

# Energy Situation Analysis Report

Last Updated: August 8, 2002

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## Latest Oil Market Developments

West Texas Intermediate (WTI) September crude oil futures on the New York Mercantile Exchange (NYMEX) settled at \$26.50 per barrel yesterday (August 7, 2002), down \$0.67 per barrel from Tuesday's close. [more...](#)

## Latest U.S. Weekly EIA Petroleum Information

With crude oil imports declining in the last two weeks, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) fell by 2.1 million barrels, and are now 5.5 million barrels lower than a year ago. U.S. commercial crude oil inventories are now at 307.2 million barrels, the lowest level since the week ending October 19, 2001. 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...](#)

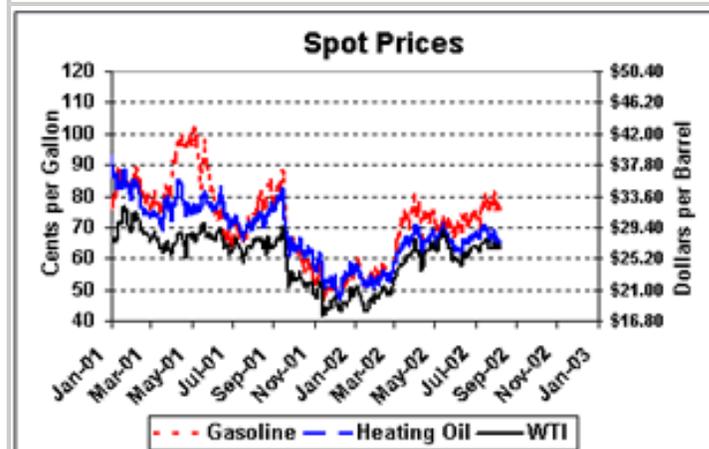
## Latest U.S. Weekly Natural Gas Information

At the NYMEX, the price of the futures contract for September delivery at the Henry Hub declined slightly, falling just under 2 cents per MMBtu since Monday, August 5, to settle at \$2.660 per MMBtu on Wednesday, August 7. This is the lowest price for the September futures contract since March 1, 2002. Spot prices have continued the pattern of decline that began late last week, falling to \$2.73 per MMBtu at the Henry Hub on

## Energy Prices\*

Petroleum Futures	8/07/02	8/06/02	Change
WTI (\$/Bbl)	26.50	27.17	-0.67
Gasoline (c/gallon)	75.46	77.47	-2.01
Heating Oil (c/gallon)	66.61	67.78	-1.17
<b>Natural Gas (\$/MMBtu)</b>			
Henry Hub	2.73	2.79	-0.06
California	2.48	2.54	-0.06
New York City	3.04	3.18	-0.14
<b>Electricity (\$/Megawatthour)</b>			
COB	20.40	20.00	+0.40
PJM West	27.44	29.89	-2.45
NEPOOL	33.20	38.31	-5.11
Average	29.60	30.87	-1.27

[\\*Definitions](#)



Source: Closing quote as reported by Reuters News Service

Wednesday August 7. [more...](#)

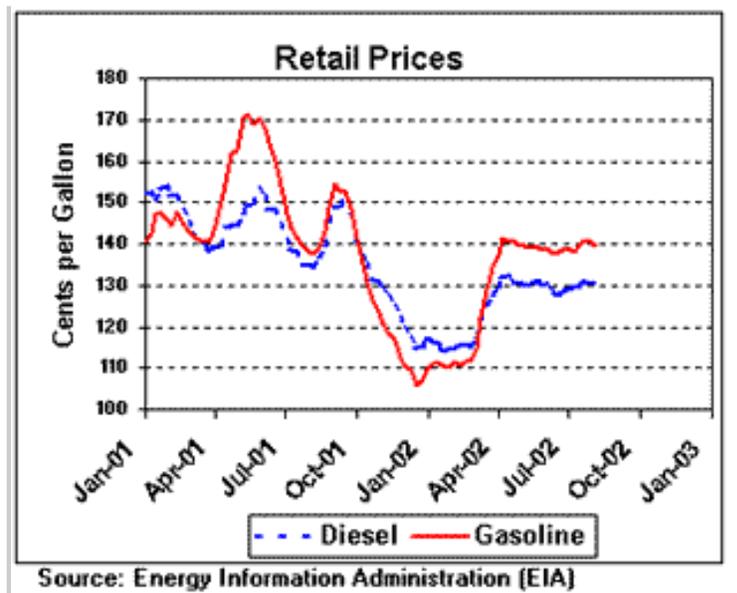
### Latest U.S. Coal Information

The spot coal prices tracked by EIA 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. 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 have been relatively stable over the past several days at the major western U.S. trading centers as generation capacity has easily covered electricity demand. Prices at the COB increased \$0.40 on August 7 to \$20.40 per megawatthour. Similarly, prices at Palo Verde increased less than one dollar (78 cents) to \$28.97 per megawatthour. Over the past seven days, the average price at all trading centers has ranged between \$29.60 per megawatthour and \$50.67 per megawatthour.

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## Latest Oil Market Developments

(updated August 8, 2002)

West Texas Intermediate (WTI) September crude oil futures on the New York Mercantile Exchange (NYMEX) settled at \$26.50 per barrel yesterday (August 7, 2002), down \$0.67 per barrel from Tuesday's close. A statement made by President George W. Bush promised caution and deliberation concerning Iraq, easing oil market concerns that a U.S. military strike was imminent. Inventory data released by the Energy Information Administration (EIA) on Wednesday sent mixed signals to traders, indicating that while crude oil stocks fell last week, stocks of gasoline and distillates rose.

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 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:

- On Wednesday (8/07/02) President George W. Bush eased mounting concerns in oil markets over an imminent strike on Iraq saying, "I promise you that I will be patient, and deliberate, that we will continue to consult with Congress, and of course we'll consult with our friends and allies." The possibility of an attack on Iraq has been a bullish factor in recent weeks as observers anticipated a possible disruption to world oil supply.
- Mexican Energy Minister Ernesto Martens announced his country's intentions to continue restricting exports to 1.66 million barrels per day (bbl/d). Mr. Martens did not specify how long the limits will stay in place. Mexico has held its exports to approximately 1.66 million bbl/d since June, when the non-OPEC country agreed to adhere to its January 2002 agreement with OPEC to restrict exports and to help strengthen oil prices.
- Iraq's Kirkuk-Yumurtalik oil export pipeline reportedly has been shut down due to full storage tanks at the Turkish port of Ceyhan. This further constrains Iraqi oil exports, which are already averaging only 1.2 million bbl/d, slightly over half the country's sustainable capacity. Reduced output is due primarily to a continued pricing dispute with the United Nations.
- As of August 8, 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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## Latest U.S. Weekly EIA Petroleum Information

(updated August 8, 2002)

### Refinery Inputs and Production

U.S. crude oil refinery inputs averaged 15.3 million barrels per day during the week ending August 2, a drop of more than 300,000 barrels per day from the previous week. Decreases were seen in all regions except for a very slight increase in PADD IV (Rocky Mountains). Over the last four weeks, crude oil inputs have averaged 15.4 million barrels per day, which is almost 100,000 barrels per day more than was averaged last year at this time. Despite the large drop in crude oil refinery inputs last week, motor gasoline refinery production increased to the highest level since the week ending June 29, 2001.

### Petroleum Imports

U.S. crude oil imports decreased last week for the second week in a row, averaging about 8.7 million barrels per day. During the most recent four weeks, crude oil imports have averaged nearly 9.1 million barrels per day, or about 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 down sharply from the previous week (when they averaged the third highest amount ever). Even with refinery production of motor gasoline exceeding 8.7 million barrels per day, total motor gasoline imports (including both finished gasoline and gasoline blending components) continue to pour into the country, averaging nearly 1.0 million barrels per day last week.

### Petroleum Inventories

With crude oil imports declining in the last two weeks, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) fell by 2.1 million barrels, and are now 5.5 million barrels lower than a year ago. U.S. commercial crude oil inventories are now at 307.2 million barrels, the lowest level since the week ending October 19, 2001. Motor gasoline inventories increased last week by 0.9 million barrels due to high refinery production and import levels. Distillate fuel inventories rose by 0.7 million barrels, with a seasonal 1.8 million barrel build in high-sulfur distillate fuel more than making up for a draw in low-sulfur distillate fuel inventories. Total commercial petroleum inventories are now 1.4 million barrels above year-ago levels.

### Petroleum Demand

Total product supplied over the last four-week period averaged over 19.7 million barrels per day or about 0.9 percent less than the very high level last year, slightly reversing positive year-over-year growth in May and June. Motor gasoline demand, however, has averaged 1.0 percent above last year's level over the last four weeks, while distillate fuel demand has averaged 2.2 percent below last year's level. Jet fuel demand over the last four weeks is 7.4 percent below year-ago levels.

### Spot Prices

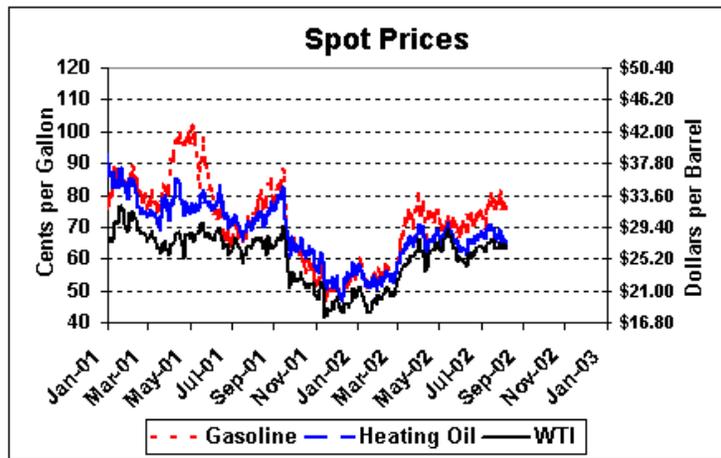
The average world crude oil price on August 2, 2002 was \$24.51 per barrel, up \$0.01 from the previous week and \$0.50 more than last year. WTI was \$26.87 per barrel on August 2, 2002, \$0.32 greater than last week and \$0.64 lower than last year. The spot price for conventional gasoline in the New York Harbor was 77.50 cents per gallon, up 0.16 cent from last week and 3.68 cents 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 above last week and 5.50 cents less than last year.

### Retail Gasoline and Diesel Fuel Prices

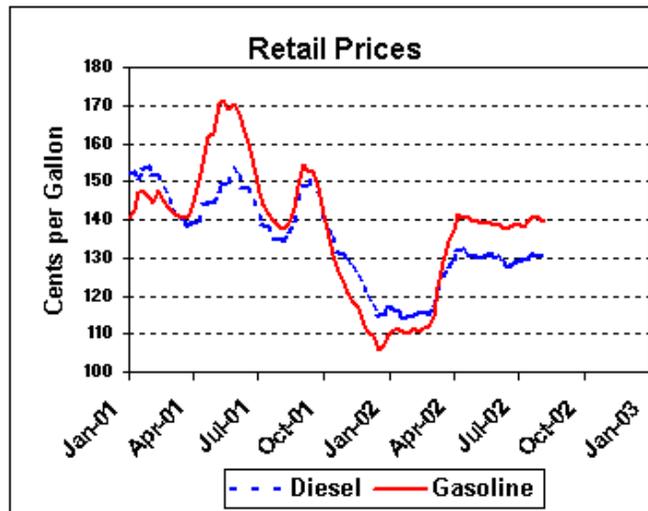
The U.S. average retail price for regular gasoline fell 1.2 cents per gallon last week, ending at 139.5 cents per gallon as of August 5. This price is 1.9 cents per gallon higher than last year, marking the third week in a row this summer that 2002 prices were higher than 2001 prices. Despite the decline in the national average, retail gasoline price changes were up throughout most of the country, with the largest regional increase occurring on the West Coast, where prices gained 0.9 cent 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 about a third 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 while there is still potential for some pressure on prices ahead of Labor Day, any significant movement would likely prove to be very brief, barring major regional infrastructure difficulties. 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 8, 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

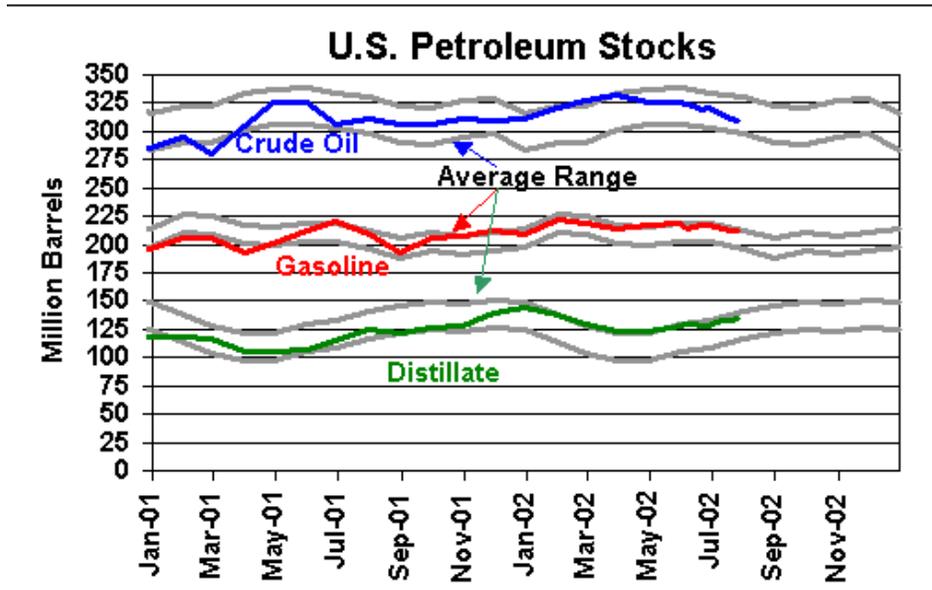
Source: Spot and futures closing quotes as reported by Reuters News Service, retail prices reported by EIA

## U.S. Petroleum Supply

	(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
		7/26/2002	7/26/2001	Diff.	% Diff.
<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%
Total		11,032	11,757	-725	-6.2%
<b>Exports</b>					
Crude Oil		30	11	19	162.5%
Products		953	878	75	8.6%
Total		983	889	94	10.5%
<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%
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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## 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

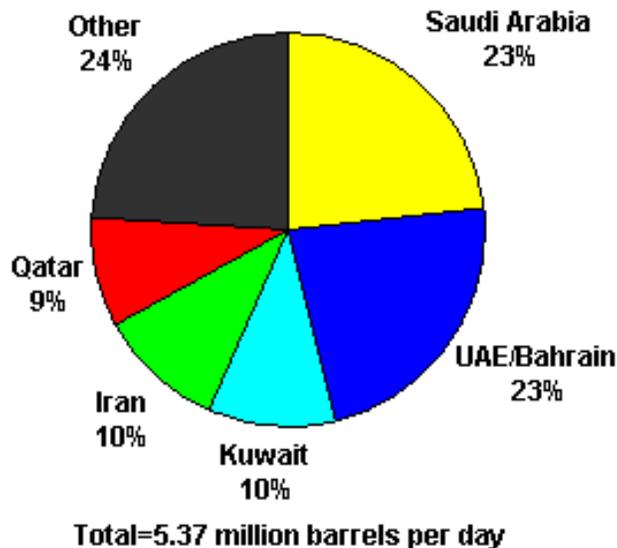
8)	Iraq	2.00
9)	Kuwait	1.80
10)	Mexico	1.65
11)	Libya	1.24
12)	Algeria	1.24

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

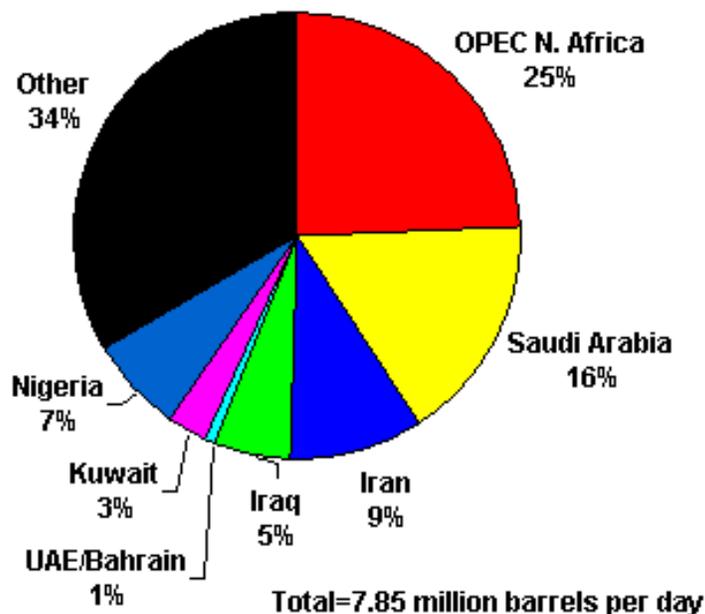
During 2001, about 48% of U.S. crude oil imports came from the Western Hemisphere (19% from South America, 15% from Mexico, 14% from Canada), while 30% came from the Persian Gulf region (18% from Saudi Arabia, 9% from Iraq, 3% from Kuwait).

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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## 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. Weekly Natural Gas Information

(updated August 8, 2002)

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

Natural gas consumption in manufacturing grew by over 8% between 1994-98. According to the EIA report [Energy Use in Manufacturing: 1994 to 1998](#) released August 1, 2002, natural gas use increased by 8.4% compared with total fuel consumption growth of 7%. The two main uses of natural gas by manufacturers are boiler fuel and process heating, which accounted for 89% of their gas consumption in 1998, up from 86% in 1994. The increase in total energy use was driven primarily by growth in the consumption of natural gas and electricity, with the latter increasing by 14.4%. During this period, U.S. manufacturers used less petroleum and coal in manufacturing processes. This expansion of gas use occurred although natural gas prices to manufacturing consumers increased by more than 6% during the period, rising to an annual average of \$2.82 per Mcf in 1998 compared with \$2.65 per Mcf in 1994, while the cost of other major fossil fuels (petroleum products and coal) declined between 5% and 21%. The cost of electricity also moved down, declining over 4%.

*Comment Period for Potential New Revision Policy Closes On August 12:* 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 (bcf) 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 consideration of EIA's potential new policy for revisions of the WNGSR. Comments must be filed by August 12, 2002.

### [Natural Gas Storage](#)

Working gas in storage was 2,567 Bcf for the week ended Friday, August 2, 2002, according to the EIA Weekly Natural Gas Storage Report. This is 15% above the 5-year average for the report week, and almost 12% above the level last year for the same week. The implied net change was 33 Bcf, which is roughly 39% below the 5-year average weekly change of 54 Bcf for the report week.

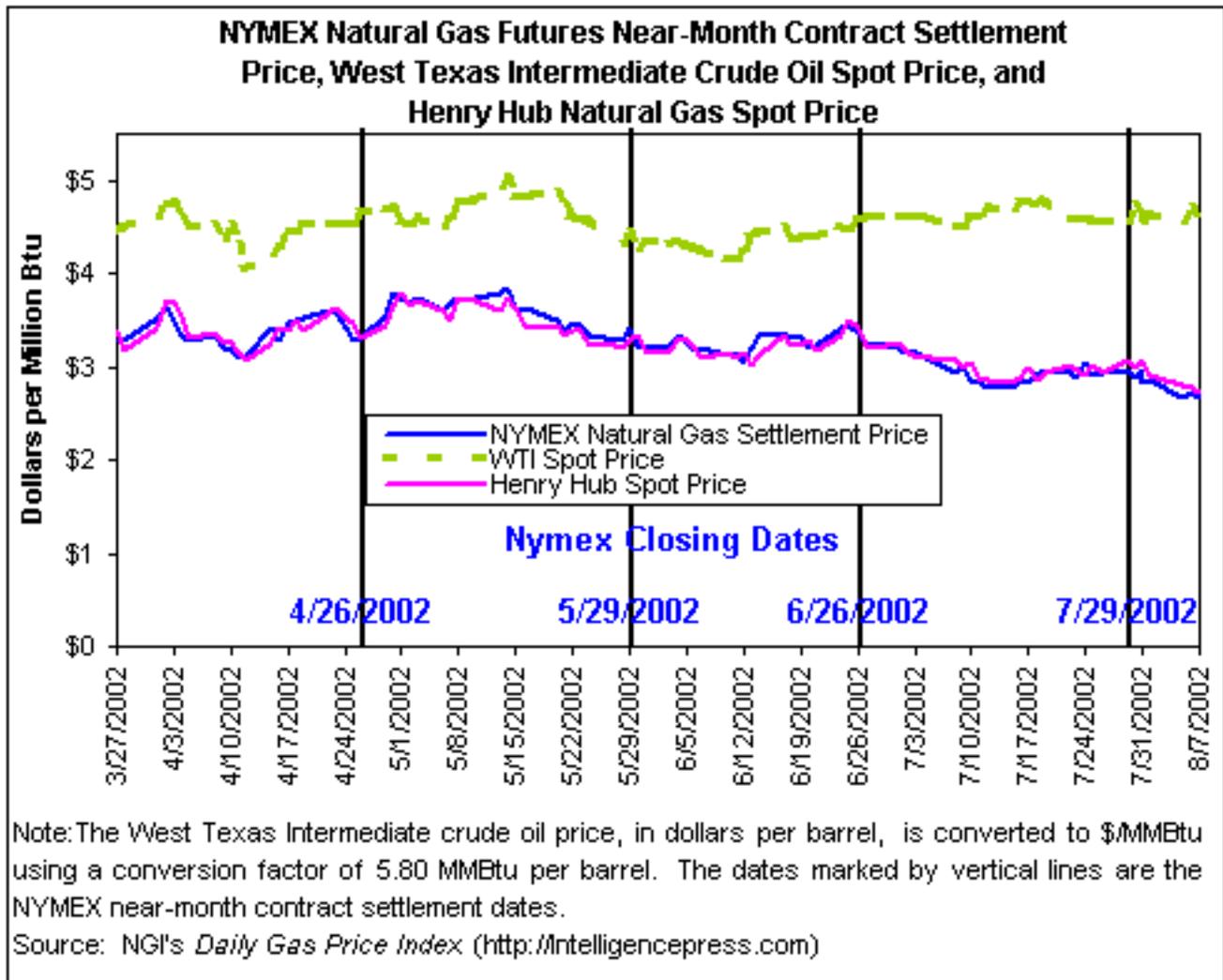
<b>All Volumes in Bcf</b>	<b>Current Stocks 8/2/2002</b>	<b>Estimated Prior 5-year (1997-2001) Average</b>	<b>Percent Difference from 5-Year Average</b>	<b>Implied Net Change from Last Week</b>	<b>One- Week Prior Stocks 7/26/2002</b>
<b>East Region</b>	1,414	1,309	8.0%	33	1,381
<b>West Region</b>	360	300	20.0%	8	352
<b>Producing Region</b>	793	622	27.5%	-8	801
<b>Total Lower 48</b>	2,567	2,231	15.1%	33	2,534

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

### Prices:

Spot prices have continued the pattern of decline that began late last week, falling to \$2.73 per MMBtu at the Henry Hub on Wednesday August 7. Moderating temperatures since Monday, August 5, as a cool front from Canada swept across most of the eastern two-thirds of the United States, led to price declines of up to 23 cents per MMBtu at most market locations. In contrast to this overall pattern of decline, prices at some market locations in the Rockies climbed between 16 and 20 cents per MMBtu since Monday, August 5.

At the NYMEX, the price of the futures contract for September delivery at the Henry Hub declined slightly, falling just under 2 cents per MMBtu since Monday, August 5, to settle at \$2.660 per MMBtu on Wednesday, August 7. This is the lowest price for the September futures contract since March 1, 2002.



<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-September delivery</b>	<b>NYMEX futures contract-October delivery</b>
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
8/6/2002	2.54	2.79	3.18	2.73	2.716	2.755
8/7/2002	2.48	2.73	3.04	2.65	2.660	2.704

\* 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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## Latest U.S. Coal Information

(updated August 8, 2002, except where noted)

### Coal Production

For the week ending July 27, rail car loadings of coal were 1.7% higher while national [coal production](#) was 3.5% 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 6.7% below last year's level. The estimated production for the first seven months of 2002 was 620.1 million short tons (mst), 3.9% lower than the 651.3 mst in the first seven 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. Cumulative weekly coal production volumes are down more (in absolute terms) than are cumulative 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.

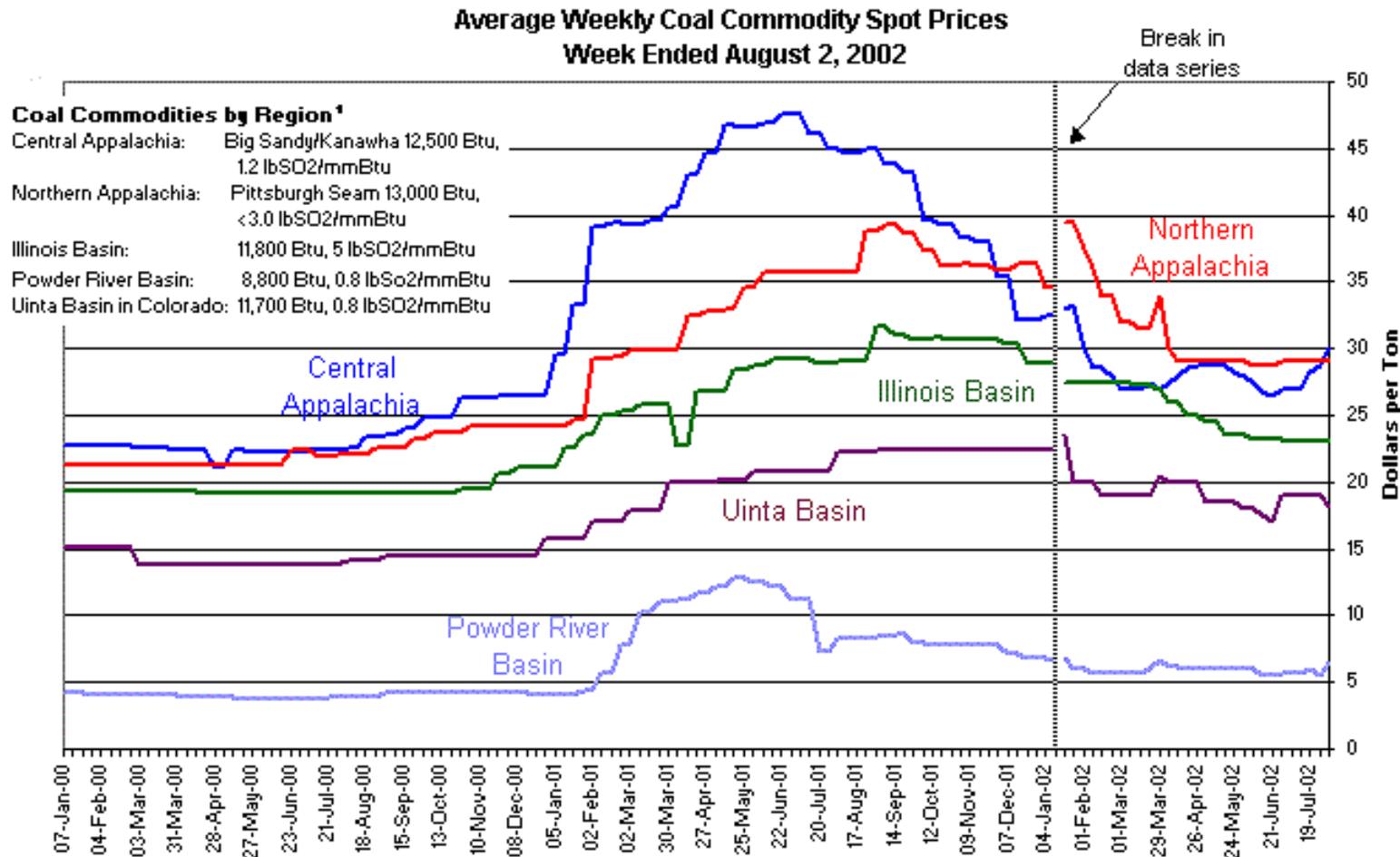
### Coal Prices *(updated August 6, 2002)*

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.



<sup>1</sup>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.

### Midwest Surface Mining

Recently an article in Energy Argus Coal Daily (July 31) noted that EIA expects a shift toward proportionately more underground coal mining in the Midwest over the coming 10 years. This will result in higher mining costs and likely

higher prices, according to a "market source." Much hinges on whether the markets are there for the higher sulfur Midwestern coal. In unpublished studies of Illinois and Indiana coal resources during the past several years, EIA adjusted the coal tonnages to account for known accessibility restrictions and anticipated recovery rates. In Illinois, for example, this yielded an estimated 10.1 billion short tons (bst) of surface-minable recoverable reserves remaining in Illinois, along with 28.1 bst of underground-minable reserves. The 10.1 bst would equate to about 2,650 years' surface-mine production based on calendar year 2000 production of 3.8 mst. (Note that 2000 production was historically low, the lowest since 1902.) The 28.1 bst equates to nearly 950 years of reserves, based on year-2000 underground production of 29.6 mst.

In the Illinois study, accessibility criteria were updated, based on new mapping and on recent mining company experience. For example, buffers of no-mining were expanded around towns in counties with no recent coal mining because traditional agricultural communities were found to impose greater restrictions on mining and blasting in proximity to developed areas than do communities in established mining areas. More detailed mapping and data processing also made it possible to factor out fault zones, rock intrusions, and other geologic features that restrict mining or recovery rates. On the other hand, former restrictions on mining in proximity to oil wells were largely reduced or removed to reflect changes in mining practice in recent years. A previous assumption that surface mining would be prohibited under prime farm lands was revised because these soils have successfully been removed, stockpiled, and adequately reclaimed recently on mined lands. More conservative minability criteria were also applied for the estimated recoverable reserves for underground mining, to exclude coal less than 42 inches thick. While 28"-42" resources are included in the Demonstrated Reserve Base (DRB) and are technically minable, they were not considered economically minable commercially in the foreseeable future and were held back from recoverable reserve estimates.

Similar results were found in a smaller study in Indiana. Regardless of minable reserves, the biggest impediment to Midwestern coal mining is low prices, depressed due to the high sulfur content of nearly all its coal, at a time when regulations require capture of excess sulfur emissions or purchase of compensating emission allowances.

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## Latest U.S. Electricity Information

(updated August 8, 2002)

**Selected Wholesale Electricity Prices:** Wholesale electricity spot prices have been relatively stable over the past several days at the major western U.S. trading centers as generation capacity has easily covered electricity demand. Prices at the COB increased \$.40 on August 7 to \$20.40 per megawatthour. Similarly, prices at Palo Verde increased less than one dollar (78 cents) to \$28.97 per megawatthour.

The Mid-continent region continued to see electricity prices fall as cooler weather has remained in the region, reducing the demand for electricity. Prices at the Cinergy hub dropped another 17 percent to \$21.33 per megawatthour on August 7.

Similarly, prices in the Northeast have also continued to fall, though not as drastically as earlier in the week, as cooler weather has set in the region reducing the demand for electricity. The largest percentage dropped occurred in New England, where prices dropped 13 percent from \$38.31 per megawatthour on August 6 to \$33.20 per megawatthour on August 7. The PJM hub experienced an 8 percent decrease in price going to \$27.44 per megawatthour on August 7. Similarly, prices at the New York Zone J, New York City have decreased 4 percent going to \$61.88 per megawatthour on August 7.

Over the past seven days, the average price at all trading centers has ranged between \$29.60 per megawatthour and \$50.67 per megawatthour.

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

Trading Centers	Date							Price Range		
	7/30/02	7/31/02	8/1/02	8/2/02	8/5/02	8/6/02	8/7/02	Max	Min	Average
COB	20.38	22.25	22.65	21.38	18.25	20.00	20.40	22.65	18.25	20.76
Palo Verde	35.66	38.46	32.93	34.07	30.18	28.19	28.97	38.46	28.19	32.64
Mid-Columbia	15.80	17.35	17.30	16.86	15.54	16.16	16.37	17.35	15.54	16.48
Mead/Marketplace	40.63	43.14	37.09	36.31	34.21	32.56	32.08	43.14	32.08	36.57
4 Corners	40.97	41.14	35.44	35.59	32.00	29.73	29.55	41.14	29.55	34.92
NP 15	29.83	29.59	27.34	27.69	26.75	25.53	25.06	29.83	25.06	27.40
SP 15	34.88	37.09	32.12	32.39	30.40	29.23	29.33	37.09	29.23	32.21
PJM West	88.79	78.55	73.40	85.81	38.46	29.89	27.44	88.79	27.44	60.33
NEPOOL	85.01	59.13	61.80	71.75	47.00	38.31	33.20	85.01	33.20	56.60
New York Zone J	116.01	108.38	107.00	115.00	65.00	64.25	61.88	116.01	61.88	91.07
Cinergy	49.36	59.72	50.37	53.80	30.93	25.74	21.33	59.72	21.33	41.61
<b>Average Price</b>	50.67	48.62	45.22	48.24	33.52	30.87	29.60	50.67	29.60	40.96

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

**Notes:**

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

**COB:** Average price of electricity traded at the California-Oregon and Nevada-Oregon Borders.

**Palo Verde:** Average price of electricity traded at Palo Verde and the West Wing, Arizona.

**Mid-Columbia:** Average price of electricity traded at Mid-Columbia.

**Mead/Market Place:** Average price of electricity traded at Mead Market Place, McCullough and Eldorado.

**Four Corners:** Average price of electricity traded at Four Corners, Shiprock, and San Juan, New Mexico.

**NP-15:** Average price of electricity traded at NP-15.

**SP-15:** Average price of electricity traded at SP-15.

**PJM-West:** Average price of electricity traded at PJM Western hub.

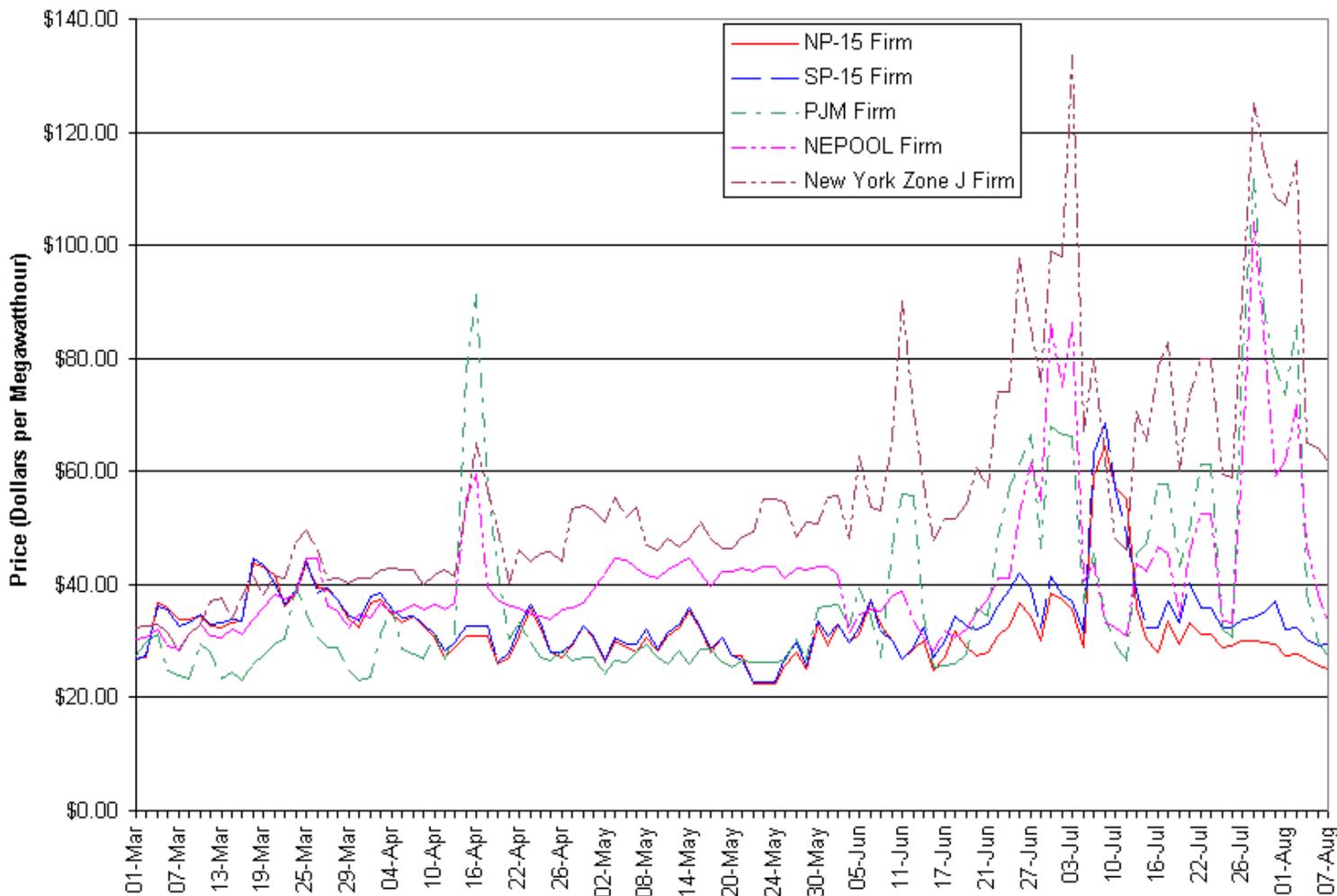
**NEPOOL** Average price of electricity traded at Nepool.

**New York Zone J:** Average price of electricity traded at the New York Zone J - New York City.

**Cinergy:** Average price of electricity traded into the Cinergy control area.

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**Cinergy:** Average price of electricity traded into the Cinergy control area.

### Average Wholesale Electricity Prices in the U.S.



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