

Energy Situation Analysis Report

Last Updated: September 12, 2002

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Latest Oil Market Developments

West Texas Intermediate (WTI) October crude oil futures on the New York Mercantile Exchange (NYMEX) fell 92 cents, settling at \$28.85 per barrel today (9/12/02), following President George W. Bush's address to the General Assembly of the United Nations in New York on Thursday morning. [more...](#)

Latest U.S. Weekly EIA Petroleum Information

Retail diesel fuel prices increased for the fourth week in a row, rising by 0.8 cent per gallon to a national average of 139.6 cents per gallon as of September 9. U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) fell by 5.3 million barrels last week, largely as a result of the sharp drop in crude oil imports. [more...](#)

World Oil Market Highlights

According to fourth quarter 2002 estimates, the world (excluding Iraq) holds about 5.3 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. [more...](#)

Latest U.S. Weekly Natural Gas Information

Since Tuesday, September 10, natural gas spot prices have moved up by 5 to 15 cents as hot temperatures lingered throughout the country early this week. The average Henry Hub price has climbed \$0.08 per MMBtu since Monday's (9/09/02) trading session to an average of \$3.32 yesterday. Prices throughout the Gulf Coast and Midcontinent regions have registered similar gains. [more...](#)

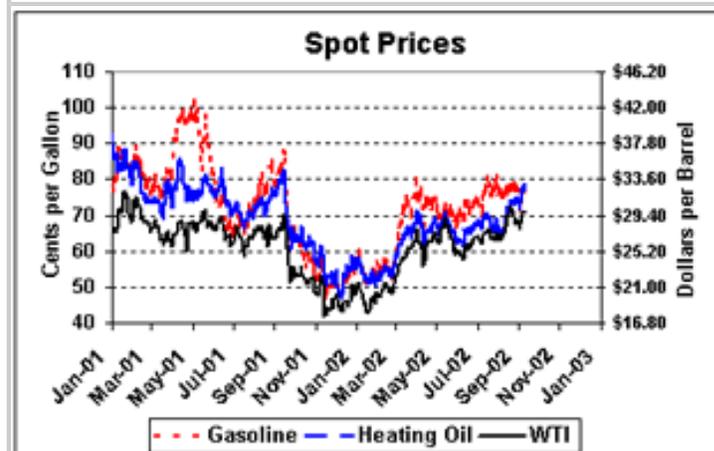
Latest U.S. Coal Information

For the week ended August 31, the week-to-week coal

Energy Prices*

Petroleum Futures	9/11/02	9/10/02	Change
WTI (\$/Bbl)	29.77	29.73	+0.04
Gasoline (c/gallon)	80.55	79.94	+0.61
Heating Oil (c/gallon)	78.97	79.27	-0.30
Natural Gas (\$/MMBtu)			
Henry Hub	3.32	3.35	-0.03
California	3.13	3.12	+0.01
New York City	3.60	3.62	-0.02
Electricity (\$/Megawatthour)			
COB	31.81	33.96	-2.15
PJM West	28.45	30.10	-1.65
NEPOOL	44.56	43.38	+1.18
Average	34.33	35.00	-0.67

[*Definitions](#)

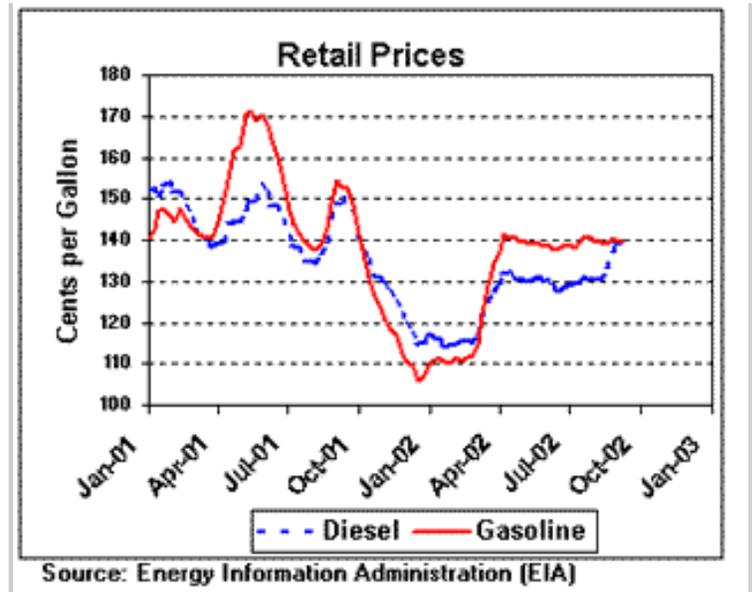


Source: Closing quote as reported by Reuters News Service

prices tracked by EIA were virtually unchanged. Average Central Appalachian rebounded from the 50-cent decline last week, Powder River Basin prices averaged about 25 cents lower than the week before, 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. [more...](#)

Latest U.S. Electricity Information

Electricity prices in the Northeast have been falling for three consecutive trading days as cooler weather has led to a reduction in the demand for electricity. Electricity prices in the Mid-continent region have been decreasing over the past two trading days as cooler weather has decreased the demand for electricity. Western U.S. spot electricity prices have remained relatively stable over the past seven-day period with the exception being in the Pacific northwest. Over the past seven days, the average price at all trading centers has ranged between \$34.08 and \$43.77 per megawatthour. [more...](#)



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Latest Oil Market Developments

(updated September 12, 2002)

West Texas Intermediate (WTI) October crude oil futures on the New York Mercantile Exchange (NYMEX) fell 92 cents, settling at \$28.85 per barrel today (9/12/02), following President George W. Bush's address to the General Assembly of the United Nations in New York on Thursday morning. Market perceptions were that the speech may have implied that a conflict with Iraq was not as imminent as had been thought. Meanwhile, conflicting statements by the IEA and OPEC concerning the global oil supply/demand balance reflect some market confusion heading into OPEC's September 19th meeting in Osaka Japan (see below). U.S. petroleum stock data were released by the American Petroleum Institute (API) on Tuesday (9/10/02) evening and EIA on Wednesday (9/11/02) morning (see below).

In general, oil prices have been driven higher since the spring by several factors, including: 1) significant cuts in OPEC production quotas during 2001, including an OPEC agreement with non-OPEC at the end of the year (note: increased OPEC "overproduction" above quota levels has mitigated this increasingly in recent months); 2) tensions in the Middle East, particularly speculation over the possibility of U.S. military action against Iraq; and 3) a steep slide in US crude oil inventories.

Topics affecting **world oil markets** include:

- On Thursday (9/12/02) President George W. Bush addressed the General Assembly of the United Nations in New York. President Bush denounced the Iraqi leadership as posing a "grave and gathering danger" and stated that "The Security Council resolutions will be enforced... or action will be unavoidable."
- U.S. petroleum stock data released this week by both EIA and the American Petroleum Institute (API) both showed drops in crude oil stocks for the week ending September 6, with API showing a slight drop and EIA a much larger decline. However, both API and EIA showed slight increases in gasoline stocks and much larger builds in distillate fuel inventories, which tended to counteract the drop in crude oil inventories.
- On Wednesday (9/11/02) the International Energy Agency (IEA) warned of near-term risks to global oil supplies, particularly as winter weather increases heating oil demand in the world's largest consumers. Conversely, OPEC Chief Economist Adnan Shihab-Eldin indicated that his team of technical analysts does not support increasing output ceilings in the fourth quarter, saying, "When we look at our own supply-demand data, we do not see tightening." OPEC members will meet on September 19 in Osaka, Japan to discuss output ceilings in the fourth quarter.
- Mexico has indicated that it will maintain its self-imposed oil export limit of 1.66 million barrels per day for the next three months. Mexico, which is not a member of OPEC, has restricted its oil

exports since January 2002 in an agreement with OPEC to bolster oil prices.

- As of September 10, 2002, the US Strategic Petroleum Reserve (SPR) contained 583.3 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 September 12, 2002)

Refinery Inputs and Production

U.S. crude oil refinery inputs averaged over 15.4 million barrels per day during the week ending September 6, up 100,000 barrels per day from the previous week. Most regions were relatively unchanged, except for PADD III (Gulf Coast), which increased by more than 100,000 barrels per day. Over the last four weeks, crude oil refinery inputs have averaged 15.4 million barrels per day, or nearly 200,000 barrels per day more than was averaged last year at this time. With the increase in refinery inputs, slight increases were seen in distillate fuel and jet fuel refinery production, while motor gasoline refinery production increased by nearly 200,000 barrels per day.

Petroleum Imports

U.S. crude oil imports were down by 900,000 barrels per day compared to the previous week, averaging 8.3 million barrels per day last week. While there was some decline in imports into the Gulf Coast, a larger decline was in PADD I (East Coast), indicating that there were reasons other than stormy weather for the sharp drop in crude oil imports. During the most recent four weeks, crude oil imports have averaged over 9.0 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) continue to pour into the country, averaging nearly 1 million barrels per day last week, while distillate fuel imports averaged over 300,000 barrels per day.

Petroleum Inventories

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) fell by 5.3 million barrels last week, largely as a result of the sharp drop in crude oil imports. At 293.2 million barrels, they are at the lowest level since the week ending March 16, 2001. In PADD II (Midwest), crude oil inventories are at the lowest level since the week ending February 16, 2001 and the third lowest since at least 1990. Distillate fuel inventories rose by 4.0 million barrels, while motor gasoline inventories last week rose by 0.3 million barrels.

Petroleum Demand

Total product supplied over the last four-week period averaged 19.9 million barrels per day, or about 0.1% less than the level last year. Motor gasoline demand has averaged 1.6% above last year's level over the same period, but distillate fuel and kerosene-jet fuel demand have averaged 4.1% less and 5.8% less than last year's level, respectively, over the last four weeks.

Spot Prices

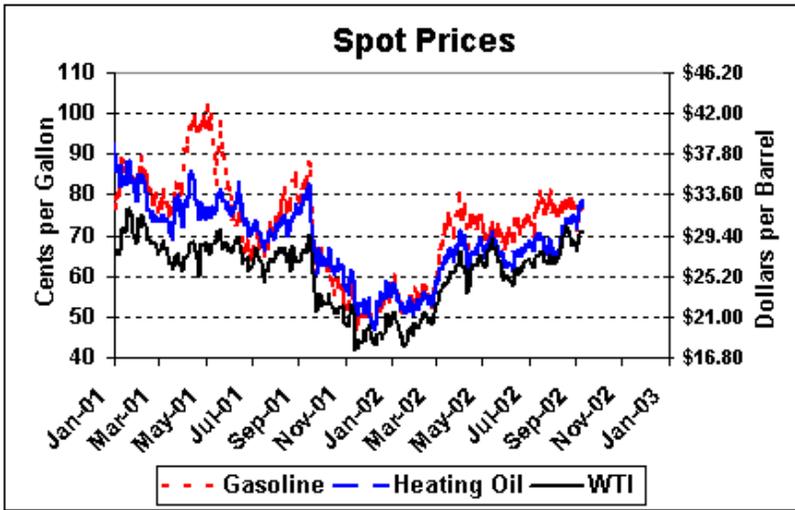
The average world crude oil spot price on September 6, 2002 was \$26.07 per barrel, down \$0.06 from the previous week but \$0.75 more than last year. The price for West Texas Intermediate (WTI) crude oil was \$29.51 per barrel on September 6, 2002, \$0.54 higher than last week and \$1.52 higher than last year. The spot price for conventional gasoline in the New York Harbor was 76.68 cents per gallon, down 0.64 cent from last week and 6.62 cents lower than a year ago. The spot price for low sulfur diesel fuel in the New York Harbor was 78.80 cents per gallon, 2.05 cents above last week but 1.90 cents less than last year.

Retail Gasoline and Diesel Fuel Prices

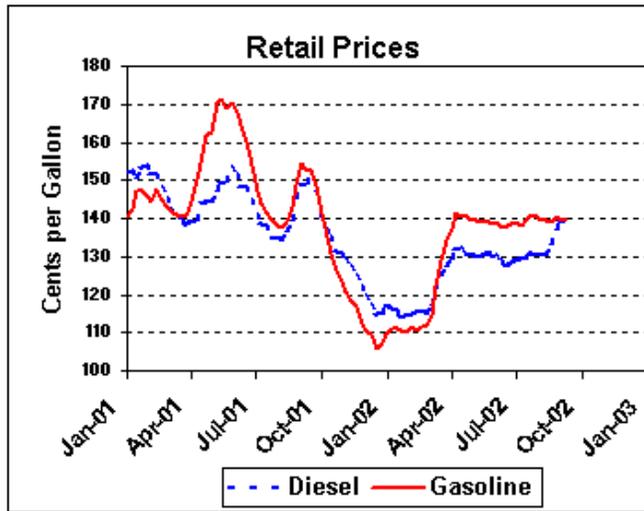
The U.S. average retail price for regular gasoline remained relatively flat from a week ago, increasing by 0.1 cent per gallon as of September 9 to reach 139.5 cents per gallon. This price is 13.2 cents per gallon lower than last year, continuing a trend that has held for most of the summer. Retail diesel fuel prices increased for the fourth week in a row, rising by 0.8 cent per gallon to a national average of 139.6 cents per gallon as of September 9. This is the first time since March 4 in which the average retail diesel price was higher than the average retail regular gasoline price, perhaps signaling an end to the gasoline season. In recent years, diesel prices have been higher in the fall and winter, as harvesting and colder weather put increased pressure on diesel and heating oil prices. Retail diesel prices were up throughout the country, with the largest price increase occurring in the West Coast region, where prices rose by 4.2 cents to end at 154.8 cents per gallon. U.S. diesel fuel prices have shot up 9.3 cents per gallon since August 12, with prices along the West Coast increasing by 14.3 cents per gallon over that same time period.

U.S. Petroleum Prices

(updated September 12, 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	
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
8/27/2002	\$28.84	\$28.83	78.85	81.80	73.88	75.01	78.25	44.75	43.88		
8/28/2002	\$28.31	\$28.34	76.68	80.18	73.57	74.45	77.73	44.88	43.25		
8/29/2002	\$28.83	\$28.92	77.87	81.32	74.20	75.39	78.43	45.00	43.25		
8/30/2002	\$28.97	\$28.98	77.32	81.42	74.93	74.82	79.03	45.19	43.13		
9/2/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA	139.4	138.8
9/3/2002	\$27.76	\$27.79	71.18	74.52	71.55	72.81	75.68	44.13	42.38		
9/4/2002	\$28.28	\$28.27	73.35	76.22	73.78	75.03	78.15	45.01	42.88		
9/5/2002	\$29.06	\$28.98	75.18	77.66	76.03	77.31	80.18	45.63	44.38		
9/6/2002	\$29.51	\$29.61	76.68	78.63	77.00	78.39	81.15	46.75	45.50		
9/9/2002	\$29.80	\$29.73	77.20	79.00	77.55	78.62	82.05	46.82	45.75	139.5	139.6
9/10/2002	\$29.62	\$29.73	77.70	79.94	77.85	79.27	82.20	47.57	46.25		
9/11/2002	\$29.77	\$29.77	77.60	80.55	77.65	78.97	82.20	47.38	46.00		

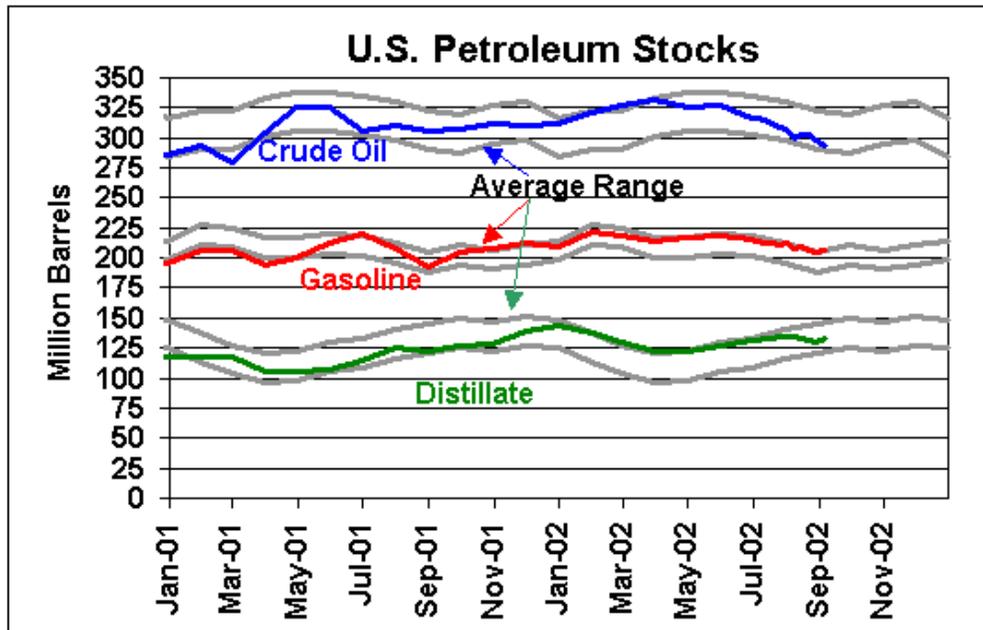
Source: Spot and futures closing quotes as reported by Reuters News Service, retail prices reported by EIA

U.S. Petroleum Supply

(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
	9/6/2002	9/6/2001	Diff.	% Diff.
Refinery Activity				
Crude Oil Input	15,380	15,214	166	1.1%
Operable Capacity	16,800	16,635	165	1.0%
Operable Capacity Utilization (%)	92.5%	93.1%	-0.6%	
Production				
Motor Gasoline	8,536	8,296	240	2.9%
Jet Fuel	1,521	1,565	-44	-2.8%
Distillate Fuel Oil	3,569	3,649	-80	-2.2%
Imports				
Crude Oil (incl. SPR)	9,043	9,375	-332	-3.5%
Motor Gasoline	915	758	157	20.8%
Jet Fuel	100	131	-31	-23.5%
Distillate Fuel Oil	209	231	-22	-9.4%
Total	11,372	11,657	-285	-2.4%
Exports				
Crude Oil	30	24	6	22.8%
Products	930	984	-54	-5.5%
Total	959	1,008	-49	-4.9%
Products Supplied				
Motor Gasoline	9,023	8,882	141	1.6%
Jet Fuel	1,589	1,683	-94	-5.6%
Distillate Fuel Oil	3,638	3,793	-155	-4.1%
Total	19,933	19,950	-17	-0.1%

vs. Year Ago

Total	19,933	19,950	-17	-0.1%
Stocks (Million Barrels)	9/6/2002	9/6/2001	Diff.	% Diff.
Crude Oil (excl. SPR)	293.2	308.2	-15.0	-4.9%
Motor Gasoline	205.6	195.5	10.1	5.2%
Jet Fuel	40.0	41.8	-1.8	-4.3%
Distillate Fuel Oil	133.6	122.8	10.8	8.8%
Total (excl. SPR)	1,010.0	1,009.5	0.5	0.0%



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

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World Oil Market Highlights

(updated September 10, 2002)

According to fourth quarter 2002 estimates, the world (excluding Iraq) holds about 5.3 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.

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

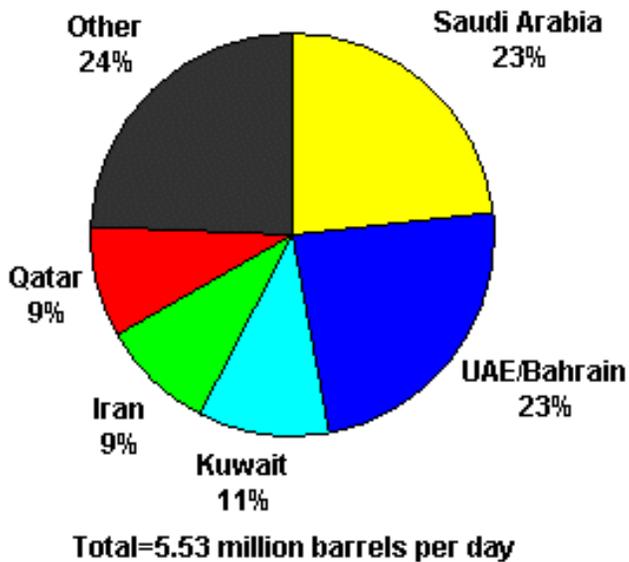
7)	Nigeria	1.86
8)	Iraq	1.65
9)	Kuwait	1.60
10)	Mexico	1.67
11)	Algeria	1.21
12)	Libya	1.17

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

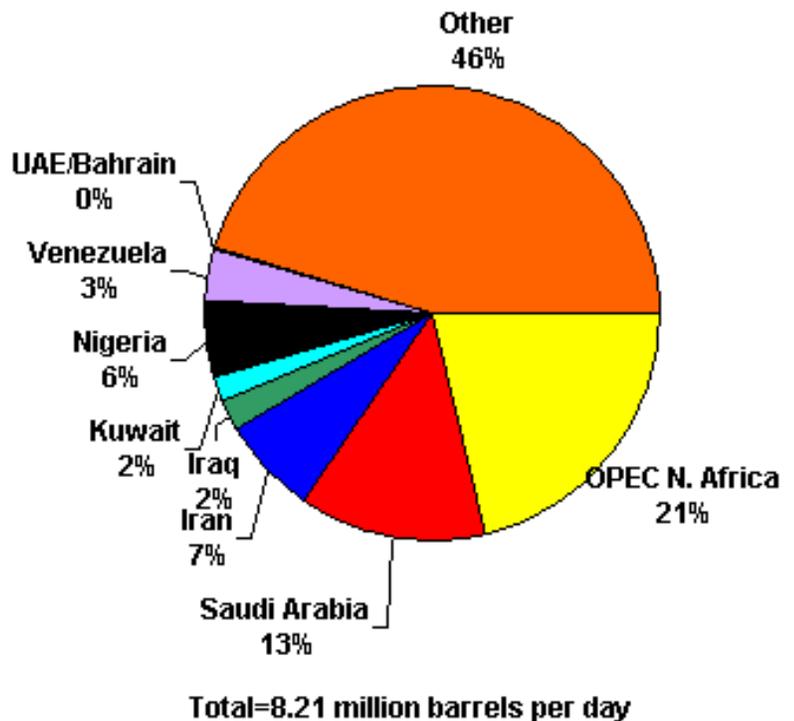
During the first five months of 2002, about half of U.S. crude oil imports came from the Western Hemisphere (17% from South America, 16% from Mexico, 15% from Canada, 2% from the Caribbean), while 27% came from the Persian Gulf region (17% from Saudi Arabia, 8% from Iraq, 2% from Kuwait).

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 September 12, 2002)

[Industry/Market Developments](#)

FERC Proposes Plan To Protect Critical Energy Infrastructure Information: After examining the issue for nearly a year in the wake of the terrorist attacks of September 11, 2001, the Federal Energy Regulatory Commission (FERC) last week proposed to establish regulations that would limit access to information about the nation's energy infrastructure. In its Notice of Proposed Rulemaking (NOPR), FERC defines "critical energy infrastructure information (CEII)" as information about proposed or existing critical infrastructure that:

- relates to the production, generation, transportation, transmission, or distribution of energy
- could be useful to a person in planning an attack on critical infrastructure
- is exempt from mandatory disclosure under the Freedom of Information Act
- gives strategic information beyond the location of the critical infrastructure.

The NOPR proposes procedures for requesting confidential treatment of CEII, and sets forth a method for handling challenges to the designation of certain information as CEII. The stated overall objective is to protect information designated sensitive, while still allowing efficient access to such information by those with a valid "need to know." In many cases the CEII designation will require the removal of certain information from the public domain.

[Storage](#)

Working gas in storage was 2,855 Bcf or 12.3% above the 5-year average for the week ending September 6, according to EIA's Weekly Natural Gas Storage Report. The implied net injection for the week was 74 Bcf, which is 4.2% higher than the 5-year average injection for the week of 71 Bcf. The implied net injection for the week of September 6, the first week in the shoulder month of September, is 20 Bcf more than the average of 54 Bcf injected during the last 4 weeks. With summer heat dissipating, the industry has historically boosted injections during September.

All Volumes in Bcf	Current Stocks 9/6/2002	Estimated Prior 5-year (1997-2001) Average	Percent Difference from 5-Year Average	Implied Net Change from Last Week	One- Week Prior Stocks 8/30/2002
East Region	1,642	1,546	6.2%	52	1,590
West Region	390	324	20.4%	9	381
Producing Region	823	671	22.7%	13	810
Total Lower 48	2,855	2,542	12.3%	74	2,781

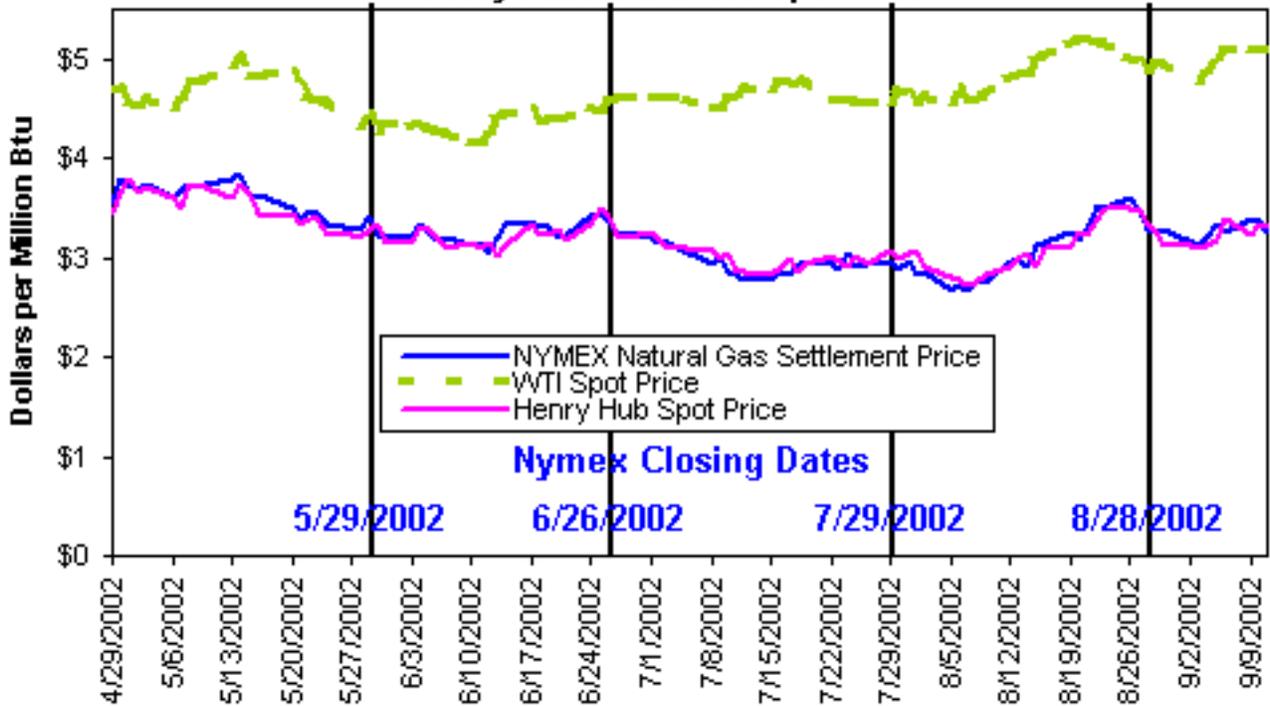
Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database.

Prices:

Since Tuesday, September 10, spot prices have moved up by 5 to 15 cents as hot temperatures lingered throughout the country early this week. The average Henry Hub price has climbed \$0.08 per MMBtu during the past two trading sessions to an average of \$3.32 per MMBtu yesterday. Prices throughout the Gulf Coast and Midcontinent regions have registered similar gains. Rockies prices had a mild recovery yesterday, after suffering yet another downturn on Monday and Tuesday this week as infrastructure maintenance limited outlets for supplies. The region's oversupply was compounded by Questar's directive that all holders of interruptible storage would have to empty their supplies from the Clay Basin storage facility because of high storage inventories. Prices on Questar Pipeline on Tuesday dropped to an average of 55 cents per MMBtu, followed by 88 cents on Wednesday.

At the NYMEX, the price of the futures contract for October delivery at the Henry Hub has fallen 14.9 cents in the past two days, settling at \$3.250 per MMBtu yesterday. After a delayed opening yesterday in recognition of the September 11 anniversary ceremonies, the October contract recorded a loss in value of slightly less than 11 cents per MMBtu yesterday. The futures contract for November closed at \$3.645 per MMBtu, down 8.9 cents on the day. The 12-month strip, which is the average cost for futures contracts over the next year, moved down 6.4 cents to \$3.796 per MMBtu.

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-October delivery	NYMEX futures contract-November delivery
8/14/2002	2.74	3.03	4.38	2.96	2.955	3.267
8/15/2002	2.65	2.92	4.07	2.86	3.172	3.457
8/16/2002	2.76	3.10	3.64	3.02	3.208	3.488
8/19/2002	2.77	3.10	3.49	3.00	3.327	3.602
8/20/2002	2.90	3.26	3.66	3.16	3.226	3.498
8/21/2002	2.84	3.22	3.67	3.11	3.339	3.601
8/22/2002	2.93	3.38	3.76	3.23	3.591	3.828
8/23/2002	3.01	3.49	3.78	3.35	3.543	3.785
8/26/2002	3.15	3.51	3.74	3.42	3.676	3.919
8/27/2002	3.11	3.48	3.67	3.39	3.531	3.784
8/28/2002	3.05	3.33	3.49	3.25	3.403	3.673
8/29/2002	3.01	3.26	3.43	3.22	3.250	3.555
8/30/2002	2.82	3.12	3.37	3.13	3.296	3.626
9/3/2002	2.93	3.10	3.41	3.12	3.132	3.487
9/4/2002	2.93	3.12	3.44	3.15	3.193	3.543
9/5/2002	2.96	3.19	3.50	3.20	3.342	3.654
9/6/2002	3.07	3.38	3.75	3.40	3.265	3.605
9/9/2002	2.98	3.24	3.62	3.23	3.399	3.744
9/10/2002	3.12	3.35	3.62	3.36	3.356	3.734
9/11/2002	3.13	3.32	3.60	3.35	3.250	3.645

* 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.

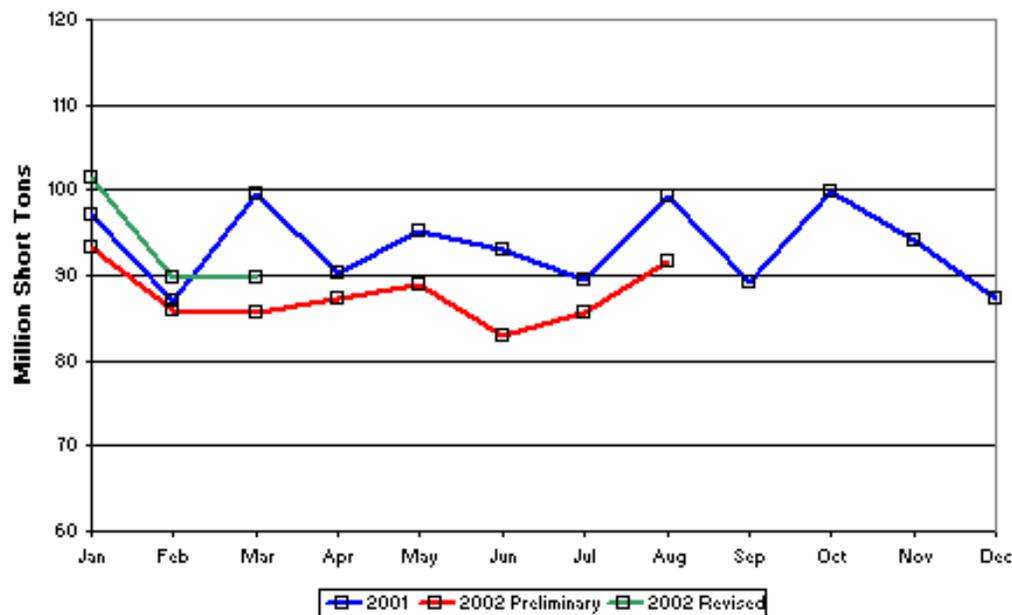
Latest U.S. Coal Information

(updated September 10, 2002)

Coal Production

For the week ended August 31, rail car loadings of coal were 2.8% lower while national [coal production](#) was 6.2% 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 7.1% below last year's level. The estimated production for the first eight months of 2002 was 717.7 million short tons (mst), 4.4% lower than the 750.7 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 29.5% higher than in March 2001, and that by May 2002 stockpiled coal was 18.2% percent higher than 12 months earlier. 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 cumulative rail car loadings. This reflects a rundown in producer and distributor stockpiles as a greater-than-usual portion of coal shipments are loaded from previously mined production. 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 in July through August, inventories at electricity generators have started down. Would-be buyers, however, are finding coal producers holding firm on price demands. Analysts at a

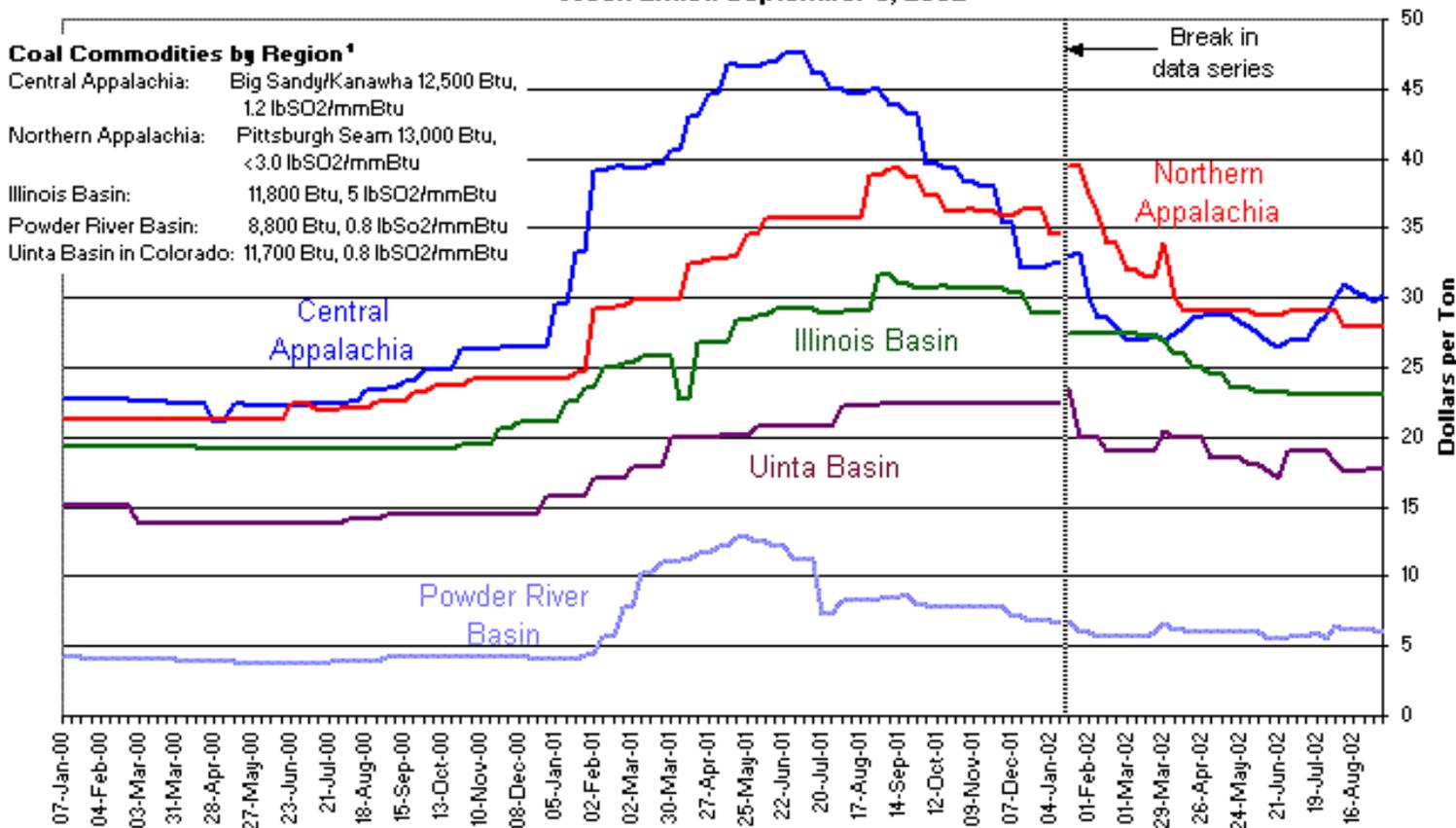
recent Lehman Brothers conference, meanwhile, believe that consumer stockpiles at the end of August are still higher than normal for the time of year-possibly about a 10 million ton overage. While some eastern mines are back in production, the major suppliers are keeping a number of large mines idle awaiting better prices for contract coal. Supplies of eastern compliance coal are reportedly tight as the unusually protracted pricing standoff continues and most buyers, with still a comfortable stockpile cushion, forestall buying activity.

Coal Prices

For the week ended August 31, the week-to-week coal prices tracked by EIA were virtually unchanged (graph below). Average Central Appalachian rebounded from the 50-cent decline last week, Powder River Basin prices averaged about 25 cents lower than the week before, 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, with scattered mild weather in September, some may have larger than average stockpiles even at the end of the summer.

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 60% 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 September 6, 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 August. The past week saw, again, limited activity. Offered prices for 2002 deliveries dipped to \$28.70 with all months in 2003 remaining above \$30.00.

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Latest U.S. Electricity Information

(updated September 12, 2002)

Selected Wholesale Electricity Prices: Western U.S. spot electricity prices have remained relatively stable over the past seven-day period with the exception being in the Pacific northwest where prices have increased for four consecutive trading days as warmer than normal temperatures coincide with a decrease in available hydro-power to raise prices. Prices at the Mid-Columbia trading center, a benchmark for northwest power prices, have increased 35% over the past five trading days to \$27.86 per megawatthour on September 11. Prices in California and the desert southwest have been stable over the past seven trading days. Prices at the SP 15, in California, ranged between \$32.31 per megawatthour and \$35.57 per megawatthour. Similarly, prices at the Four Corners trading center, in Arizona, have ranged between \$32.32 and \$35.05 per megawatthour.

Electricity prices in the Mid-continent region have been decreasing over the past two trading days as cooler weather has decreased the demand for electricity. Cinergy's price has dropped 41% from its high of \$43.25 per megawatthour on September 9 to \$25.50 per megawatthour on September 11.

Prices in the Northeast have been falling for three consecutive trading days as cooler weather has led to a reduction in the demand for electricity. The exception to this trend was in New England, which saw a slight increase in price yesterday. According to the Bloomberg Power Lines Report, a trader was quoted as saying, "Clearing prices came in very high today" trying to explain the unexpected increase. Despite this small upswing, prices in New England are still down 43% from last week's high price to \$44.56 per megawatthour on September 11. Similarly prices at the PJM West and New York Zone J, New York City are down 49% and 35% respectively, with PJM West price at \$28.45 per megawatthour on September 11 and New York City's price at \$48.75 per megawatthour.

Over the past seven days, the average price at all trading centers has ranged between \$34.08 and \$43.77 per megawatthour.

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

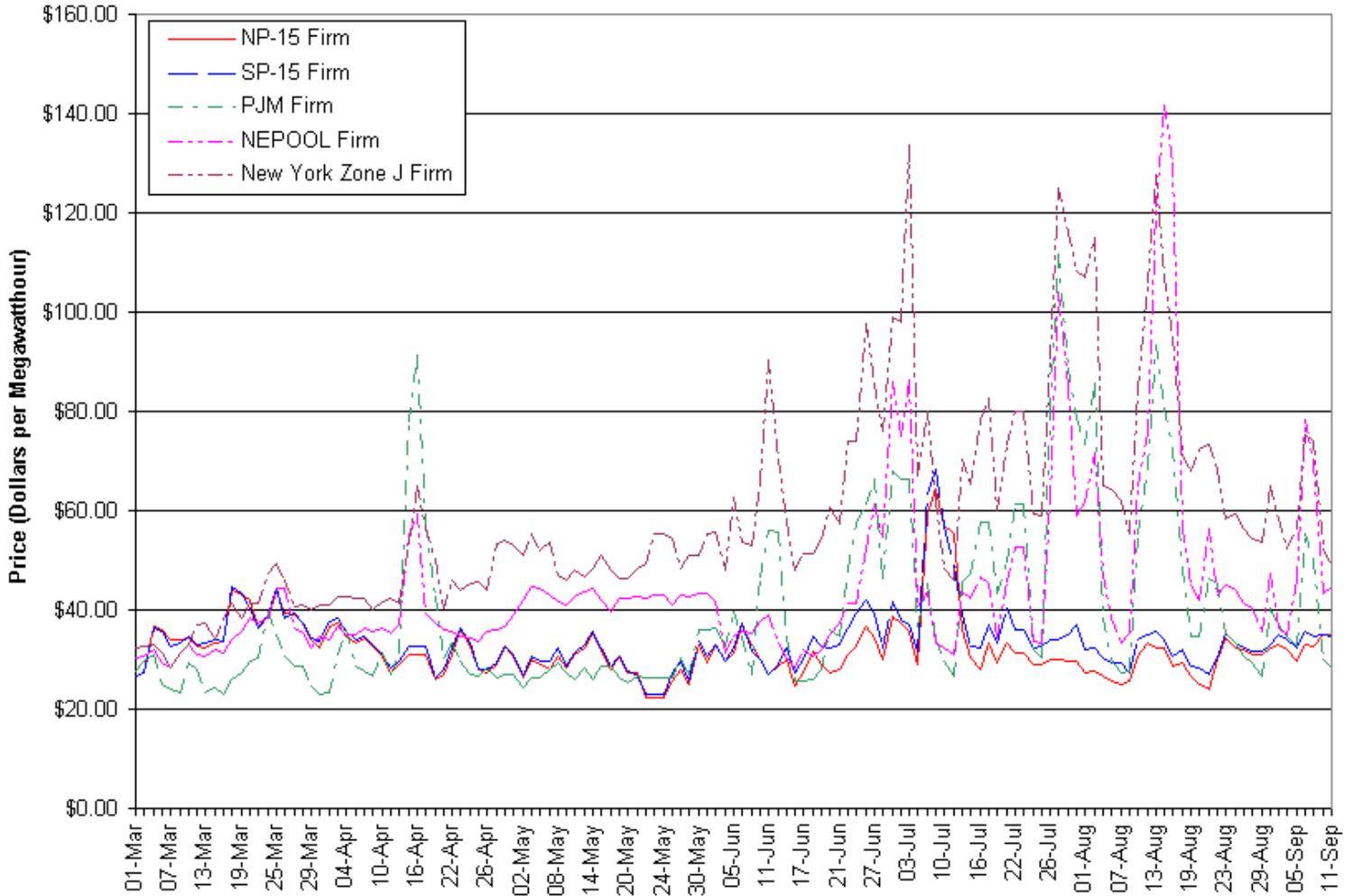
Trading Centers	Date							Price Range		
	9/3/02	9/4/02	9/5/02	9/6/02	9/9/02	9/10/02	9/11/02	Max	Min	Average
COB	27.75	27.25	24.75	28.94	29.63	33.96	31.81	33.96	24.75	29.82
Palo Verde	34.78	34.21	32.14	34.67	33.16	32.82	33.07	34.78	32.14	33.17
Mid-Columbia	25.16	22.91	20.63	25.77	26.31	27.23	27.86	27.86	20.63	25.56
Mead/Marketplace	37.14	36.81	35.03	37.70	36.57	36.19	35.64	37.70	35.03	36.23
4 Corners	35.05	34.56	33.40	34.75	32.75	32.63	32.32	35.05	32.32	33.17
NP 15	33.13	31.84	29.59	33.03	32.73	34.89	34.84	34.89	29.59	33.02
SP 15	35.02	34.13	32.31	35.57	34.54	34.97	34.82	35.57	32.31	34.44
PJM West	36.98	34.61	32.63	55.40	50.15	30.10	28.45	55.40	28.45	39.35
NEPOOL	36.28	35.13	46.00	78.50	69.75	43.38	44.56	78.50	35.13	56.44
New York Zone J	58.50	52.50	56.50	75.25	73.94	52.50	48.75	75.25	48.75	61.39
Cinergy	31.51	30.97	34.57	41.93	43.25	26.31	25.50	43.25	25.50	34.31
Average Price	35.57	34.08	34.32	43.77	42.07	35.00	34.33	43.77	34.08	37.90

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

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.

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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