

Energy Situation Analysis Report

Last Updated: August 15, 2002

Next Update: August 20, 2002

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Latest Oil Market Developments

West Texas Intermediate (WTI) September crude oil futures on the New York Mercantile Exchange (NYMEX) rose \$0.25 per barrel yesterday (08/14/02) to settle at \$28.15 per barrel on EIA weekly data showing a decline in U.S. crude oil inventories. The data for the week ending August 9 showed U.S. crude oil inventories (excluding the Strategic Petroleum Reserve) at their lowest level since March 2001. [more...](#)

Latest U.S. Weekly EIA Petroleum Information

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) fell by 7.2 million barrels, and are now 11.6 million barrels lower than a year ago. The U.S. average retail price for regular gasoline fell 0.2 cent per gallon last week, ending at 139.3 cents per gallon as of August 12. This price is 0.1 cent per gallon higher than last year, marking the fourth 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 5.6 million barrels per day of excess oil production capacity that could be brought online within 30 days, over 90% of which lies in OPEC countries. This figure does not include Iraqi spare capacity. [more...](#)

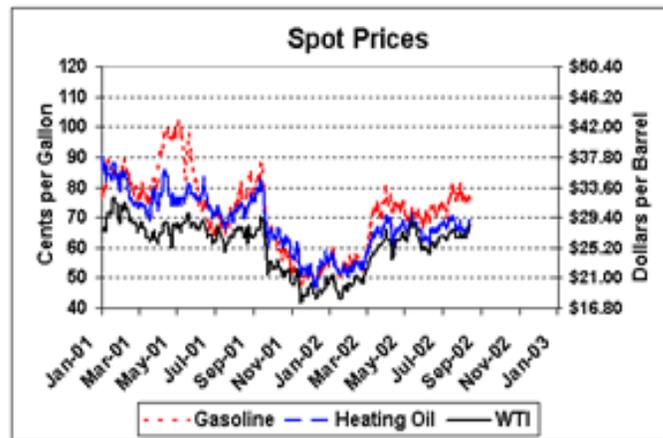
Latest U.S. Weekly Natural Gas Information

Spot natural gas prices on Wednesday, August 14 were higher than on Monday (August 12) as high temperatures prevailed once again, particularly in the Northeast and Southwest. Near-across the board increases on Tuesday ranging up to 25 cents per MMBtu gave way to mixed results yesterday, as the number of locations with increases was about matched by locations with either

Energy Prices*

Petroleum Futures	8/14/02	8/13/02	Change
WTI (\$/Bbl)	28.15	27.90	+0.25
Gasoline (c/gallon)	77.64	77.38	+0.26
Heating Oil (c/gallon)	70.14	69.42	+0.72
Natural Gas (\$/MMBtu)			
Henry Hub	3.03	3.03	0.00
California	2.74	2.76	-0.02
New York City	4.38	3.90	+0.48
Electricity (\$/Megawatthour)			
COB	28.00	27.50	+0.50
PJM West	33.85	35.53	-1.68
NEPOOL	141.67	121.25	+20.42
Average	53.90	55.28	-1.38

[*Definitions](#)



Source: Closing quote as reported by Reuters News Service

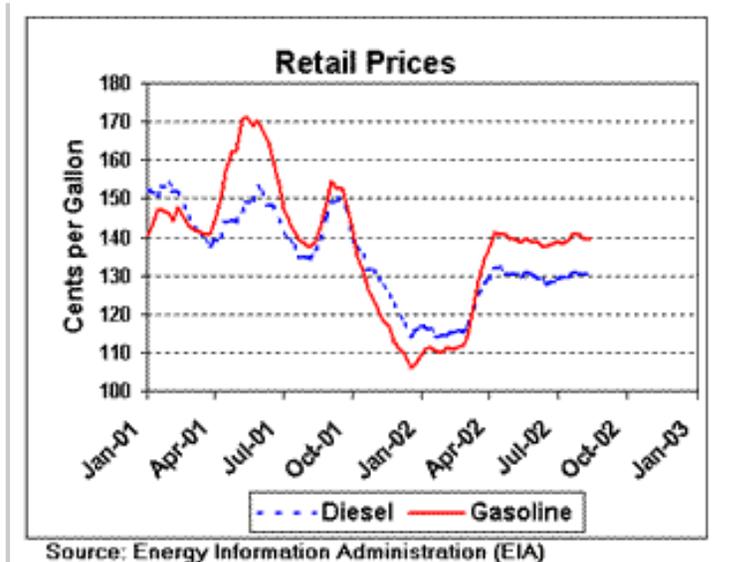
decreases or no change. At the Henry Hub, after gaining 12 cents per MMBtu on Tuesday, the average spot price stayed flat on Wednesday at \$3.03 per MMBtu. [more...](#)

Latest U.S. Coal Information

The spot coal prices tracked by EIA have been mostly firm or rising since the week ending 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 \$17.00 and \$9.00 per short ton, respectively. [more...](#)

Latest U.S. Electricity Information

Wholesale electricity spot prices were mixed yesterday in the Western U.S. with prices increasing in the Northwest, remaining relatively stable in California, and decreasing in the Southwest. New England prices increased 17% to \$141.67 per megawatthour on August 14 as hot weather has remained in the region. Prices at the Mid-Columbia trading zone, in the Northwest, have increased for five consecutive weekdays due to warmer weather and a decrease in hydroelectricity supply, rising 60% from last week's low to \$22.56 per megawatthour on August 14. [more...](#)



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Latest Oil Market Developments

(updated August 15, 2002)

West Texas Intermediate (WTI) September crude oil futures on the New York Mercantile Exchange (NYMEX) rose \$0.25 per barrel yesterday (08/14/02) to settle at \$28.15 per barrel. NYMEX futures prices rose sharply again today (08/15/02), up \$0.91 per barrel to close at \$29.06 per barrel. EIA data for the week ending August 9 showed U.S. crude oil inventories (excluding the Strategic Petroleum Reserve) at their lowest level since March 2001.

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:

- OPEC Secretary General Alvaro Silva made comments yesterday which seemed to be intended to lower expectations for an increase in production quotas at the upcoming OPEC ministerial meeting on September 19. "We are not talking about increases. These things will be studied in the meeting," Silva said in an interview with Reuters. In another OPEC development, an official of the organization confirmed today that six non-member countries, Russia, Norway, Mexico, Angola, Oman, and Kazakhstan, have been invited to attend the September meeting.
- Nippon Oil, Japan's largest refiner, announced today that it had increased its stock of crude oil by 2.45 million barrels since June, due to concerns over tensions in the Middle East.
- Russian officials said Wednesday that Iraq has agreed to drop its illegal surcharges on oil exports under the "Oil for Food" program. Russia has indicated that it wants the United Nations Sanctions Committee to return to the original practice of pricing oil at the beginning of the month, rather than the current system of retroactive pricing.
- As of August 15, 2002, the U.S. Strategic Petroleum Reserve (SPR) contained 579.3 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 15, 2002, except where noted)

Refinery Inputs and Production

U.S. crude oil refinery inputs averaged 15.3 million barrels per day during the week ending August 9, relatively unchanged from the previous week. Decreases in PADD's II and III (Midwest and Gulf Coast) were largely offset by increases in PADD's I and V (East Coast and West Coast). Over the last four weeks, crude oil inputs have averaged 15.4 million barrels per day, which is 61,000 barrels per day more than was averaged last year at this time. Motor gasoline refinery production decreased last week, reversing the upward trend seen over the last two weeks.

Petroleum Imports

U.S. crude oil imports increased by 500,000 barrels per day last week to average nearly 9.2 million barrels per day, the largest weekly increase since week ending June 28, 2002. During the most recent four weeks, crude oil imports have averaged nearly 9.1 million barrels per day, or more than 400,000 barrels per day less than during the same four-week period last year. Crude oil imports last week into PADD III (Gulf Coast) were up sharply from the previous week, more than offsetting the decreases in PADD's I and II (East Coast and Midwest). Total motor gasoline imports (including both finished gasoline and gasoline blending components) averaged nearly 700,000 barrels per day last week, a decrease of more than 300,000 barrels per day from last week.

Petroleum Inventories

Despite the increase in crude oil imports last week, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) fell by 7.2 million barrels, and are now 11.6 million barrels lower than a year ago. U.S. commercial crude oil inventories are now at 300.0 million barrels, the lowest level since the week ending March 16, 2001. Motor gasoline inventories decreased last week by 4.5 million barrels due to declines in both refinery production and import levels. Distillate fuel inventories fell by 1.1 million barrels, with a 1.7 million barrel decline in low-sulfur distillate fuel inventories more than offsetting a 0.6 million-barrel build in high-sulfur distillate fuel inventories. Total commercial petroleum inventories are now 6.7 million barrels below year-ago levels.

Petroleum Demand

Total product supplied over the last four-week period averaged over 20.1 million barrels per day or about 0.5% more than the very high level last year. Motor gasoline demand, however, has averaged 2.0% above last year's level over the last four weeks, while distillate fuel demand has averaged 3.2% below last year's level. Jet fuel demand over the last four weeks is 7.8% below year-ago levels.

Spot Prices (updated August 13, 2002)

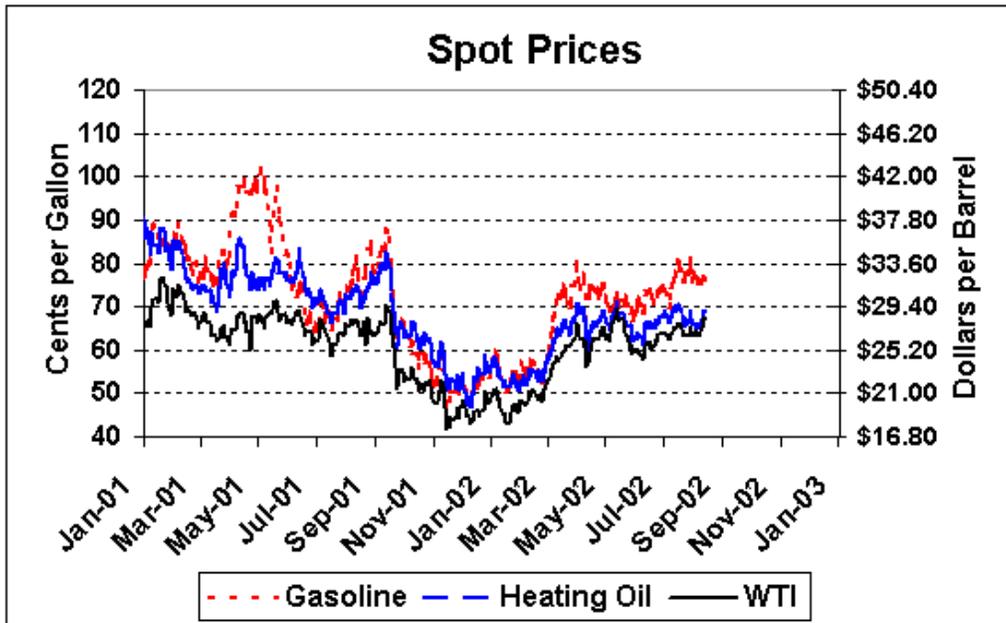
The average world crude oil price on August 9, 2002 was \$24.29 per barrel, down \$0.22 from the previous week and \$0.36 less than last year. WTI was \$26.88 per barrel on August 9, 2002, \$0.05 greater than last week and \$0.75 lower than last year. The spot price for conventional gasoline in the New York Harbor was 75.67 cents per gallon, down 2.62 cents per gallon from last week and 0.52 cent per gallon lower than a year ago. The spot price for low sulfur diesel fuel in the New York Harbor was 67.33 cents per gallon, 0.63 cent per gallon below last week and 6.73 cents less than last year.

Retail Gasoline and Diesel Fuel Prices (updated August 13, 2002)

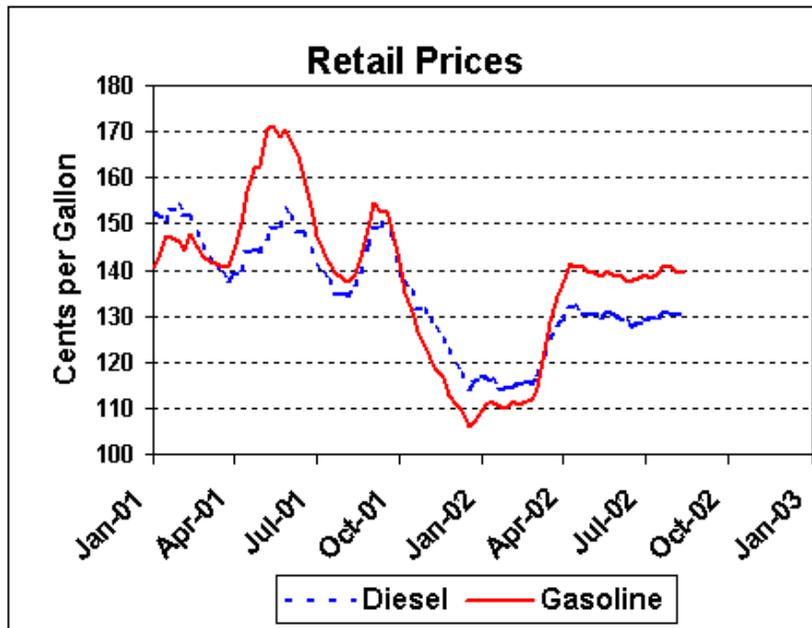
The U.S. average retail price for regular gasoline fell 0.2 cent per gallon last week, ending at 139.3 cents per gallon as of August 12. This price is 0.1 cent per gallon higher than last year, marking the fourth week in a row this summer that 2002 prices were higher than 2001 prices. Prices were down throughout the country, except for the Midwest, which saw an increase of 0.1 cent to end at 137.0 cents per gallon. The largest price decrease occurred on the Gulf Coast, where prices fell 0.8 cent to end at 130.4 cents per gallon. Gasoline prices have 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 decreased by 0.1 cent per gallon to a national average of 130.3 cents per gallon as of August 12.

U.S. Petroleum Prices

(updated August 15, 2002)



Source: Closing quote as reported by Reuters News Service



Source: Energy Information Administration (EIA)

Crude Oil and Oil Products Price Table

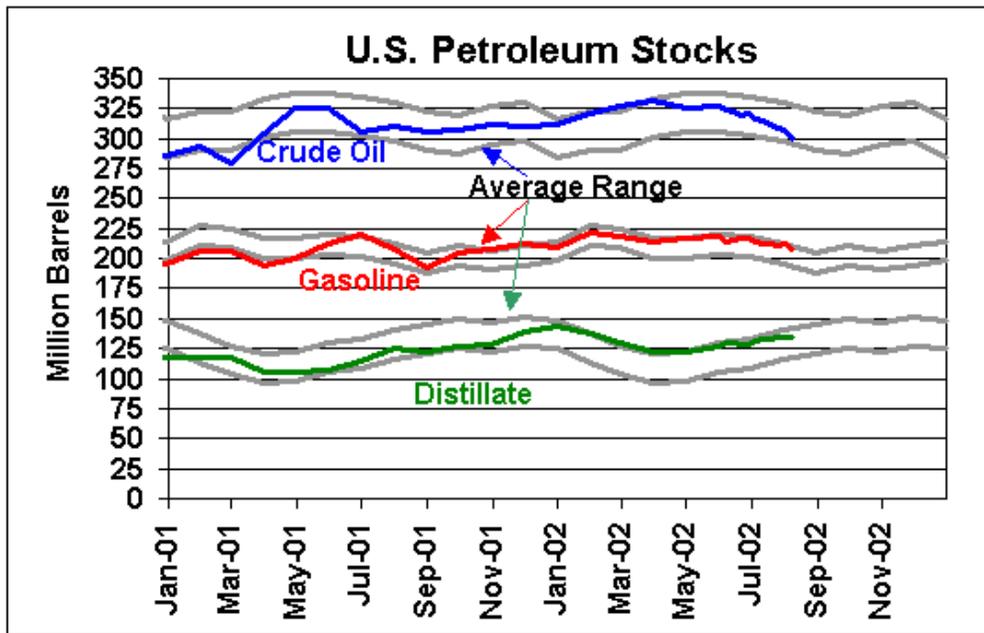
Date	WTI Crude Oil		Gasoline		Heating Oil		Kerojet	Propane		EIA Weekly Retail	
	Spot	Futures	Spot	Futures	Spot	Futures	Spot	Spot	US Average		
	Cushing		NYH		NYH		NYH	MT. Belvieu	Conway	Gasoline	Diesel
	\$/bbl	\$/bbl	cents per gallon		cents per gallon		c/gal	cents per gallon		cents per gallon	
6/27/2002	\$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
8/6/2002	\$27.18	\$27.17	76.65	77.47	65.70	67.78	70.95	38.63	38.07		
8/7/2002	\$26.58	\$26.50	75.00	75.46	65.00	66.61	70.45	38.50	38.25		
8/8/2002	\$26.67	\$26.67	74.95	75.54	65.83	67.24	71.38	38.75	39.19		
8/9/2002	\$26.87	\$26.86	75.43	75.50	65.43	67.18	71.18	39.19	39.19		
8/12/2002	\$27.84	\$27.86	76.28	77.75	67.75	69.46	73.32	40.25	40.19	139.3	130.3
8/13/2002	\$28.35	\$27.90	76.98	77.38	68.80	69.42	74.38	40.13	40.25		
8/14/2002	\$28.19	\$28.15	75.88	77.64	68.73	70.14	74.48	40.88	41.63		

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

Energy Situation Analysis Report

U.S. Petroleum Supply

(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
	8/9/2002	8/9/2001	Diff.	% Diff.
Refinery Activity				
Crude Oil Input	15,399	15,338	61	0.4%
Operable Capacity	16,800	16,662	138	0.8%
Operable Capacity Utilization (%)	92.7%	93.7%	-1.0%	
Production				
Motor Gasoline	8,615	8,423	192	2.3%
Jet Fuel	1,547	1,623	-76	-4.7%
Distillate Fuel Oil	3,494	3,785	-291	-7.7%
Imports				
Crude Oil (incl. SPR)	9,068	9,505	-437	-4.6%
Motor Gasoline	900	703	197	28.0%
Jet Fuel	88	127	-39	-30.9%
Distillate Fuel Oil	204	210	-6	-2.8%
Total	11,216	11,721	-505	-4.3%
Exports				
Crude Oil	30	16	14	89.2%
Products	957	912	45	4.9%
Total	987	927	60	6.4%
Products Supplied				
Motor Gasoline	9,179	9,003	176	2.0%
Jet Fuel	1,615	1,752	-137	-7.8%
Distillate Fuel Oil	3,525	3,643	-118	-3.2%
Total	20,083	19,986	97	0.5%
Stocks (Million Barrels)				
	8/9/2002	8/9/2001	vs. Year Ago	
			Diff.	% Diff.
Crude Oil (excl. SPR)	300.0	311.6	-11.6	-3.7%
Motor Gasoline	208.0	204.6	3.4	1.7%
Jet Fuel	40.0	42.2	-2.2	-5.2%
Distillate Fuel Oil	134.0	124.4	9.6	7.7%
Total (excl. SPR)	1,012.7	1,019.4	-6.7	-0.7%



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

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World Oil Market Highlights

(updated August 15, 2002)

According to third quarter 2002 estimates, the world holds about 5.6 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, Jan.-May 2002*			
(all volumes in million barrels per day)			
	Total Oil Imports	Crude Oil Imports	Petroleum Product Imports
Canada	1.91	1.45	0.46
Saudi Arabia	1.52	1.50	0.02
Mexico	1.48	1.45	0.03
Venezuela	1.33	1.14	0.19
Iraq	0.70	0.70	0.00
Nigeria	0.54	0.51	0.03
United Kingdom	0.39	0.31	0.08
Norway	0.37	0.33	0.04
Algeria	0.32	0.04	0.28
Angola	0.32	0.31	0.01
Total Imports	11.15	8.86	2.29

* Table includes all countries from which the U.S. imported more than 300,000 barrels per day in Jan.-May 2002.

Top World Oil Net Exporters, Jan.-May 2002*		
	Country	Net Exports (million barrels per day)
1)	Saudi Arabia	6.64
2)	Russia	4.81
3)	Norway	3.18
4)	Iran	2.43
5)	Venezuela	2.34
6)	United Arab Emirates	1.92

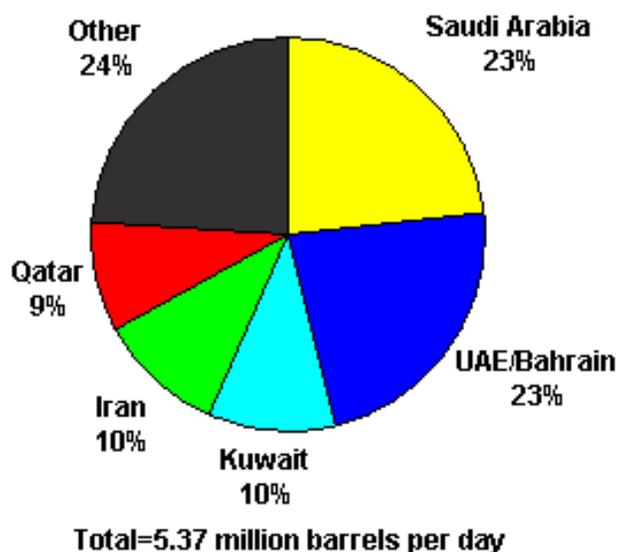
7)	Nigeria	1.86
8)	Iraq	1.65
9)	Kuwait	1.60
10)	Mexico	1.67
11)	Algeria	1.21
12)	Libya	1.17

**Table includes all countries with net exports exceeding 1 million barrels per day in Jan.-May 2002.*

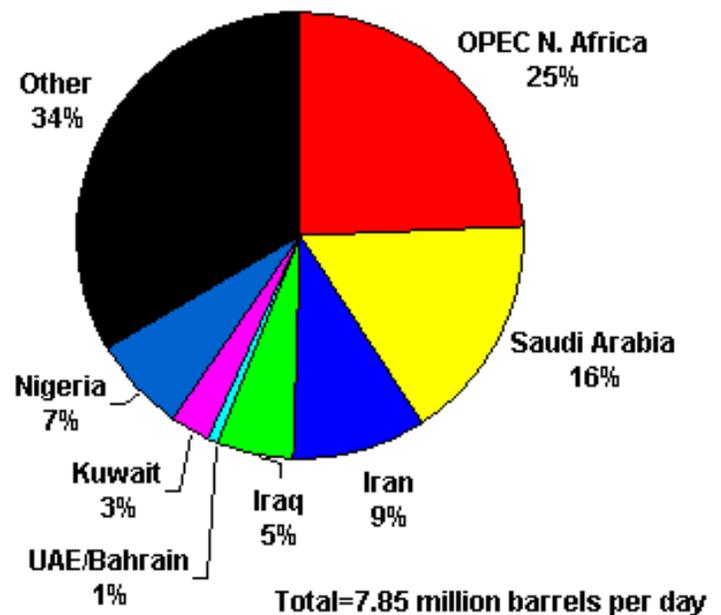
During 2001, about 48% of U.S. crude oil imports came from the Western Hemisphere (19% from South America, 15% from Mexico, 14% from Canada), while 30% came from the Persian Gulf region (18% from Saudi Arabia, 9% from Iraq, 3% from Kuwait).

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.



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Latest U.S. Weekly Natural Gas Information

(updated August 15, 2002)

[Industry/Market Developments](#)

FERC Staff Addresses Quality of Publicly-Reported California Natural Gas Price Data in Power Market Investigation: Federal Energy Regulatory Commission (FERC) staff has concluded that publicly-reported California natural gas prices for a period during 2000-2001 are not sufficiently reliable for use in ongoing proceedings at the Commission. As part of its probe into possible price manipulation in Western energy markets and the need for refunds to buyers of electricity in California, FERC staff said that there are preliminary indications that manipulation of publicly-reported natural gas spot prices may have occurred. FERC staff noted spot prices for natural gas at California delivery points in the past correlated highly with prices at producing locations and the Henry Hub. However, during the months of October 2000 to July 2001, the correlation was abnormally low. Staff reported that it cannot independently validate published price data because of a lack of formal verification procedures. FERC's final determination for the level of natural gas prices will be used to establish the amount of refunds owed to California buyers of electricity during the energy crisis. Rather than rely on prices at California delivery points, FERC staff suggested that the Commission calculate California gas prices using spot prices from producing areas, plus an allowance for interstate natural gas pipeline and local distribution company charges to transport the gas to market. Such a calculation would result in a dramatic reduction in the mitigated market clearing price for electric power in California during the period.

[Natural Gas Storage](#)

Working gas in storage for the week ended Friday, August 9 was 2,620 Bcf, according to the EIA *Weekly Natural Gas Storage Report*. At this level, total U.S. inventories are greater than the average for the previous 5 years (1997-2001) by just under 15 percent. The implied net change was a total net injection of 53 Bcf, which is just 3 Bcf below the 5-year average. All regions continue to show significantly higher-than-average inventory levels, with the West and Producing regions maintaining double-digit percentages above average.

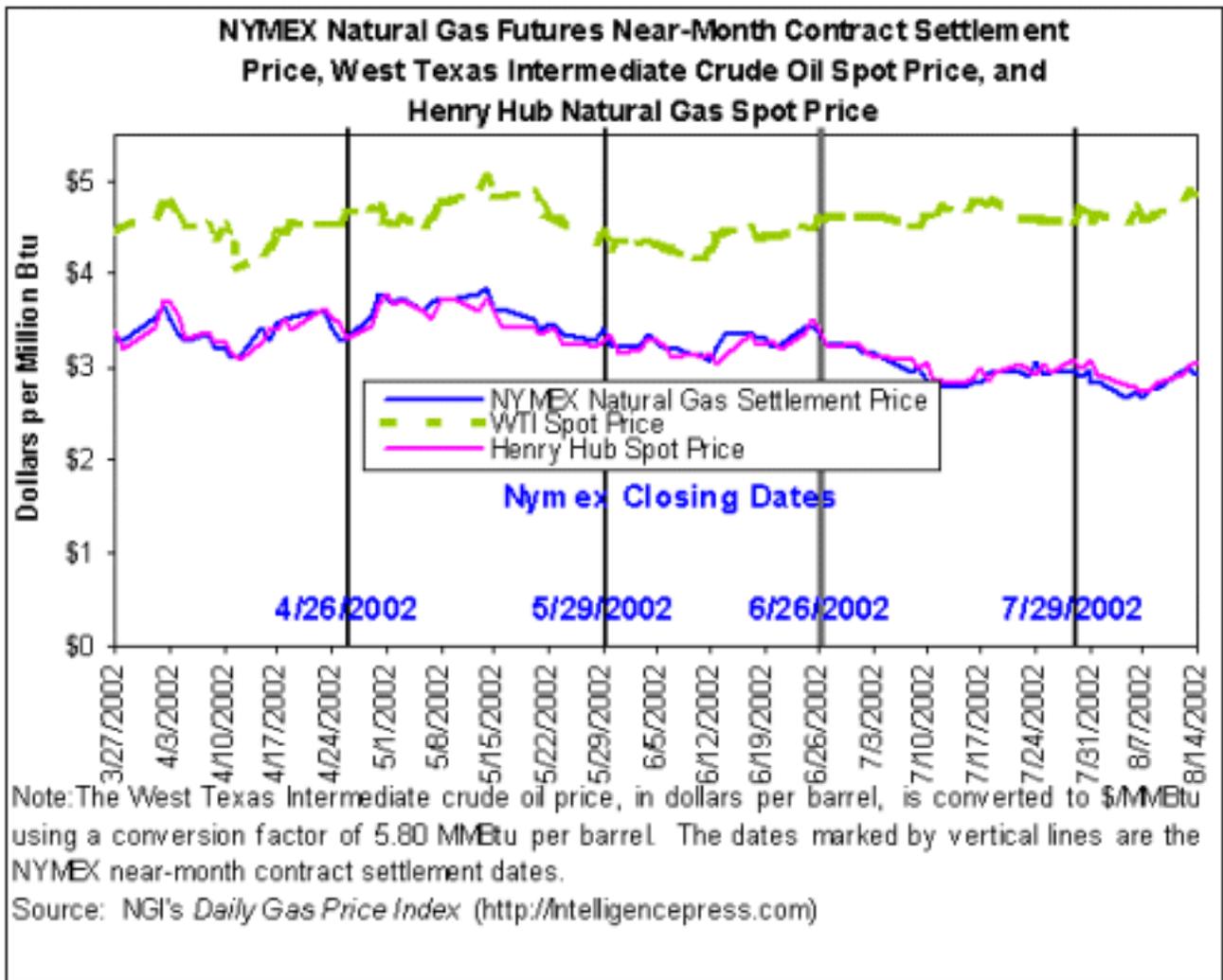
All Volumes in Bcf	Current Stocks 8/9/02	Estimated Prior 5-Year (1997-2001) Average	Percent Difference from 5 Year Average	Implied Net Change from Last Week	One-Week Prior Stocks 8/2/02
East Region	1,459	1,354	7.8%	45	1,414
West Region	367	306	19.9%	7	360
Producing Region	794	628	26.4%	1	793
Total Lower 48	2,620	2,287	14.6%	53	2,567

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

Prices:

Spot prices on Wednesday, August 14 were higher than on Monday (August 12) as high temperatures prevailed once again, particularly in the Northeast and Southwest. Near-across the board increases on Tuesday ranging up to 25 cents per MMBtu gave way to mixed results yesterday, as the number of locations with increases was about matched by locations with either decreases or no change. Further, changes in either direction on Wednesday tended to be small, mostly 5 cents per MMBtu or less. At the Henry Hub, after gaining 12 cents per MMBtu on Tuesday, the average spot price stayed flat on Wednesday at \$3.03 per MMBtu. Spot prices have been particularly volatile at Transco Zone 6 for New York delivery, where Tuesday's (August 13) 80-cent per MMBtu increase was partially offset by a 52-cent per MMBtu drop on Wednesday, to \$4.38 per MMBtu.

On the NYMEX, the futures contract for September delivery settled on Tuesday (August 13) at \$2.975 per MMBtu, the closest it has come to \$3 per MMBtu since ending trading at \$3.029 per MMBtu on July 9. However, in Wednesday's trading it backed away from the \$3 per MMBtu threshold, falling \$0.065 per MMBtu to settle at \$2.910 per MMBtu.



Trade Date (All prices in \$ per MMBtu)	California Composite				NYMEX futures contract-September delivery	NYMEX futures contract-October delivery
	Average Price*	Henry Hub	New York City	Chicago		
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
8/8/2002	2.46	2.75	2.99	2.66	2.745	2.784
8/9/2002	2.54	2.83	3.41	2.73	2.761	2.804
8/12/2002	2.70	2.91	4.10	2.82	2.965	3.001
8/13/2002	2.76	3.03	4.90	2.95	2.975	3.018
8/14/2002	2.74	3.03	4.38	2.96	2.910	2.955

* 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 15, 2002, except where noted)

Coal Production

For the week ending August 10, rail car loadings of coal were 0.4% lower while national [coal production](#) was 5.8% 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 6.8% 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.

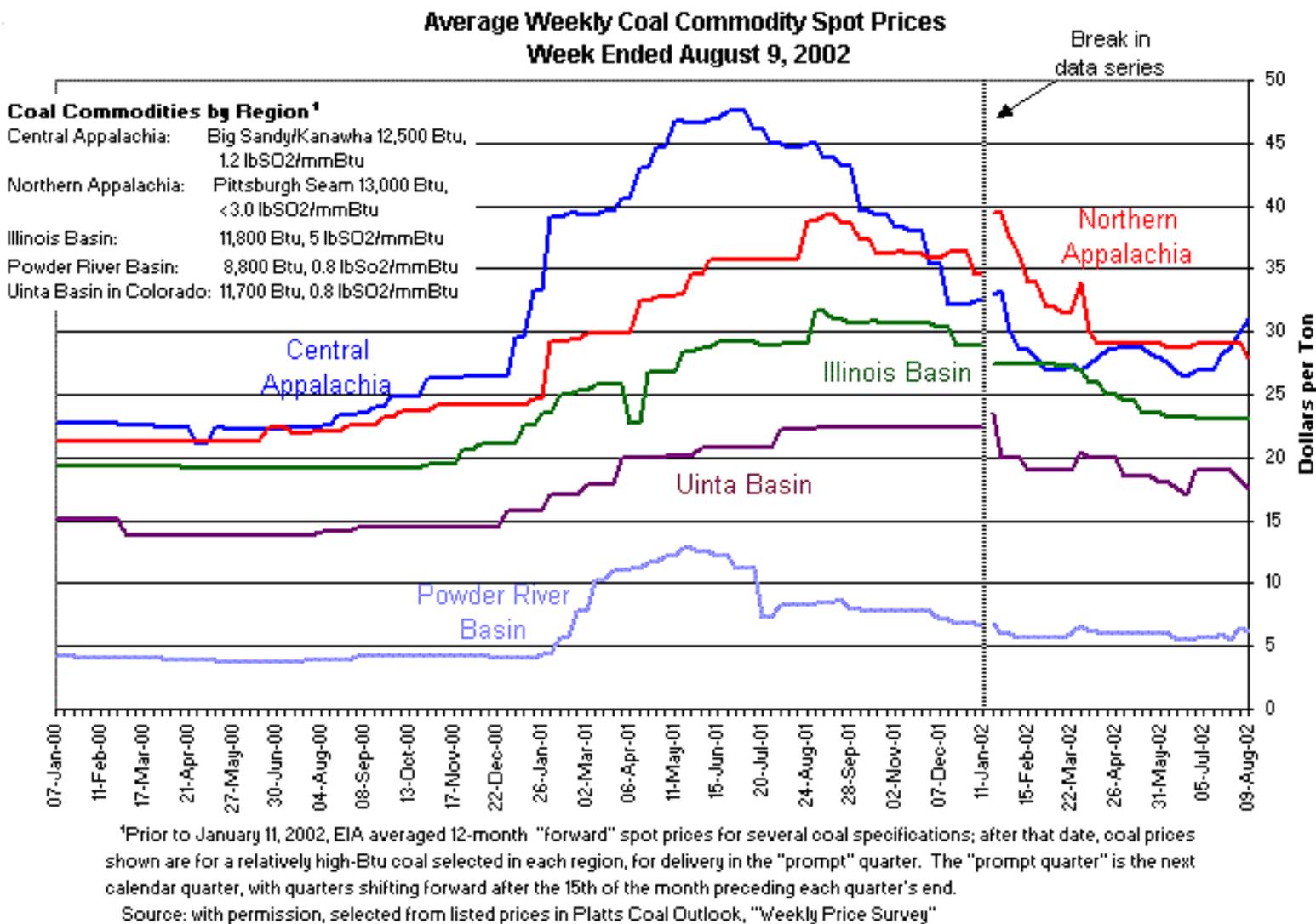
Coal Prices *(updated August 6, 2002)*

After firming up between March and July, the spot coal prices tracked by EIA (graph below) have become mixed in the recent past: Central Appalachian coal prices have risen markedly, Powder River Basin prices have trended upward, and Illinois Basin prices have held firm. Northern Appalachian and Uinta Basin prices had been relatively firm also, before declining again. The confused coal prices mirror the differing opinions as to whether prices will continue to decline, and reflect hesitancy among coal buyers. Following a long period of slowly downward price trends, coal suppliers were "cautiously optimistic" that prices were on the rise according to Platts' Coal Outlook (August 5), as hot weather began 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 some expect to have larger than average stockpiles even at the end of a hot summer because of lower electricity demand during 2002. Buyers 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. Suppliers know that coal buyers also have large inventories to burn off. The result is a waiting game, as each tries to time their purchases and monitor coal burns and producer capacity to best advantage.

Compared to peak prices in summer 2001, Central and Northern Appalachian coal prices are down by about \$17.00

and \$9.00 per short ton, respectively. Compared to prices in the summer of 2000, prior to the 2001 escalation, the latest indexed spot prices of \$31.00 per short ton for Central Appalachian and \$28.00 per short ton for Northern Appalachian coal are higher by 39% and 31% respectively. Other prices are also running higher than the summer 2000 baseline: by 27% for the Uinta Basin, 20% for the Illinois Basin, and 67% 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.



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. 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 15, 2002)

Selected Wholesale Electricity Prices: Wholesale electricity spot prices were mixed yesterday in the Western U.S. with prices increasing in the Northwest, remaining relatively stable in California, and decreasing in the Southwest. Prices at the Mid-Columbia trading zone, in the Northwest, have increased for five consecutive weekdays due to warmer weather and a decrease in hydroelectricity supply. Prices are up 60% from last week's low to \$22.56 per megawatthour on August 14. Prices in California were relatively stable despite hot temperatures. Prices at the NP-15 increased only 11 cents to \$32.29 per megawatthour on August 14. At the Four Corners trading center in the desert southwest, prices dropped to \$37.67 per megawatthour after increasing the prior three weekdays.

Prices fell in the Mid-continent region as cooler weather has returned, lowering the demand for electricity. Prices at the Cinergy hub dropped 13% from the high posted on August 12, to \$31.36 per megawatthour on August 14.

Like those in the Western U.S., prices in the Northeast were also mixed yesterday, falling in New York and at PJM West, but increasing in New England. New England prices increased 17% to \$141.67 per megawatthour as hot weather has remained in the region. The New York Zone J, New York City, saw prices fall for the first time in several days as temperatures have begun to level off, causing electricity demand to level off as well. Prices dropped 16% to \$107.00 per megawatthour on August 14. Similarly, prices at PJM West also dropped for the first time in several weekdays, decreasing 14% to \$80.77 per megawatthour on August 14.

Over the past seven weekdays, the average price at all trading centers has ranged between \$29.05 per megawatthour and \$55.28 per megawatthour.

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

Trading Centers	Date							Price Range		
	8/6/02	8/7/02	8/8/02	8/9/02	8/12/02	8/13/02	8/14/02	Max	Min	Average
COB	20.00	20.40	23.16	25.61	25.94	27.50	28.00	28.00	20.00	24.37
Palo Verde	28.19	28.97	28.21	35.59	37.23	37.72	36.95	37.72	28.19	33.27
Mid-Columbia	16.16	16.37	14.09	17.21	21.02	22.11	22.56	22.56	14.09	18.50
Mead/Marketplace	32.56	32.08	30.58	40.19	40.75	40.54	40.82	40.82	30.58	36.79
4 Corners	29.73	29.55	28.92	36.45	37.66	38.09	37.67	38.09	28.92	34.01
NP 15	25.53	25.06	25.53	30.78	33.36	32.18	32.29	33.36	25.06	29.25
SP 15	29.23	29.33	27.21	33.87	34.92	35.53	33.85	35.53	27.21	31.99
PJM West	29.89	27.44	27.54	55.34	68.65	93.49	80.77	93.49	27.44	54.73
NEPOOL	38.31	33.20	35.40	65.00	75.63	121.25	141.67	141.67	33.20	72.92
New York Zone J	64.25	61.88	55.50	84.50	106.00	127.80	107.00	127.80	55.50	86.70
Cinergy	25.74	21.33	23.44	31.30	35.92	31.90	31.36	35.92	21.33	28.71
Average Price	30.87	29.60	29.05	41.44	47.01	55.28	53.90	55.28	29.05	41.02

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.

NEPOOL

Average price of electricity traded at Nepool.

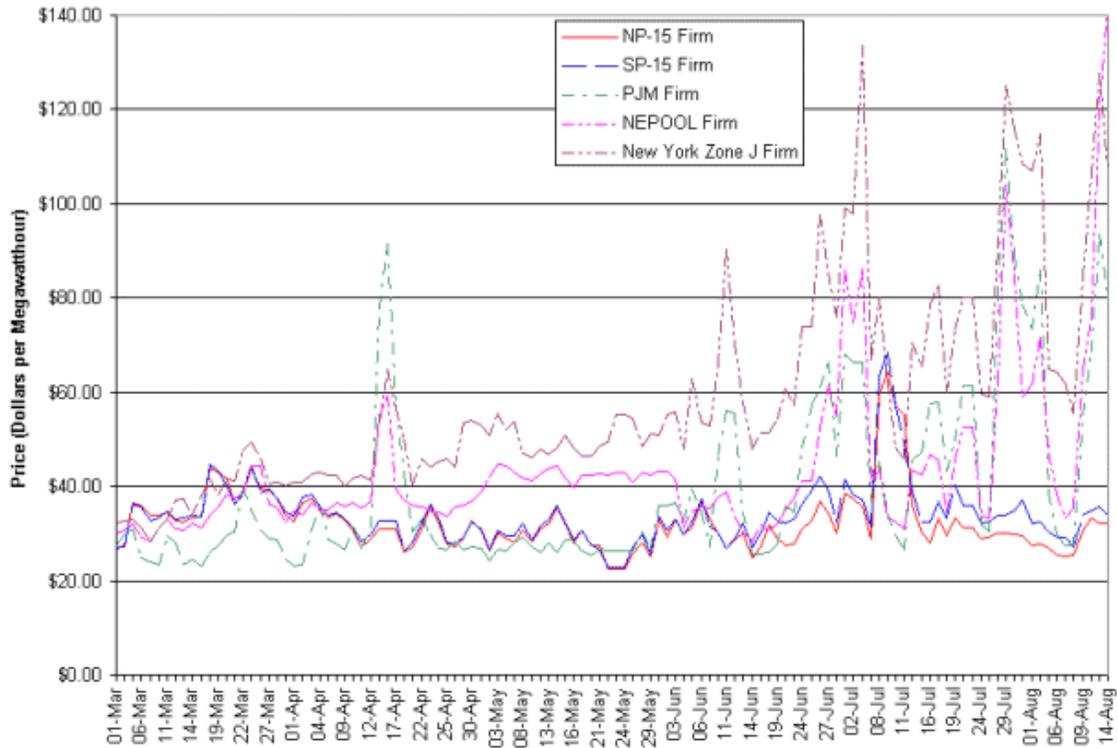
New York Zone J:

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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