

Energy Situation Analysis Report

Last Updated: July 30, 2002

Next Update: August 1, 2002

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Latest Oil Market Developments

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Latest U.S. Weekly EIA Petroleum Information

The U.S. average retail price for regular gasoline fell 0.3 cent per gallon last week, ending at 140.7 cents per gallon as of July 29. [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

After ending trading on Friday, July 26, down at most markets, spot prices moved up on Monday, July 29, at virtually all market locations in the eastern two-thirds of the country. At the NYMEX, the contract for August delivery closed on Monday at \$2.976 per MMBtu--\$0.26 per MMBtu below the price it began trading at (\$3.236 per MMBtu) as the near-month contract on June 27. Spot prices at New York City closed at \$4.71 per MMBtu Monday, up \$1.29 per MMBtu. [more...](#)

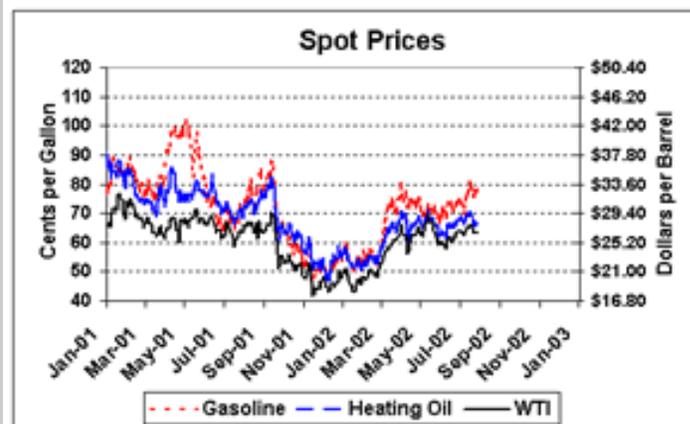
Latest U.S. Coal Information

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

Energy Prices*

Petroleum Futures	7/29/02	7/26/02	Change
WTI (\$/Bbl)	26.55	26.54	+0.01
Gasoline (c/gallon)	83.16	82.21	+0.95
Heating Oil (c/gallon)	66.60	66.75	-0.15
Natural Gas (\$/MMBtu)			
Henry Hub	3.06	2.94	+0.12
California	2.86	2.77	+0.09
New York City	4.71	3.42	+1.29
Electricity (\$/Megawatthour)			
COB	19.50	23.38	-3.88
PJM West	111.77	80.08	+31.69
NEPOOL	104.00	62.25	+41.75
Average	55.52	46.49	+9.03

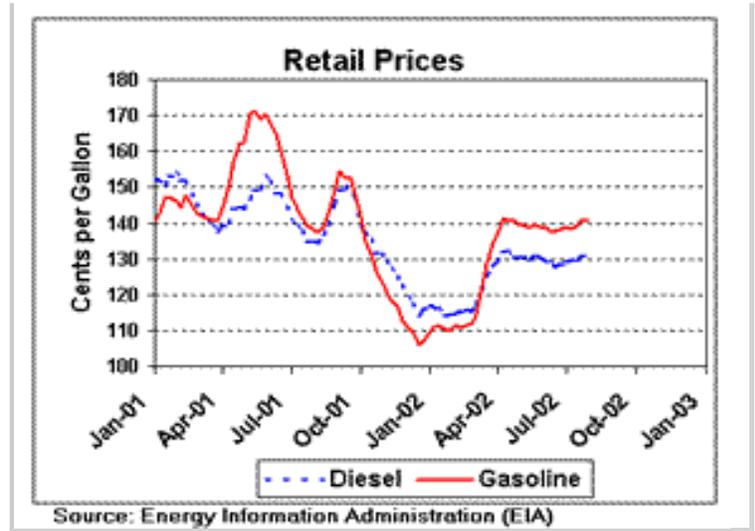
[*Definitions](#)



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

Prices in the Northeast have increased above the \$100.00 per megawatthour barrier as hot weather has returned to the region after a two-day respite. New England experienced the largest percentage increase in prices over the weekend, from \$62.25 on July 26 to \$104.00 per megawatthour on July 29, a 67 percent increase. The highest price, however, on July 29 was reached in New York City at \$125.00 per megawatthour. [more...](#)



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Latest Oil Market Developments

(updated July 30, 2002)

West Texas Intermediate (WTI) September crude oil futures on the New York Mercantile Exchange (NYMEX), settled at \$26.55 per barrel yesterday (July 29, 2002), up one cent per barrel from Friday. NYMEX crude oil futures prices rose in early trading on Tuesday, on market expectations of lower U.S. crude oil stocks and concerns over possible supply disruptions involving Iraq and Kuwait, sparked by a media report that Iraqi forces had moved closer to the border with Kuwait. A spokesman for the United Nations peacekeeping force in Kuwait later said there was no sign of an Iraqi buildup near the border.

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

- PdVSA chief financial officer Luis Davila said Monday that the Venezuelan state-owned oil company is complying with its OPEC oil production quotas despite widespread concern it is overproducing. Davila said PdVSA's planned 2002 exports of 2.443 million barrels per day includes roughly 350,000 barrels per day of natural gas liquids and condensate, which are not counted as part of its OPEC quota.
- On Friday, a senior executive of the Nigerian National Petroleum Corporation (NNPC) said that other producing oilfields in Nigeria had raised production sufficiently to compensate for the loss of production from the fire July 20 at the Escravos export terminal.
- Also on Friday, the consulting firm Petrologistics released a report that said compliance with OPEC output quotas had weakened in July. In a preliminary report, Petrologistics estimated that output for the ten OPEC members with quotas was up 0.4 million barrels per day from 23.2 million barrels per day in June.
- As of July 30, 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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Latest U.S. Weekly EIA Petroleum Information

(updated July 30, 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 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

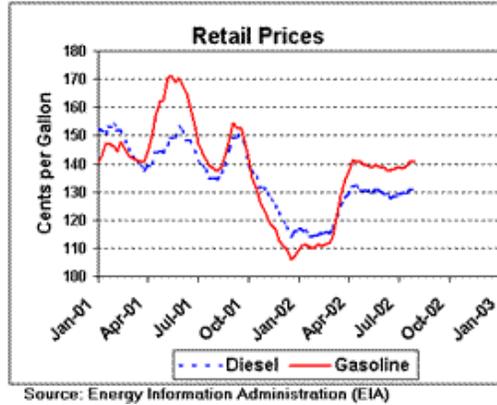
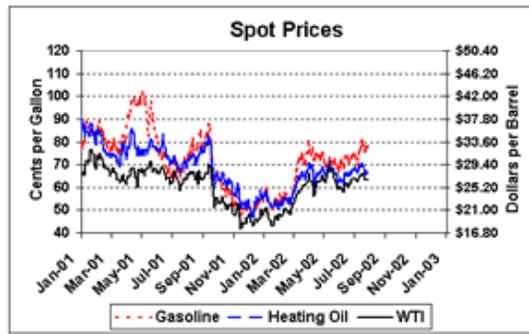
The average world crude oil price on July 26, 2002 was \$24.50 per barrel, down \$0.69 from the previous week but \$1.70 more than last year. WTI was \$26.55 per barrel on July 26, 2002, \$1.28 less than last week and \$0.19 less than last year. The spot price for conventional gasoline in the New York Harbor was 77.34 cents per gallon, 1.51 cents less than last week but 4.27 cents higher than a year ago. The spot price for low sulfur diesel fuel in the New York Harbor was 67.15 cents per gallon, 3.30 cents below last week and 3.55 cents less than last year.

Retail Gasoline and Diesel Prices

The U.S. average retail price for regular gasoline fell 0.3 cent per gallon last week, ending at 140.7 cents per gallon as of July 29. This price is 2.3 cents per gallon higher than last year, marking the second week in a row this summer that 2002 prices were higher than 2001 prices. Retail gasoline price changes were mixed throughout the country, with the largest increase occurring in New England, where prices rose 1.1 cents per gallon to end at 142.9 cents per gallon. A price increase was also seen in the Rocky Mountain region where prices gained 0.8 cent to end at 146.3 cents per gallon. The largest price decrease occurred in California, where prices fell 1.3 cents to end at 157.8 cents per gallon. While prices have remained relatively flat this summer, we have seen some upward pressure in 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 0.8 cent per gallon to a national average of 130.3 cents per gallon as of July 29.

U.S. Petroleum Prices

(updated July 30, 2002)



Crude Oil and Oil Products Price Table

Date	WTI Crude Oil		Gasoline		Heating Oil		Kerojet	Propane		EIA Weekly Retail US Average	
	Spot	Futures	Spot	Futures	Spot	Futures	Spot	Spot	Spot	Gasoline	Diesel
	Cushing		NYH		NYH		NYH	Mt. Belvieu	Conway		
	\$/bbl	\$/bbl	cents per gallon		cents per gallon		c/gal	cents per gallon		cents per gallon	
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		

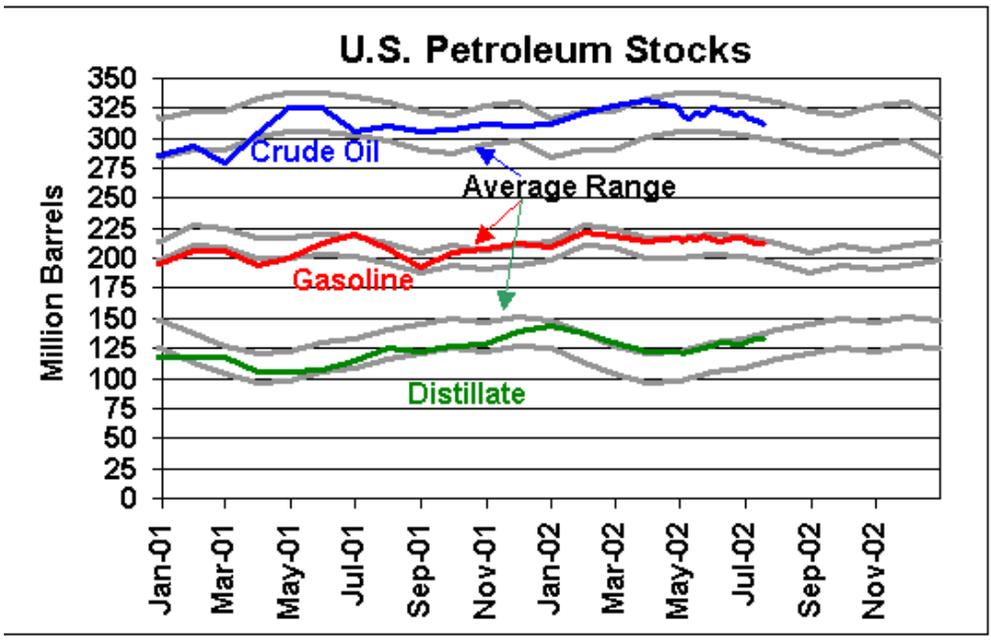
<u>7/22/2002</u>	\$26.61	\$26.60	76.13	81.14	66.60	67.11	70.38	37.13	35.13	141.0	131.1
<u>7/23/2002</u>	\$26.61	\$26.31	75.38	79.52	65.40	65.85	69.18	37.07	35.13		
<u>7/24/2002</u>	\$26.78	\$26.87	77.48	82.33	67.15	67.60	71.20	37.38	35.00		
<u>7/25/2002</u>	\$26.67	\$26.77	77.15	82.24	66.55	67.41	71.40	37.38	35.00		
<u>7/26/2002</u>	\$26.55	\$26.54	77.34	82.21	66.13	66.75	70.88	37.44	35.57		
<u>7/29/2002</u>	\$26.54	\$26.55	78.66	83.16	66.30	66.60	71.40	37.57	36.07	140.7	130.3

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.
Refinery Activity				
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%	
Production				
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%
Imports				
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%
Total	11,202	11,750	-548	-4.7%
Exports				
Crude Oil	30	12	18	141.4%
Products	947	901	46	5.1%
Total	977	914	63	6.9%
Products Supplied				
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%
Total	19,564	19,791	-227	-1.1%
Stocks (Million Barrels)				
	7/19/2002	7/19/2001	vs. Year Ago	
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%
Total (excl. SPR)	1,030.4	1,022.6	7.8	0.8%



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

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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

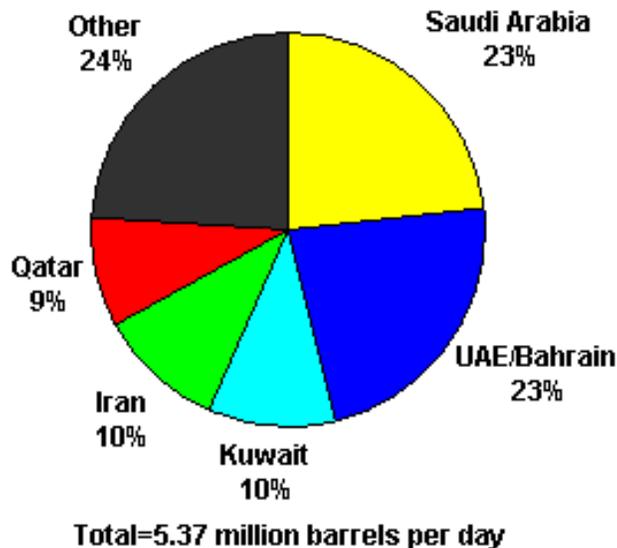
8)	Iraq	2.00
9)	Kuwait	1.80
10)	Mexico	1.65
11)	Libya	1.24
12)	Algeria	1.24

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

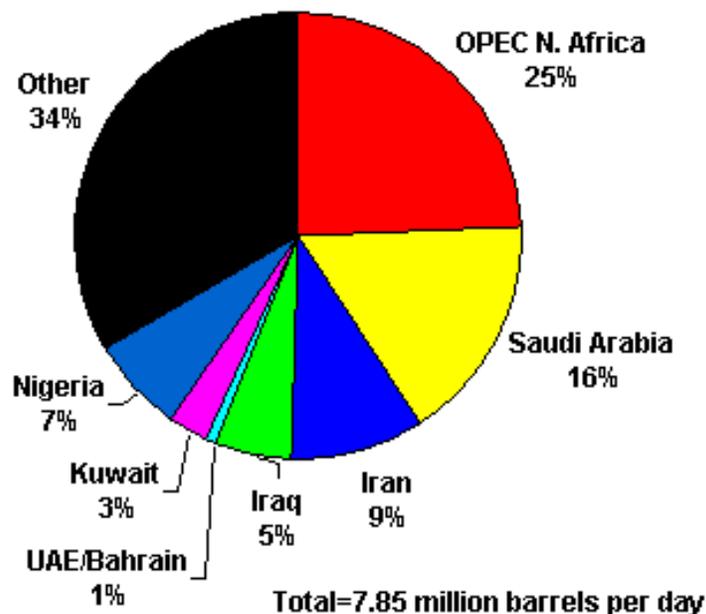
During 2001, about 48% of U.S. crude oil imports came from the Western Hemisphere (19% from South America, 15% from Mexico, 14% from Canada), while 30% came from the Persian Gulf region (18% from Saudi Arabia, 9% from Iraq, 3% from Kuwait).

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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Latest U.S. Weekly Natural Gas Information

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[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.

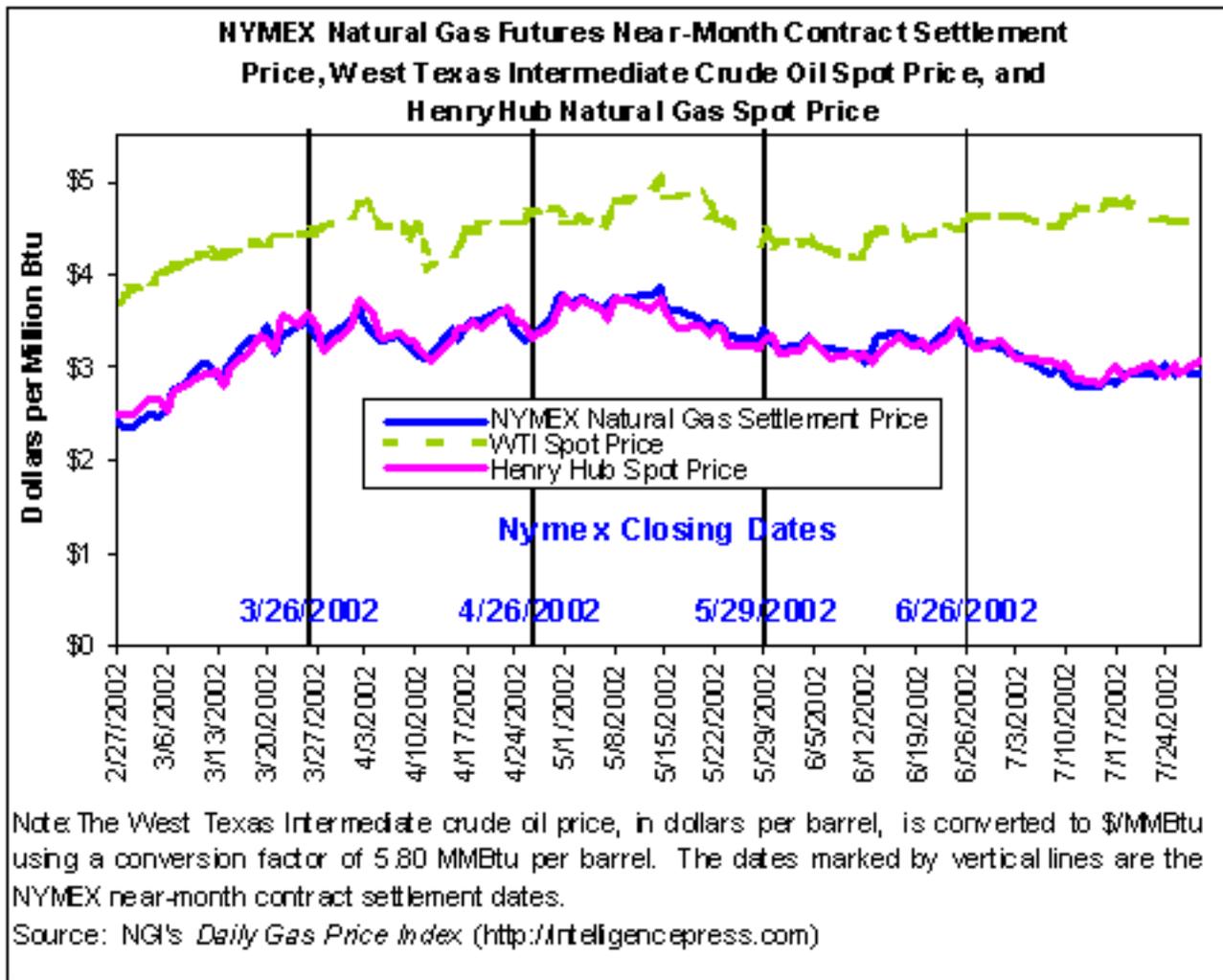
All Volumes in Bcf	Current Stocks 7/19/2002	Estimated Prior 5-year (1997-2001) Average	Percent Difference from 5-Year Average	Implied Net Change from Last Week	One- Week Prior Stocks 7/12/2002
East Region	1,345	1,221	10.2%	49	1,296
West Region	342	290	17.9%	4	338
Producing Region	799	610	31.0%	11	788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

After ending trading on Friday (7/26/02) down at most markets, spot prices moved up on Monday (7/29/02) at virtually all market locations in the eastern two-thirds of the country. This was especially the case in the Northeast where air conditioning demand increased in response to the hot humid weather, which arrived over the weekend. Prices at New York Zone-6 were reported to have reached a high of \$7.50 per MMBtu during Monday's trading and for the day averaged \$4.71 per MMBtu-\$1.29 higher than the previous Friday.

At the NYMEX, the contract for August delivery closed on Monday (7/29/02) at \$2.976 per MMBtu--\$0.26 per MMBtu below the price it began trading at (\$3.236 per MMBtu) as the near-month contract on June 27. The September contract, which begins trading as the near month contract today (7/30/02), settled at \$2.905 per MMBtu yesterday.



<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
6/27/2002	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
7/25/2002	2.83	3.03	3.44	3.04	2.902	2.888
7/26/2002	2.77	2.94	3.42	2.87	2.936	2.891
7/29/2002	2.86	3.06	4.71	3.00	2.976	2.905

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

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

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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.

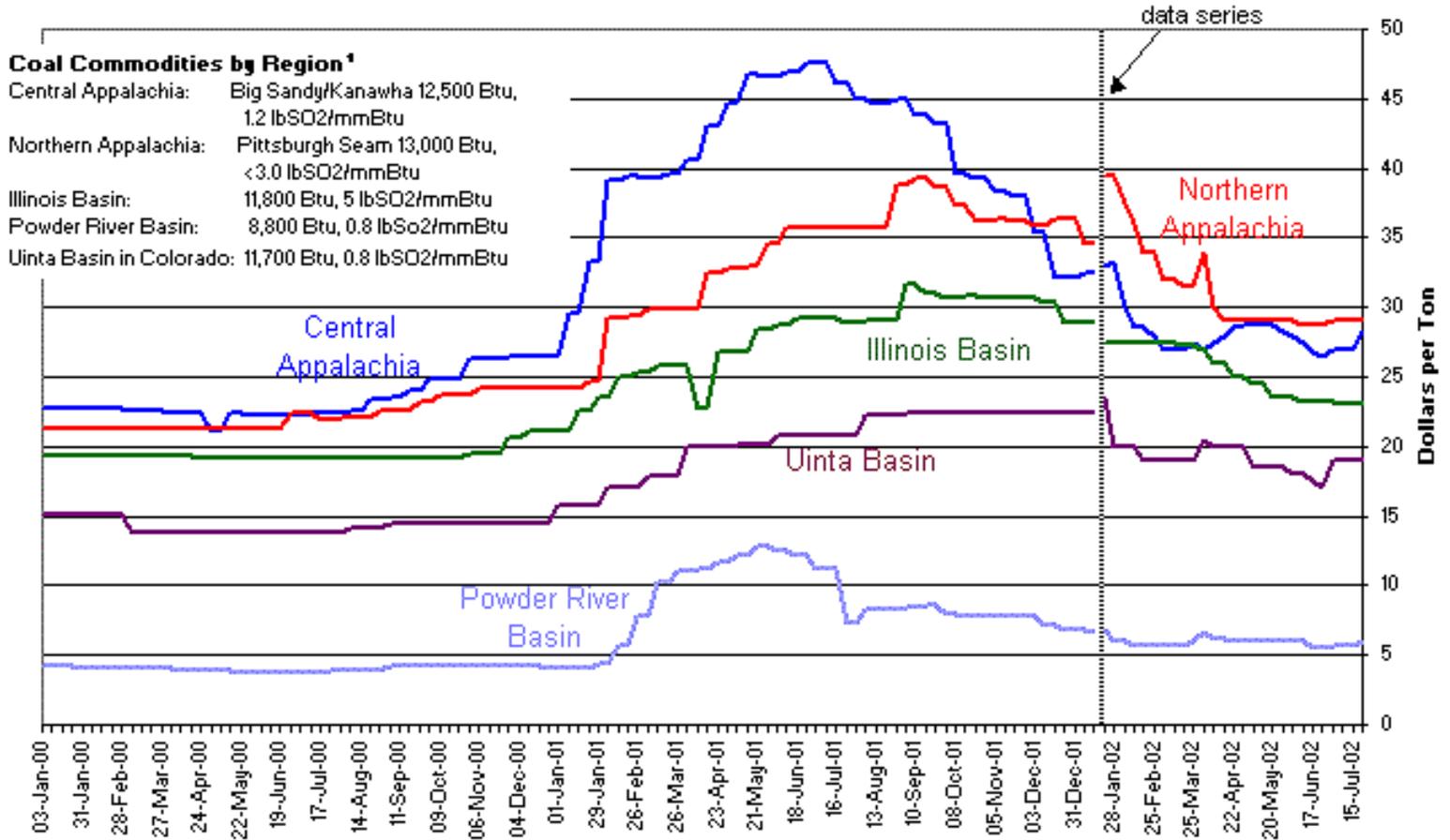
It appears that there is about a 30 million ton overhang in the supply chain, so it may take several months of curtailed production to reduce the excess producer and distributor stocks. With warmer-than-normal temperatures in most of the country during the past month or more, some coal industry investors 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



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"

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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Latest U.S. Electricity Information

(updated July 30, 2002)

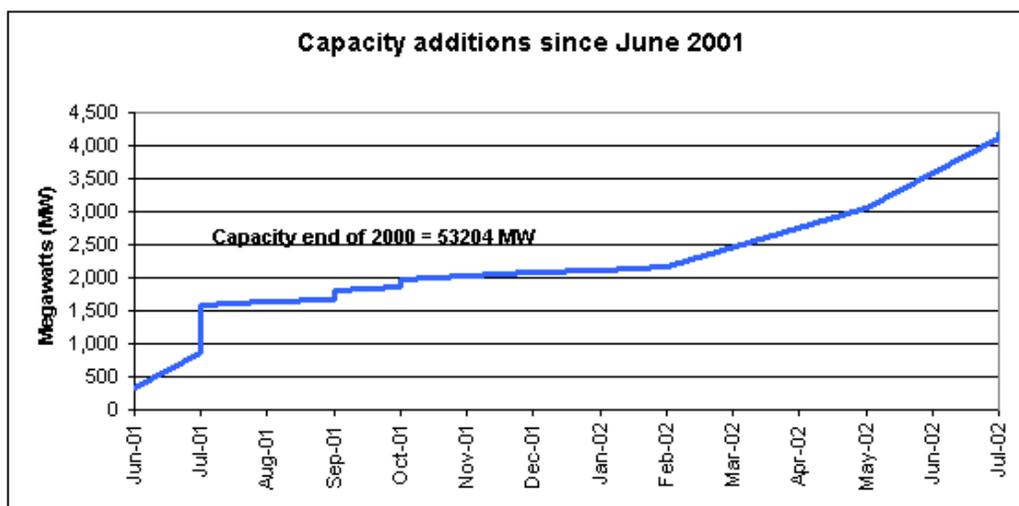
Selected Wholesale Electricity Prices: Peak power prices in the Northwest U.S. declined as a result of decreased demand for cooling in the region. Prices at the Mid-Columbia trading zone dropped 19.2 percent to \$16.26 per megawatthour. Despite this price decline, Mid-Columbia's index is still 41 percent higher than the one-month historical average. On the west coast, prices in California have changed very little amid relatively mild weather.

Prices at the Cinergy hub have been increasing since July 24 as warmer weather in the region has increased electricity demand. Prices at Cinergy have increased 69 percent from a low of \$34.50 per megawatthour on July 24 to \$58.30 per megawatthour on July 29.

Prices in the Northeast have increased above the \$100.00 per megawatthour barrier as hot weather has returned to the region after a two-day respite. New England experienced the largest percentage increase in prices over the weekend, increasing from \$62.25 on July 26 to \$104.00 per megawatthour on July 29, a 67 percent increase. Prices at the New York Zone J, New York City have increased 38 percent over the weekend to \$125 per megawatthour on July 29. Similarly, the PJM hub experienced a 40 percent increase in price from \$80.08 to \$111.77 per megawatthour on July 29. Unplanned outages at three nuclear power plants have contributed to the price increase as available supply has been reduced by 3095 megawatts.

Over the past seven days, the average price at all trading centers has ranged between \$33.15 per megawatthour and \$55.52 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		
	7/19/02	7/22/02	7/23/02	7/24/02	7/25/02	7/26/02	7/29/02	Max	Min	Average
COB	22.50	21.70	21.70	23.32	21.92	23.38	19.50	23.38	19.50	22.00
Palo Verde	43.57	37.72	37.72	32.49	33.07	34.13	35.27	43.57	32.49	36.28
Mid-Columbia	14.49	17.75	17.75	21.15	17.95	20.12	16.26	21.15	14.49	17.92
Mead/Marketplace	48.86	40.50	40.50	33.94	36.63	38.41	38.63	48.86	33.94	39.64
4 Corners	43.00	40.42	40.42	33.70	33.96	38.05	37.80	43.00	33.70	38.19
NP 15	33.23	31.35	31.35	29.02	29.13	30.13	30.15	33.23	29.02	30.62
SP 15	40.21	36.00	36.00	32.28	32.52	33.88	34.01	40.21	32.28	34.99
PJM West	49.60	61.33	61.33	31.99	30.50	80.08	111.77	111.77	30.50	60.94
NEPOOL	45.67	52.60	52.60	33.68	33.25	62.25	104.00	104.00	33.25	54.86
New York Zone J	73.38	80.00	80.00	59.50	59.00	90.55	125.00	125.00	59.00	81.06
Cinergy	41.89	38.48	38.48	34.50	36.71	60.36	58.30	60.36	34.50	44.10
Average Price	41.49	41.62	41.62	33.23	33.15	46.49	55.52	55.52	33.15	41.87

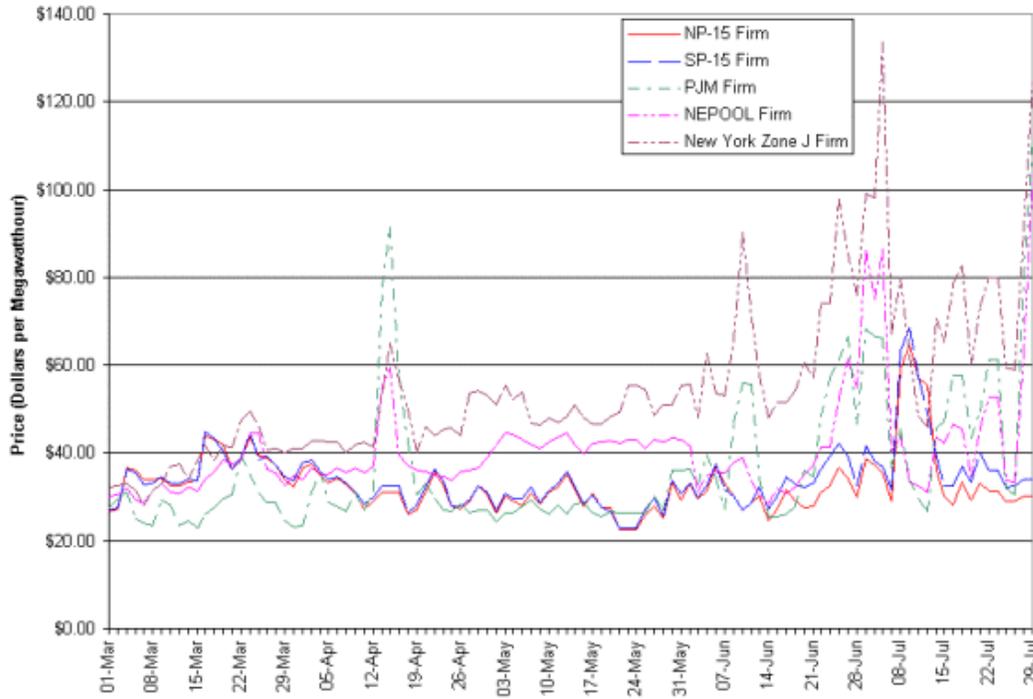
Sources: COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West, NEPOOL, New York Zone J, and Cinergy trading centers. Used with permission from Bloomberg L.P. (www.bloomberg.com).

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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