780mn in Venezuelan spending in the South Pars gas field Phase 12, located on the border of Qatar. Phase 12 contains almost 7pc of the South Pars gas field's 471.3 trillion cf of dry gas reserves. But this agreement has not advanced either.

Energy ministry and PdV officials decline to explain why PdV's joint capital spending plans with Petropars have stalled. Calls to the embassy of Iran in Caracas yesterday were not returned. Former senior PdV production manager Diego Gonzalez said all of PdV's plans with Petropars have been derailed by a lack of capital on both sides – a situation compounded by deep cultural differences.

Government attorneys and foreign policy advisers for the opposition Democratic Unity Coalition (Mud) agreed yesterday that the US government probably would not consider imposing more sanctions against PdV until 2013 at the earliest, after Venezuela's presidential elections on 7 October, and US presidential elections on 6 November.

If Chavez is re-elected, PdV's commercial relations with Iran will continue as presently structured on paper. The risk of US sanctions against PdV could be much greater starting in 2013, according to Ramirez's aide.

But if Venezuela's opposition candidate Henrique Capriles Radonski beats Chavez for the presidency, all the country's agreements with Iran signed during the 13 years that Chavez has been in power would be dissolved "immediately" once he takes office, an aide to Capriles Radonski said.



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