

Energy Situation Analysis Report

Last Updated: August 6, 2002

Next Update: August 8, 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 1.2 cents per gallon last week, ending at 139.5 cents per gallon as of August 5. This price is 1.9 cents per gallon higher than last year, marking the third week in a row this summer that 2002 prices were higher than 2001 prices. [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

Natural gas spot market prices moved down between 5 and 13 cents per MMBtu at most market locations in the eastern two-thirds of the country on Monday (8/05/02) as cooler temperatures moved into the Midwest. At the NYMEX, the price of the near-month contract for September delivery moved down 18 cents per MMBtu yesterday (8/05/02) to settle at \$2.678 per MMBtu -- almost \$0.28 per MMBtu below its high of \$2.954 per MMBtu since becoming the near-month contract, reached Wednesday, July 31. [more...](#)

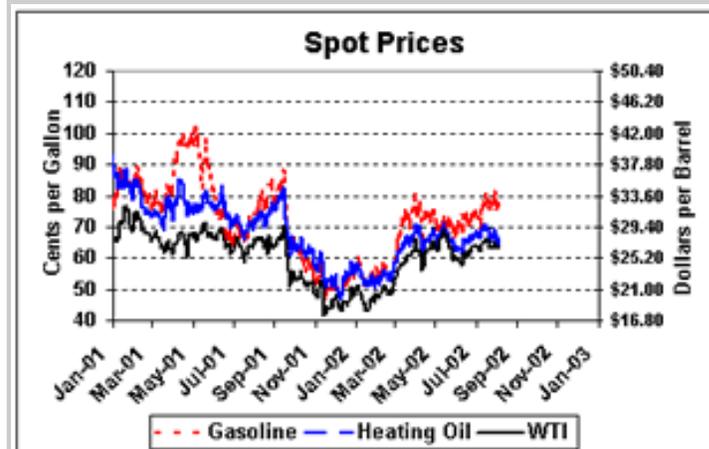
Latest U.S. Coal Information

The spot coal prices tracked by EIA (graph below) have been mostly firm or rising since the week ended June 22:

Energy Prices*

Petroleum Futures	8/05/02	8/02/02	Change
WTI (\$/Bbl)	26.58	26.84	-0.26
Gasoline (c/gallon)	76.82	77.48	-0.66
Heating Oil (c/gallon)	66.64	67.66	-1.02
Natural Gas (\$/MMBtu)			
Henry Hub	2.81	2.91	-0.10
California	2.57	2.53	+0.04
New York City	3.25	3.69	-0.44
Electricity (\$/Megawatthour)			
COB	18.25	21.38	-3.13
PJM West	38.46	85.81	-47.35
NEPOOL	47.00	71.75	-24.75
Average	33.52	48.24	-14.72

[*Definitions](#)

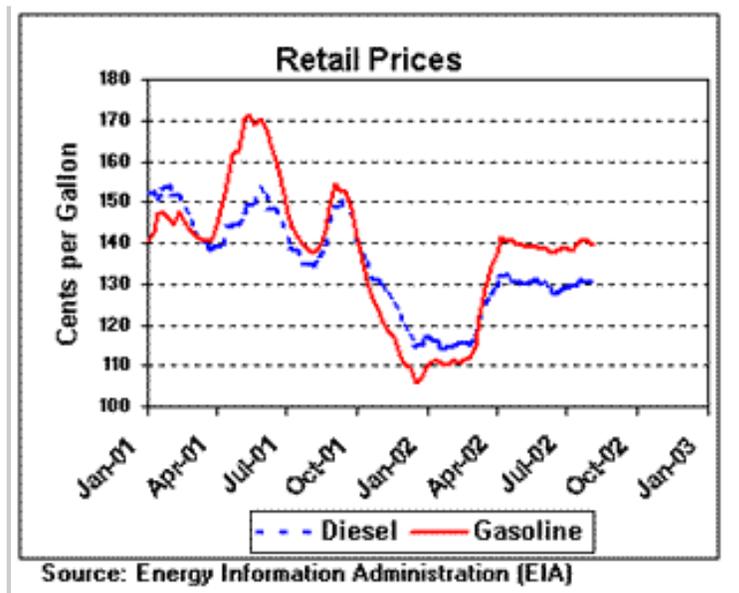


Source: Closing quote as reported by Reuters News Service

Central Appalachian coal prices have risen markedly, Powder River Basin prices have trended upward, and Northern Appalachian and Illinois Basin prices have held firm. Compared to peak prices in summer 2001, Central and Northern Appalachian coal prices are down by about \$18.00 and \$10.00 per short ton, respectively. [more...](#)

Latest U.S. Electricity Information

Wholesale electricity spot prices fell at all major western U.S. trading centers yesterday following unseasonably cool weather and lower electricity demand. Prices at the COB decreased 15%, to \$18.25 per megawatthour. Similarly, prices at Palo Verde decreased 11%, to \$30.18 per megawatthour on August 5. [more...](#)



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Contact:

Lowell Feld

lowell.feld@eia.doe.gov

Phone: Lowell Feld: (202) 586-9502

Fax: (202) 586-9753

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

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Latest Oil Market Developments

(updated August 6, 2002)

West Texas Intermediate (WTI) September crude oil futures on the New York Mercantile Exchange (NYMEX) settled at \$26.58 per barrel yesterday (August 5, 2002), down \$0.26 per barrel from Friday's close. A *Reuters* survey released today indicates significant overproduction by OPEC, with Algeria and Nigeria both pressing for higher quotas (see below). Oil prices were up today in New York and London as markets awaited the release of oil stocks data by the American Petroleum Institute (API) Tuesday evening, and by the Energy Information Administration (EIA) Wednesday morning.

In general, world oil markets are being driven by several factors. On the "bullish" side (i.e., tending to drive prices higher) are: tensions in the Middle East; speculation over the possibility of U.S. military action against Iraq; and relatively low OPEC quotas. On the "bearish" side (i.e., tending to push prices down) are: OPEC overproduction and calls by individual OPEC members (see below) for increased quotas at the group's next meeting in September; an increasingly pessimistic view of the U.S. economy by many analysts; and signs that world oil demand in 2002 will be significantly less than had previously been forecast.

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

- Algeria has officially requested an increase in its OPEC quota when the group meets September 19 in Osaka, Japan. Algeria's Energy and Mines Minister, Chakib Khelil, says that Algeria's crude oil production capacity is 1.1 million barrels per day, far higher than the country's current quota of 693,000 barrels per day. Meanwhile, Nigeria also appears to be seeking an increased quota, with production capacity as high as 2.6 million barrels per day compared to the current allowance of 1.79 million barrels per day.
- A survey by *Reuters* indicates that the "OPEC 10" countries (i.e., excluding Iraq) produced 23.56 million barrels per day of oil in July, compared to a quota of 21.70 million barrels per day, and up 340,000 barrels per day from June "OPEC 10" production. On the other hand, Iraq continues to produce and export well below its capacity.
- A meeting between Russian and OPEC energy officials ended today in Moscow, with Russia's Energy Minister Igor Yusufov stating that there was "no need at present" to restrain Russian crude exports in cooperation with OPEC. According to Yusufov, the "current level of oil prices satisfies both [oil producers]...and is also quite attractive for consumers."
- The White House and top Congressional leaders rejected an Iraqi invitation for the U.S. Congress to inspect suspected weapons sites in Iraq. National Security Council spokesman Sean McCormack said, "There's no need for discussion" and instead that Iraq should "live up to its

commitment to disarm."

- As of August 5, 2002, the U.S. Strategic Petroleum Reserve (SPR) contained 578.4 million barrels of oil. The SPR has a maximum drawdown capability of 4.3 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. The SPR drawdown rate declines to 3.1 million barrels per day from days 91-120, to 2.1 million barrels per day for days 121-150, and to 1.2 million barrels per day for days 151-180.

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Contact:

Lowell Feld

lowell.feld@eia.doe.gov

Phone: Lowell Feld: (202) 586-9502

Fax: (202) 586-9753

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

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Latest U.S. Weekly EIA Petroleum Information

(updated August 1, 2002 except where noted)

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 *(updated August 6, 2002)*

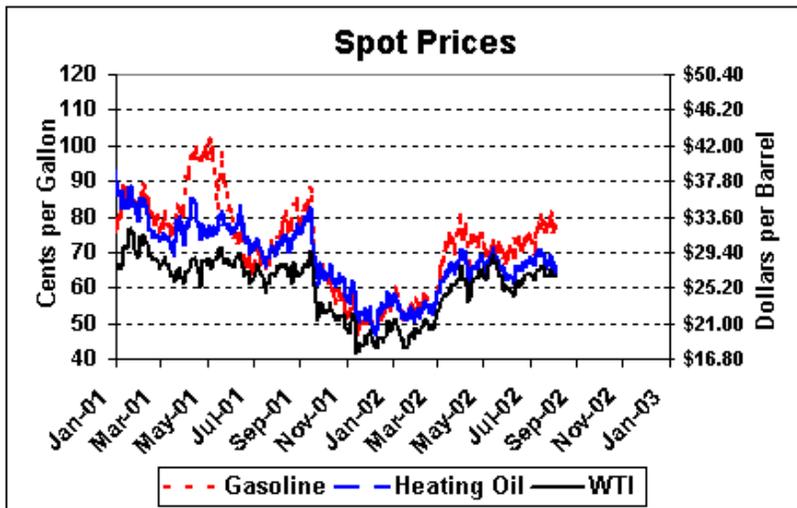
The average world crude oil price on August 2, 2002 was \$24.51 per barrel, up \$0.01 per barrel from the previous week and \$0.50 per barrel more than last year. WTI was \$26.87 per barrel on August 2, 2002, \$0.32 per barrel more than last week and \$0.99 per barrel lower than last year. The spot price for conventional gasoline in the New York Harbor was 77.50 cents per gallon, up 0.16 cents per gallon from last week and 3.27 cents per gallon higher than a year ago. The spot price for low sulfur diesel fuel in the New York Harbor was 67.40 cents per gallon, 0.25 cent per gallon above last week but 6.23 cents per gallon less than last year.

Retail Gasoline and Diesel Prices *(updated August 6, 2002)*

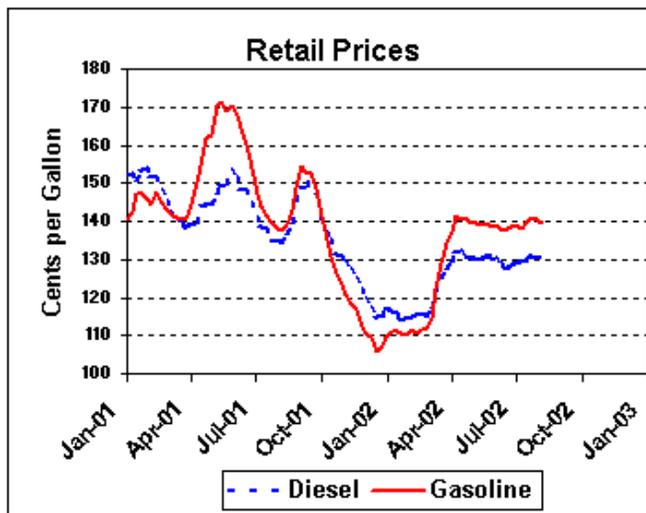
The U.S. average retail price for regular gasoline fell 1.2 cents per gallon last week, ending at 139.5 cents per gallon as of August 5. This price is 1.9 cents per gallon higher than last year, marking the third week in a row this summer that 2002 prices were higher than 2001 prices. Despite the decline in the national average, retail gasoline price changes were up throughout most of the country, with the largest regional increase occurring in on the West Coast, where prices gained 0.9 cent per gallon to end at 154.1 cents per gallon. In the Midwest, however, prices fell 4.6 cents per gallon to end at 136.9 cents per gallon. This large decrease in the Midwest, a region of the country that consumes a large percentage of the country's gasoline, was the reason behind the decline in the national average. Gasoline prices had been moving upwards in the past few weeks, and there is still potential for a sharper price increase before Labor Day. Factors such as rumors of war with Iraq, a sustained drop in gasoline imports, steady or rising gasoline demand, or a decrease in refinery output could all put pressure on gasoline prices. Retail diesel fuel prices increased by 0.1 cent per gallon to a national average of 130.4 cents per gallon as of August 5.

U.S. Petroleum Prices

(updated August 6, 2002)



Source: Closing quote as reported by Reuters News Service



Source: Energy Information Administration (EIA)

Crude Oil and Oil Products Price Table

Date	WTI Crude Oil		Gasoline		Heating Oil		Kerojet	Propane		EIA Weekly Retail	
	Spot	Futures	Spot	Futures	Spot	Futures	Spot	Spot	Spot	US Average	
	Cushing		NYH		NYH		NYH	Mt. Belvieu	Conway	Gasoline	Diesel
	\$/bbl	\$/bbl	cents per gallon		cents per gallon		c/gal	cents per gallon		cents per gallon	
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		
8/1/2002	\$26.51	\$26.47	75.67	76.22	65.70	67.20	70.50	38.94	38.82		
8/2/2002	\$26.87	\$26.84	77.50	77.48	66.10	67.66	70.90	38.32	38.07		
8/5/2002	\$26.55	\$26.58	76.30	76.82	64.40	66.64	69.65	38.29	37.94	139.5	130.4

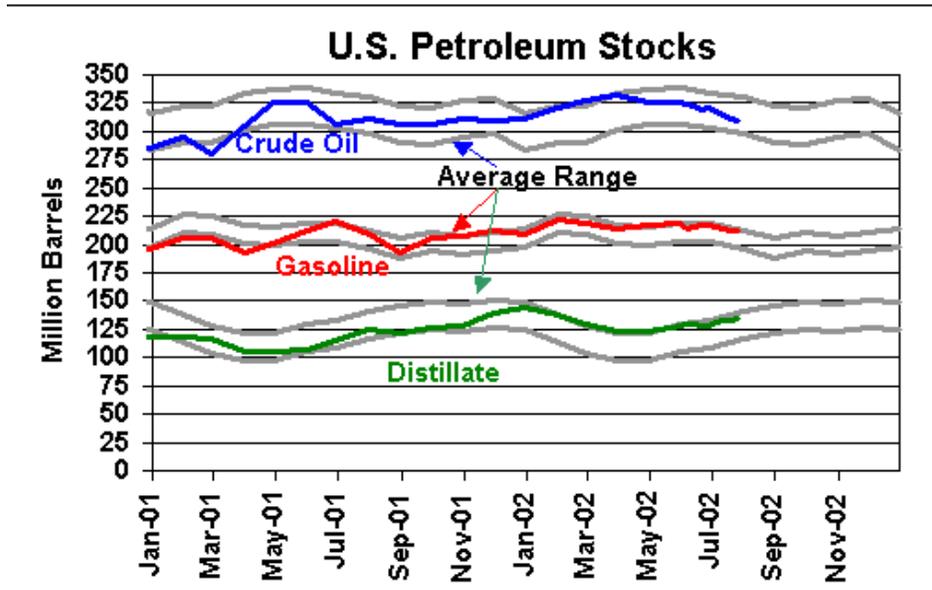
Source: Spot and futures closing quotes as reported by Reuters News Service, retail prices reported by EIA

U.S. Petroleum Supply

	(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
		7/26/2002	7/26/2001	Diff.	% Diff.
Refinery Activity					
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%	
Production					
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%
Imports					
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%
Total		11,032	11,757	-725	-6.2%
Exports					
Crude Oil		30	11	19	162.5%
Products		953	878	75	8.6%
Total		983	889	94	10.5%
Products Supplied					
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%
Total		19,533	19,881	-348	-1.8%

vs. Year Ago

	15,333	15,001	340	-1.0%
	vs. Year Ago			
Stocks (Million Barrels)	7/26/2002	7/26/2001	Diff.	% Diff.
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%
Total (excl. SPR)	1,028.9	1,023.7	5.2	0.5%



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

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

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

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World Oil Market Highlights

(updated July 9, 2002)

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

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

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

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

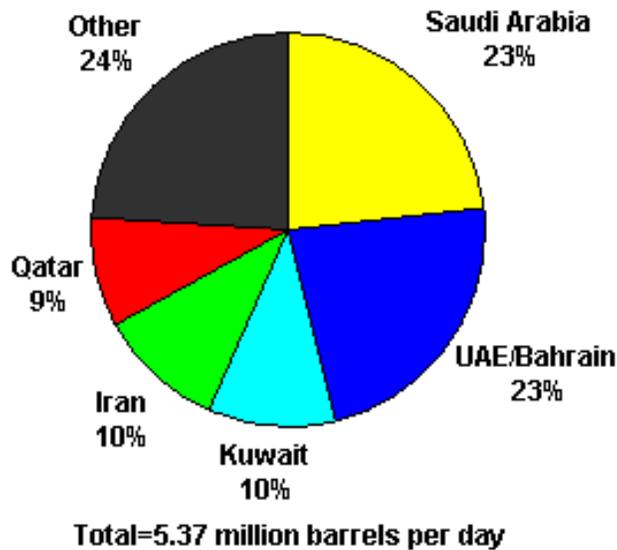
8)	Iraq	2.00
9)	Kuwait	1.80
10)	Mexico	1.65
11)	Libya	1.24
12)	Algeria	1.24

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

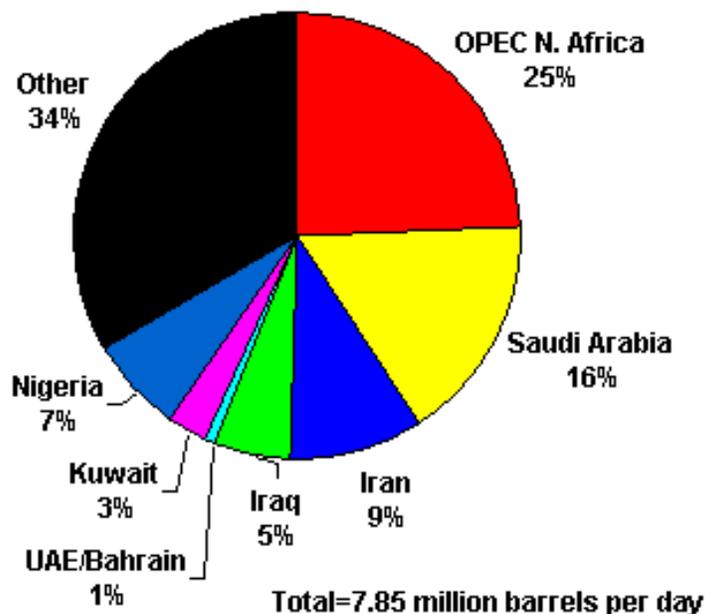
During 2001, about 48% of U.S. crude oil imports came from the Western Hemisphere (19% from South America, 15% from Mexico, 14% from Canada), while 30% came from the Persian Gulf region (18% from Saudi Arabia, 9% from Iraq, 3% from Kuwait).

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

Japanese Net Oil Imports by Country, 2001



OECD European Net Oil Imports by Country, 2001



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 Lowell Feld
lowell.feld@eia.doe.gov

Phone: Lowell Feld: (202) 586-9502

Fax: (202) 586-9753

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Latest U.S. Weekly Natural Gas Information

(updated August 6, 2002)

[Industry/Market Developments](#)

Natural Gas Rig Counts: The number of rigs drilling for natural gas increased by 16 to 729 during the week ended August 2, exceeding the recent high of 725 recorded on July 19, 2002, according to Baker-Hughes Incorporated. Natural gas rigs remain over 30% below last year at this time when they numbered 1,047. 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 on average, which is close to a record for the split between gas and oil rigs. Last week, rigs drilling for natural gas constituted 86% 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 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 last week were about 17% above the average. A factor contributing to the decline from 41% to less than 17% is the larger volume of gas in storage at this time of year. 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.

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

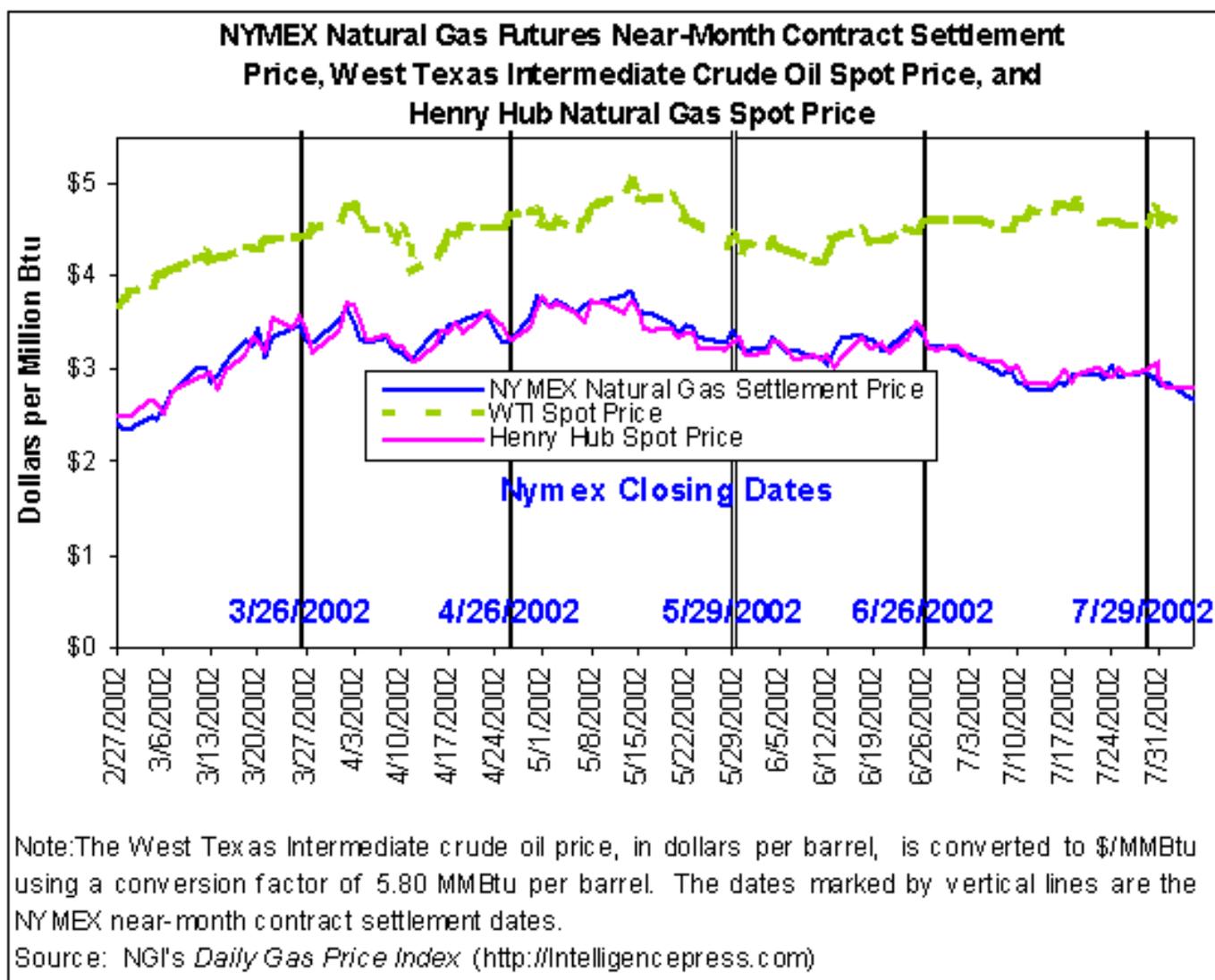
Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database.

[Prices:](#)

Natural gas spot market prices moved down between 5 and 13 cents per MMBtu at most market locations in the eastern two-thirds of the country on Monday (8/05/02) as cooler temperatures moved into the Midwest. This same

weather pattern is forecasted to spread into the Northeast today (8/06/02), bringing temperatures in the high 70s for much of the region. Prices at major citygate locations moved down yesterday in anticipation of the arrival of lower temperatures and the accompanying reduction in air-conditioning demand. The New York City price, which averaged over \$7.00 on July 31, was \$3.25 per MMBtu yesterday. In California, the average price moved up several cents to \$2.57 per MMBtu.

At the NYMEX, the price of the near-month contract for September delivery moved down 18 cents per MMBtu yesterday (8/05/02) to settle at \$2.678 per MMBtu -- almost \$0.28 per MMBtu below its high of \$2.954 per MMBtu since becoming the near-month contract, reached Wednesday, July 31.



<i>Trade Date (All prices in \$ per MMBtu)</i>	California Composite Average Price*	Henry Hub	New York City	Chicago	NYMEX futures contract-September delivery	NYMEX futures contract-October delivery
7/9/2002	2.85	2.98	3.35	2.90	3.029	3.060
7/10/2002	2.88	3.04	3.31	2.98	2.902	2.940
7/11/2002	2.62	2.85	3.10	2.79	2.869	2.911
7/12/2002	2.47	2.86	3.11	2.78	2.830	2.877
7/15/2002	2.57	2.82	3.18	2.78	2.825	2.873
7/16/2002	2.69	2.89	3.59	2.88	2.892	2.930
7/17/2002	2.76	2.98	3.86	2.97	2.862	2.901
7/18/2002	2.71	2.86	3.26	2.80	2.950	2.985
7/19/2002	2.74	2.95	3.26	2.88	2.944	2.982
7/22/2002	2.86	3.01	3.68	2.97	2.965	3.010
7/23/2002	2.75	2.96	3.27	2.91	2.895	2.937
7/24/2002	2.70	2.91	3.26	2.86	3.040	3.075
7/25/2002	2.83	3.03	3.44	3.04	2.888	2.933
7/26/2002	2.77	2.94	3.42	2.87	2.891	2.933
7/29/2002	2.86	3.06	4.71	3.00	2.905	2.930
7/30/2002	2.69	2.98	5.85	2.91	2.891	2.916
7/31/2002	2.68	3.04	7.07	3.00	2.954	2.971
8/1/2002	2.74	3.07	5.97	3.04	2.842	2.874
8/2/2002	2.53	2.91	3.69	2.85	2.858	2.885
8/5/2002	2.57	2.81	3.25	2.76	2.678	2.720

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

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

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Contact:

Jim Thompson

james.thompson@eia.doe.gov

Phone: Jim Thompson : (202) 586-6201

Fax: (202) 586-4420

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

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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, except where noted)

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.

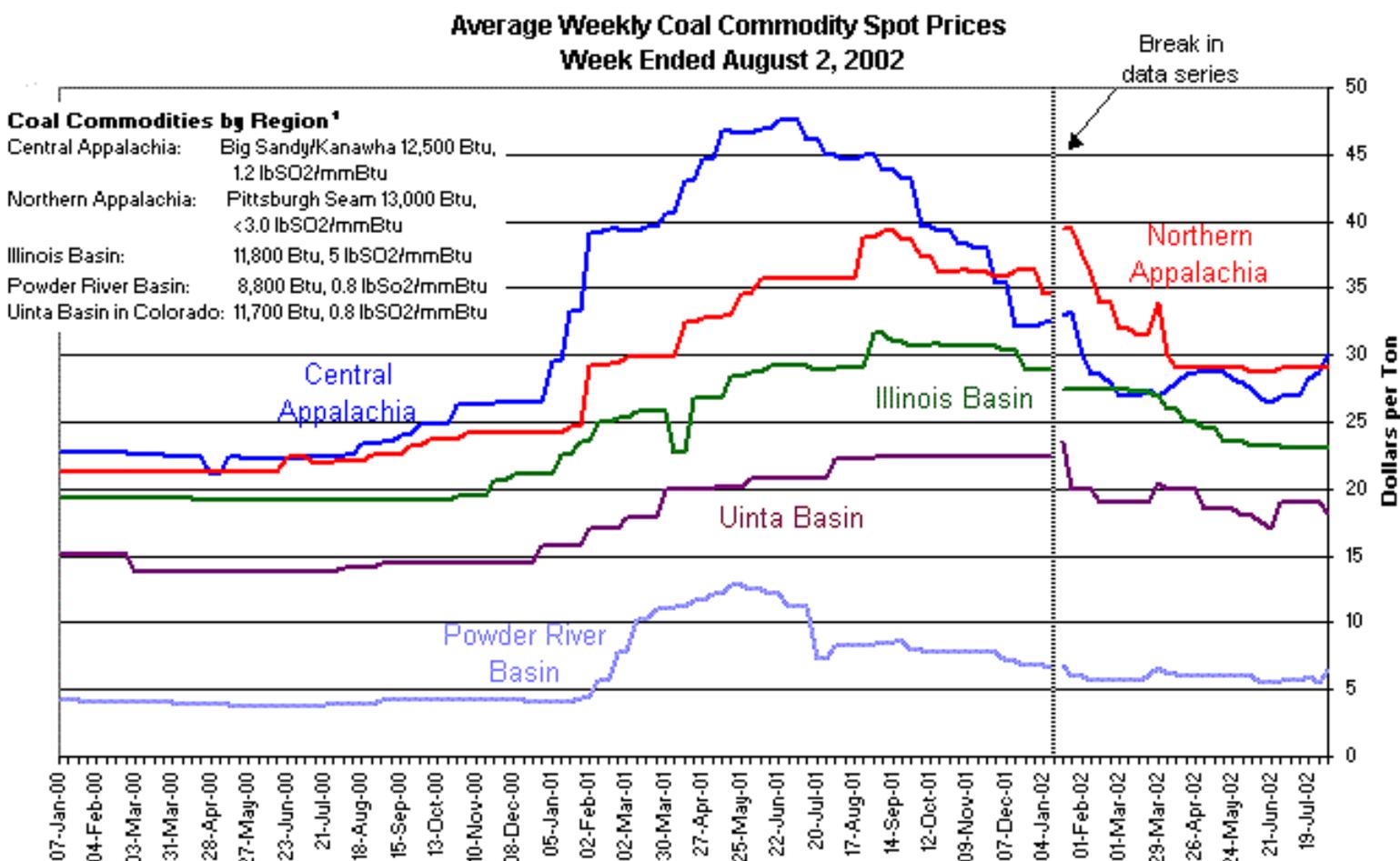
Coal Prices *(updated August 6, 2002)*

The spot coal prices tracked by EIA (graph below) have been mostly firm or rising since the week ended June 22: Central Appalachian coal prices have risen markedly, Powder River Basin prices have trended upward, and Northern Appalachian and Illinois Basin prices have held firm. Uinta Basin prices have been relatively firm also, even with a decline in the average price during the past week. Following a long period of slowly downward price trends, coal suppliers are "cautiously optimistic" that prices are on the rise according to Platt's Coal Outlook (August 5), as hot weather begins to eat into the high coal stockpiles at many electric power generators. Relatively few buyers are in the market, though, as most electric power generators have enough coal on hand for anticipated remaining summer consumption and may be waiting to see which direction prices move before committing to new purchases. Buyers also know that large coal suppliers accumulated unsold inventories during the first 3 to 5 months of 2002 and idled numerous mines in order to preclude a glut of coal in the market and a free fall in prices.

Compared to peak prices in summer 2001, Central and Northern Appalachian coal prices are down by about \$18.00 and \$10.00 per short ton, respectively. Compared to prices in the summer of 2000, prior to the 2001 escalation, the latest indexed spot prices of \$30.00 per short ton for Central Appalachian and \$29.00 per short ton for Northern Appalachian coal are higher by 35% and 36% respectively. Other prices are also running higher than the summer 2000 baseline: by 33% for the Uinta Basin, 20% for the Illinois Basin, and 73% for the Powder River Basin.

Significantly, the average spot price tracked for Central Appalachian coal (see graph) rose above that of Northern Appalachian Pittsburgh seam coal for the first time since November 2001.

NOTE: The date labels on the graph below have been changed. This change does not affect the price data or the relative positions on the weekly time scale (x-axis). The dates on the graph are now keyed (properly) to Friday of the week for which the average prices are plotted. Previously the dates on the graph reported the publication date of the source report.



*Prior to January 11, 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, near-month 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. Also contributing to the expectation of higher coal prices, NYMEX prices are now above \$30.00 for all 2003 delivery dates.

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

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 August 6, 2002)

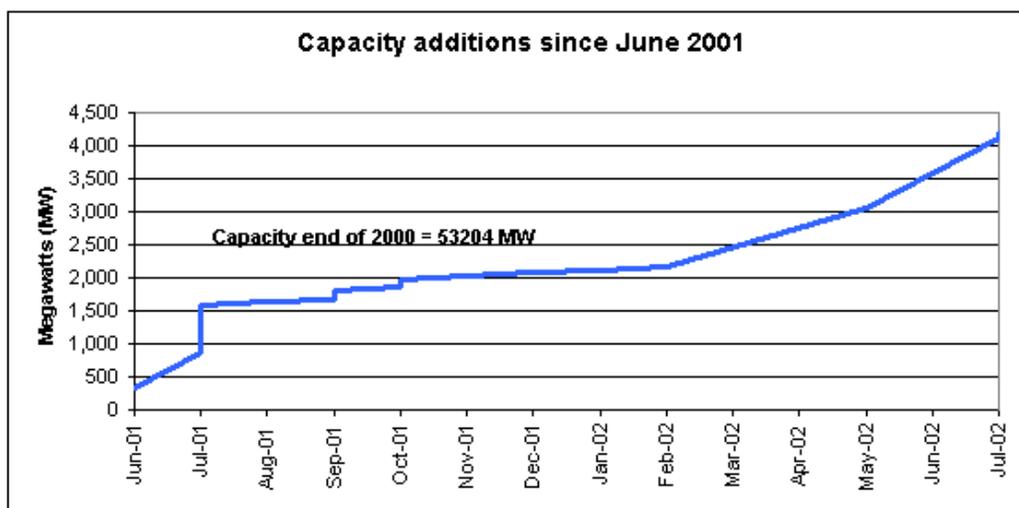
Selected Wholesale Electricity Prices: Wholesale electricity spot prices fell at all major western U.S. trading centers yesterday following unseasonably cool weather and lower electricity demand. Prices at the COB decreased 15%, to \$18.25 per megawatthour. Similarly, prices at Palo Verde decreased 11%, to \$30.18 per megawatthour on August 5.

Parts of the Mid- continent region were also affected by cooler weather. Prices at the Cinergy hub dropped 42% to \$30.93 per megawatthour on August 5 as cooler weather lowered electricity demand.

Similarly, prices in the Northeast have also fallen dramatically as hot weather of the past week has ended and cooler temperatures are forecasted for the remainder of the week. The PJM hub experienced a 55% decrease in price going from \$85.81 per megawatthour on August 2 to \$38.46 per megawatthour on August 5. Similarly, prices at the New York Zone J, New York City have decreased 43% going to \$65 per megawatthour on August 5. New England prices have dropped 34% to \$47.00 per megawatthour on August 5.

Over the past seven days, the average price at all trading centers has ranged between \$33.52 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 about 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		
	7/26/02	7/29/02	7/30/02	7/31/02	8/1/02	8/2/02	8/5/02	Max	Min	Average
COB	23.38	19.50	20.38	22.25	22.65	21.38	18.25	23.38	18.25	21.11
Palo Verde	34.13	35.27	35.66	38.46	32.93	34.07	30.18	38.46	30.18	34.39
Mid-Columbia	20.12	16.26	15.80	17.35	17.30	16.86	15.54	20.12	15.54	17.03
Mead/Marketplace	38.41	38.63	40.63	43.14	37.09	36.31	34.21	43.14	34.21	38.35
4 Corners	38.05	37.80	40.97	41.14	35.44	35.59	32.00	41.14	32.00	37.28
NP 15	30.13	30.15	29.83	29.59	27.34	27.69	26.75	30.15	26.75	28.78
SP 15	33.88	34.01	34.88	37.09	32.12	32.39	30.40	37.09	30.40	33.54
PJM West	80.08	111.77	88.79	78.55	73.40	85.81	38.46	111.77	38.46	79.55
NEPOOL	62.25	104.00	85.01	59.13	61.80	71.75	47.00	104.00	47.00	70.13
New York Zone J	90.55	125.00	116.01	108.38	107.00	115.00	65.00	125.00	65.00	103.85
Cinergy	60.36	58.30	49.36	59.72	50.37	53.80	30.93	60.36	30.93	51.83
Average Price	46.49	55.52	50.67	48.62	45.22	48.24	33.52	55.52	33.52	46.90

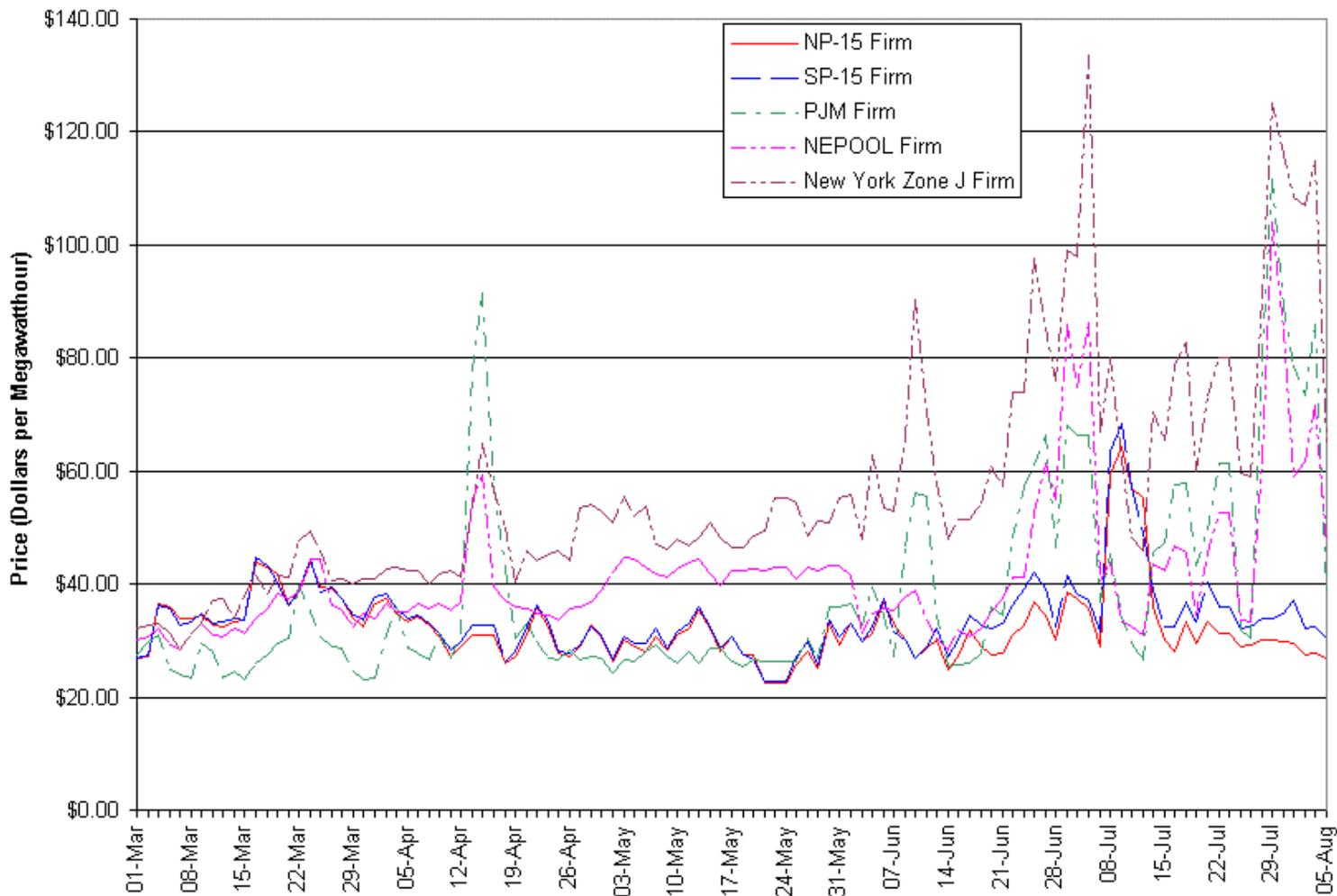
Sources: COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West, NEPOOL, New York Zone J, and Cinergy trading centers. Used with permission from Bloomberg L.P. (www.bloomberg.com).

Notes:

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

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

Average Wholesale Electricity Prices in the U.S.



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

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

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