

Energy Situation Analysis Report

Last Updated: August 27, 2002

Next Update: August 29, 2002

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Latest Oil Market Developments

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Latest U.S. Weekly EIA Petroleum Information

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World Oil Market Highlights

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Latest U.S. Weekly Natural Gas Information

Natural gas prices have moved up since Thursday, August 22, climbing by as much as 25 cents per MMBtu at some market locations. At the Henry Hub, prices climbed 13 cents per MMBtu, or almost 4% since last week. At the NYMEX, the futures contract for September delivery at the Henry Hub climbed about 10 cents since last Thursday, settling at \$3.617 per MMBtu on Monday, August 26. [more...](#)

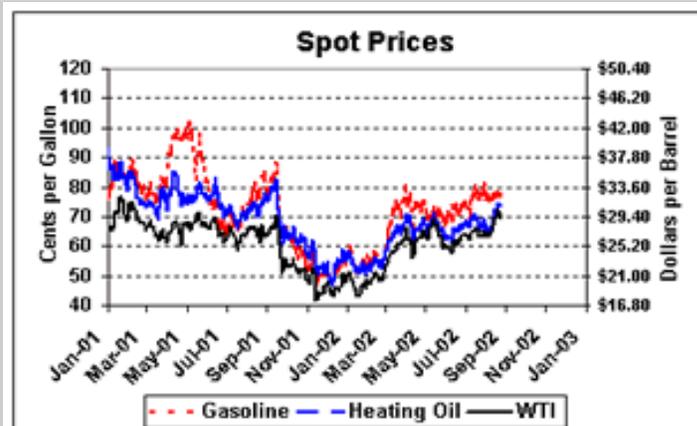
Latest U.S. Coal Information

For the week ending August 23, the week-to-week coal

Energy Prices*

Petroleum Futures	8/26/02	8/23/02	Change
WTI (\$/Bbl)	29.28	28.63	+0.65
Gasoline (c/gallon)	82.11	79.52	+2.59
Heating Oil (c/gallon)	75.11	73.90	+1.21
Natural Gas (\$/MMBtu)			
Henry Hub	3.51	3.49	+0.02
California	3.15	3.01	+0.14
New York City	3.74	3.78	-0.04
Electricity (\$/Megawatthour)			
COB	26.00	28.13	-2.13
PJM West	33.44	35.21	-1.77
NEPOOL	44.00	45.06	-1.06
Average	34.36	35.66	-1.30

[*Definitions](#)

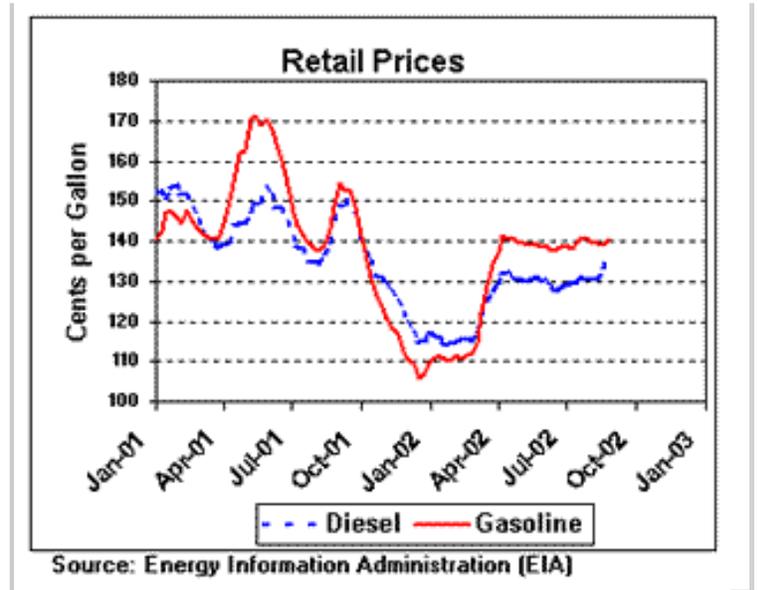


Source: Closing quote as reported by Reuters News Service

prices tracked by EIA were virtually unchanged (graph below). Average Central Appalachian coal prices were down an estimated 25 cents, Uinta Basin prices rose an estimated 25 cents, and the rest did not move. Compared to the previous floor in the summer of 2000, prior to the 2001 escalation, the latest indexed spot prices of \$30.25 per short ton for Central Appalachian and \$28.00 per short ton for Northern Appalachian coal are higher by 36% and 31% respectively. [more...](#)

Latest U.S. Electricity Information

After several days of increasing prices, wholesale electricity spot prices fell across most of the Western U.S. yesterday, as available generation easily covered the demand for electricity. Electricity prices in the Mid-continent region and the Northeast have been mixed over the past several trading days. Over the past seven days, the average price at all trading centers has ranged between \$37.38 per megawatthour and \$32.42 per megawatthour. [more...](#)



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Latest Oil Market Developments

(updated August 27, 2002)

West Texas Intermediate (WTI) October crude oil futures on the New York Mercantile Exchange (NYMEX) rose by \$0.65 per barrel yesterday (8/26/02), settling at \$29.28 per barrel. NYMEX front-month futures prices now have risen by nearly \$3 per barrel since August 7. Brent near-month futures prices were up \$0.87 per barrel in trading in London this morning, partially catching up for yesterday when markets there were closed, but also strengthened on comments by U.S. Vice President Dick Cheney yesterday that in regards to U.S. intentions toward Iraq, there is an "imperative for pre-emptive action" and that "The risk of inaction is far greater than the risk of action." In general, market concern in regard to military action in Iraq is believed by many analysts to have built a "war premium" into the price. Oil prices have also been influenced by a slide in U.S. crude oil inventories, although the latest EIA data, for the week ending August 16, showed a partial reversal of this trend, with U.S. crude stocks up by 2.8 million barrels. These builds followed a week in which EIA and API reported sharp stock draws -- of 7.2 million barrels and 9.5 million barrels, respectively. WTI prices have been particularly volatile of late, partly as a result of tightness in PADD II (U.S. Midwest) stocks, resulting in an increase in the "spread" between WTI and other world crude prices. As a general rule, PADD II has a particular impact on U.S. crude futures as it houses the New York Mercantile Exchange delivery point for crude oil at Cushing, Oklahoma.

Factors tending to hold prices down are OPEC overproduction and lower world oil demand forecasts for 2002 than previously had been forecast, though there are concerns over what OPEC will do regarding its oil output quotas when it next meets (9/19/02) in Osaka, Japan that may affect winter 2003 prices.

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

- Reiterating recent comments made by Venezuelan President Hugo Chavez, Venezuelan Energy and Mining Minister Rafael Ramirez said today, "Some countries have proposed (to increase oil production), but we don't agree. That's the position we will take to the [September OPEC] meeting."
- U.S. President George Bush and Saudi Ambassador to the U.S. Prince Bandar bin Sultan are meeting today at the president's Crawford, Texas ranch. Earlier, President Bush called Crown Prince Abdullah to express the "eternal friendship" between the world's largest oil importer and the world's largest oil exporter.
- As of August 27, 2002, the U.S. Strategic Petroleum Reserve (SPR) contained 580.0 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. The White House has indicated (8/19/02) that it has no plans to tap the SPR, but has warned of possible "risks ahead in the [oil] markets."

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Latest U.S. Weekly EIA Petroleum Information

(updated August 22, 2002)

Refinery Inputs and Production

U.S. crude oil refinery inputs averaged 15.5 million barrels per day during the week ending August 16, up nearly 200,000 barrels per day from the previous week. Increases in PADD II (Midwest) and especially PADD III (Gulf Coast) were greater than small declines in other regions. Over the last four weeks, crude oil refinery inputs have averaged 15.4 million barrels per day, or 100,000 barrels per day more than was averaged last year at this time. Distillate fuel refinery production increased significantly while motor gasoline refinery production increased slightly. Jet fuel refinery production, however, declined slightly.

Petroleum Imports

U.S. crude oil imports increased by about 200,000 barrels per day last week to average 9.4 million barrels per day. During the most recent four weeks, crude oil imports have averaged about 9.1 million barrels per day, or more than 300,000 barrels per day less than during the same four-week period last year. Total motor gasoline imports (including both finished gasoline and gasoline blending components) increased from the previous week, averaging nearly 1 million barrels per day last week.

Petroleum Inventories

Following the large draw in the previous week, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) rose by 2.8 million barrels last week, but are 7.7 million barrels lower than a year ago. It is not unusual to see inventories increase following a week in which there is a sizeable decline. Motor gasoline inventories increased last week by 0.7 million barrels, while distillate fuel inventories fell by 0.6 million barrels. The entire decline in distillate fuel inventories was from low-sulfur distillate fuel, while high-sulfur distillate fuel inventories remained flat at a time of year when they typically increase. Total commercial petroleum inventories over the last two weeks are now below year-ago levels for the first time since the week ending December 29, 2000.

Petroleum Demand

Total product supplied over the last four-week period averaged 20.2 million barrels per day or about 0.9% more than the level last year. Motor gasoline demand has averaged 1.8% above last year's level over the last four weeks, while distillate fuel demand has averaged 5.2% below last year's level. Jet fuel demand over the last four weeks was only 5.7% below year-ago levels.

Spot Prices (updated August 27, 2002)

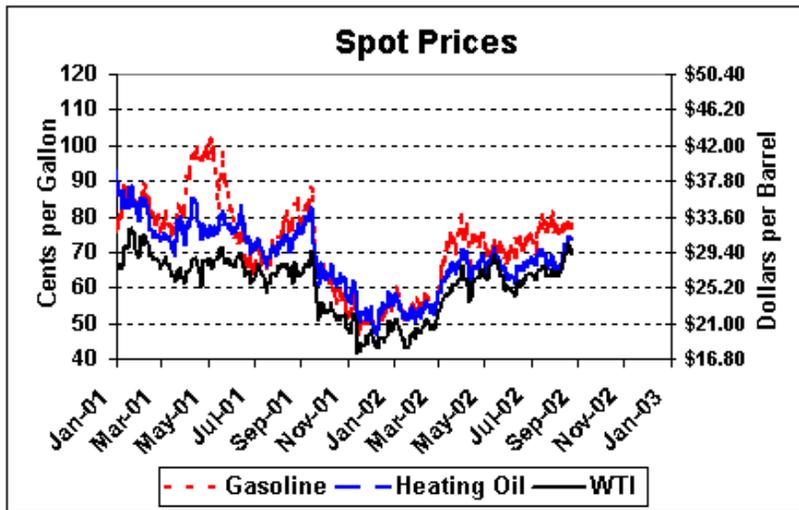
The average world crude oil price on August 16, 2002 was \$25.25 per barrel, up \$0.96 from the previous week and \$0.47 above the same time last year. WTI was \$29.99 per barrel on August 23, 2002, up \$0.75 per barrel from last week and \$1.65 per barrel higher than last year. The spot price for conventional gasoline in the New York Harbor was 76.85 cents per gallon, up 0.35 cent per gallon from last week but 6.35 cents per gallon lower than a year ago. The spot price for low sulfur diesel fuel in the New York Harbor was 76.10 cents per gallon, 1.60 cents per gallon above last week but 0.25 cent per gallon less than last year.

Retail Gasoline and Diesel Fuel Prices (updated August 27, 2002)

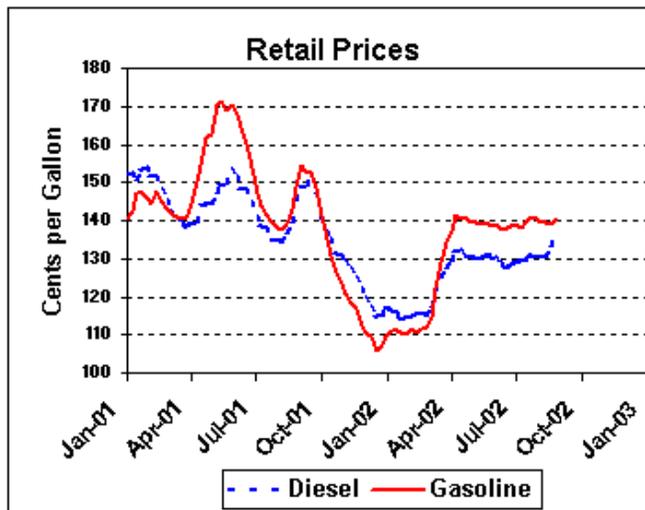
The U.S. average retail price for regular gasoline increased over the last week, gaining 1.1 cents per gallon last week, ending at 140.3 cents per gallon as of August 26. This price is 8.5 cents per gallon lower than last year, marking the second week in a row that 2002 prices were lower than 2001 prices. Prices were up throughout the country, with the largest increase occurring in the Midwest, where prices rose 2.8 cents to end at 140.2 cents per gallon. Gasoline prices have remained relatively flat throughout the summer, with prices staying within a 3.5 cent range since April 15. Prices typically decline somewhat after the Labor Day holiday, but it is unlikely that price decreases will be as steep this year as in 2001, especially with the price of West Texas Intermediate crude oil hovering around \$29-\$30 per barrel. Retail diesel fuel prices increased for the second week in a row, rising by 3.7 cents per gallon to a national average of 137.0 cents per gallon as of August 26.

U.S. Petroleum Prices

(updated August 27, 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	
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		
8/15/2002	\$28.99	\$29.06	77.82	79.76	71.48	72.78	76.48	41.50	41.75		
8/16/2002	\$29.24	\$29.33	76.50	79.19	72.00	73.45	77.00	41.50	41.88		
8/19/2002	\$29.86	\$29.84	76.50	79.09	72.05	73.39	76.90	42.13	42.88	139.2	133.3
8/20/2002	\$30.12	\$30.11	77.70	80.03	72.20	73.80	76.95	42.13	42.88		
8/21/2002	\$30.37	\$29.24	78.19	80.66	74.00	75.42	79.05	42.88	43.63		
8/22/2002	\$30.11	\$28.84	77.08	79.66	73.91	74.82	78.12	43.07	43.82		
8/23/2002	\$29.99	\$28.63	76.85	79.52	73.40	73.90	77.88	43.38	43.32		
8/26/2002	\$29.23	\$29.28	79.05	82.11	73.55	75.11	78.13	44.75	43.88	140.3	137.0

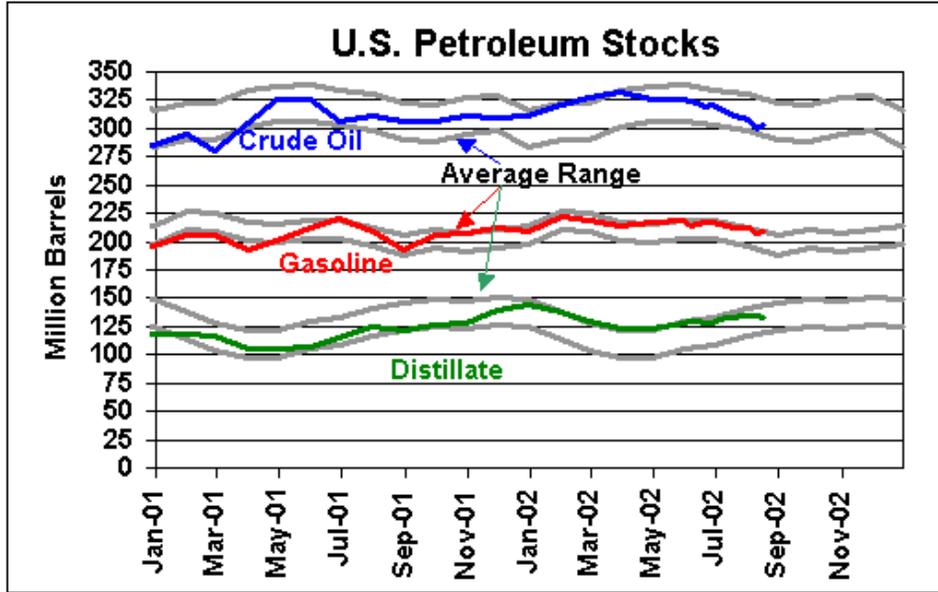
Source: Spot and futures closing quotes as reported by Reuters News Service, retail prices reported by EIA

Energy Situation Analysis Report

U.S. Petroleum Supply

(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
	8/16/2002	8/16/2001	Diff.	% Diff.
Refinery Activity				
Crude Oil Input	15,410	15,310	100	0.7%
Operable Capacity	16,800	16,662	138	0.8%
Operable Capacity Utilization (%)	92.6%	93.6%	-1.0%	
Production				
Motor Gasoline	8,655	8,372	283	3.4%
Jet Fuel	1,550	1,614	-64	-3.9%
Distillate Fuel Oil	3,488	3,739	-251	-6.7%
Imports				
Crude Oil (incl. SPR)	9,111	9,461	-350	-3.7%
Motor Gasoline	869	712	157	22.0%
Jet Fuel	82	126	-44	-34.8%
Distillate Fuel Oil	188	211	-23	-10.7%
Total	11,265	11,686	-421	-3.6%
Exports				
Crude Oil	30	20	10	49.2%
Products	955	949	6	0.6%
Total	985	970	15	1.6%
Products Supplied				
Motor Gasoline	9,150	8,986	164	1.8%
Jet Fuel	1,642	1,740	-98	-5.6%
Distillate Fuel Oil	3,516	3,708	-192	-5.2%
Total	20,208	20,434	-226	-1.1%

Distillate Fuel Oil	3,516	3,708	-192	-5.2%
Total	20,224	20,044	180	0.9%
vs. Year Ago				
Stocks (Million Barrels)	8/16/2002	8/16/2001	Diff.	% Diff.
Crude Oil (excl. SPR)	302.8	310.5	-7.7	-2.5%
Motor Gasoline	208.7	201.2	7.5	3.7%
Jet Fuel	38.8	41.9	-3.1	-7.4%
Distillate Fuel Oil	133.4	123.6	9.8	7.9%
Total (excl. SPR)	1,014.1	1,014.9	-0.8	-0.1%



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

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World Oil Market Highlights

(updated August 20, 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

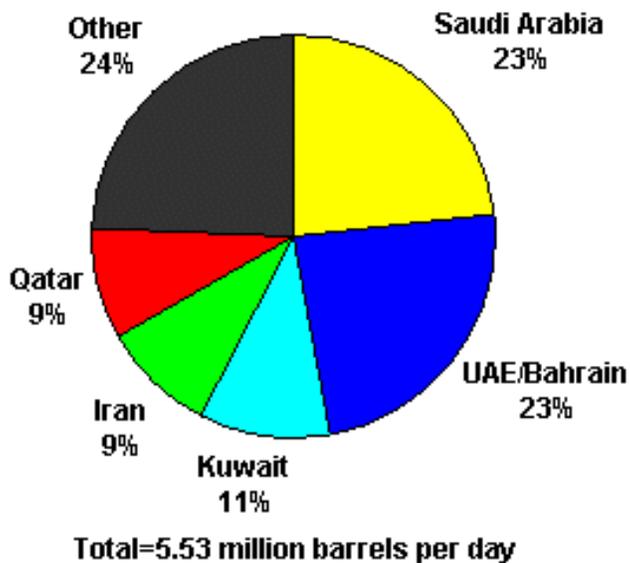
6)	United Arab Emirates	1.92
7)	Nigeria	1.86
8)	Iraq	1.65
9)	Kuwait	1.60
10)	Mexico	1.67
11)	Algeria	1.21
12)	Libya	1.17

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

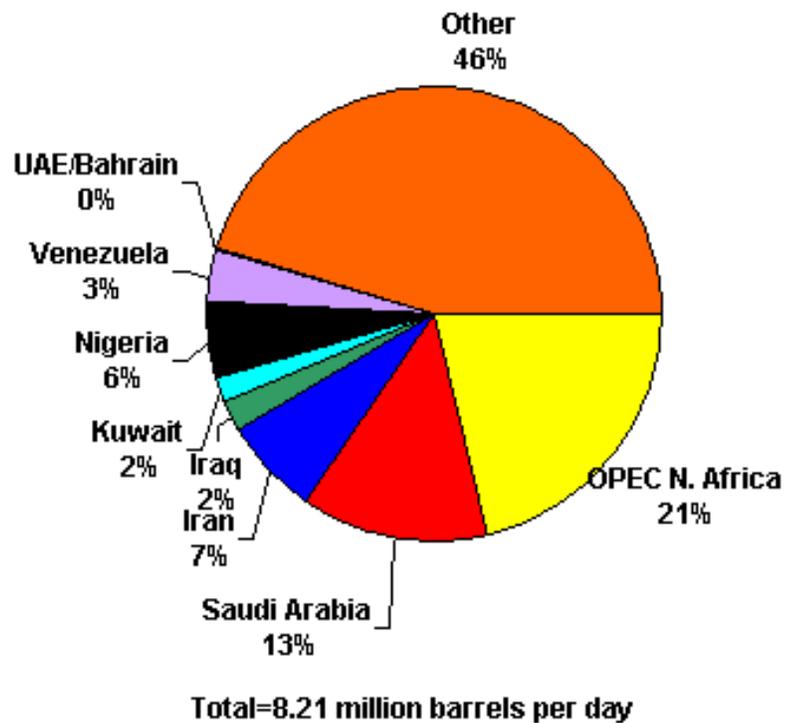
During the first five months of 2002, about half of U.S. crude oil imports came from the Western Hemisphere (17% from South America, 16% from Mexico, 15% from Canada, 2% from the Caribbean), while 27% came from the Persian Gulf region (17% from Saudi Arabia, 8% from Iraq, 2% from Kuwait).

In general, OECD Europe depends far more heavily on the Persian Gulf and North Africa for oil imports than the United States. During the first quarter of 2002, about 25% of OECD Europe's net oil imports came from the Persian Gulf (mainly Saudi Arabia, Iran, Iraq, and Kuwait), around 28% 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, 1Q 2002



OECD European Net Oil Imports by Country, 1Q 2002



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Latest U.S. Weekly Natural Gas Information

(updated August 27, 2002)

[Industry/Market Developments](#)

The Energy Information Administration (EIA) solicited 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 effect of changes is at least 7 billion cubic feet at either a regional or national level. Revisions are released as part of the next scheduled WNGSR on the EIA web site. Comments were 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 was 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 included 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. The comment period closed on August 12, 2002. EIA received comments from 28 companies or individuals, and these comments will be considered during the formulation of a potential new policy for revisions of the WNGSR.

[Natural Gas Storage](#)

Working gas in storage was 2,657 Bcf for the week ending August 16, according to EIA's Weekly Natural Gas Storage Report, which is 13.1% above the 5-year average. The implied net injection for the week was 37 Bcf, which represents a 41% decline from the 5-year average injection of 63 Bcf for the week. Although the difference in stock levels between this year and last declined to 231 Bcf, the current inventory level is 530 Bcf greater than inventory for the comparable week two years ago.

All Volumes in Bcf	Current Stocks 8/16/2002	Estimated Prior 5-year (1997-2001) Average	Percent Difference from 5-Year Average	Implied Net Change from Last Week	One- Week Prior Stocks 8/9/2002
East Region	1,494	1,402	6.6%	35	1,459
West Region	368	310	18.7%	1	367
Producing Region	795	638	24.6%	1	794
Total Lower 48	2,657	2,350	13.1%	37	2,620

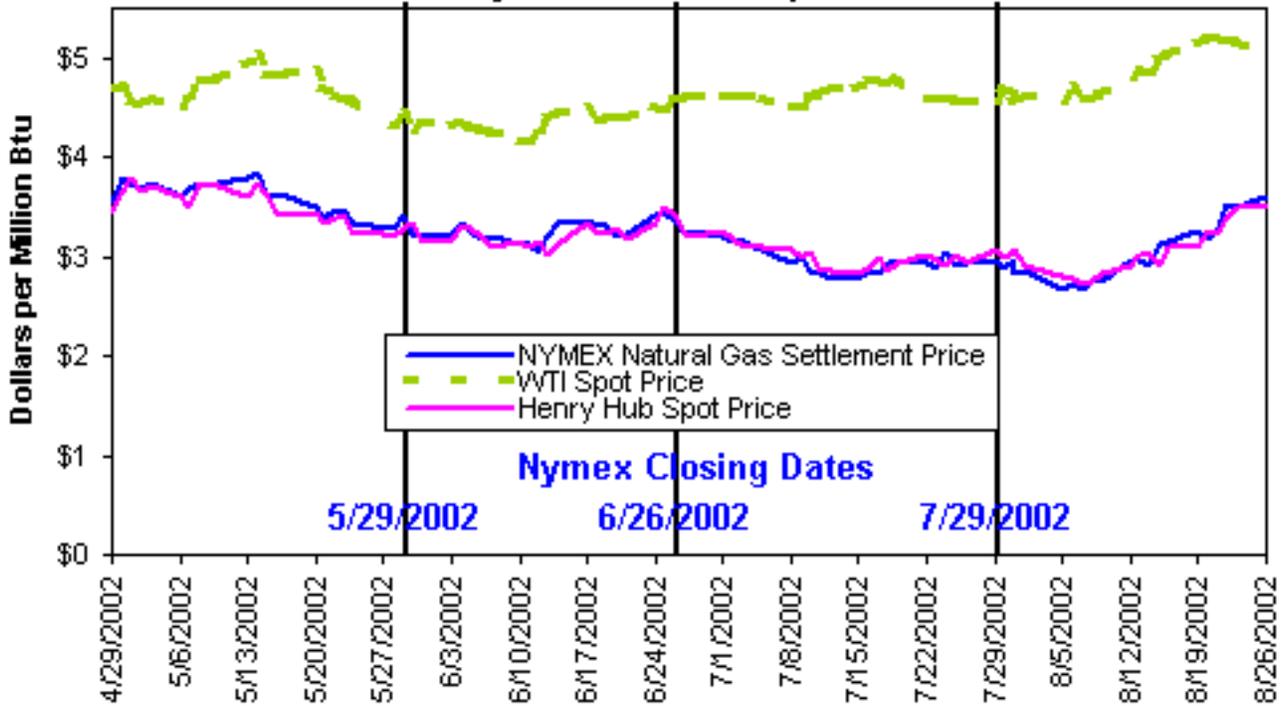
Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database.

Prices:

Prices have moved up since Thursday, August 22, climbing by as much as 25 cents per MMBtu at some market locations. At the Henry Hub, prices climbed 13 cents per MMBtu, or almost 4% since last week. Contributing factors to the increase in gas prices include the hot temperatures throughout most of the country in recent weeks, the surge in crude oil prices, and the dwindling year-over-year storage surplus. The major exceptions to the general pattern of increasing prices occurred at the New York citygate, where prices fell 3 cents since last Thursday, and some points in the Rocky Mountains region, where price drops ranged between 12 and 23 cents.

At the NYMEX, the futures contract for September delivery at the Henry Hub climbed about 10 cents since last Thursday, settling at \$3.617 per MMBtu on Monday, August 26. The September contract is almost 95 cents above its recent low of \$2.66 on August 7. The September contract closes trading tomorrow, August 28.

NYMEX Natural Gas Futures Near-Month Contract Settlement Price, West Texas Intermediate Crude Oil Spot Price, and Henry Hub Natural Gas Spot Price



Note: The West Texas Intermediate crude oil price, in dollars per barrel, is converted to \$/MMBtu using a conversion factor of 5.80 MMBtu per barrel. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.

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

<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
7/30/2002	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
8/15/2002	2.65	2.92	4.07	2.86	3.127	3.172
8/16/2002	2.76	3.10	3.64	3.02	3.149	3.208
8/19/2002	2.77	3.10	3.49	3.00	3.267	3.327
8/20/2002	2.90	3.26	3.66	3.16	3.166	3.226
8/21/2002	2.84	3.22	3.67	3.11	3.274	3.339
8/22/2002	2.93	3.38	3.76	3.23	3.515	3.591
8/23/2002	3.01	3.49	3.78	3.35	3.487	3.543
8/26/2002	3.15	3.51	3.74	3.42	3.617	3.676

* 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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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.

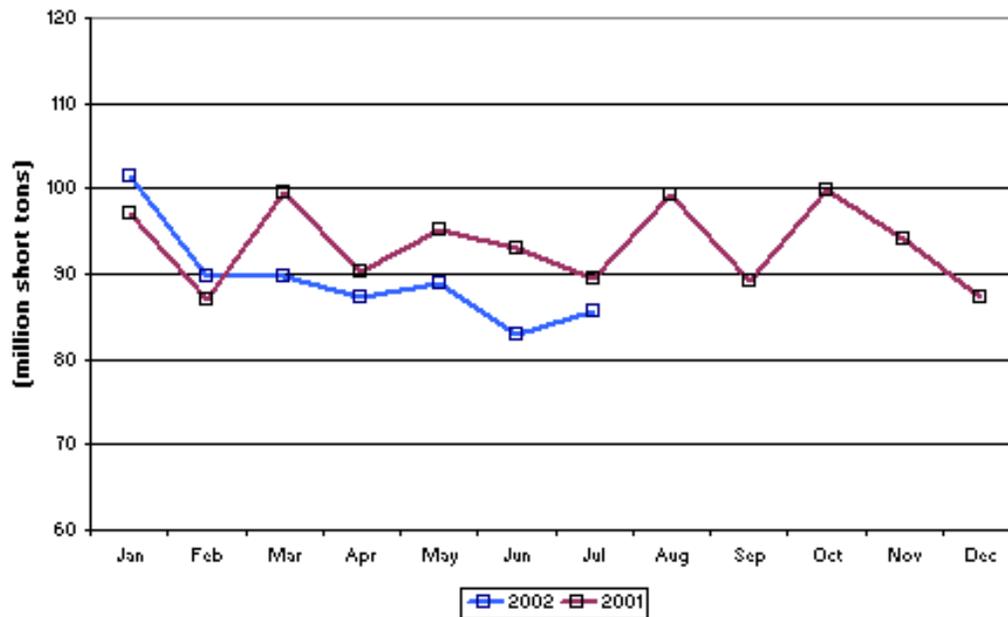
Latest U.S. Coal Information

(updated August 27, 2002)

Coal Production

For the week ending August 17, rail car loadings of coal were 4.6% higher while national [coal production](#) was 2.0% lower, compared to year-ago levels. Year-to-date, western U.S. coal production is 1.9% 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.

U.S. Monthly Coal Production



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 was expected to 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 July and August, inventories at electricity generators have started down. Would-be buyers, however, are finding coal producers holding firm on price demands. While some eastern mines are back in production, the major suppliers are still keeping a number of large mines idle awaiting better prices for contract coal. Supplies of eastern compliance coal are reportedly tight as the unusually

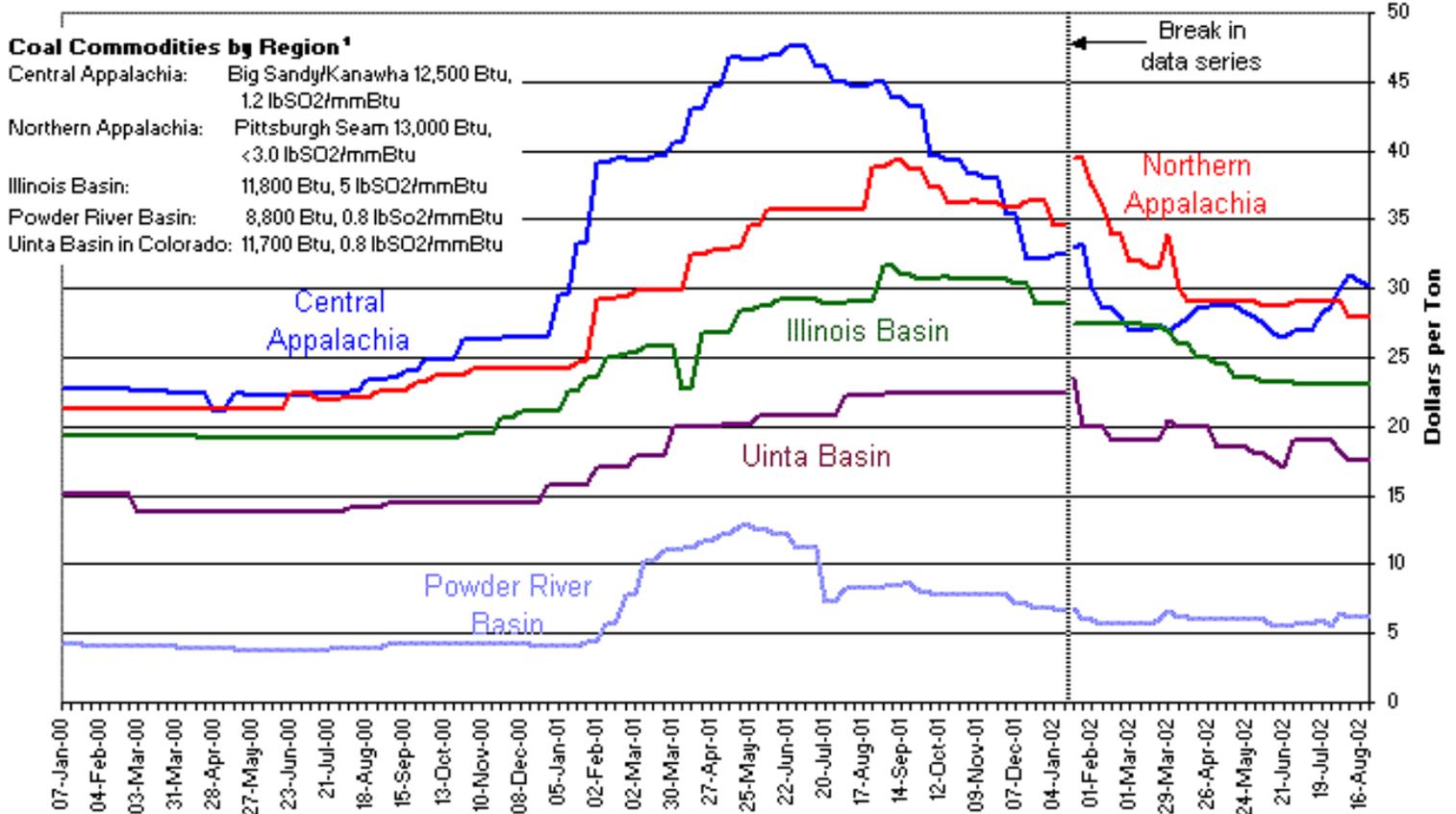
protracted pricing standoff continues.

Coal Prices

For the week ending August 23, the week-to-week coal prices tracked by EIA were virtually unchanged (graph below). Average Central Appalachian coal prices were down an estimated 25 cents, Uinta Basin prices rose an estimated 25 cents, and the rest did not move. Mixed coal prices in recent weeks, but with no overall trend, mirror the differing opinions as to whether prices will continue to decline, and reflect hesitancy among coal buyers. Relatively few buyers are in the market, 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.

Compared to peak prices in summer 2001, Central and Northern Appalachian coal prices are down by about \$17.00 and \$11.00 per short ton, respectively. Compared to the previous floor in the summer of 2000, prior to the 2001 escalation, the latest indexed spot prices of \$30.25 per short ton for Central Appalachian and \$28.00 per short ton for Northern Appalachian coal are higher by 36% and 31% respectively. Other prices are also running higher than the summer 2000 base: by 29% for the Uinta Basin, 20% for the Illinois Basin, and 67% for the Powder River Basin. Significantly, since the week ended August 2, the average spot price for largely compliance Central Appalachian coal (see graph) has continued to stay above that of Northern Appalachian Pittsburgh seam coal, as had long been the norm prior to November 2001.

Average Weekly Coal Commodity Spot Prices Week Ended August 23, 2002



¹Prior 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. The past week saw limited activity, while offered prices remained firm, moving above \$30.00 for near-month contracts. These prices come after 5 months of slow but steady increases and they represent the first prices above \$30.00 since November 2001. Also contributing to an expectation of higher coal prices, NYMEX prices are also above \$30.00 for all 2003 delivery dates.

Coal Mining Legal Issues

Earlier this month the Department of Justice (DOJ) filed its expected brief appealing a May 8 injunction that put on hold permits for new surface mining in West Virginia and other parts of Central Appalachia (see Archives, August 6 and June 27, 2002). The DOJ argues that Judge Charles Haden III "erred" by defining overburden used in valley fills as illegal "waste" under Section 404 of the Clean Water Act. The appeal contends that the "waste" is actually "fill material" and is legal, and that it is not necessary that filled valleys be earmarked for some higher use, as Judge Haden interprets the Section 404 requirements. Briefings in this case will continue for several weeks. A ruling by the appeals court is not expected until early 2003. (Platts Coal Outlook, August 19, 2002).

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Latest U.S. Electricity Information

(updated August 27, 2002)

Selected Wholesale Electricity Prices: After several days of increasing prices, wholesale electricity spot prices fell across most of the Western U.S. yesterday, as available generation easily covered the demand for electricity. The only western trading zone to see an increase in price was the Mid-Columbia trading zone where prices increased to \$19.28 per megawatthour on below average hydroelectric generation. In California, moderate weather and the decrease in electricity demand led to lower prices. At the NP-15 zone, prices dropped almost \$2.00 per megawatthour to \$32.50 per megawatthour. Similarly, at the SP-15 zone, prices dropped over \$2.00 per megawatthour to \$33.25 per megawatthour.

Electricity prices in the Mid-continent region have been mixed over the past several trading days. Prices at the Cinergy hub have ranged between a high of \$37.43 per megawatthour to a low of \$22.10 per megawatthour.

Prices in the Northeast have also been mixed over the past several trading days, with the exception being the PJM West trading zone, which saw prices drop for the third consecutive trading day on moderate weather. Over that period, PJM prices have dropped 28% to \$33.44 per megawatthour. New England prices have ranged between a high of \$56.50 per megawatthour to a low of \$42.13 per megawatthour. The New York Zone J, New York City, saw prices range between a high of \$73.25 per megawatthour and a low of \$58.25 per megawatthour.

Over the past seven days, the average price at all trading centers has ranged between \$37.38 per megawatthour and \$32.42 per megawatthour.

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

Trading Centers	Date							Price Range		
	8/16/02	8/19/02	8/20/02	8/21/02	8/22/02	8/23/02	8/26/02	Max	Min	Average
COB	24.10	20.88	20.38	20.75	24.88	28.13	26.00	28.13	20.38	23.59
Palo Verde	33.72	29.99	29.57	28.21	30.19	37.14	34.37	37.14	28.21	31.88
Mid-Columbia	21.28	17.59	16.96	16.87	16.32	18.93	19.28	21.28	16.32	18.18
Mead/Marketplace	37.05	33.06	32.46	30.19	32.02	38.29	34.33	38.29	30.19	33.91
4 Corners	32.39	29.86	29.30	28.89	29.33	35.38	33.09	35.38	28.89	31.18
NP 15	29.32	26.75	25.08	23.92	30.14	34.30	32.50	34.30	23.92	28.86
SP 15	32.10	28.76	28.25	26.88	30.47	35.50	33.25	35.50	26.88	30.74
PJM West	48.25	34.63	34.57	46.25	45.28	35.21	33.44	48.25	33.44	39.66
NEPOOL	56.50	45.00	42.13	56.46	43.00	45.06	44.00	56.50	42.13	47.45
New York Zone J	71.50	68.00	72.50	73.25	68.50	58.25	59.50	73.25	58.25	67.36
Cinergy	24.94	22.10	29.05	34.71	37.43	26.05	28.25	37.43	22.10	28.93
Average Price	37.38	32.42	32.75	35.13	35.23	35.66	34.36	37.38	32.42	34.70

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.

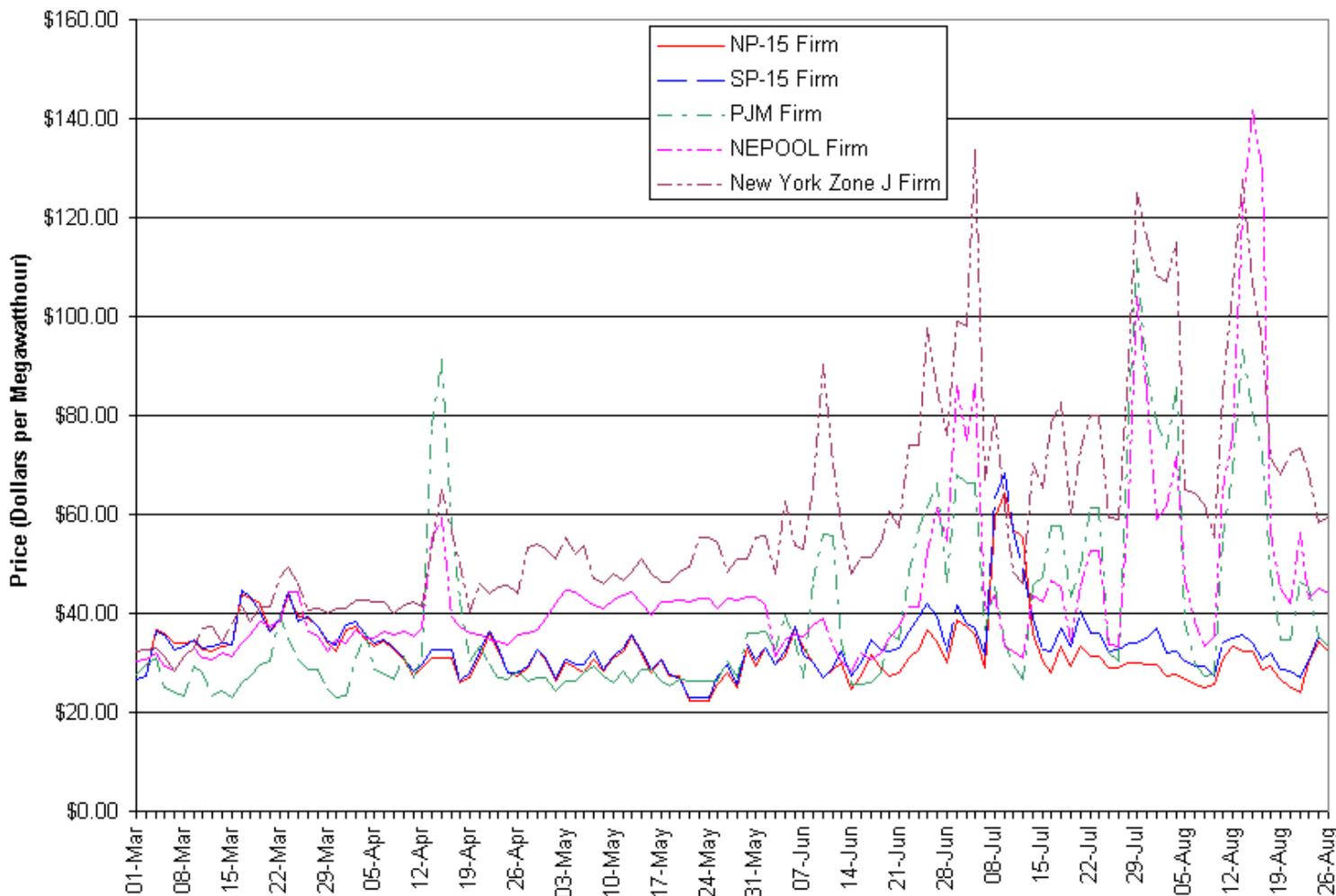
New York Zone J:

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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