

# Energy Situation Analysis Report

Last Updated: 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. 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. Due in part to an increase in U.S. crude oil refinery inputs last week, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) fell by 2.0 million barrels, and are now 2.7 million barrels less than a year ago. [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...](#)

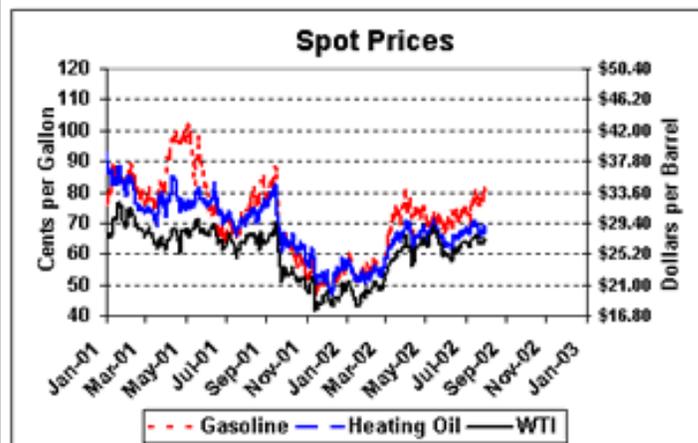
## Latest U.S. Weekly Natural Gas Information

Boosted by hot weather in many regions of the country, natural gas spot prices at most trading locations along the Gulf Coast and other production areas gained a dime or less on Wednesday, July 31. In the Northeast, where temperatures have been well into the 90s since Monday, prices at many trading locations mostly held gains of a quarter or more from earlier in the week. At the NYMEX, the futures contract for September delivery closed at \$2.954 per MMBtu on Wednesday, July 31. [more...](#)

## Energy Prices\*

Petroleum Futures (September)	7/31/02	7/30/02	Change
WTI (\$/Bbl)	27.02	27.36	-0.34
Gasoline (c/gallon)	78.93	79.92	-0.99
Heating Oil (c/gallon)	68.62	69.75	-1.13
<b>Natural Gas (\$/MMBtu)</b>			
Henry Hub	3.04	2.98	+0.06
California	2.68	2.69	-0.01
New York City	7.07	5.85	+1.22
<b>Electricity (\$/Megawatthour)</b>			
COB	22.25	20.38	+1.87
PJM West	78.55	88.79	-10.24
NEPOOL	59.13	85.01	-25.88
Average	48.62	50.67	-2.05

[\\*Definitions](#)

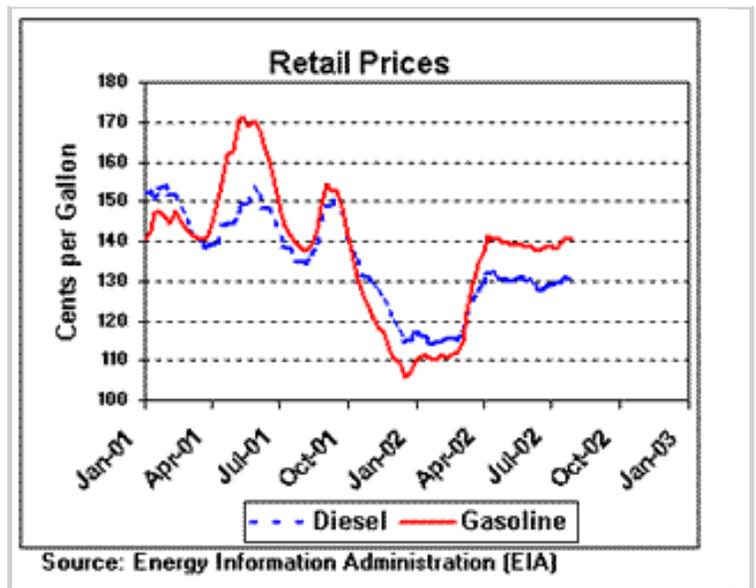


### Latest U.S. Coal Information

Since the week ending June 22, four of the five U.S. coal spot price indexes tracked by EIA have firmed up following a long period of slowly downward trends. The latest indexed spot prices, \$28.75 per short ton for Central Appalachian and \$29.00 per short ton for Northern Appalachian coal, are 29% and 36%, respectively, above prices in the summer of 2000. However, Central and Northern Appalachian coal prices are still about \$19.00 and \$10.00 per short ton, respectively, below peaks set in summer 2001. [more...](#)

### Latest U.S. Electricity Information

Forecasts of warmer weather and increased electricity demand contributed to an increase in spot prices throughout most of the Western U.S. and the Cinergy hub yesterday. Prices at the SP-15, California's southern transmission grid, increased 6% to \$37.09 per megawatthour, while prices at the Cinergy hub jumped over \$10.00 to \$59.72 per megawatthour. Prices in the Northeast started to fall as temperatures have decreased from the highs seen earlier in the week. New England prices have dropped 43% to \$59.13 per megawatthour on July 31, after peaking at \$104.00 per megawatthour on July 29. [more...](#)



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## Latest Oil Market Developments

(updated August 1, 2002)

West Texas Intermediate (WTI) September crude oil futures on the New York Mercantile Exchange (NYMEX) settled at \$26.47 per barrel today (August 1, 2002), down \$0.55 per barrel from Wednesday's close.

Prices had also sagged late Wednesday after Nigeria said it would begin lobbying for an urgent increase in its production quota. However, analysts said that anxiety about a U.S. attack on major oil producer Iraq has prevented a mass sell-off, and world oil prices edged higher in cautious trade on Thursday. In addition, the analysts said that the Nigerian comments would have had a greater impact on crude prices if traders had not already begun to factor in expectations that OPEC will increase output.

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

- Nigerian Junior Finance Minister Jubril Martins-Kuye said that the cabinet asked President Olusegun Obasanjo to lobby OPEC for an increase in the country's oil production quota. "It is our view that the president has to go on a diplomatic shuttle to talk to OPEC...on the urgent need to increase Nigeria's oil export quota because the revenue shortfall as a result of the quota reduction is affecting our revenue drastically," Martins-Kuye said. Royal Dutch/Shell's Nigerian Group managing director Paul Skinner supported the decision, noting that "the country by virtue of installed capacity and economic need clearly needs a higher quota. If that were to happen it would be beneficial to our production there".
- Chevron has resumed crude oil exports from its Escravos terminal in Nigeria, ten days after declaring force majeure. A fire at the terminal had forced Chevron to halt exports and shut down 300,000 barrels per day of production.
- The U.S. Department of Energy said that it will seek to boost the U.S. Strategic Petroleum Reserve (SPR), and will accept bids on Tuesday, August 6, from energy companies to supply 40,000 barrels per day of oil to the stockpile in exchange for crude oil drilled in the Gulf of Mexico. The additional oil is part of the administration's plan to fill the SPR to its 700 million barrel capacity by 2005.
- As of August 1, 2002, the U.S.SPR contained 578.4 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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## Latest U.S. Weekly EIA Petroleum Information

(updated August 1, 2002)

### Refinery Inputs and Production

U.S. crude oil refinery inputs averaged 15.6 million barrels per day during the week ending July 26, an increase of about 200,000 barrels per day from the previous week. Increases were seen in all regions except for PADD I (East Coast). Over the last four weeks, crude oil inputs have averaged 15.5 million barrels per day, which is about 100,000 barrels per day more than was averaged last year at this time. Total distillate fuel oil, motor gasoline, and jet fuel refinery production all averaged slightly higher last week than in the previous week.

### Petroleum Imports

U.S. crude oil imports decreased slightly from the previous week, averaging just under 9.2 million barrels per day. During the most recent four weeks, crude oil imports have averaged 9.0 million barrels per day, or nearly 500,000 barrels per day less than during the same four-week period last year. Crude oil imports last week into PADD V (West Coast) were the third highest amount ever, and the most since the week ending August 18, 2000. After averaging about 1.1 million barrels per day during the week ending July 19, total motor gasoline imports (including both finished gasoline and gasoline blending components) averaged 900,000 barrels per day last week.

### Petroleum Inventories

Due in part to an increase in U.S. crude oil refinery inputs last week, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) fell by 2.0 million barrels, and are now 2.7 million barrels less than a year ago. U.S. crude oil inventories are now well within the bottom half of the normal range for this time of year. Motor gasoline inventories dropped by 1.0 million barrels, but are 0.7 million barrels above year-ago levels. Distillate fuel inventories rose by 1.1 million barrels, with a seasonal 0.9 million barrel build in high-sulfur distillate fuel (often referred to as heating oil) providing the bulk of the increase. Total commercial petroleum inventories are now 5.2 million barrels above year-ago levels.

### Petroleum Demand

Total product supplied over the last four-week period averaged 19.5 million barrels per day or about 1.8 percent less than the very high level last year, slightly reversing positive year-over-year growth in May and June. Motor gasoline demand continues to show strength, averaging 0.5 percent above last year's level over the last four weeks, while distillate fuel demand now is 2.6 percent below last year's level. Jet fuel demand last week averaged over 1.7 million barrels per day, the third highest weekly average since the attacks on September 11.

### Crude Oil Spot Prices

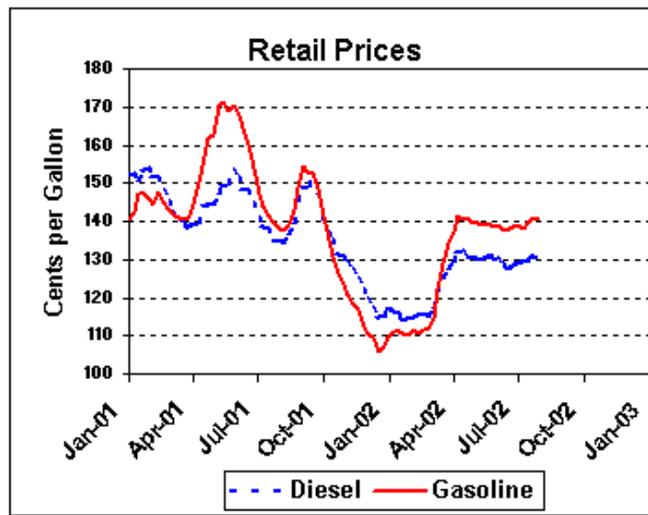
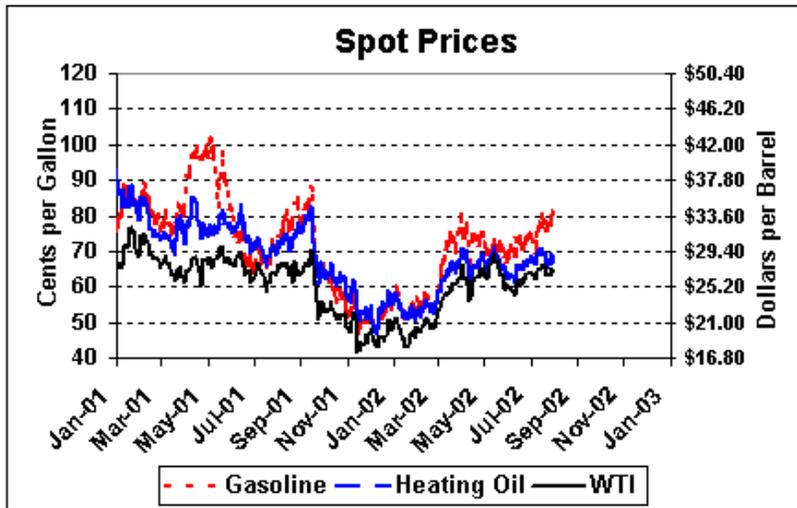
The average world crude oil price on July 26, 2002 was \$24.50 per barrel, down \$0.69 from the previous week but \$0.88 more than last year. WTI was \$26.55 per barrel on July 26, 2002, \$1.28 less than last week and \$0.43 lower than last year. The spot price for conventional gasoline in the New York Harbor was 77.34 cents per gallon, down 1.51 cents from last week but 5.61 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 5.00 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 Minnesota, where prices fell 6.0 cents to end at 143.3 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 sharper price increases before Labor Day if we see more 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 decreased 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 August 1, 2002)



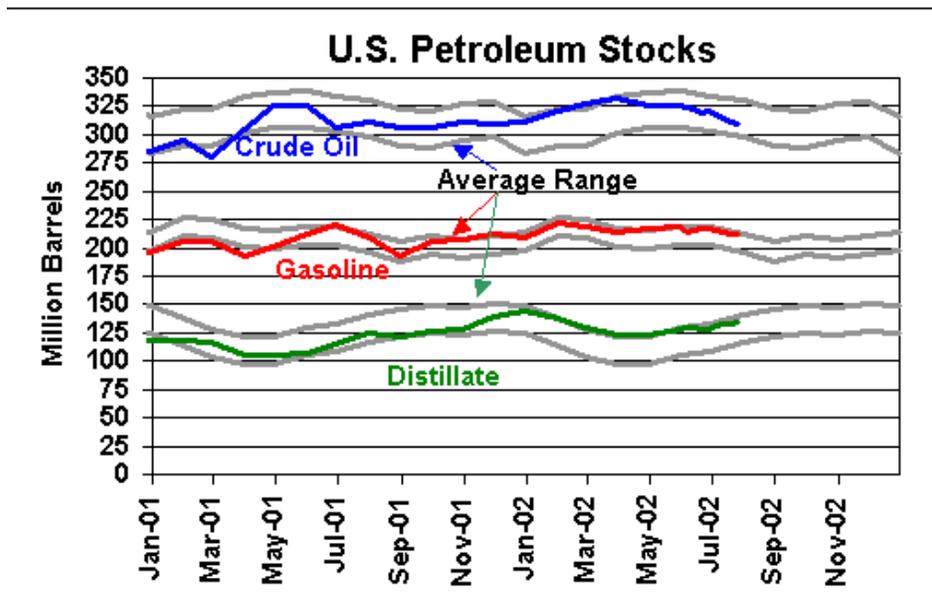
**Crude Oil and Oil Products Price Table**

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		c/gal	cents per gallon		cents per gallon	
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		
7/25/2002	\$26.67	\$26.77	77.15	82.24	66.55	67.41	71.40	37.38	35.00		
7/26/2002	\$26.55	\$26.54	77.34	82.21	66.13	66.75	70.88	37.44	35.57		
7/29/2002	\$26.54	\$26.55	78.66	83.16	66.30	66.60	71.40	37.57	36.07	140.7	130.3
7/30/2002	\$27.43	\$27.36	81.13	85.61	68.75	68.87	73.90	37.57	36.07		
7/31/2002	\$27.02	\$27.02	78.47	83.03	67.04	67.64	72.30	38.63	38.00		

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	
			7/26/2002	7/26/2001	Diff.	% Diff.
<b>Refinery Activity</b>						
Crude Oil Input			15,511	15,399	112	0.7%
Operable Capacity			16,800	16,658	142	0.9%
Operable Capacity Utilization (%)			93.4%	94.1%	-0.7%	
<b>Production</b>						
Motor Gasoline			8,560	8,498	62	0.7%
Jet Fuel			1,556	1,633	-77	-4.7%
Distillate Fuel Oil			3,646	3,823	-177	-4.6%
<b>Imports</b>						
Crude Oil (incl. SPR)			8,994	9,504	-510	-5.4%
Motor Gasoline			808	711	97	13.6%
Jet Fuel			80	132	-52	-39.6%
Distillate Fuel Oil			214	219	-5	-2.3%
<b>Total</b>			<b>11,032</b>	<b>11,757</b>	<b>-725</b>	<b>-6.2%</b>
<b>Exports</b>						
Crude Oil			30	11	19	162.5%
Products			953	878	75	8.6%
<b>Total</b>			<b>983</b>	<b>889</b>	<b>94</b>	<b>10.5%</b>
<b>Products Supplied</b>						
Motor Gasoline			9,035	8,987	48	0.5%
Jet Fuel			1,635	1,765	-130	-7.4%
Distillate Fuel Oil			3,486	3,579	-93	-2.6%
<b>Total</b>			<b>19,533</b>	<b>19,881</b>	<b>-348</b>	<b>-1.8%</b>
<b>vs. Year Ago</b>						
<b>Stocks (Million Barrels)</b>			<b>7/26/2002</b>	<b>7/26/2001</b>	<b>Diff.</b>	<b>% Diff.</b>
Crude Oil (excl. SPR)			309.3	312.0	-2.7	-0.9%
Motor Gasoline			211.6	210.9	0.7	0.3%
Jet Fuel			39.4	42.4	-3.0	-7.1%
Distillate Fuel Oil			134.4	123.0	11.4	9.3%
<b>Total (excl. SPR)</b>			<b>1,028.9</b>	<b>1,023.7</b>	<b>5.2</b>	<b>0.5%</b>



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.

<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

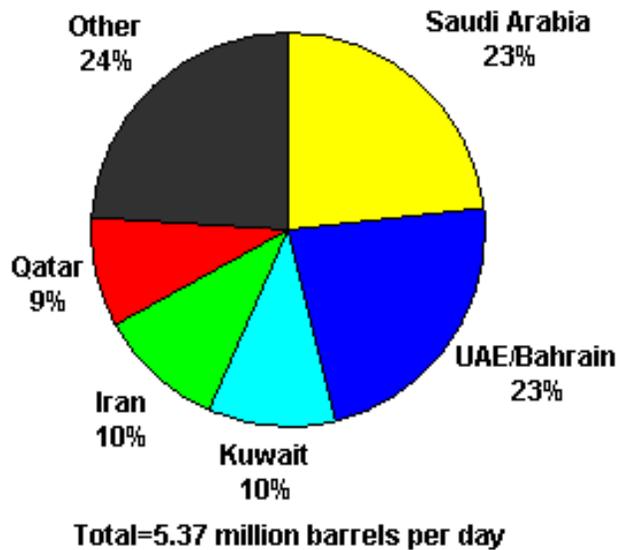
8)	Iraq	2.00
9)	Kuwait	1.80
10)	Mexico	1.65
11)	Libya	1.24
12)	Algeria	1.24

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

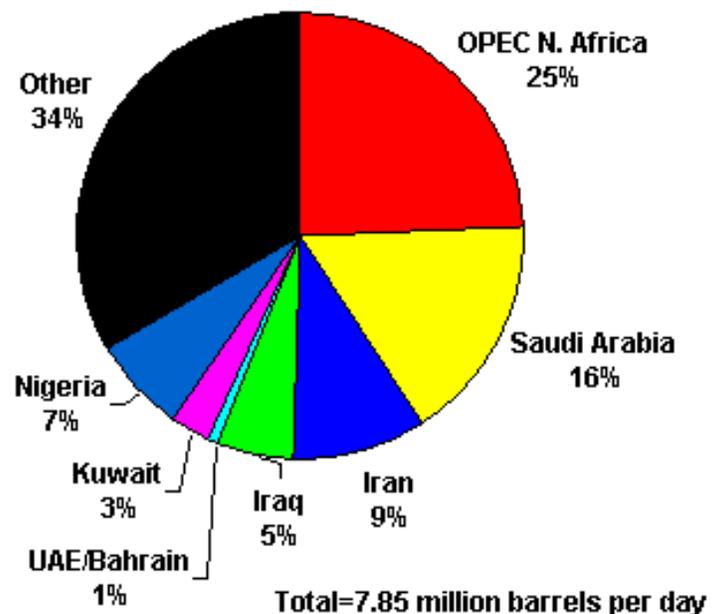
During 2001, about 48% of U.S. crude oil imports came from the Western Hemisphere (19% from South America, 15% from Mexico, 14% from Canada), while 30% came from the Persian Gulf region (18% from Saudi Arabia, 9% from Iraq, 3% from Kuwait).

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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## Latest U.S. Weekly Natural Gas Information

(updated August 1, 2002)

### [Industry/Market Developments](#)

**Natural Gas Rig Counts:** The number of rigs drilling for natural gas as of July 19 matched its recent high of 725 recorded on May 24, 2002, but then decreased by 12 to 713 for the week ended Friday, July 26, according to Baker-Hughes Incorporated. Natural gas rigs are over 32% below last year at this time when they numbered a near-record high of 1,058. However, natural gas rigs remain almost 3% above the 5-year average for the report week. The share of rigs drilling for natural gas has been consistently above 80% since early last year. Since the week ended May 17, 2002, rigs drilling for natural gas have comprised 84% of total rigs drilling, which is close to a record for the split between gas and oil rigs. Last week, rigs drilling for natural gas constituted nearly 86 percent of rigs drilling in the United States. The strong interest in gas prospects reflects the favorable economics for natural gas projects as prices remain relatively high.

### [Storage](#)

Working gas in storage was 2,546 billion cubic feet (Bcf) or 368 Bcf above the 5-year average for the week ending July 26, according to EIA's Weekly Natural Gas Storage Report. After being as much as 41% higher than the 5-year average in late March at the end of the heating season, inventory levels this week were about 17% above the average. A factor contributing to the decline from 41% to about 17% is simply the expansion of the volume of gas in storage. If the absolute difference between current stocks and the 5-year average had continued at 455 Bcf since late March, the relative difference would have declined to 21% above the 5-year average by July 26.

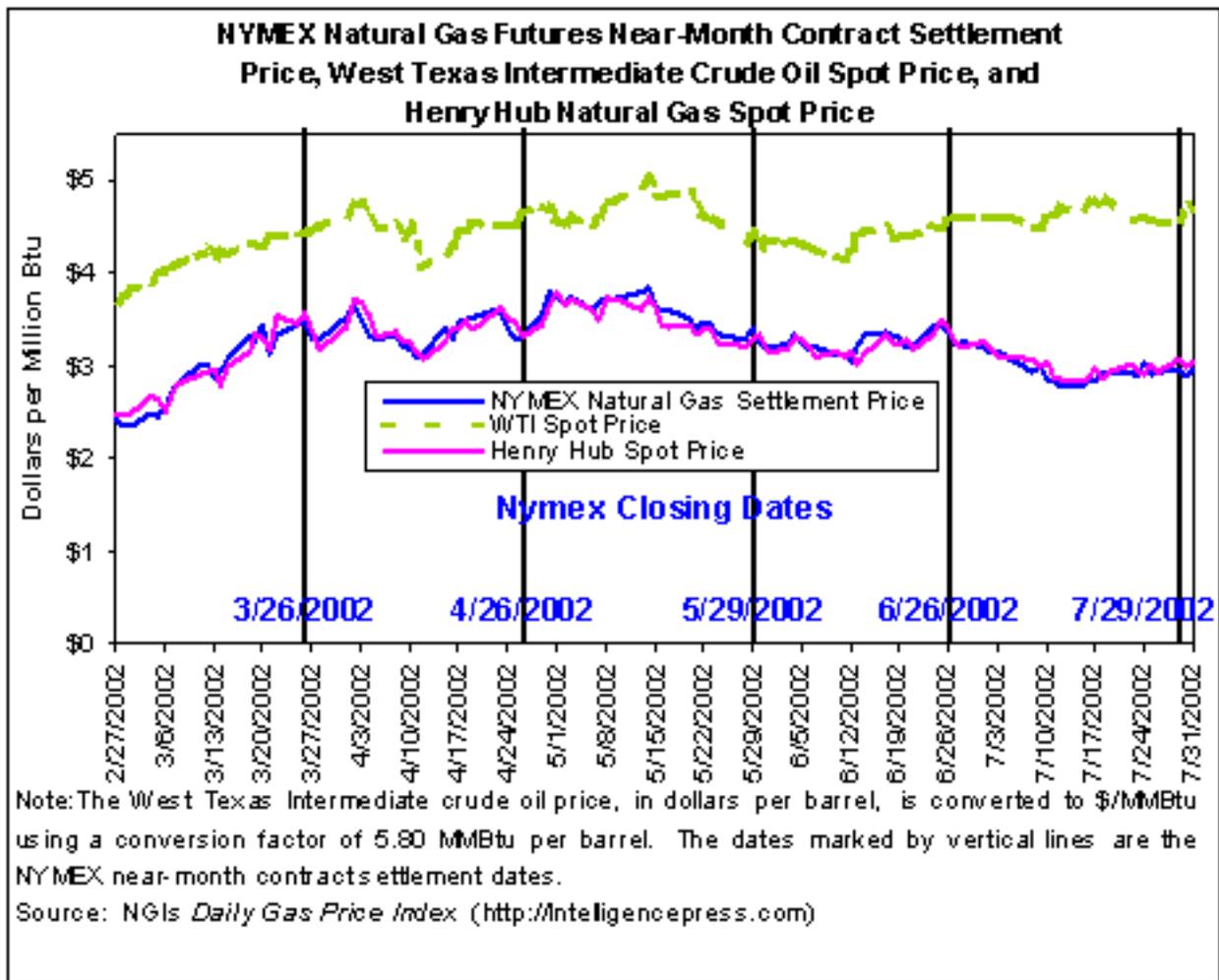
<b>All Volumes in Bcf</b>	<b>Current Stocks 7/26/2002</b>	<b>Estimated Prior 5-year (1997-2001) Average</b>	<b>Percent Difference from 5-Year Average</b>	<b>Implied Net Change from Last Week</b>	<b>One- Week Prior Stocks 7/19/2002</b>
<b>East Region</b>	1,392	1,265	10.0%	47	1,345
<b>West Region</b>	352	295	19.3%	10	342
<b>Producing Region</b>	802	617	30.0%	3	799
<b>Total Lower 48</b>	2,546	2,178	16.9%	60	2,486

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

### Prices:

Boosted by hot weather in many regions of the country, natural gas spot prices at most trading locations along the Gulf Coast and other production areas gained a dime or less on Wednesday, July 31. In the Northeast, where temperatures have been well into the 90s since Monday, prices at many trading locations mostly held gains of a quarter or more from earlier in the week. Prices at Columbia Gas Transmission's Appalachia Pool, which accesses many points in the Northeast, traded at \$3.40 per million Btu (MMBtu), a quarter more than its price late last week. At the New York citygate, prices rose to an average of \$7.07 per MMBtu on Wednesday, which is more than \$4 per MMBtu above the Henry Hub price. In each of the past three trading sessions this week, the New York citygate price gained more than \$1 per MMBtu. Without similar weather-driven demand, prices in western markets parted ways with the overall strengthening trend across the country. The price of gas at Opal, Wyoming, dropped 21 cents to \$1.40 per MMBtu on Wednesday. Prices at the Canadian-U.S. border at Sumas, Washington, fell 11 cents to \$1.57 per MMBtu.

At the NYMEX, the futures contract for September delivery closed at \$2.954 per MMBtu on Wednesday, July 31. The September contract has registered mild gains in three of the past four trading sessions, including a 6.3-cent per MMBtu increase yesterday. The 12-month strip moved up \$0.043 per MMBtu to close at \$3.447 per MMBtu. The spread between the average Henry Hub spot price and the January 2003 NYMEX price ended the day at almost 63 cents per MMBtu. The spot Henry Hub-January 2003 price spread is down 15 cents from its recent high of 88.6 cents per MMBtu on July 15, yet it remains a strong incentive for storage.



<i>Trade Date (All prices in \$ per MMBtu)</i>	<b>California Composite Average Price*</b>	<b>Henry Hub</b>	<b>New York City</b>	<b>Chicago</b>	<b>NYMEX futures contract-August delivery</b>	<b>NYMEX futures contract-September delivery</b>	<b>NYMEX futures contract-October delivery</b>
7/2/2002	2.37	3.17	4.16	3.18	3.145	3.177	3.205
7/3/2002	2.13	3.10	3.64	3.07	3.142	3.174	3.202
7/8/2002	2.71	3.06	3.73	3.00	2.939	2.982	3.014
7/9/2002	2.85	2.98	3.35	2.90	2.991	3.029	3.060
7/10/2002	2.88	3.04	3.31	2.98	2.864	2.902	2.940
7/11/2002	2.62	2.85	3.10	2.79	2.830	2.869	2.911
7/12/2002	2.47	2.86	3.11	2.78	2.787	2.830	2.877
7/15/2002	2.57	2.82	3.18	2.78	2.784	2.825	2.873
7/16/2002	2.69	2.89	3.59	2.88	2.863	2.892	2.930
7/17/2002	2.76	2.98	3.86	2.97	2.841	2.862	2.901
7/18/2002	2.71	2.86	3.26	2.80	2.943	2.950	2.985
7/19/2002	2.74	2.95	3.26	2.88	2.933	2.944	2.982
7/22/2002	2.86	3.01	3.68	2.97	2.947	2.965	3.010
7/23/2002	2.75	2.96	3.27	2.91	2.889	2.895	2.937
7/24/2002	2.70	2.91	3.26	2.86	3.042	3.040	3.075
7/25/2002	2.83	3.03	3.44	3.04	2.902	2.888	2.933
7/26/2002	2.77	2.94	3.42	2.87	2.936	2.891	2.933
7/29/2002	2.86	3.06	4.71	3.00	2.976	2.905	2.930
7/30/2002	2.69	2.98	5.85	2.91	expired	2.891	2.916
7/31/2002	2.68	3.04	7.07	3.00	expired	2.954	2.971

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

Source: NGI'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 August 1, 2002)

### Coal Production

For the week ending July 27, rail car loadings of coal were down 1.9% while national [coal production](#) was 7.9% lower, compared to year-ago levels. Year-to-date, western U.S. coal production is 2.1% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 6.6% 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.

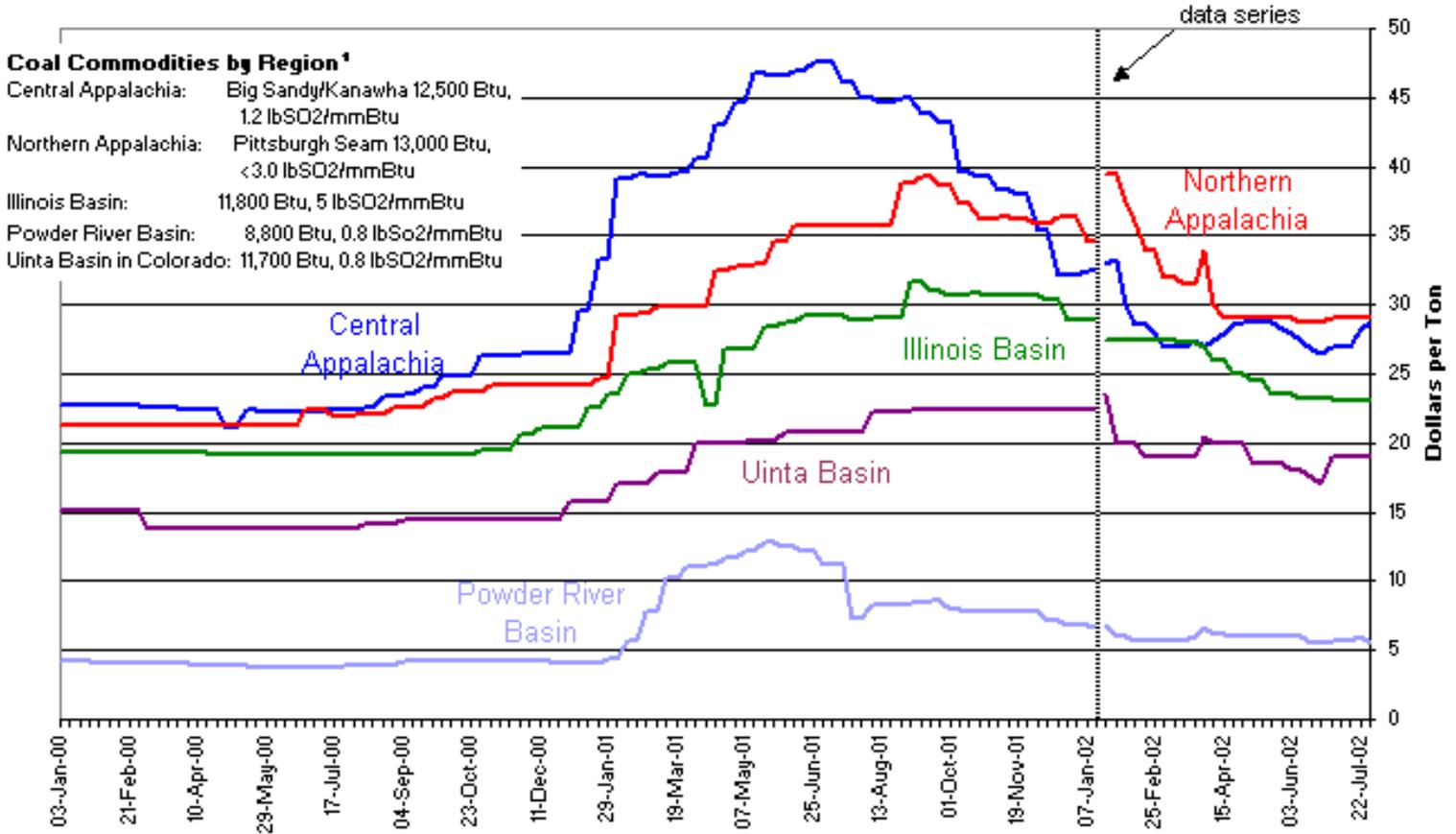
It appears that there was about a 30 million ton overage in the supply chain following the first quarter of 2002, so it may take several months of curtailed production to reduce the excess producer and distributor stocks. With warmer-than-normal temperatures in most of the country during the past month 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 August 1, 2002)

Since the week ending June 22, four of the five U.S. coal spot price indexes tracked by EIA (graph below) have firmed up following a long period of slowly downward trends. Prices for the fifth regional coal (Illinois Basin) receded by 25 cents per short ton 4 weeks ago and have since held steady. During the week ending July 27, the indexed Central Appalachian average coal price rose for the third time, up now by \$2.25 per short ton since late June. 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 and they continue to burn off larger-than-usual coal stockpiles. Large coal suppliers also accumulated unsold inventories during the first 3 to 5 months of 2002, and firmer 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, \$28.75 per short ton for Central Appalachian and \$29.00 per short ton for Northern Appalachian coal, are respectively 29% 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 47% 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](#) were low throughout the month of July. During the past 2 weeks volumes have shown signs of resumption as trading reached moderate levels--60 transactions settled both on July 26 and July 31--at prices above \$29.00. These prices come after 5 months of slow but steady increases and they represent the first prices above \$29.00 since November 2001.

### 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 August 1, 2002)

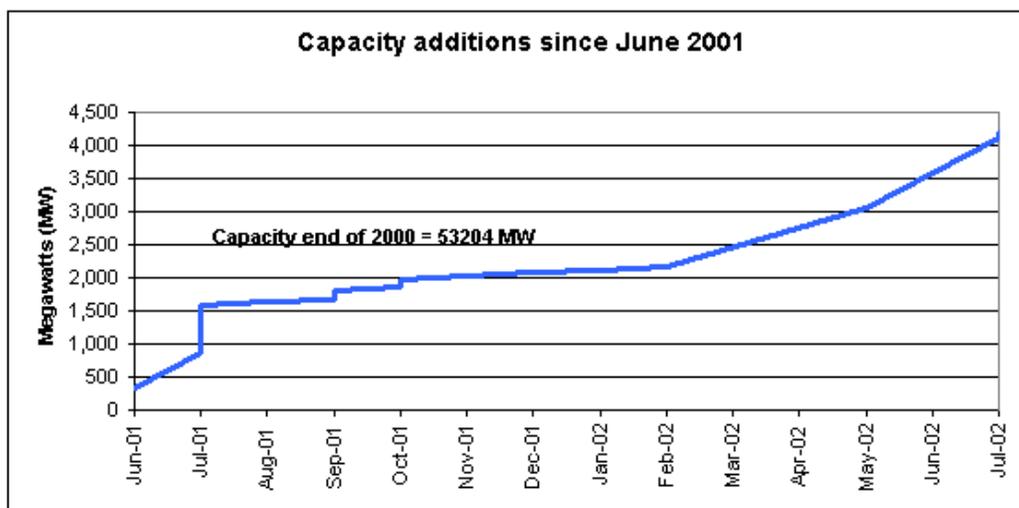
**Selected Wholesale Electricity Prices:** Forecasts of warmer weather and increased electricity demand contributed to an increase in spot prices throughout most of the Western U.S. yesterday. Prices at the SP-15, California's southern transmission grid increased 6% to \$37.09 per megawatthour. Prices at the Four Corners rose for the second straight day, though the increase was less than the increase of July 30, as available generation was boosted by the restart of Arizona Public Service's Unit 5 at its Four Corners Power facility. All five of its coal-fired generating units at Four Corners were shut down last Saturday when lightning struck a 230-kilowatt substation. Only Unit 4 currently remains off-line and is expected to come back on line within the next couple of days.

Prices at the Cinergy hub jumped over \$10.00 per megawatthour to \$59.72 per megawatthour as forecasted cooler weather failed to materialize, bringing little relief to utilities trying to meet cooling demand in the region.

Prices in the Northeast started to fall as temperatures have decreased from the highs seen earlier in the week. New England prices have dropped 43% to \$59.13 per megawatthour on July 31, after peaking at \$104.00 per megawatthour on July 29. Similarly, the PJM hub experienced a 29% decrease in price going from \$111.77 to \$78.55 per megawatthour on July 31. Prices at the New York Zone J, New York City have decreased 13% going to \$108.38 per megawatthour on July 31.

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.



Trading Centers	Date							Price Range		
	7/23/02	7/24/02	7/25/02	7/26/02	7/29/02	7/30/02	7/31/02	Max	Min	Average
COB	21.70	23.32	21.92	23.38	19.50	20.38	22.25	23.38	19.50	21.78
Palo Verde	37.72	32.49	33.07	34.13	35.27	35.66	38.46	38.46	32.49	35.26
Mid-Columbia	17.75	21.15	17.95	20.12	16.26	15.80	17.35	21.15	15.80	18.05
Mead/Marketplace	40.50	33.94	36.63	38.41	38.63	40.63	43.14	43.14	33.94	38.84
4 Corners	40.42	33.70	33.96	38.05	37.80	40.97	41.14	41.14	33.70	38.01
NP 15	31.35	29.02	29.13	30.13	30.15	29.83	29.59	31.35	29.02	29.89
SP 15	36.00	32.28	32.52	33.88	34.01	34.88	37.09	37.09	32.28	34.38
PJM West	61.33	31.99	30.50	80.08	111.77	88.79	78.55	111.77	30.50	69.00
NEPOOL	52.60	33.68	33.25	62.25	104.00	85.01	59.13	104.00	33.25	61.42
New York Zone J	80.00	59.50	59.00	90.55	125.00	116.01	108.38	125.00	59.00	91.21
Cinergy	38.48	34.50	36.71	60.36	58.30	49.36	59.72	60.36	34.50	48.20
<b>Average Price</b>	41.62	33.23	33.15	46.49	55.52	50.67	48.62	55.52	33.15	44.18

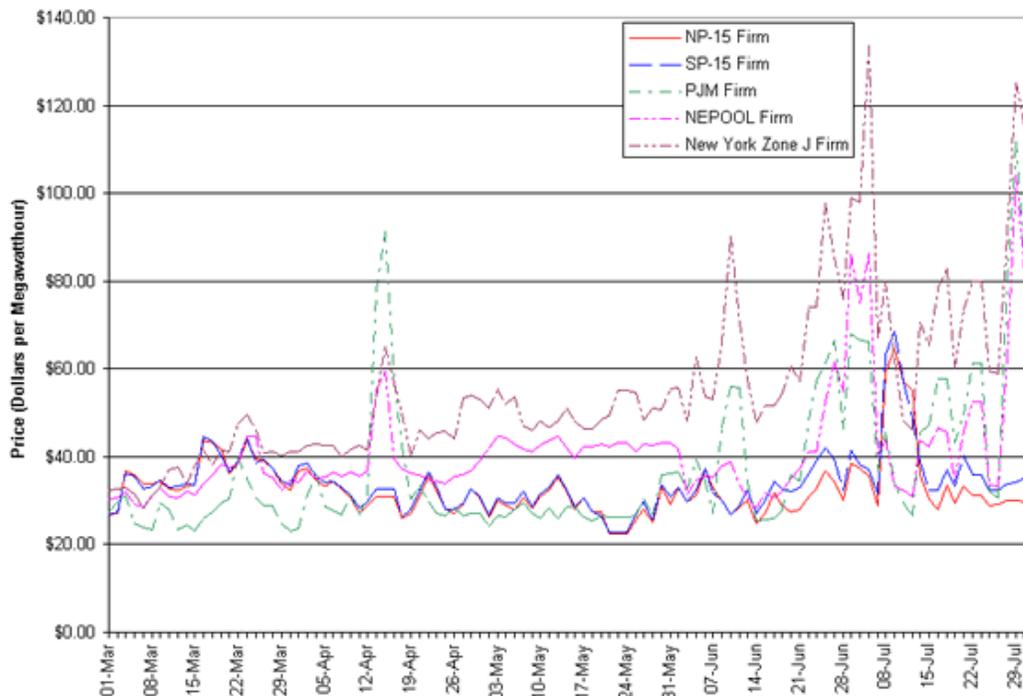
**Sources:** COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West, NEPOOL, New York Zone J, and Cinergy trading centers. Used with permission from Bloomberg L.P. (www.bloomberg.com).

**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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