

Energy Situation Analysis Report

Last Updated: July 16, 2002

Next Update: July 18, 2002

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Latest Oil Market Developments

West Texas Intermediate (WTI) near month futures prices on the NYMEX closed at \$27.07 per barrel on Monday, July 15, down 41 cents per barrel from Friday's close. Prices were basically flat this morning as markets awaited the release of oil stocks data by the American Petroleum Institute (API) Tuesday evening, and by the Energy Information Administration (EIA) Wednesday morning. [more...](#)

Latest U.S. Weekly EIA Petroleum Information

The U.S. average retail price for regular gasoline gained 1.2 cents per gallon last week, ending at 139.4 cents per gallon as of July 15. This price is 1.9 cents per gallon lower than last year. Price changes were mixed throughout the country, with the largest increase occurring in the Midwest, where prices rose 3.5 cents per gallon to end at 140.7 cents per gallon. [more...](#)

World Oil Market Highlights

According to EIA estimates for the third quarter of 2002, the world holds about 5.8 million barrels per day of excess oil production capacity that could be brought online within 30 days, over 90% of which lies in OPEC countries. This figure does not include Iraqi spare capacity. [more...](#)

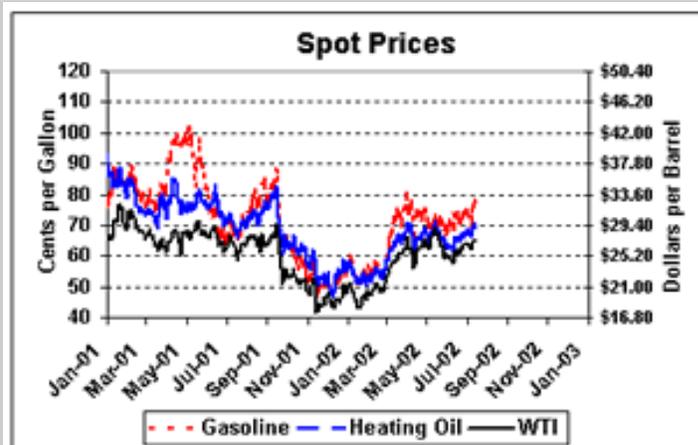
Latest U.S. Weekly Natural Gas Information

Spot prices fell on Monday, July 15, at most market locations outside the Western United States, with drops ranging up to 11 cents per MMBtu. At the NYMEX, the price of the futures contract for August delivery at the Henry Hub fell by less than a penny per MMBtu on Monday, July 15 to settle at \$2.784 per MMBtu. This is the lowest price for a near-month futures contract since March 7, 2002. [more...](#)

Energy Prices*

Petroleum Futures	7/15/02	7/12/02	Change
WTI (\$/Bbl)	27.07	27.48	-0.41
Gasoline (c/gallon)	80.85	82.44	-1.59
Heating Oil (c/gallon)	69.55	70.54	-0.99
Natural Gas (\$/MMBtu)			
Henry Hub	2.82	2.86	-0.04
California	2.57	2.47	+0.10
New York City	3.18	3.11	+0.07
Electricity (\$/Megawatthour)			
COB	15.33	22.83	-7.50
PJM West	47.23	45.60	+1.63
NEPOOL	42.25	43.65	-1.40
Average	35.76	40.78	-5.02

[*Definitions](#)



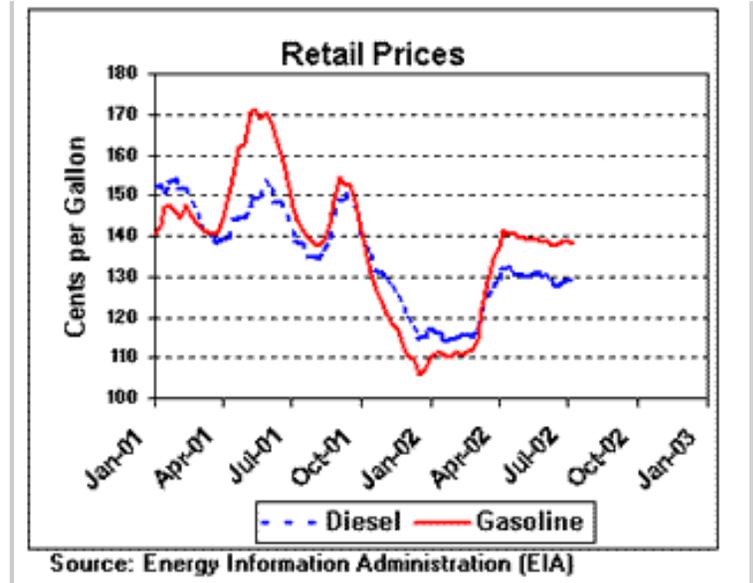
Source: Closing quote as reported by Reuters News Service

Latest U.S. Coal Information

Over the past 3 weeks, four of the five U.S. coal spot price indexes tracked by EIA have maintained increased average prices following a long period of slowly downward trends. Relatively few buyers are in the market, as most electric power generators have more than enough coal on hand for anticipated remaining summer consumption. Large coal suppliers accumulated unsold inventories during the first 3 to 5 months of 2002, and firmed-up prices may result from their idling of numerous mines recently in order to preclude a long-term glut of coal in the market. [more...](#)

Latest U.S. Electricity Information

Western U.S. wholesale electricity prices have generally been decreasing over the past several days since peaking on July 9 as cooler weather in California has decreased the demand for electricity. The California Independent System Operator (ISO) declared a Stage One Electrical Emergency on July 10 and 11 and declared a Stage Two Electrical Emergency on July 11. [more...](#)



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Contact:

Lowell Feld and Tara Billingsley

lowell.feld@eia.doe.gov

tara.billingsley@eia.doe.gov

Phone: Lowell Feld: (202) 586-9502

Tara Billingsley: (202) 586-0172

Fax: (202) 586-9753

URL: <http://www.eia.doe.gov/emeu/security/esar/archive/esararchive.html>

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Latest Oil Market Developments

(updated July 16, 2002)

West Texas Intermediate (WTI) near month futures prices on the NYMEX closed at \$27.07 per barrel on Monday, July 15, down 41 cents per barrel from Friday's close. Prices were slightly higher this morning as markets awaited the release of oil stocks data by the American Petroleum Institute (API) Tuesday evening, and by the Energy Information Administration (EIA) Wednesday morning. EIA reported that U.S. retail gasoline prices rose 1.2 cents per gallon last week to \$1.394 per gallon, the biggest weekly increase since early April, but gasoline prices are still 1.9 cents per gallon lower compared to the same time last year.

Other topics affecting **world oil markets** include:

- Venezuela's main union, CTV, said yesterday (July 15) that it was "proposing to the nation a civic stoppage" and would "discuss it with everyone." Venezuela's government, however, said that it wasn't "expecting any strike." Last Thursday (July 11), an estimated 600,000 Venezuelans rallied peacefully against President Hugo Chavez. In April 2002, President Chavez was ousted briefly following days of protests and violent unrest.
- Iraqi oil exports appear to be picking up now, with Iraq's marketing organization Somo reportedly dropping its demand for payment of illegal surcharges, at least from some buyers. On Wednesday, July 10, loadings of Iraqi Basrah Light had resumed at the Mina al-Bakr terminal after a week-long stoppage. Iraqi oil exports reportedly averaged around 729,000 barrels per day last week, slightly more than one-third of Iraq's sustainable export capacity.
- Algeria's Oil Minister, Chakib Khelil, said that OPEC should keep current oil production quotas steady through the end of 2002 in order to "maintain oil price stability." Meanwhile, International Energy Agency (IEA) Executive Director Robert Priddle stated that "we would prefer [OPEC] not to wait until demand is growing strongly before reacting." Priddle added that if OPEC waited until its next meeting in late September (in Osaka, Japan) to increase production, "that would be too late" to meet the anticipated "large increase" in oil demand between the second quarter and the fourth quarter of 2002.
- As of July 16, 2002, the U.S. Strategic Petroleum Reserve (SPR) contained 577.4 million barrels of oil. The SPR has a maximum drawdown capability of 4.18 million barrels per day for 90 days, with oil beginning to arrive in the marketplace 15 days after a presidential decision to initiate a drawdown.

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Contact:
Lowell Feld

lowell.feld@eia.doe.gov

Phone: Lowell Feld: (202) 586-9502

Fax: (202) 586-9753

URL: <http://www.eia.doe.gov/emeu/security/esar/latem.html>

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Latest U.S. Weekly EIA Petroleum Information

(partially updated July 16, 2002)

Crude Oil Refinery Inputs

U.S. crude oil refinery inputs averaged 15.6 million barrels per day during the week ending July 5, the most since the week ending September 7, 2001. Slight increases in PADD II (Midwest), PADD III (Gulf Coast), and PADD IV (Rocky Mountains) more than compensated for slight declines in PADD I (East Coast) and PADD V (West Coast). Over the last four weeks, crude oil inputs have averaged 15.5 million barrels per day, or more than 100,000 barrels per day less than last year. Motor gasoline and total distillate fuel refinery production were both down slightly, despite the increase in crude oil inputs. However, at nearly 3.8 million barrels per day, distillate fuel refinery production remains relatively high.

Petroleum Imports

U.S. crude oil imports continued their up-and-down trend over the last several weeks, falling by nearly 1.2 million barrels per day to average 8.4 million barrels per day last week. During the most recent four weeks, crude oil imports have averaged 9.1 million barrels per day, or about 100,000 barrels per day less than during the same four-week period last year. After averaging nearly 1.1 million barrels per day during the previous two weeks, total motor gasoline imports (including both finished gasoline and gasoline blending components) fell sharply last week, averaging about 0.6 million barrels per day.

Petroleum Inventories

With the dramatic decline in U.S. crude oil imports, it is no surprise that U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) decreased by 4.2 million barrels last week. However, even with this decline, they remain in the middle of the normal range for this time of year. Motor gasoline inventories dropped by 1.7 million barrels, and are now 4.4 million barrels below year-ago levels. Distillate fuel inventories, however, rose by 3.1 million barrels last week, with most of the increase in low-sulfur distillate fuel (often referred to as diesel fuel). Total commercial petroleum inventories are now less than 8 million barrels above year-ago levels.

Product Supplied

Total product supplied over the last four-week period averaged nearly 19.7 million barrels per day, or about 0.3 percent more than last year, continuing a recent trend of positive year-over-year growth. Motor gasoline demand has averaged 2.1% above last year's level over the last four weeks, while distillate fuel demand now is 0.8% above last year's level. Jet fuel demand over the last four weeks has been 8.3% less than during the same period a year ago.

Crude Oil Prices

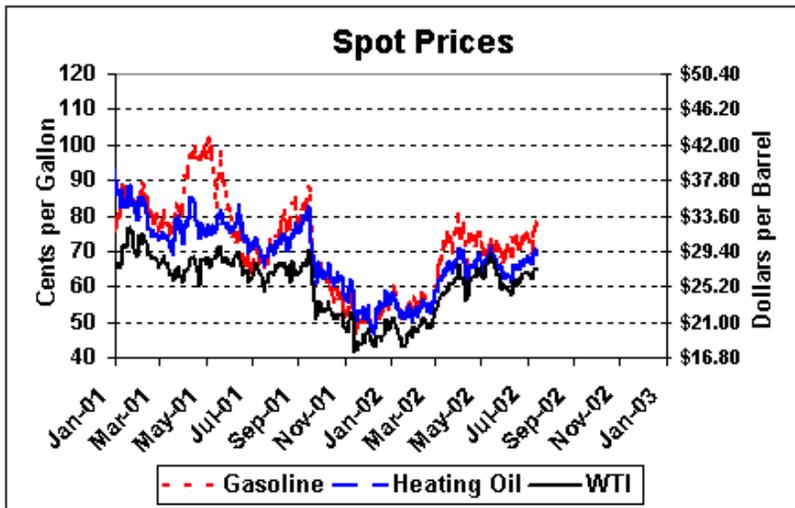
The average world crude oil price on July 12, 2002 was \$24.40 per barrel, up \$0.26 per barrel from the previous week and \$0.49 per barrel more than last year.

Retail Gasoline Prices Move Up a Notch

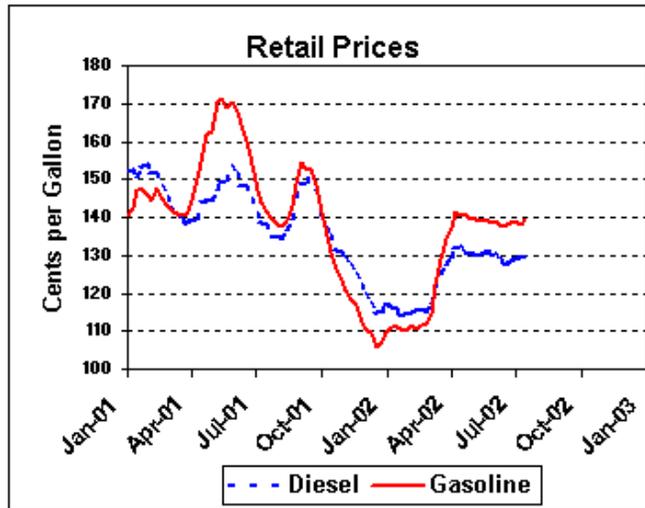
The U.S. average retail price for regular gasoline gained 1.2 cents per gallon last week, ending at 139.4 cents per gallon as of July 15. This price is 1.9 cents per gallon lower than last year. Price changes were mixed throughout the country, with the largest increase occurring in the Midwest, where prices rose 3.5 cents per gallon to end at 140.7 cents per gallon. Price increases were also seen on the East Coast and Gulf Coast. Prices dropped on the West Coast and in the Rocky Mountain region, with the largest decrease occurring in California, where prices fell 0.9 cent to end at 160.4 cents per gallon. Prices have remained relatively flat over the past few months, but there is still potential for price increases before Labor Day if we see a decrease in gasoline imports, steady or rising gasoline demand, or a decrease in refinery output. Retail diesel fuel prices increased by 0.6 cent per gallon to a national average of 130.0 cents per gallon as of July 15.

U.S. Petroleum Prices

(updated July 16, 2002)



Source: Closing quote as reported by Reuters News Service



Source: Energy Information Administration (EIA)

Crude Oil and Oil Products Price Table

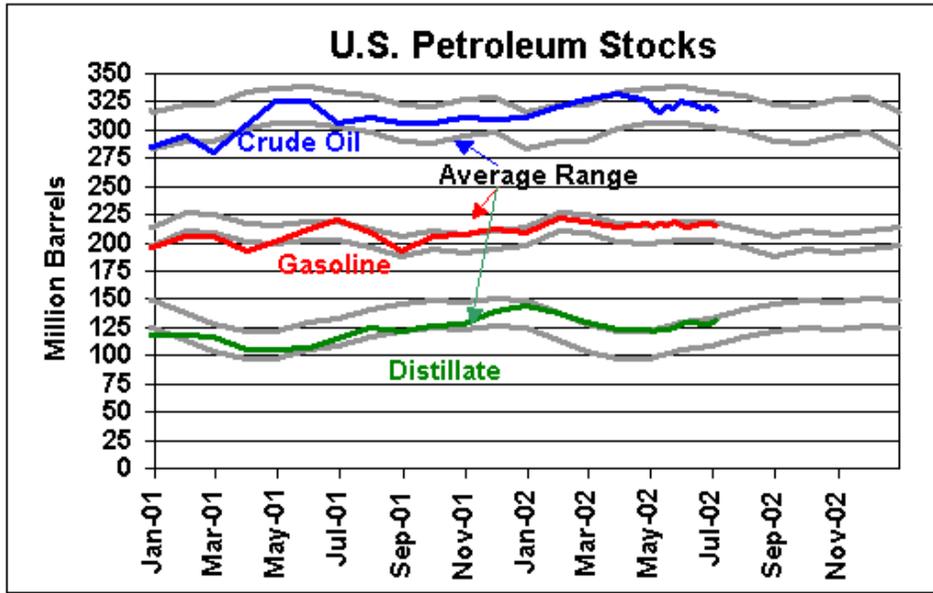
Date	WTI Crude Oil		Gasoline		Heating Oil		Kerojet	Propane		EIA Weekly Retail	
	Spot	Futures	Spot	Futures	Spot	Futures	Spot	Spot	Spot	US Average	
	Cushing		NYH		NYH		NYH	Mt. Belvieu	Conway	Gasoline	Diesel
	\$/bbl	\$/bbl	cents per gallon		cents per gallon		¢/gal	cents per gallon		cents per gallon	
5/28/2002	\$25.08	\$25.27	68.43	75.85	65.45	63.99	69.03	39.13	35.57		
5/29/2002	\$25.64	\$25.76	69.48	77.21	64.90	65.31	68.15	35.32	38.50		
5/30/2002	\$24.78	\$24.67	66.86	73.36	62.20	62.15	65.40	37.88	35.38		
5/31/2002	\$25.37	\$25.31	68.50	73.83	63.00	62.97	66.20	38.13	35.38		
6/3/2002	\$25.10	\$25.08	68.87	74.64	62.77	63.50	65.82	38.07	35.13	139.2	130.0
6/4/2002	\$25.32	\$25.33	70.50	75.34	63.25	64.28	66.15	38.01	35.00		
6/5/2002	\$25.02	\$24.89	71.57	75.13	63.03	63.60	65.58	37.26	34.32		
6/6/2002	\$24.89	\$24.79	71.40	75.70	62.70	63.48	65.43	36.94	34.32		
6/7/2002	\$24.72	\$24.75	70.82	75.09	62.65	63.17	65.38	37.07	34.25		
6/10/2002	\$24.24	\$24.29	68.78	73.79	61.65	62.33	64.15	36.38	33.57	137.5	128.6
6/11/2002	\$24.21	\$24.12	68.36	73.29	61.70	61.86	65.07	34.76	33.25		
6/12/2002	\$24.79	\$24.64	69.20	75.10	62.93	63.07	66.33	36.75	33.63		
6/13/2002	\$25.54	\$25.64	72.43	77.85	65.40	66.03	68.80	37.82	35.19		
6/14/2002	\$25.90	\$25.94	73.65	78.70	65.80	66.40	69.63	37.82	35.19		
6/17/2002	\$25.98	\$26.09	73.90	79.10	66.05	66.49	69.77	38.50	36.50	137.8	127.5
6/18/2002	\$25.36	\$25.43	73.15	77.66	65.18	65.49	68.50	37.57	36.50		
6/19/2002	\$25.57	\$25.31	72.05	76.84	65.03	65.24	68.23	37.75	36.13		
6/20/2002	\$25.62	\$25.53	71.60	76.96	65.75	66.03	69.48	37.44	35.63		
6/21/2002	\$25.51	\$25.82	70.30	75.57	64.80	64.89	68.53	37.38	35.94		
6/24/2002	\$26.31	\$26.47	73.50	77.77	66.75	66.64	70.80	37.88	36.00	138.4	128.1
6/25/2002	\$26.06	\$26.32	72.13	77.32	65.68	65.89	69.28	38.25	36.13		
6/26/2002	\$26.67	\$26.76	73.57	78.51	66.33	66.63	70.82	38.00	35.50		
6/27/2002	\$26.77	\$26.86	74.04	79.37	67.00	67.29	70.38	37.88	35.63		
6/28/2002	\$26.79	\$26.86	73.82	79.38	67.50	67.96	70.88	37.63	35.50		
7/1/2002	\$26.79	\$26.81	74.82	79.19	67.60	68.02	70.93	37.38	35.76	139.2	128.9
7/2/2002	\$26.83	\$26.77	74.07	78.98	67.98	68.71	71.28	37.13	35.75		
7/3/2002	\$26.82	\$26.80	73.63	78.60	68.38	68.77	71.82	37.01	35.19		
7/4/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA		
7/5/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA		
7/8/2002	\$26.14	\$26.07	69.60	76.14	66.15	66.80	69.65	36.19	34.38	138.2	129.4
7/9/2002	\$26.16	\$26.09	71.63	76.96	66.40	67.05	69.50	36.25	34.44		
7/10/2002	\$26.73	\$26.77	74.30	78.99	67.70	68.67	70.70	36.94	34.88		
7/11/2002	\$27.01	\$26.83	75.53	79.83	68.90	69.01	71.85	36.50	34.63		
7/12/2002	\$27.48	\$27.48	78.20	82.44	69.72	70.54	72.92	37.19	35.07		
7/15/2002	\$27.23	\$27.07	76.68	80.85	69.20	69.55	72.25	37.07	34.88	139.4	130.0

Source: Spot and futures closing quotes as reported by Reuters News Service, retail prices reported by EIA

U.S. Petroleum Supply

	(Thousand Barrels per Day)		Four Weeks Ending		vs. Year Ago	
			7/5/2002	7/5/2001	Diff.	% Diff.
Refinery Activity						
Crude Oil Input			15,470	15,610	-140	-0.9%
Operable Capacity			16,800	16,632	168	1.0%
Operable Capacity Utilization (%)			93.4%	95.4%	-2.0%	
Production						
Motor Gasoline			8,470	8,615	-145	-1.7%
Jet Fuel			1,513	1,636	-123	-7.5%
Distillate Fuel Oil			3,714	3,721	-7	-0.2%
Imports						
Crude Oil (incl. SPR)			9,064	9,169	-105	-1.1%
Motor Gasoline			886	838	48	5.7%
Jet Fuel			102	156	-54	-34.8%
Distillate Fuel Oil			195	289	-94	-32.5%
Total			11,295	11,736	-441	-3.8%
Exports						
Crude Oil			30	14	16	107.9%
Products			934	947	-13	-1.4%
Total			964	962	2	0.2%
Products Supplied						
Motor Gasoline			8,925	8,738	187	2.1%
Jet Fuel			1,607	1,752	-145	-8.3%
Distillate Fuel Oil			3,675	3,646	29	0.8%
Total			19,671	19,612	59	0.3%
vs. Year Ago						
Stocks (Million Barrels)			7/5/2002	7/5/2001	Diff.	% Diff.
Crude Oil (excl. SPR)			317.0	308.8	8.2	2.7%

Stocks (million barrels)	11/2001	11/2000	% Chg.	% Mthly
Crude Oil (excl. SPR)	317.0	308.8	8.2	2.7%
Motor Gasoline	214.7	219.1	-4.4	-2.0%
Jet Fuel	40.0	43.0	-3.0	-7.0%
Distillate Fuel Oil	131.4	115.3	16.1	14.0%
Total (excl. SPR)	1,028.2	1,020.4	7.8	0.8%



Source: Energy Information Administration, Weekly Petroleum Status Report, Petroleum Supply Monthly

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Contact:
 Doug MacIntyre
douglas.macintyre@eia.doe.gov

Phone: Doug MacIntyre : (202) 586-1831
 Fax: (202) 586-9753

URL: <http://www.eia.doe.gov/emeu/security/esar/latpet.html>

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World Oil Market Highlights

(updated July 9, 2002)

According to third quarter 2002 estimates, the world holds about 5.8 million barrels per day of excess oil production capacity that could be brought online within 30 days, over 90% of which lies in OPEC countries. This figure does not include Iraqi spare capacity.

Major Sources of U.S. Petroleum Imports, 2001*			
(all volumes in million barrels per day)			
	Total Oil Imports	Crude Oil Imports	Petroleum Product Imports
Canada	1.83	1.36	0.47
Saudi Arabia	1.66	1.61	0.05
Venezuela	1.55	1.29	0.26
Mexico	1.44	1.39	0.05
Nigeria	0.89	0.84	0.04
Iraq	0.80	0.80	0.00
Norway	0.34	0.28	0.06
Angola	0.33	0.32	0.01
United Kingdom	0.32	0.24	0.08
Total Imports	11.87	9.33	2.54

* Table includes all countries from which the U.S. imported more than 300,000 barrels per day in 2001.

Top World Oil Net Exporters, 2001*		
	Country	Net Exports (million barrels per day)
1)	Saudi Arabia	7.38
2)	Russia	4.76
3)	Norway	3.22
4)	Iran	2.74
5)	Venezuela	2.60
6)	United Arab Emirates	2.09
7)	Nigeria	2.00
8)	Iraq	2.00
9)	Kuwait	1.80
10)	Mexico	1.65

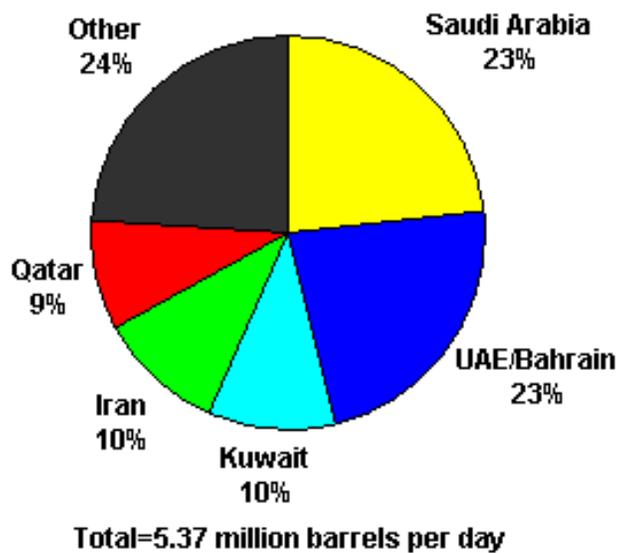
11)	Libya	1.24
12)	Algeria	1.24

**Table includes all countries with net exports exceeding 1 million barrels per day in 2001.*

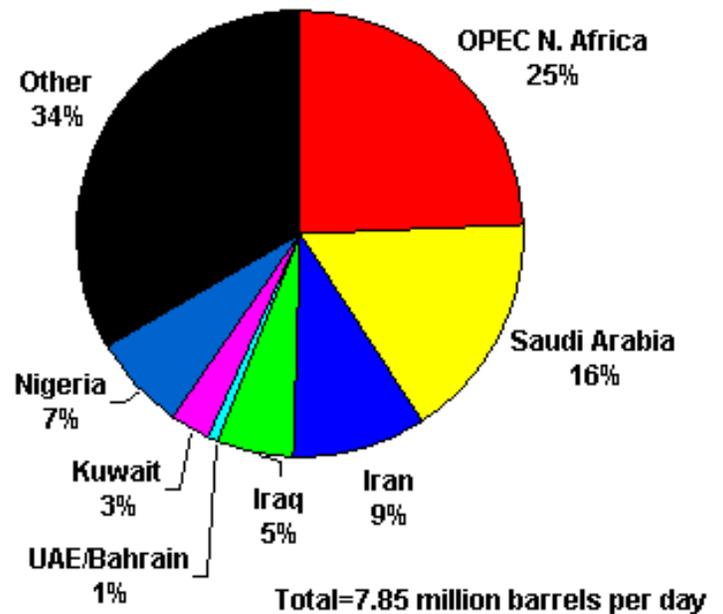
During 2001, about 48% of U.S. crude oil imports came from the Western Hemisphere (19% from South America, 15% from Mexico, 14% from Canada), while 30% came from the Persian Gulf region (18% from Saudi Arabia, 9% from Iraq, 3% from Kuwait).

In general, OECD Europe depends far more heavily on the Persian Gulf and North Africa for oil imports than the United States. During 2001, about 35% of OECD Europe's net oil imports came from the Persian Gulf (mainly Saudi Arabia, Iran, Iraq, and Kuwait), around one-third from Africa (mainly Libya, Algeria, and Nigeria), and much of the remainder from Russia. Japan receives over three-quarters of its oil supplies from the Persian Gulf (mainly the UAE, Saudi Arabia, Kuwait, Iran, and Qatar) with the remainder coming from Indonesia, China, and other sources.

Japanese Net Oil Imports by Country, 2001



OECD European Net Oil Imports by Country, 2001



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Contact:

Lowell Feld

lowell.feld@eia.doe.gov

Phone: Lowell Feld: (202) 586-9502

Fax: (202) 586-9753

URL: <http://www.eia.doe.gov/emeu/security/esar/esar.html>

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Latest U.S. Weekly Natural Gas Information

(updated July 16, 2002)

Industry/Market Developments

New revision policy under consideration by EIA: The Energy Information Administration (EIA) is soliciting public comments on a proposed new revision policy for the *Weekly Natural Gas Storage Report* (WNGSR) in a [Federal Register notice](#) published July 11, 2002. The current policy calls for reporting a revision when the cumulative effect of changes is at least 7 billion cubic feet at either a regional or national level. Revisions are released as part of the next scheduled WNGSR on the EIA web site. Comments are solicited by EIA regarding a new policy that would allow larger scale revisions to be reported in an unscheduled release on the EIA web site. It is proposed that volume revisions below a specified threshold will be released according to the established official schedule and that larger volume changes will trigger a release outside the official schedule. Special topics for public comment include the appropriateness of the overall plan, volume thresholds that trigger a separate report, timing of unscheduled releases, and methods to notify the public in the case of an unscheduled report. Comments submitted in response to this Federal Register notice will be considered during development of EIA's new policy for revisions of the WNGSR. Comments must be filed by August 12, 2002.

Canadian Natural Gas Division Releases Annual Review and Outlook: Canadian natural gas producers and exporters had a record year for volumes and revenues in 2001, according to the Natural Gas Division of Natural Resources Canada. In its annual *Canadian Natural Gas: Market Review & Outlook*, the Division notes that although prices weakened during the year, prices in 2001 averaged out at record highs. Total revenues as measured at the processing plant tailgate, including exports and domestic sales for Canadian producers, set a new record at Cdn\$37.6 billion. Export revenues accounted for Cdn\$22.8 billion, an increase of 21% over last year. Gross export volumes for the year increased 4% for a total of 3,728 Bcf. However, with imports tripling to about 228 Bcf as a result of the newly-constructed Vector Pipeline re-importing gas into Canada, net exports fell slightly to 3,500 Bcf. In its long-term outlook to 2010, the Division said that it expects U.S. and Canadian demand to reach 31.8 Tcf, or approximately 7.8 Tcf over demand in 2001. The mix of supply sources expected to satisfy this demand includes: U.S. gas production (22.9 Tcf); Canadian gas production (8.1 Tcf); and LNG imports to the United States (1.2 Tcf).

Storage

Working gas in storage was 2,353 Bcf for the week ended Friday, July 5, 2002, according to the EIA *Weekly Natural Gas Storage Report*. This is 19% above the 5-year average for the report week, and 19% above the level last year for the same week.

All Volumes in Bcf	Current Stocks 7/5/2002	Estimated Prior 5-year (1997-2001) Average	Percent Difference from 5-Year Average	Net Change from Last Week	One- Week Prior Stocks 6/28/2002
East Region	1,243	1,115	11.5%	52	1,191
West Region	329	273	20.5%	9	320
Producing Region	781	589	32.6%	6	775
Total Lower 48	2,353	1,977	19.0%	67	2,286

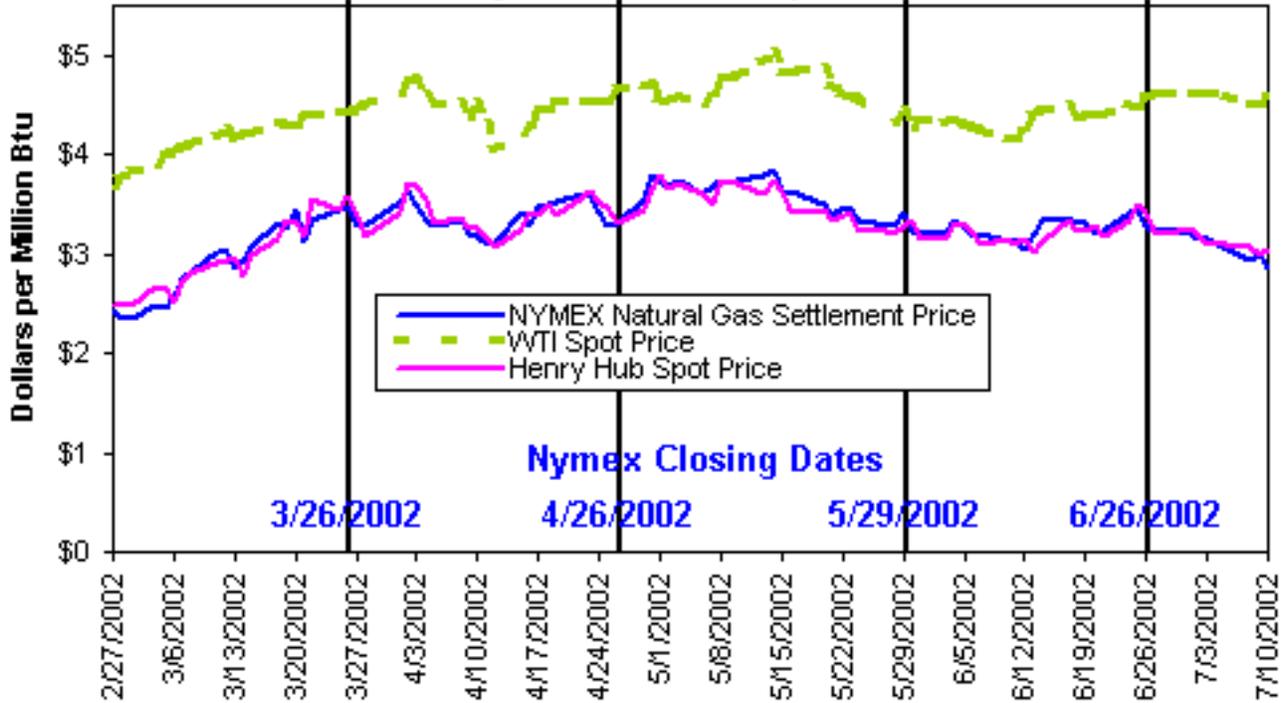
Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database.

Prices:

Spot prices fell on Monday, July 15, at most market locations outside the Western United States, with drops ranging up to 11 cents per MMBtu. In the West, increases in prices occurred at Malin, Oregon, and most markets in the Rocky Mountains region and California. Most of the price increases ranged between 7 and 31 cents per MMBtu in California, and between 10 and 29 cents per MMBtu in the Rockies. The largest increase was at Malin, where prices have climbed 30 cents per MMBtu since Friday, July 12. While prices in the East were down in most regions, the Northeast had increases of up to 11 cents per MMBtu at most locations including New York, where the price climbed 7 cents per MMBtu on Monday, July 15.

At the NYMEX, the price of the futures contract for August delivery at the Henry Hub fell by less than a penny per MMBtu on Monday, July 15 to settle at \$2.784 per MMBtu. This is the lowest price for a near-month futures contract since March 7, 2002. Contributing factors to the decline in futures prices likely include lessened demand due to milder temperatures in the East this week, and expectations that working gas in storage will remain abundant.

NYMEX Natural Gas Futures Near-Month Contract Settlement Price, West Texas Intermediate Crude Oil Spot Price, and Henry Hub Natural Gas Spot Price



Note: The West Texas Intermediate crude oil price, in dollars per barrel, is converted to \$/MMBtu using a conversion factor of 5.80 MMBtu per barrel. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.

Source: NGI's *Daily Gas Price Index* (<http://Intelligencepress.com>)

<i>Trade Date (All prices in \$ per MMBtu)</i>	California Composite Average Price*	Henry Hub	New York City	Chicago	NYMEX futures contract-August delivery	NYMEX futures contract-September delivery
6/14/2002	2.61	3.12	3.36	3.10	3.408	3.435
6/17/2002	2.81	3.34	3.64	3.33	3.447	3.472
6/18/2002	2.69	3.23	3.52	3.19	3.385	3.412
6/19/2002	2.76	3.23	3.53	3.20	3.387	3.417
6/20/2002	2.91	3.29	3.66	3.29	3.276	3.307
6/21/2002	2.72	3.17	3.51	3.17	3.294	3.324
6/24/2002	2.99	3.33	3.80	3.34	3.480	3.501
6/25/2002	2.99	3.49	4.15	3.53	3.495	3.515
6/26/2002	2.85	3.42	4.01	3.42	3.353	3.373
6/27/2002	2.56	3.23	3.61	3.21	3.236	3.266
6/28/2002	2.58	3.20	3.69	3.20	3.245	3.273
7/1/2002	2.66	3.27	3.95	3.27	3.192	3.220
7/2/2002	2.37	3.17	4.16	3.18	3.145	3.177
7/3/2002	2.13	3.10	3.64	3.07	3.142	3.174
7/8/2002	2.71	3.06	3.73	3.00	2.939	2.982
7/9/2002	2.85	2.98	3.35	2.90	2.991	3.029
7/10/2002	2.88	3.04	3.31	2.98	2.864	2.902
7/11/2002	2.62	2.85	3.10	2.79	2.830	2.869
7/12/2002	2.47	2.86	3.11	2.78	2.787	2.830
7/15/2002	2.57	2.82	3.18	2.78	2.784	2.825

* Average of *NGI's* reported average prices for: Malin, PG&E citygate, and Southern California Border Average.

Source: *NGI's Daily Gas Price Index* (<http://intelligencepress.com>)

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Contact:

Jim Thompson

james.thompson@eia.doe.gov

Phone: Jim Thompson : (202) 586-6201

Fax: (202) 586-4420

URL: <http://www.eia.doe.gov/emeu/security/esar/latng.html>

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wmaster@eia.doe.gov

Definitions

Petroleum

WTI – West Texas Intermediate (for the purposes of this table, prices provided are near month futures price) Cushing OK.

Bbl – Barrel (42 gallons).

C's – cents.

Natural Gas

Henry Hub – A pipeline hub on the Louisiana Gulf coast. It is the delivery point for the natural gas futures contract on the New York Mercantile Exchange (NYMEX).

Electricity

COB – average price of electricity traded at the California-Oregon and Nevada-Oregon border.

Palo Verde - average price of electricity traded at Palo Verde and West Wing Arizona.

Average - average price of electricity traded at all locations.

Latest U.S. Coal Information

(updated July 16, 2002)

Coal Production

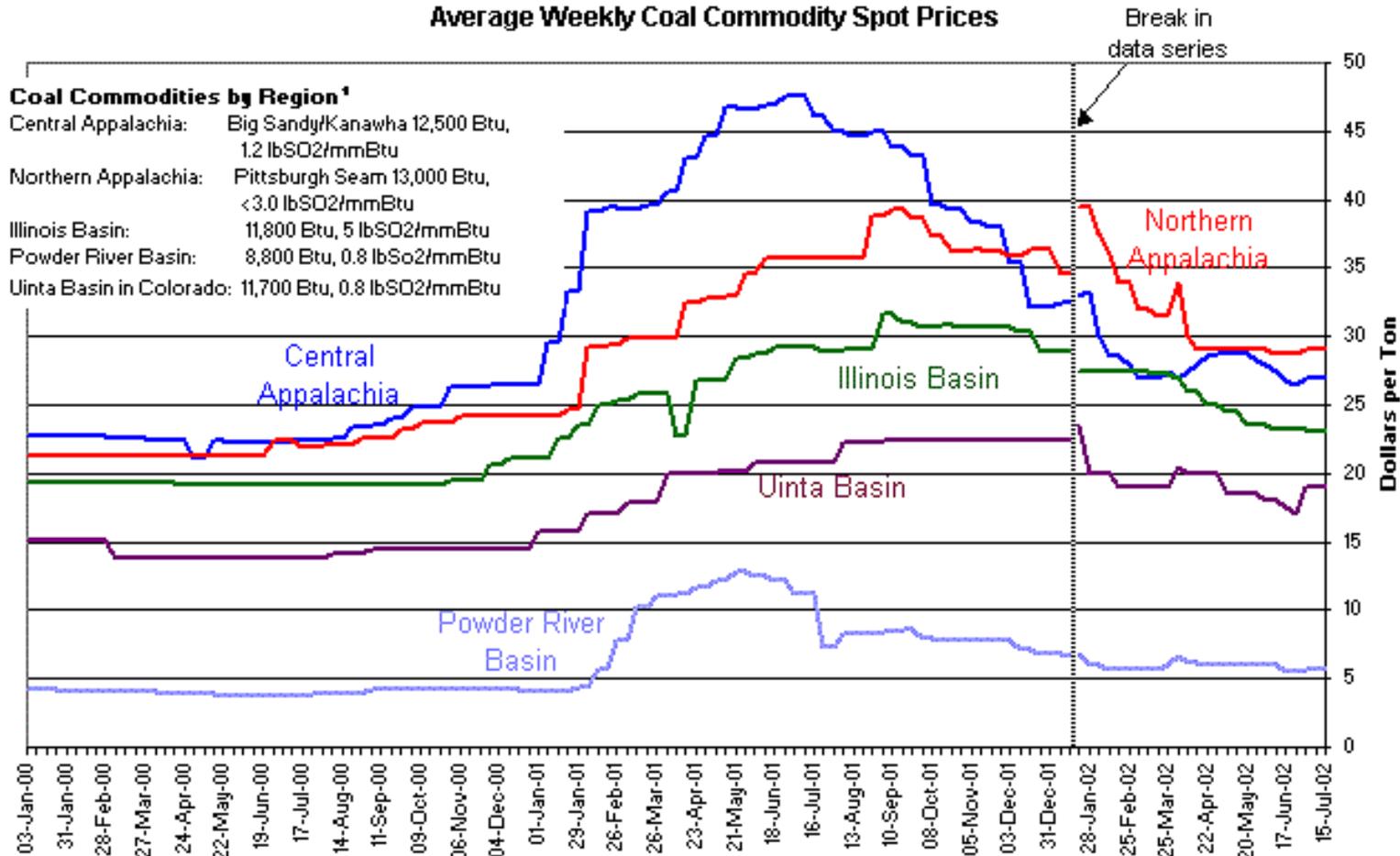
For the week ending July 6, rail car loadings of coal were up 2.0% while national [coal production](#) was 5.4% lower, compared to year-ago levels. Year-to-date, western U.S. coal production is 1.5% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 6.0% below last year's level. The estimated production for the first six months of 2002 was 540.4 million short tons (mst). Lower production at this time corresponds with large coal stockpiles at mines and at consuming facilities due to slowed economic activity and a long spring period of low seasonal demand at electric power plants. Weekly coal production volumes are down more (in absolute terms) than are weekly rail car loadings. This reflects a rundown occurring now in producer and distributor stockpiles. In the first and second quarters of 2002, coal production exceeded coal use and consequently stockpiles built up much above planned levels. The stock rundown (and the dampening impact on production) will continue until coal stockpiles attain normal levels. It appears that there is about a 30 million ton overhang in the supply chain, so it may take several months of curtailed production to reduce the excess producer and distributor stocks.

Coal Prices

Over the past 3 weeks, four of the five U.S. coal spot price indexes tracked by EIA (graph below) have maintained increased average prices following a long period of slowly downward trends. Prices for the fifth regional coal (Illinois Basin) receded by 25 cents per short ton two weeks ago and then began to hold steady. Both buyers and sellers of coal are trying to determine whether a price floor for new coal purchases has been reached. Relatively few buyers are in the market, though, as most electric power generators have more than enough coal on hand for anticipated remaining summer consumption. They are now burning from larger-than-usual coal stockpiles following mild and extended spring weather in much of the country. Large coal suppliers accumulated unsold inventories during the first 3 to 5 months of 2002, and firmed-up prices may result from their idling of numerous mines recently in order to preclude a long-term glut of coal in the market.

Since peaking in summer 2001, Central and Northern Appalachian coal prices have fallen (by about \$21.00 and \$10.00 per short ton, respectively). The latest indexed spot prices, \$27.00 per short ton for Central Appalachian and \$29.00 per short ton for Northern Appalachian coal, are respectively 21% and 36% above prices in the summer of 2000, prior to the rapid escalation in 2001. Other prices are also running higher than the summer 2000 baseline: by 38% for the Uinta Basin, 20% for the Illinois Basin, and 53% for the Powder River Basin.

Average Weekly Coal Commodity Spot Prices



¹Prior to January 14, 2002, EIA averaged 12-month "forward" spot prices for several coal specifications; after that date, coal prices shown are for a relatively high-Btu coal selected in each region, for delivery in the "prompt" quarter. The "prompt quarter" is the next calendar quarter, with quarters shifting forward after the 15th of the month preceding each quarter's end.

Source: with permission, selected from listed prices in Platts Coal Outlook, "Weekly Price Survey"

Trading volumes during the week of the July 4 holiday were very low, with only five transactions during the week, which settled at \$27.50 per short ton. Since then, prices have continued to rise slowly—reaching \$27.80 per short ton on July 12 and \$28.25 per short ton on July 15, but with no takers on the 12th and only 15 contracts settled on the 15th.

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Contact:

Bill Watson and Rich Bonskowski

william.watson@eia.doe.gov

richard.bonskowski@eia.doe.gov

Phone: Bill Watson: 202-287-1971; Rich Bonskowski: 202-287-1725

Fax: 202-287-1934

URL: <http://www.eia.doe.gov/emeu/security/esar/latcl.html>

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Latest U.S. Electricity Information

(updated July 16, 2002)

Selected Wholesale Electricity Prices: Selected Wholesale Electricity Prices: Western U.S. wholesale electricity prices have been generally decreasing over the past several days since peaking on July 9 as cooler weather in California has decreased the demand for electricity. The California Independent System Operator (ISO) declared a Stage One Electrical Emergency on July 10 and 11 and declared a Stage Two Electrical Emergency on July 11. Under a Federal Energy Regulatory Commission order, the ISO resets the price cap when statewide energy reserve falls below 7% for more than one hour. The price cap was recalculated from \$91.87 per megawatthour to \$57.14 per megawatthour on July 10. The price cap was lowered again on July 11 to \$55.25 per megawatthour. The price cap is calculated based on the heat rate of the system's least efficient power plant and the cost of the fuel used to power it. Since then, the ISO has reinstated the \$91.87 per megawatthour cap as a result of an order issued by the Federal Energy Regulatory Commission.

Prices at the Cinergy Trading Center have been mixed over the past seven days. Prices at Cinergy have ranged between a high of \$38.18 per megawatthour on July 15 to a low of \$19.44 per megawatthour on July 11.

Prices in the Northeast region have also been mixed over the last seven-day period. Prices at the New York Zone J, New York City have ranged between a high of \$80.00 per megawatthour on July 8 to a low of \$46.00 per megawatthour on July 11. Prices at the PJM West trading zone have ranged between a high of \$47.23 per megawatthour on July 15 to a low of \$26.53 per megawatthour on July 11.

Over the past seven days, the average price at all trading centers has ranged between \$31.82 per megawatthour and \$52.55 per megawatthour.

California ISO Emergency Declarations

1. First Stage One Electrical Emergency issued July 9
2. Second Stage One Electrical Emergency and First Stage Two Electricity Emergency issued July 10

The California ISO has called for conservation to avoid future Stage One Emergencies. No blackouts are expected.

A Stage One Emergency is declared when operating reserves fall below 7 percent. Consumers are asked to lessen the strain on the state's power grid by conserving electricity, especially during afternoon hours. A Stage Two Emergency is declared when reserves drop below 5 percent. At this level, large commercial customers that have signed up to voluntarily curtail power during high demand days will be asked to do so. A Stage Three Emergency is declared if an operating reserve shortfall of less than one-and-one-half percent is unavoidable. Involuntary curtailments of service to customers including "rolling blackouts" are possible.

U.S. Regional Electricity Prices at Major Trading Centers (Dollars per megawatthour)

Trading Centers	Date							Price Range		
	7/5/02	7/8/02	7/9/02	7/10/02	7/11/02	7/12/02	7/15/02	Max	Min	Average
COB	10.50	33.32	39.83	33.81	30.81	22.83	15.33	39.83	10.50	26.63
Palo Verde	33.74	64.46	70.48	57.09	56.83	46.95	37.14	70.48	33.74	52.38
Mid-Columbia	1.18	17.35	17.58	14.56	11.81	8.93	5.90	17.58	1.18	11.04
Mead/Marketplace	37.29	76.36	87.11	57.10	55.25	53.40	42.05	87.11	37.29	58.37
4 Corners	34.79	68.96	70.80	57.10	55.25	46.50	37.14	70.80	34.79	52.93
NP 15	28.92	59.27	64.38	57.10	55.25	36.00	30.25	64.38	28.92	47.31
SP 15	31.62	63.38	68.48	57.09	49.14	38.87	32.52	68.48	31.62	48.73
PJM West	36.73	45.44	34.07	29.53	26.53	45.60	47.23	47.23	26.53	37.88
NEPOOL	40.56	43.75	33.38	32.50	31.00	43.65	42.25	43.75	31.00	38.16
New York Zone J	67.00	80.00	62.00	48.20	46.00	70.50	65.33	80.00	46.00	62.72
Cinergy	27.74	25.77	28.95	26.50	19.44	35.40	38.18	38.18	19.44	28.85
Average Price	31.82	52.55	52.46	42.78	39.76	40.78	35.76	52.55	31.82	42.27

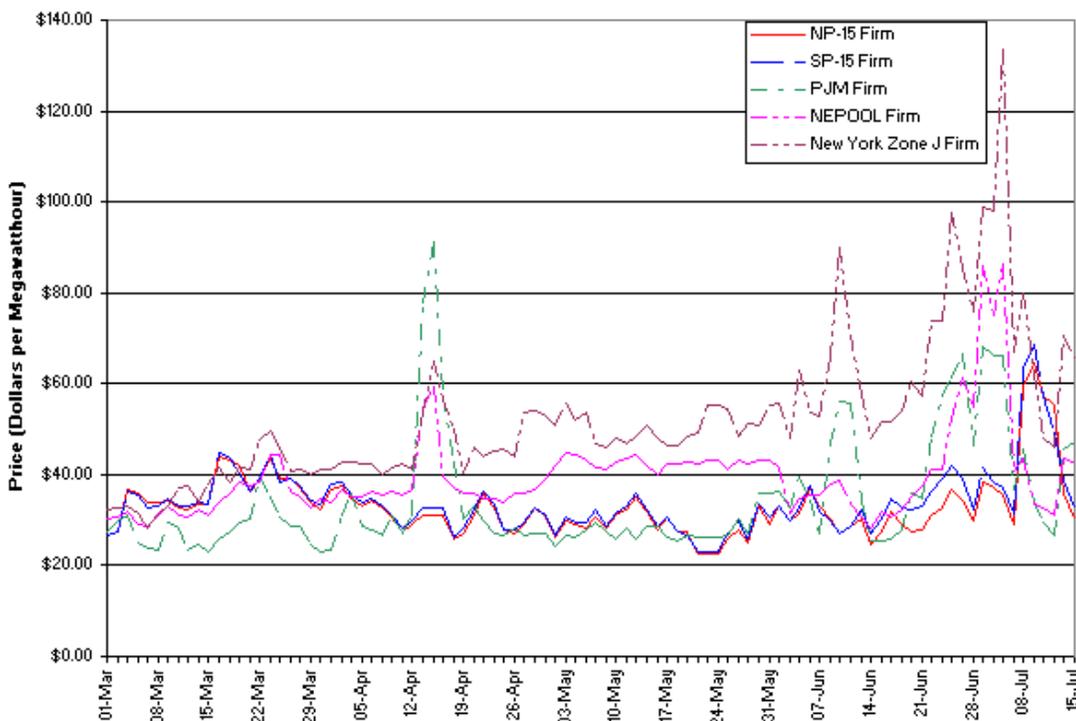
Sources: COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West, NEPOOL, New York Zone J, and Cinergy trading centers. Used with permission from Bloomberg L.P. (www.bloomberg.com).

Notes:

n.q. - No quotes available for the day.

- COB:** Average price of electricity traded at the California-Oregon and Nevada-Oregon Borders.
- Palo Verde:** Average price of electricity traded at Palo Verde and the West Wing, Arizona.
- Mid-Columbia:** Average price of electricity traded at Mid-Columbia.
- Mead/Market Place:** Average price of electricity traded at Mead Market Place, McCullough and Eldorado.
- Four Corners:** Average price of electricity traded at Four Corners, Shiprock, and San Juan, New Mexico.
- NP-15:** Average price of electricity traded at NP-15.
- SP-15:** Average price of electricity traded at SP-15.
- PJM-West:** Average price of electricity traded at PJM Western hub.
- NEPOOL:** Average price of electricity traded at Nepool.
- New York Zone J:** Average price of electricity traded at the New York Zone J - New York City.
- Cinergy:** Average price of electricity traded into the Cinergy control area.

Average Wholesale Electricity Prices in the U.S.



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Contact:
William Liggett
william.liggett@eia.doe.gov
Phone: William Liggett: (202) 287-1727
Fax: (202) 287-1934

URL: <http://www.eia.doe.gov/emeu/security/esar/latel.html>

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