

# Energy Situation Analysis Report

Last Updated: July 25, 2002

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## Latest Oil Market Developments

West Texas Intermediate (WTI) September crude oil futures on the New York Mercantile Exchange (NYMEX), settled at \$26.87 per barrel yesterday (July 24, 2002), up 56 cents per barrel from Tuesday as lower crude oil stocks and tighter product demand drove the market. September crude oil futures were down slightly today, ten cents per barrel, to \$26.77 per barrel. [more...](#)

## Latest U.S. Weekly EIA Petroleum Information

Even with an increase in U.S. crude oil imports, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) fell by 3.7 million barrels last week, and are now well within the bottom half of the normal range for this time of year. The U.S. average retail price for regular gasoline gained 1.6 cents per gallon last week, ending at 141.0 cents per gallon as of July 22. [more...](#)

## World Oil Market Highlights

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. [more...](#)

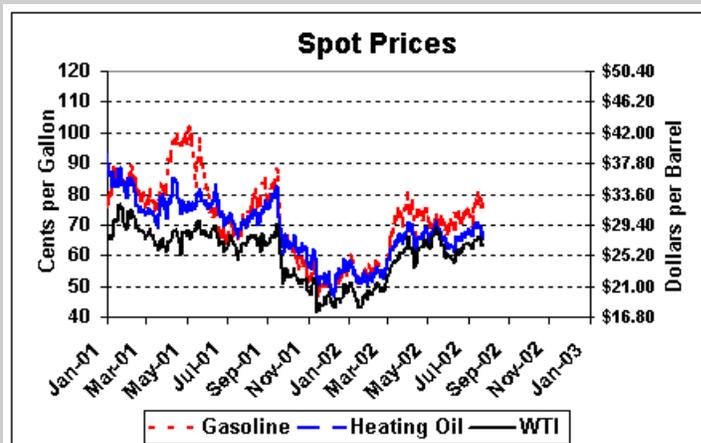
## Latest U.S. Weekly Natural Gas Information

Spot prices increased late last week on the strength of high cooling demand, but have declined this week. Moderating temperatures since Monday, July 22, led to price declines ranging between 5 and 15 cents per MMBtu. At the NYMEX, the price of the futures contract for August delivery at the Henry Hub climbed by over 20 cents during the week to settle at \$3.042 per MMBtu on Wednesday, July 24. [more...](#)

## Energy Prices\*

| Petroleum Futures                    | 7/24/02 | 7/23/02 | Change |
|--------------------------------------|---------|---------|--------|
| WTI (\$/Bbl)                         | 26.87   | 26.31   | +0.56  |
| Gasoline (c/gallon)                  | 82.33   | 79.52   | +2.81  |
| Heating Oil (c/gallon)               | 67.60   | 65.85   | +1.75  |
| <b>Natural Gas (\$/MMBtu)</b>        |         |         |        |
| Henry Hub                            | 2.91    | 2.96    | -0.05  |
| California                           | 2.70    | 2.75    | -0.05  |
| New York City                        | 3.26    | 3.27    | -0.01  |
| <b>Electricity (\$/Megawatthour)</b> |         |         |        |
| COB                                  | 23.32   | 21.70   | +1.62  |
| PJM West                             | 31.99   | 61.33   | -29.34 |
| NEPOOL                               | 33.68   | 52.60   | -18.92 |
| Average                              | 33.23   | 41.62   | -8.39  |

[\\*Definitions](#)



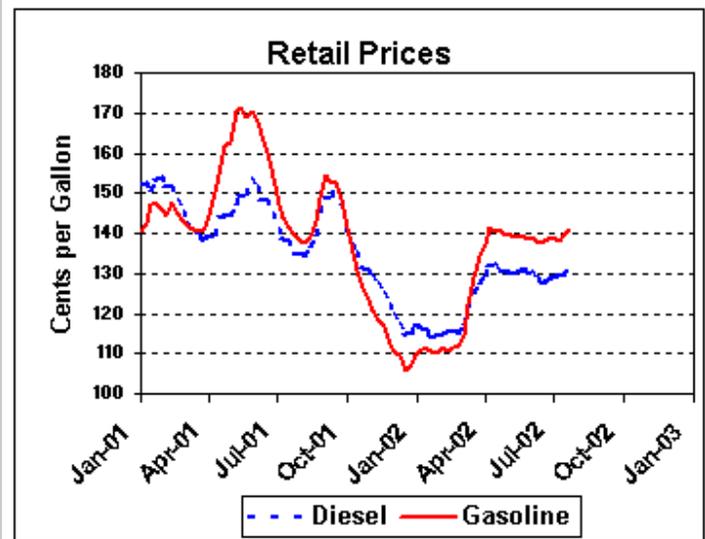
### Latest U.S. Coal Information

Over the past 4 weeks, four of the five U.S. coal spot price indexes tracked by EIA have maintained increased average prices. The latest indexed spot prices, \$28.25 per short ton for Central Appalachian and \$29.00 per short ton for Northern Appalachian coal, are respectively 27% and 36% above prices in the summer of 2000. However, these prices have fallen from their peak in summer 2001 (by about \$19.00 and \$10.00 per short ton, respectively). Other prices are also running higher than the summer 2000 baseline: by 38% for the Uinta Basin, 20% for the Illinois Basin, and 60% for the Powder River Basin.

[more...](#)

### Latest U.S. Electricity Information

Diminishing hydro-electric generation availability and an increase in electricity demand has pushed Mid-Columbia spot electricity prices to a two-month high of \$21.15 per megawatthour. As the heat wave across the Northeast U.S. ended yesterday, prices at the New York Zone J, New York City, decreased 26 percent from \$80.00 per megawatthour on July 23 to \$59.50 per megawatthour on July 24. [more...](#)



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Contact:

Lowell Feld

**[lowell.feld@eia.doe.gov](mailto:lowell.feld@eia.doe.gov)**

Phone: Lowell Feld: (202) 586-9502

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 25, 2002)

West Texas Intermediate (WTI) September crude oil futures on the New York Mercantile Exchange (NYMEX), settled at \$26.87 per barrel yesterday (July 24, 2002), up 56 cents per barrel from Tuesday, as lower crude oil stocks and tighter product demand drove the market. EIA's data released yesterday showed a 3.7-million-barrel decline in crude stocks for the previous week, less than API's estimate of a 6-million-barrel decline, but still substantial. EIA showed gasoline stocks declining by 1.3 million barrels, indicating implied gasoline demand of 9.44 million barrels per day. In addition, two U.S. refineries are temporarily shut down for unplanned repairs and maintenance and some traders asserted that there was a small spillover-effect from huge gains on U.S. equity markets yesterday. NYMEX September crude oil futures were down slightly today, ten cents per barrel, to \$26.77 per barrel. There were reports today that OPEC may increase production quotas in the fourth quarter (see below).

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

- On Wednesday, ChevronTexaco Nigeria issued a statement that the force majeure on oil exports from the company's approximately 340,000-barrel-per-day Escravos export terminal will be lifted "very shortly." A fire on Saturday (7/20/02) damaged the facility.
- According to reports, a senior OPEC delegate said today that "Based on current market supply and demand, OPEC is expected to raise production when it meets in September." However, later in the day, according to another report, a senior Libyan OPEC source stated that no consensus had yet been reached.
- Data released on Wednesday in Japan and South Korea showed that crude oil imports in June 2002 were down 10% and 23%, respectively, from June 2001. "Domestic (oil product) demand is falling, so is demand from power utilities for direct burning," said Yuji Morita, manager of Japan's Institute of Energy Economics. In South Korea, a Samsung Securities analyst noted that "[O]il demand is slowing and will be limited as the government is encouraging diversification of energy sources, such as liquefied natural gas." Japan and South Korea are the world's second and fourth largest oil importers, respectively.
- As of July 25, 2002, the U.S. Strategic Petroleum Reserve (SPR) contained 577.9 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](mailto: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

(updated July 25, 2002)

### Refinery Inputs and Production

U.S. crude oil refinery inputs averaged 15.4 million barrels per day during the week ending July 19, a slight decline from the average in the previous week. A decrease in PADD III (Gulf Coast) crude oil refinery inputs more than made up for slight increases 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, which is almost exactly the amount averaged last year at this time. Total distillate fuel, motor gasoline, and jet fuel refinery production all declined from the previous week's average.

### Petroleum Imports

U.S. crude oil imports increased, albeit by less than 100,000 barrels per day, for the second week in a row, and the first consecutive weekly increases since the weeks ending April 19 and April 26. During the most recent four weeks, crude oil imports have averaged 9.1 million barrels per day, or nearly 300,000 barrels per day less than during the same four-week period last year. After averaging about 640,000 barrels per day during the previous two weeks, total motor gasoline imports (including both finished gasoline and gasoline blending components) averaged nearly 1.1 million barrels per day, returning to historically high levels reached in late June.

### Petroleum Inventories

Even with an increase in U.S. crude oil imports, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) fell by 3.7 million barrels last week, and are now about where they were a year ago. U.S. crude oil inventories are now well within the bottom half of the normal range for this time of year. Even with substantial imports last week, motor gasoline inventories dropped by 0.6 million barrels, and are 1.0 million barrels below year-ago levels. Distillate fuel inventories also declined, falling by 0.2 million barrels, with a 1.3 million barrel drop in low-sulfur (often referred to as diesel fuel) more than making up for a 1.1 million barrel increase in high-sulfur distillate fuel (often referred to as heating oil). Total commercial petroleum inventories are now 7.8 million barrels above year-ago levels.

### Petroleum Demand

Total product supplied over the last four-week period has averaged 19.6 million barrels per day or about 1.1 percent less than the high level last year, slightly reversing positive year-over-year growth in May and June. Motor gasoline demand has averaged 1.7 percent above last year's level over the last four weeks, while distillate fuel demand now is 0.1 percent below last year's level. Jet fuel demand over the last four weeks has been 8.4 percent less than during the same period a year ago.

### Crude Oil Spot Prices

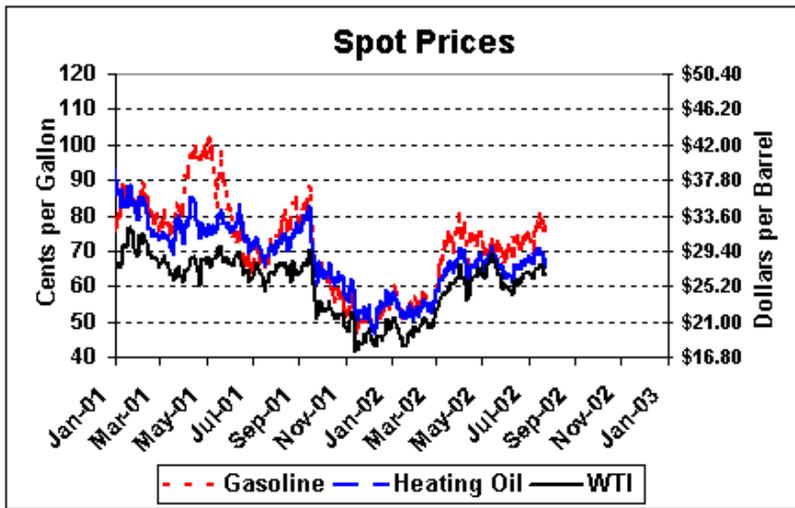
The average world crude oil price on July 19, 2002 was \$25.19 per barrel, up \$0.79 from the previous week and \$2.39 more than last year. WTI was \$27.83 per barrel on July 19, 2002, \$0.35 more than last week and \$2.16 more than last year. The spot price for conventional gasoline in the New York Harbor was 78.85 cents per gallon, 0.65 cent more than last week and 11.85 cents higher than a year ago. The spot price for low sulfur diesel fuel in the New York Harbor was 70.45 cents per gallon, 0.37 cent below last week but 0.92 cent more than last year.

### Retail Gasoline and Diesel Prices

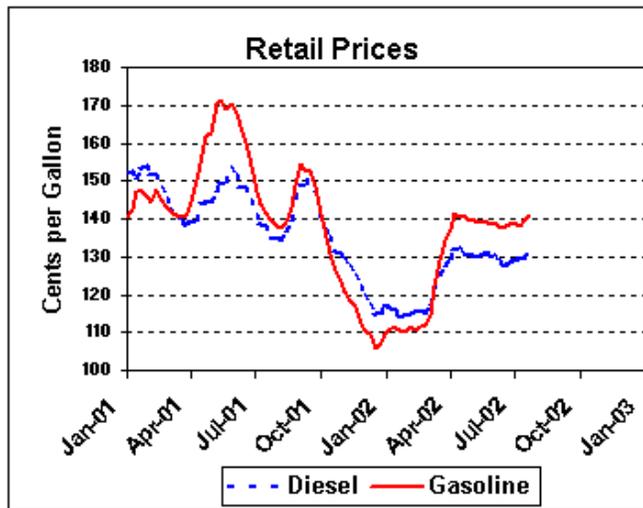
The U.S. average retail price for regular gasoline gained 1.6 cents per gallon last week, ending at 141.0 cents per gallon as of July 22. This price is 1.5 cents per gallon higher than last year, marking the first time this summer that 2002 prices were higher than 2001 prices. It is also the largest increase since April 8. Retail gasoline prices were mostly up throughout the country, with the largest increase occurring in the Rocky Mountain region, where prices rose 5.5 cents per gallon to end at 145.5 cents per gallon. Large price increases were also seen on the East Coast, where Central Atlantic prices rose 3.1 cents to end at 142.0 cents per gallon. Prices fell by 0.8 cent per gallon on the West Coast, ending at 154.1 cents per gallon. Prices had remained relatively flat over the past few months, but prices have begun to gradually creep up over the past few weeks. There is still potential for price increases before Labor Day if we see price pressure on crude oil, a sustained drop in gasoline imports, steady or rising gasoline demand, or a decrease in refinery output. Retail diesel fuel prices increased by 1.1 cents per gallon to a national average of 131.1 cents per gallon as of July 22.

## U.S. Petroleum Prices

(updated July 25, 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             | US Average |                   |        |
|           | Cushing       |         | NYH              |         | NYH              |         | NYH     | Mt. Belvieu      | Conway     | Gasoline          | Diesel |
|           | \$/bbl        | \$/bbl  | cents per gallon |         | cents per gallon |         | c/gal   | cents per gallon |            | cents per gallon  |        |
| 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  |
| 7/16/2002 | \$27.68       | \$27.75 | 79.95            | 84.53   | 69.99            | 71.09   | 73.04   | 37.19            | 34.88      |                   |        |
| 7/17/2002 | \$27.88       | \$27.88 | 80.43            | 84.84   | 70.08            | 70.98   | 73.13   | 36.75            | 34.88      |                   |        |
| 7/18/2002 | \$27.50       | \$27.57 | 78.25            | 83.35   | 69.43            | 70.18   | 72.81   | 37.44            | 34.88      |                   |        |
| 7/19/2002 | \$27.83       | \$27.83 | 78.85            | 83.86   | 69.45            | 70.14   | 73.10   | 37.13            | 35.25      |                   |        |
| 7/22/2002 | \$26.61       | \$26.60 | 76.13            | 81.14   | 66.60            | 67.11   | 70.38   | 37.13            | 35.13      | 141.0             | 131.1  |
| 7/23/2002 | \$26.61       | \$26.31 | 75.38            | 79.52   | 65.40            | 65.85   | 69.18   | 37.07            | 35.13      |                   |        |
| 7/24/2002 | \$26.78       | \$26.87 | 77.48            | 82.33   | 67.15            | 67.60   | 71.20   | 37.38            | 35.00      |                   |        |

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

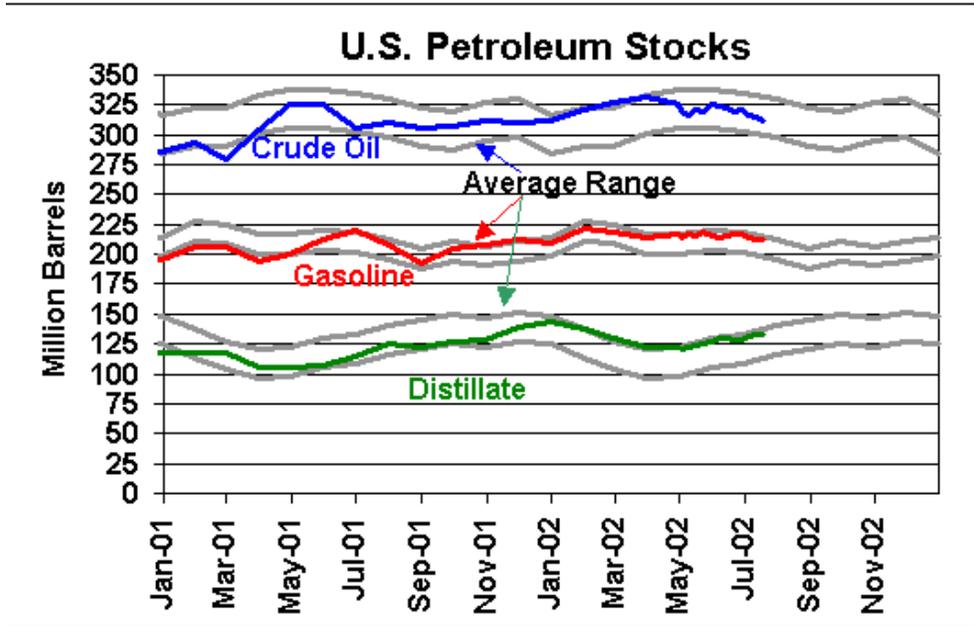
## Energy Situation Analysis Report

### U.S. Petroleum Supply

| (Thousand Barrels per Day)        | Four Weeks Ending |               | vs. Year Ago |              |
|-----------------------------------|-------------------|---------------|--------------|--------------|
|                                   | 7/19/2002         | 7/19/2001     | Diff.        | % Diff.      |
| <b>Refinery Activity</b>          |                   |               |              |              |
| Crude Oil Input                   | 15,487            | 15,469        | 18           | 0.1%         |
| Operable Capacity                 | 16,800            | 16,650        | 151          | 0.9%         |
| Operable Capacity Utilization (%) | 93.4%             | 94.5%         | -1.1%        |              |
| <b>Production</b>                 |                   |               |              |              |
| Motor Gasoline                    | 8,554             | 8,537         | 17           | 0.2%         |
| Jet Fuel                          | 1,537             | 1,634         | -97          | -6.0%        |
| Distillate Fuel Oil               | 3,707             | 3,789         | -82          | -2.2%        |
| <b>Imports</b>                    |                   |               |              |              |
| Crude Oil (incl. SPR)             | 9,099             | 9,392         | -293         | -3.1%        |
| Motor Gasoline                    | 849               | 753           | 96           | 12.7%        |
| Jet Fuel                          | 80                | 140           | -60          | -43.0%       |
| Distillate Fuel Oil               | 210               | 242           | -32          | -13.3%       |
| <b>Total</b>                      | <b>11,202</b>     | <b>11,750</b> | <b>-548</b>  | <b>-4.7%</b> |
| <b>Exports</b>                    |                   |               |              |              |
| Crude Oil                         | 30                | 12            | 18           | 141.4%       |
| Products                          | 947               | 901           | 46           | 5.1%         |
| <b>Total</b>                      | <b>977</b>        | <b>914</b>    | <b>63</b>    | <b>6.9%</b>  |
| <b>Products Supplied</b>          |                   |               |              |              |
| Motor Gasoline                    | 9,054             | 8,904         | 150          | 1.7%         |
| Jet Fuel                          | 1,611             | 1,760         | -149         | -8.5%        |
| Distillate Fuel Oil               | 3,596             | 3,601         | -5           | -0.1%        |

|                     |               |               |             |              |
|---------------------|---------------|---------------|-------------|--------------|
| Jet Fuel            | 1,611         | 1,760         | -149        | -8.5%        |
| Distillate Fuel Oil | 3,596         | 3,601         | -5          | -0.1%        |
| <b>Total</b>        | <b>19,564</b> | <b>19,791</b> | <b>-227</b> | <b>-1.1%</b> |

| Stocks (Million Barrels) | vs. Year Ago   |                |            |             |
|--------------------------|----------------|----------------|------------|-------------|
|                          | 7/19/2002      | 7/19/2001      | Diff.      | % Diff.     |
| Crude Oil (excl. SPR)    | 311.3          | 310.9          | 0.4        | 0.1%        |
| Motor Gasoline           | 212.6          | 213.6          | -1.0       | -0.5%       |
| Jet Fuel                 | 40.0           | 42.7           | -2.7       | -6.3%       |
| Distillate Fuel Oil      | 133.3          | 120.4          | 12.9       | 10.7%       |
| <b>Total (excl. SPR)</b> | <b>1,030.4</b> | <b>1,022.6</b> | <b>7.8</b> | <b>0.8%</b> |



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

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Contact:  
 Doug MacIntyre  
[douglas.macintyre@eia.doe.gov](mailto:douglas.macintyre@eia.doe.gov)  
 Phone: Doug MacIntyre : (202) 586-1831  
 Fax: (202) 586-9753

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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.

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

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

| <b>Top World Oil Net Exporters, 2001*</b> |                      |  |
|---|----------------------|--|
|   | <b>Country</b>       | <b>Net Exports (million barrels per day)</b> |
| 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   |

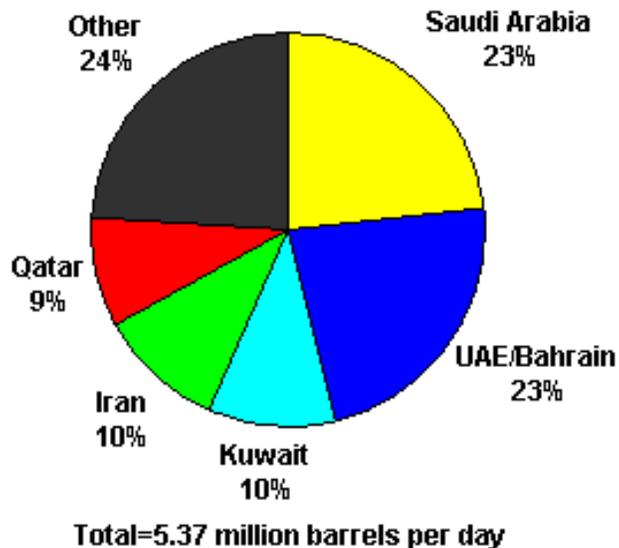
|     |         |      |
|-----|---------|------|
| 8)  | Iraq    | 2.00 |
| 9)  | Kuwait  | 1.80 |
| 10) | Mexico  | 1.65 |
| 11) | Libya   | 1.24 |
| 12) | Algeria | 1.24 |

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

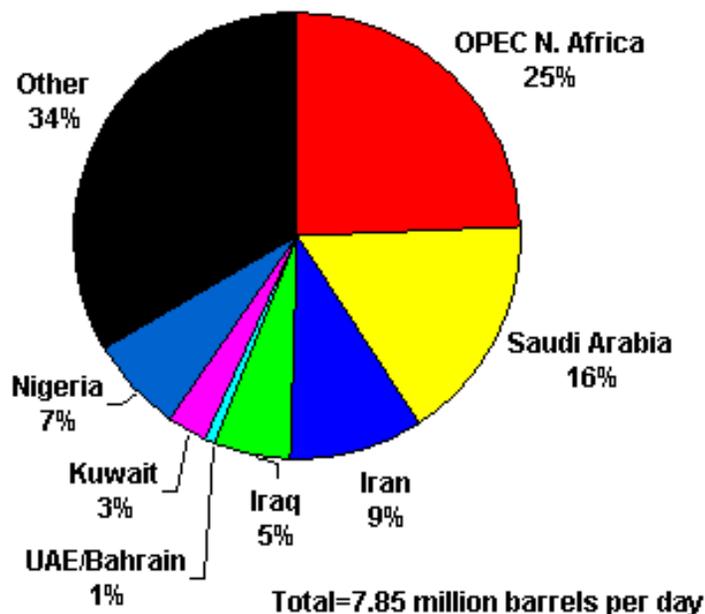
During 2001, about 48% of U.S. crude oil imports came from the Western Hemisphere (19% from South America, 15% from Mexico, 14% from Canada), while 30% came from the Persian Gulf region (18% from Saudi Arabia, 9% from Iraq, 3% from Kuwait).

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](mailto: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 25, 2002)

### Industry/Market Developments

*MMS Issues Final Notice of Western Gulf Lease Sale:* The Minerals Management Service (MMS) will offer several incentives to increase domestic oil and gas production in its upcoming Western Gulf of Mexico lease sale on August 21. For Sale 184, MMS has introduced an incentive that applies to shallow-water deep gas production. A lease in less than 200 meters of water that begins production from a new deep gas reservoir (15,000 feet or greater subsea) within 5 years will receive a royalty suspension on gas production up to 20 billion cubic feet. Royalty relief will be granted to both oil and gas production in water depths of 400 meters or deeper. MMS said royalties will be suspended for volumes up to 5 million barrels of oil equivalent (BOE) in water depths of 400 to 799 meters; volumes up to 9 million BOE in water depths of 800 meters to 1,599 meters; and volumes up to 15 million BOE in water depths of 1,600 meters and deeper. For the lease sale, MMS also adopted several new provisions to safeguard protected species, including a requirement that all aircraft used in operations avoid low flying near brown pelican or whooping crane areas.

*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.

### Storage

Working gas in storage was 2,486 Bcf as of Friday, July 19, 2002, according to the EIA Weekly Natural Gas Storage Report. This is 17 percent above the 5-year average for this point in the refill season and almost 16 percent above the level last year for the same week. The implied net change was 64 Bcf, which is roughly 3 percent below the 5-year average weekly change of 66 Bcf for the report week.

| <b>All Volumes in Bcf</b> | <b>Current Stocks<br/>7/19/2002</b> | <b>Estimated<br/>Prior 5-year<br/>(1997-2001)<br/>Average</b> | <b>Percent<br/>Difference<br/>from 5-Year<br/>Average</b> | <b>Implied<br/>Net<br/>Change<br/>from Last<br/>Week</b> | <b>One-<br/>Week<br/>Prior<br/>Stocks<br/>7/12/2002</b> |
|---------------------------|-------------------------------------|---|---|--|---|
| <b>East Region</b>        | 1,345                               | 1,221   | 10.2%   | 49   | 1,296   |
| <b>West Region</b>        | 342                                 | 290   | 17.9%   | 4  | 338   |
| <b>Producing Region</b>   | 799                                 | 610   | 31.0%   | 11   | 788   |
| <b>Total Lower 48</b>     | 2,486                               | 2,121   | 17.2%   | 64   | 2,422   |

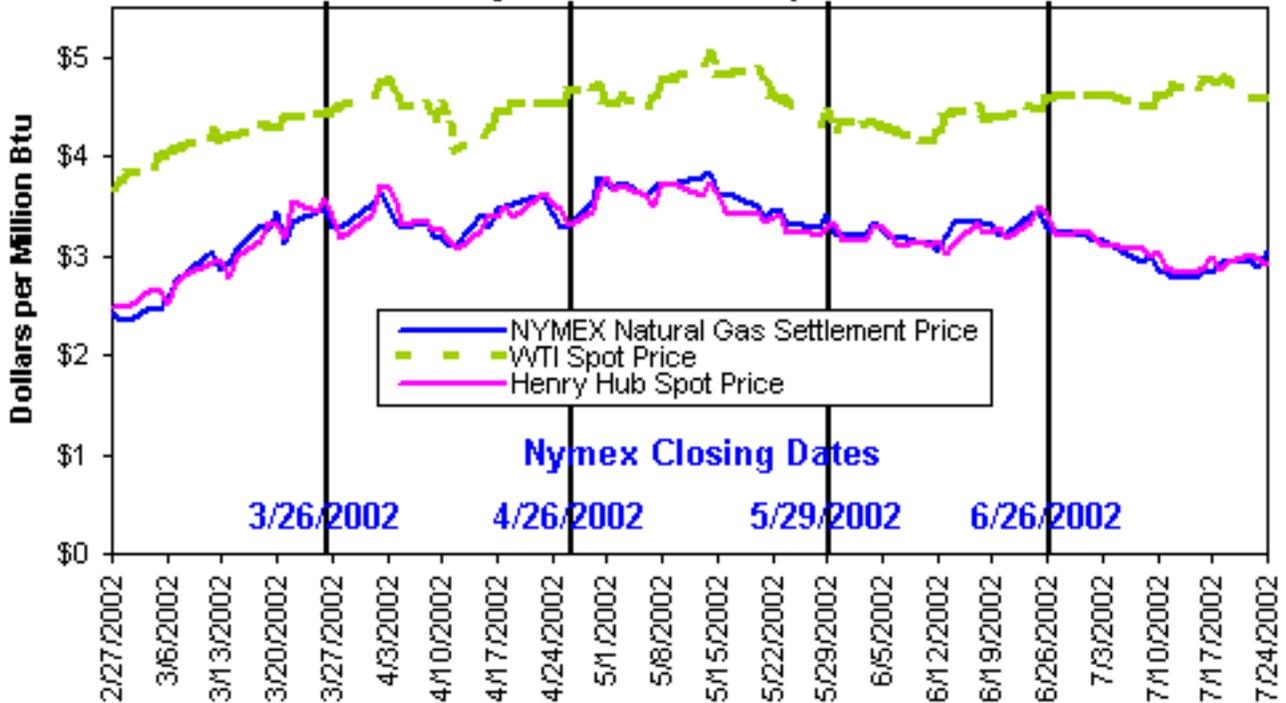
*Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database.*

### Prices:

Spot prices increased late last week on the strength of high cooling demand, but have declined this week. Moderating temperatures since Monday, July 22, led to price declines ranging between 5 and 15 cents per MMBtu.

At the NYMEX, the price of the futures contract for August delivery at the Henry Hub climbed by over 20 cents during the week to settle at \$3.042 per MMBtu on Wednesday, July 24. This is the highest price for the August futures contract since July 3, 2002. Most of the increase for the week occurred yesterday (July 24) when the price of the August contract gained more than 15 cents.

### 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> | <b>California Composite</b> |                  |                      |                | <b>NYMEX futures contract-August delivery</b> | <b>NYMEX futures contract-September delivery</b> |
|--|-----------------------------|------------------|----------------------|----------------|---|--|
|  | <b>Average Price*</b>       | <b>Henry Hub</b> | <b>New York City</b> | <b>Chicago</b> |   |  |
| 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  |
| 7/16/2002                                      | 2.69                        | 2.89             | 3.59                 | 2.88           | 2.863   | 2.892  |
| 7/17/2002                                      | 2.76                        | 2.98             | 3.86                 | 2.97           | 2.841   | 2.862  |
| 7/18/2002                                      | 2.71                        | 2.86             | 3.26                 | 2.80           | 2.943   | 2.950  |
| 7/19/2002                                      | 2.74                        | 2.95             | 3.26                 | 2.88           | 2.933   | 2.944  |
| 7/22/2002                                      | 2.86                        | 3.01             | 3.68                 | 2.97           | 2.947   | 2.965  |
| 7/23/2002                                      | 2.75                        | 2.96             | 3.27                 | 2.91           | 2.889   | 2.895  |
| 7/24/2002                                      | 2.70                        | 2.91             | 3.26                 | 2.86           | 3.042   | 3.040  |

\* 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](mailto: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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## 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 25, 2002)

### Coal Production

For the week ending July 20, rail car loadings of coal were down 6.6% while national [coal production](#) was 11.0% lower, compared to year-ago levels. Year-to-date, western U.S. coal production is 2.0% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 6.4% below last year's level. The estimated production for the first six months of 2002 was 540.4 million short tons (mst), 3.8% lower than the 561.9 mst in the first six months of 2001.

Lower production at this time results from large coal stockpiles at mines and at consuming facilities due to slowed economic activity and an extended spring period of low seasonal demand at many electric power plants. EIA estimates that coal stockpiled in the electric power sector at the end of March was 35.1% higher than in March 2001. In the first and second quarters of 2002, coal production exceeded coal use and consequently stockpiles built up much above planned levels. 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. The stock rundown (and its dampening impact on production) will continue until coal stockpiles attain normal levels.

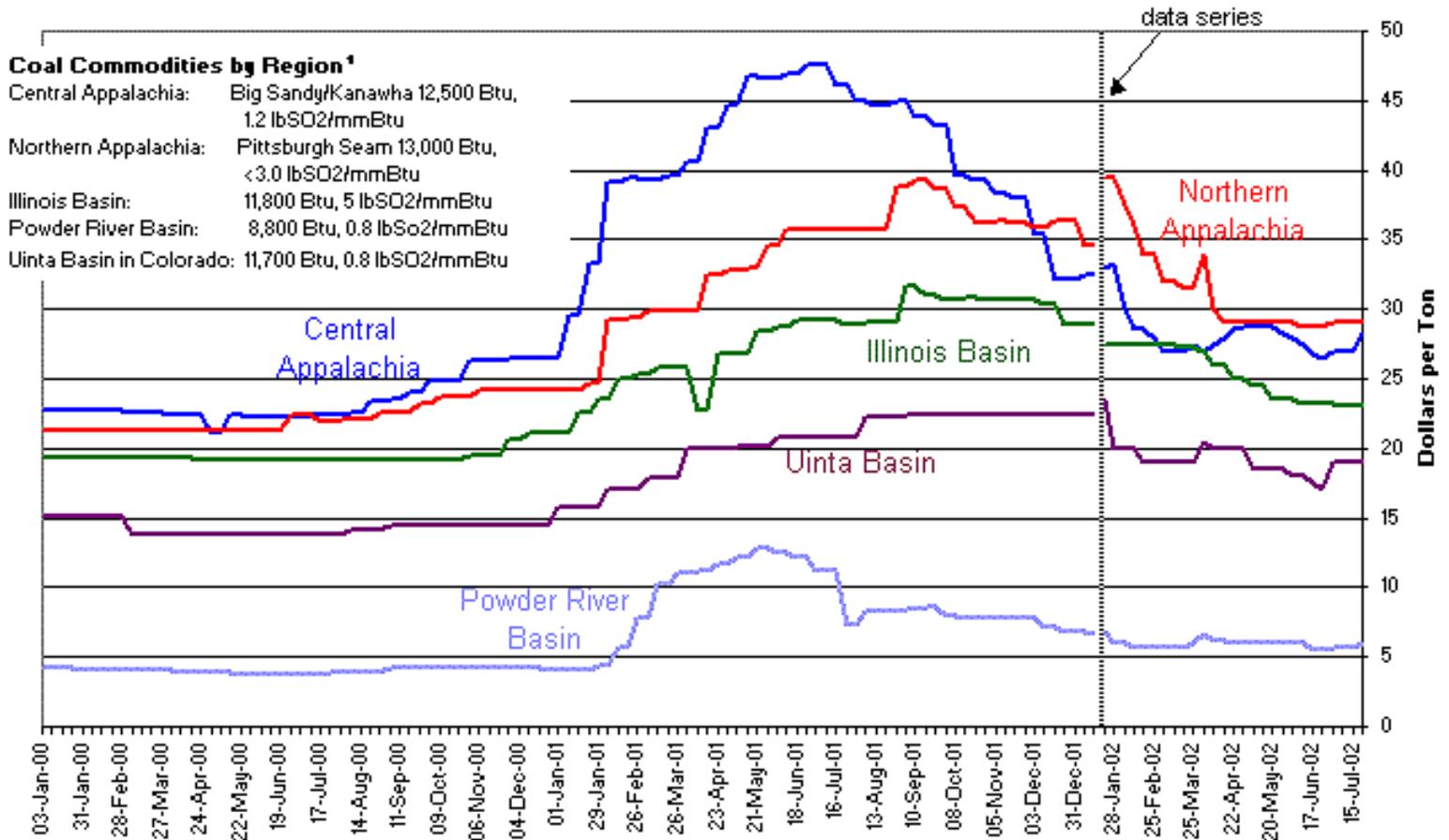
It appears that there is about a 30 million ton overhang in the supply chain, so it may take several months of curtailed production to reduce the excess producer and distributor stocks. With warmer-than-normal temperatures in most of the country during the past month or more, some coal industry investors are optimistic that higher burn rates may reduce coal stockpiles to normal levels by September, according to analyst Bradley Keoun at Bloomberg.net.

### Coal Prices (updated July 23, 2002)

Over the past 4 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 3 weeks ago and then began to hold steady. During the week ending July 20, the indexed Central Appalachian average coal price rose again, this time by \$1.25 per short ton. 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 \$19.00 and \$10.00 per short ton, respectively). The latest indexed spot prices, \$28.25 per short ton for Central Appalachian and \$29.00 per short ton for Northern Appalachian coal, are respectively 27% 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 60% for the Powder River Basin.

### Average Weekly Coal Commodity Spot Prices



<sup>1</sup>Prior 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"

Over-the-counter (OTC) trading volumes on the [NYMEX](#) during the week of the July 4 holiday were very low, with only five transactions during the week, which settled at \$27.50. Since then, prices have continued to rise steadily—reaching \$27.80 on July 12, \$28.25 on July 15, and \$29.00 from July 19 through 24, but with no takers since a mere 15 contracts settled on the 19th.

### Coal Mining Legal Issues

Two legal rulings earlier this year that relate to coal mining practices have gained much attention and have the potential to lessen future productive capacity. The near-term effect of a March 28, 2002, ruling by U.S. District Judge James Robertson would be to halt mining that causes subsidence at the ground surface. This ruling could adversely affect future "longwall" mining, which is an important and efficient means to mine large volumes from deep-seated coal deposits. U.S. District Judge Charles H. Haden issued a far-reaching ruling on May 8, 2002, which prohibits further permitting of "valley fills" in surface mining operations. This ruling would be especially limiting to the "mountaintop removal" method of large-scale coal mining that is widely used in West Virginia to lower mining costs and produce competitively priced coal, including some low-sulfur coals. Both rulings are under appeal.

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Contact:

Bill Watson and Rich Bonskowski

[william.watson@eia.doe.gov](mailto:william.watson@eia.doe.gov)

[richard.bonskowski@eia.doe.gov](mailto: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 25, 2002)

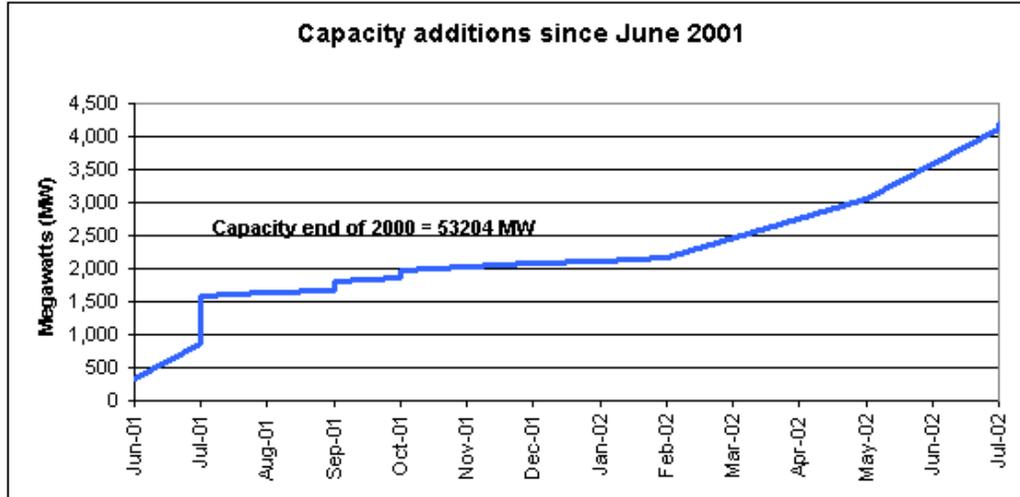
**Selected Wholesale Electricity Prices:** Diminishing hydro-electric generation availability and an increase in electricity demand has pushed Mid-Columbia spot electricity prices to a two-month high of \$21.15 per megawatthour. According to information reported in the Bloomberg Power Lines, data from the U.S. Army Corp of Engineers shows electricity output at the Grand Coulee Dam fell by 11.4 percent on July 24. The dam was only able to produce 3,790 megawatts as inflows dropped by almost 10,000 cubic feet per second. In California and the southwest, electricity prices continued to decline on moderate demand and an expected boost in north-to-south transmission capabilities.

Prices at the Cinergy Trading Center have been falling since July 19 as cooler weather in the region has reduced electricity demand. Prices at Cinergy since peaking on July 19 at \$41.89 per megawatthour have fallen to \$34.50 per megawatthour on July 24.

As the heat wave across the Northeast U.S. ended yesterday, electricity prices across the area dropped for the first time in several days. Prices at the New York Zone J, New York City, decreased 26 percent from \$80.00 per megawatthour on July 23 to \$59.50 per megawatthour on July 24. Prices at the PJM West decreased 48 percent from \$61.33 per megawatthour on July 23 to \$31.99 per megawatthour on July 24.

Over the past seven days, the average price at all trading centers has ranged between \$33.23 per megawatthour and \$41.62 per megawatthour.

**California Capacity Update:** In response to the electricity shortage crisis in the summer of 2001, the state of California has increased its available generation capacity by almost 4,000 megawatts (see accompanying chart). In 2001, the California Independent System Operator issued approximately 170 emergency declarations, requiring voluntary conservation of electricity and in a few cases rolling blackouts. So far in 2002, the California Independent System Operator has issued three emergency declarations with no rolling blackouts required. The increased generation capacity and the generally more favorable weather has contributed to the decrease in emergency declarations in 2002.



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

| Trading Centers         | Date    |         |         |         |         |         |         | Price Range |       |         |
|-------------------------|---------|---------|---------|---------|---------|---------|---------|-------------|-------|---------|
|                         | 7/16/02 | 7/17/02 | 7/18/02 | 7/19/02 | 7/22/02 | 7/23/02 | 7/24/02 | Max         | Min   | Average |
| <b>COB</b>              | 13.63   | 26.75   | 17.75   | 22.50   | 21.70   | 21.70   | 23.32   | 26.75       | 13.63 | 21.05   |
| <b>Palo Verde</b>       | 35.81   | 39.55   | 34.99   | 43.57   | 37.72   | 37.72   | 32.49   | 43.57       | 32.49 | 37.41   |
| <b>Mid-Columbia</b>     | 5.31    | 5.25    | 5.94    | 14.49   | 17.75   | 17.75   | 21.15   | 21.15       | 5.25  | 12.52   |
| <b>Mead/Marketplace</b> | 39.46   | 45.46   | 41.32   | 48.86   | 40.50   | 40.50   | 33.94   | 48.86       | 33.94 | 41.43   |
| <b>4 Corners</b>        | 37.25   | 42.63   | 37.47   | 43.00   | 40.42   | 40.42   | 33.70   | 43.00       | 33.70 | 39.27   |
| <b>NP 15</b>            | 28.13   | 33.42   | 29.43   | 33.23   | 31.35   | 31.35   | 29.02   | 33.42       | 28.13 | 30.85   |
| <b>SP 15</b>            | 32.42   | 36.97   | 33.31   | 40.21   | 36.00   | 36.00   | 32.28   | 40.21       | 32.28 | 35.31   |
| <b>PJM West</b>         | 57.72   | 57.79   | 43.25   | 49.60   | 61.33   | 61.33   | 31.99   | 61.33       | 31.99 | 51.86   |
| <b>NEPOOL</b>           | 46.64   | 45.50   | 34.45   | 45.67   | 52.60   | 52.60   | 33.68   | 52.60       | 33.68 | 44.45   |
| <b>New York Zone J</b>  | 78.50   | 82.70   | 60.00   | 73.38   | 80.00   | 80.00   | 59.50   | 82.70       | 59.50 | 73.44   |
| <b>Cinergy</b>          | 40.25   | 34.41   | 30.38   | 41.89   | 38.48   | 38.48   | 34.50   | 41.89       | 30.38 | 36.91   |
| <b>Average Price</b>    | 37.74   | 40.95   | 33.48   | 41.49   | 41.62   | 41.62   | 33.23   | 41.62       | 33.23 | 38.59   |

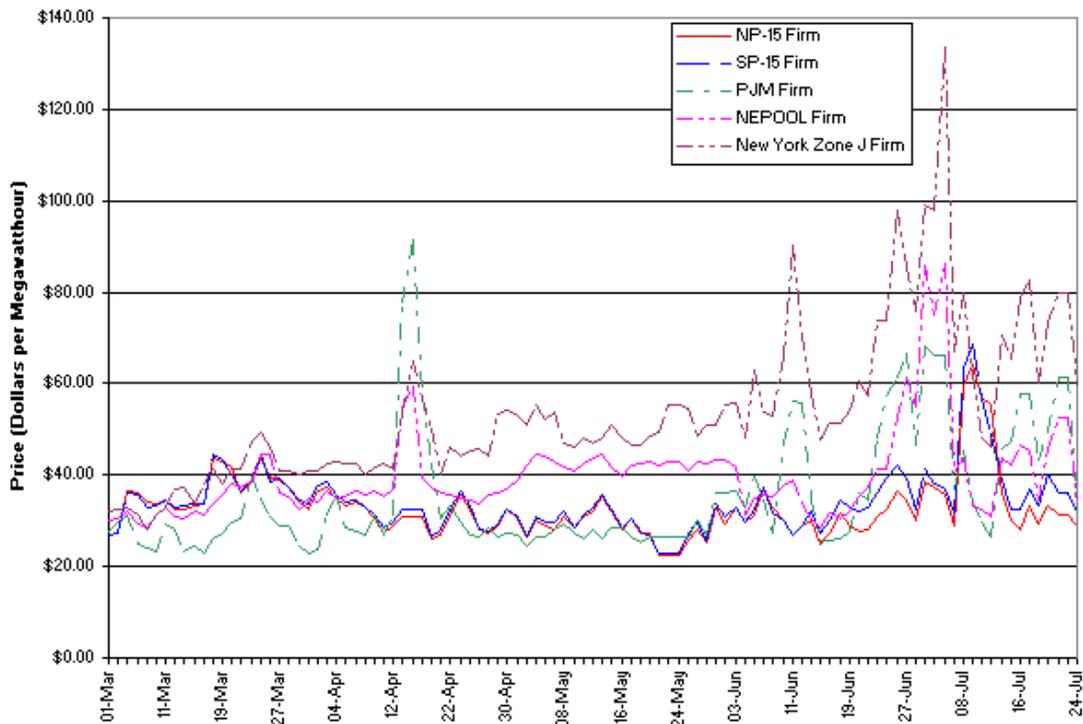
**Sources:** COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West, NEPOOL, New York Zone J, and Cinergy trading centers. Used with permission from Bloomberg L.P. ([www.bloomberg.com](http://www.bloomberg.com)).

**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](mailto: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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