

Energy Situation Analysis Report

Last Updated: September 17, 2002

Next Update: September 19, 2002

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Latest Oil Market Developments

Oil prices in London and New York fell sharply today (closing price: \$29.08 per barrel, down \$0.59 per barrel from Monday) following Iraq's formal offer "to allow the return of United Nations weapons inspectors...without conditions." However, oil prices rebounded somewhat following a White House statement that Iraq's offer was merely a "tactical step...in hopes of avoiding strong U.N. Security Council action" and "a tactic that will fail." [more...](#)

Latest U.S. Weekly EIA Petroleum Information

The U.S. average retail price for regular gasoline increased slightly over the last week, increasing by 0.6 cent per gallon as of September 16 to reach 140.1 cents per gallon. This price is 12.8 cents per gallon lower than last year. Retail diesel fuel prices increased for the fifth week in a row, rising by 1.8 cents per gallon to a national average of 141.4 cents per gallon as of September 16. [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...](#)

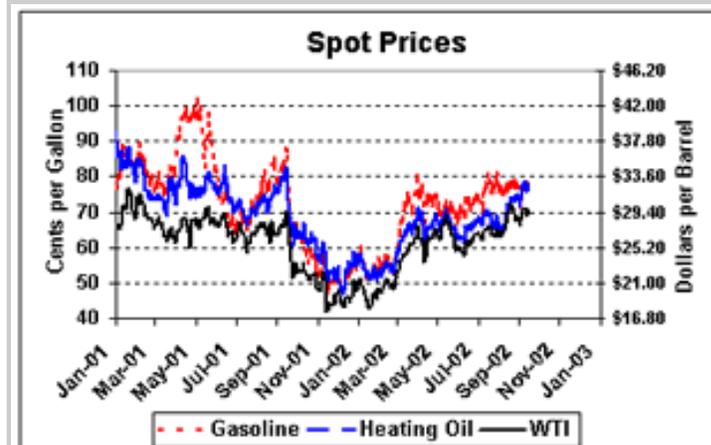
Latest U.S. Weekly Natural Gas Information

Natural gas spot prices have climbed between 20 and 32 cents per MMBtu since Thursday, September 12. Price gains were largest at selected points in Louisiana and the Northeast where prices rose more than 25 cents. Production shut-ins in the Gulf of Mexico likely contributed to the gains in prices late last week as Tropical Storm Hannah traversed the Gulf, moving from south of

Energy Prices*

Petroleum Futures	9/16/02 9/13/02 Change		
	9/16/02	9/13/02	Change
WTI (\$/Bbl)	29.67	29.81	-0.14
Gasoline (c/gallon)	79.36	80.56	-1.20
Heating Oil (c/gallon)	78.37	78.67	-0.30
Natural Gas (\$/MMBtu)			
Henry Hub	3.44	3.36	+0.08
California	3.36	3.22	+0.14
New York City	3.80	3.59	+0.21
Electricity (\$/Megawatthour)			
COB	32.31	30.19	+2.12
PJM West	40.04	28.75	+11.29
NEPOOL	50.50	44.13	+6.37
Average	35.82	33.87	+1.95

[*Definitions](#)



Source: Closing quote as reported by Reuters News Service

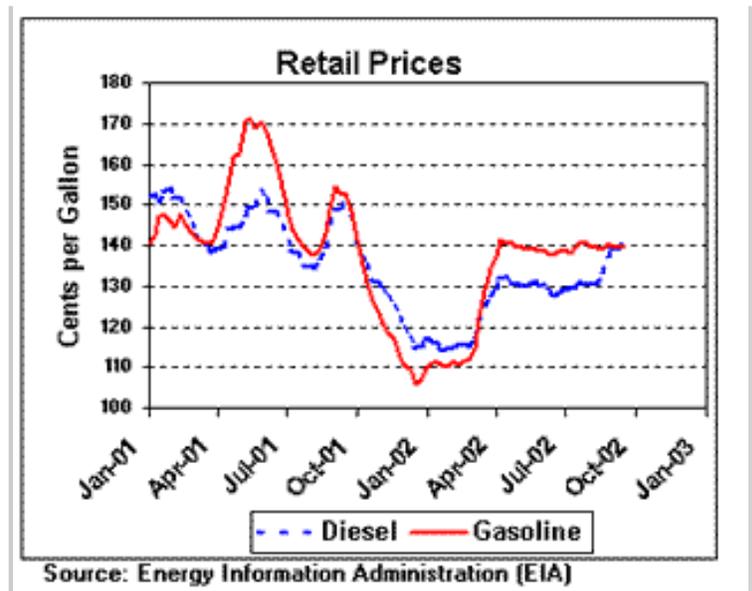
Pensacola, Florida, and making landfall near the mouth of the Mississippi River. [more...](#)

Latest U.S. Coal Information

For the week ended September 13, the week-to-week coal prices tracked by EIA were virtually unchanged (graph below). Average Central Appalachian prices declined slightly to \$30 per short ton, Northern Appalachian coal prices went down about \$1 per short ton, and all other supply regions were unchanged. Compared to peak prices in summer 2001, Central and Northern Appalachian coal prices are down by about \$18.00 and \$12.00 per short ton, respectively. [more...](#)

Latest U.S. Electricity Information

Electricity prices in the Northeast increased yesterday (September 16) on the concerns of lower supply due to nuclear generation outages. As reported in the Bloomberg Power Lines Report, nuclear power plants in NEPOOL and in the PJM West were running at 73.6% and 91.5% of capacity, respectively. Prices at NEPOOL increased 14%, to \$50.50 per megawatthour, on September 16. At the PJM West, prices increased 41%, to \$40.04 per megawatthour. [more...](#)



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Latest Oil Market Developments

(updated September 17, 2002)

Oil prices in London and New York fell sharply early today, following Iraq's formal offer to "allow the return of United Nations weapons inspectors without conditions." However, oil prices rebounded somewhat following a White House statement that Iraq's offer was merely a "tactical step...in hopes of avoiding strong U.N. Security Council action" and "a tactic that will fail." In addition, oil markets are attempting to determine exactly what "without conditions" means, and also what Iraqi President Saddam Hussein will say in a letter he reportedly will deliver to UN Secretary General Kofi Annan in coming days. NYMEX crude oil for October delivery settled at \$29.08 per barrel today, down \$0.59 per barrel from the closing price Monday (9/16/02).

Meanwhile, oil markets remain confused regarding the direction that OPEC ministers might take regarding official oil production quotas when they meet this coming Thursday (9/19/02) in Osaka, Japan (see below). Yet another variable anticipated by oil traders is U.S. petroleum stock data, to be released by the American Petroleum Institute (API) this evening and by the Energy Information Administration (EIA) on tomorrow morning.

In general, oil prices have been driven sharply higher (up around 50%) since the beginning of 2002 by several factors, including: 1) significant cuts in OPEC production quotas during 2001, including an OPEC agreement with top non-OPEC oil exporting countries 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 (the so-called "war premium"); and 3) a steep slide in U.S. crude oil inventories.

Topics affecting **world oil markets** include:

- Following Iraq's offer late Monday night (9/16/02) to "allow the return of United Nations weapons inspectors without conditions," Iraq's Deputy Prime Minister Tariq Aziz said today that "All the reasons for an attack have been eliminated." However, the White House reacted skeptically, calling Iraq's offer a "tactical offer" and a "tactic that will fail," while US Secretary of State Colin Powell stated that "We have seen this game before" and that "the issue is not inspection, it's disarmament." Meanwhile, a spokeswoman for British Prime Minister Tony Blair warned that "Saddam has a history of playing games on these matters...We want to see unrestricted access any time, any place, anywhere."
- In addition to its offer on UN weapons inspectors, Iraq reportedly has informed major oil companies that it would no longer require them to pay an illegal "surcharge" outside the UN oil-

for-food program. Iraq has required the surcharge since November 2000, but in recent months the United Nations has been cracking down hard on the practice, contributing to a sharp reduction in Iraqi oil exports (in recent weeks, Iraq has been producing at less than half of its capacity).

- OPEC oil ministers began arriving in Osaka, Japan for their meeting Thursday (9/19/02) to set official OPEC output quotas for the fourth quarter of 2002. The position of leading OPEC member, Saudi Arabia, remains unclear as of today, while other countries have generally called for no OPEC quota increases (Algeria reportedly is seeking an increase in its own quota of around 400,000 barrels per day, to 1.1 million barrels per day). OPEC's Secretary General, Alvaro Silva, said this past Friday (9/13/02) that "The problem is not a shortage of oil" and also that "There is no reason for concern about prices."
- US Energy Secretary Spencer Abraham said yesterday (9/16/02) that the United States was "not going to beg for oil" and that "the market ought to govern decisions" by oil producers. Meanwhile, US Treasury Secretary Paul O'Neill stated that "there's enough energy in the world for the price [of oil] to stay in the target range."
- Saudi Arabia's Foreign Minister, Prince Saud al-Faisal, said Sunday (9/15/02), in response to a question on whether or not Saudi Arabia would allow the use of its air bases in any attack on Iraq, said that "If the United Nations takes a decision...to implement a policy of the UN, every country...has to fulfill it."
- 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." Also that day, Federal Reserve Chairman Alan Greenspan said that "unless the hostilities are prolonged," he did not believe that "the effect of oil...is large enough to impact the economy."
- As of September 17, 2002, the U.S. Strategic Petroleum Reserve (SPR) contained 583.6 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

(last complete update: 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 (updated September 17, 2002)

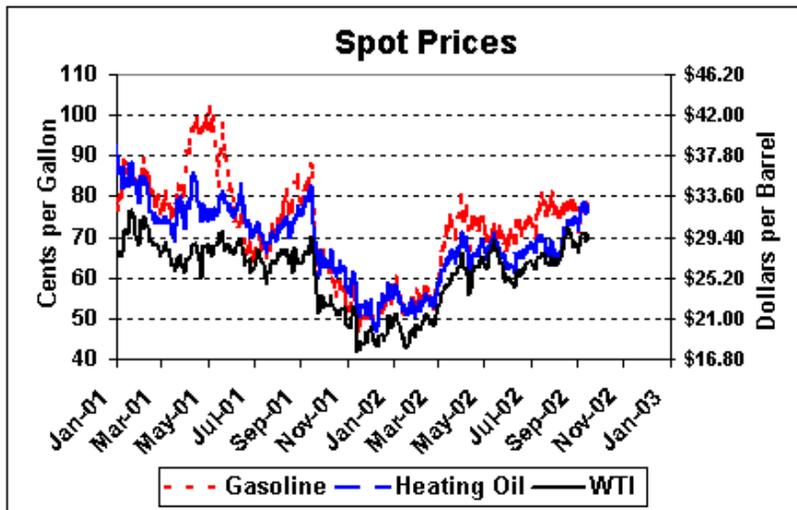
The average world crude oil spot price on September 13, 2002 was \$26.79 per barrel, up \$0.72 from the previous week and \$1.47 more than last year. The price for West Texas Intermediate (WTI) crude oil was \$29.83 per barrel on September 13, 2002, \$0.32 per barrel higher than last week and \$0.24 per barrel higher than last year. The spot price for conventional gasoline in the New York Harbor was 77.75 cents per gallon, up 1.07 cents per gallon from last week and 10.13 cents per gallon lower than a year ago. The spot price for low sulfur diesel fuel in the New York Harbor was 79.65 cents per gallon, 0.85 cent per gallon above last week but 5.03 cents per gallon less than last year.

Retail Gasoline and Diesel Fuel Prices (updated September 17, 2002)

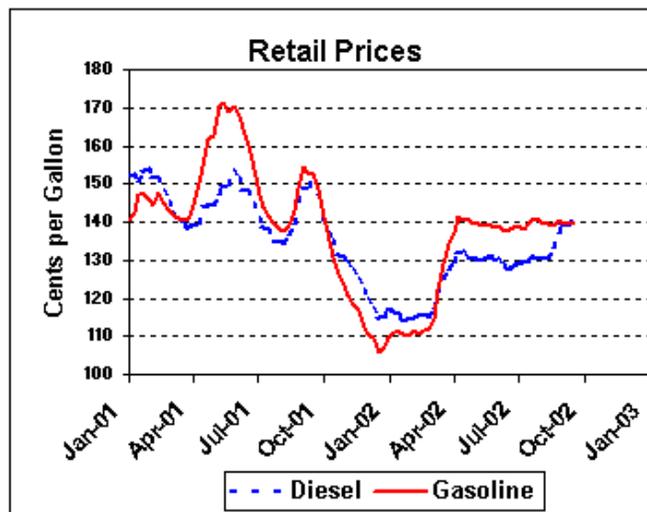
The U.S. average retail price for regular gasoline increased slightly over the last week, increasing by 0.6 cent per gallon as of September 16 to reach 140.1 cents per gallon. This price is 12.8 cents per gallon lower than last year. Retail diesel fuel prices increased for the fifth week in a row, rising by 1.8 cents per gallon to a national average of 141.4 cents per gallon as of September 16. For the second week in a row, 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 most of the country, with the largest price increases occurring in the Gulf Coast and Rocky Mountain regions, which each saw prices rise by 2.1 cents. U.S. diesel fuel prices have shot up 11.1 cents per gallon since August 12, with prices along the West Coast increasing by 15.2 cents per gallon over that same time period.

U.S. Petroleum Prices

(updated September 17, 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 US Average	
	Spot	Futures	Spot	Futures	Spot	Futures	Spot	Spot	Spot	Gasoline	Diesel
	Cushing		NYH		NYH		NYH	Mt. Belvieu	Conway		
	\$/bbl	\$/bbl	cents per gallon		cents per gallon		c/gal	cents per gallon		cents per gallon	
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		
9/12/2002	\$28.95	\$28.85	75.55	78.54	75.75	76.58	80.10	46.88	45.25		
9/13/2002	\$29.83	\$29.81	77.75	80.56	77.75	78.67	82.10	47.38	45.94		
9/16/2002	\$29.14	\$29.67	77.30	79.36	76.20	78.37	80.80	47.44	45.63	140.1	141.4

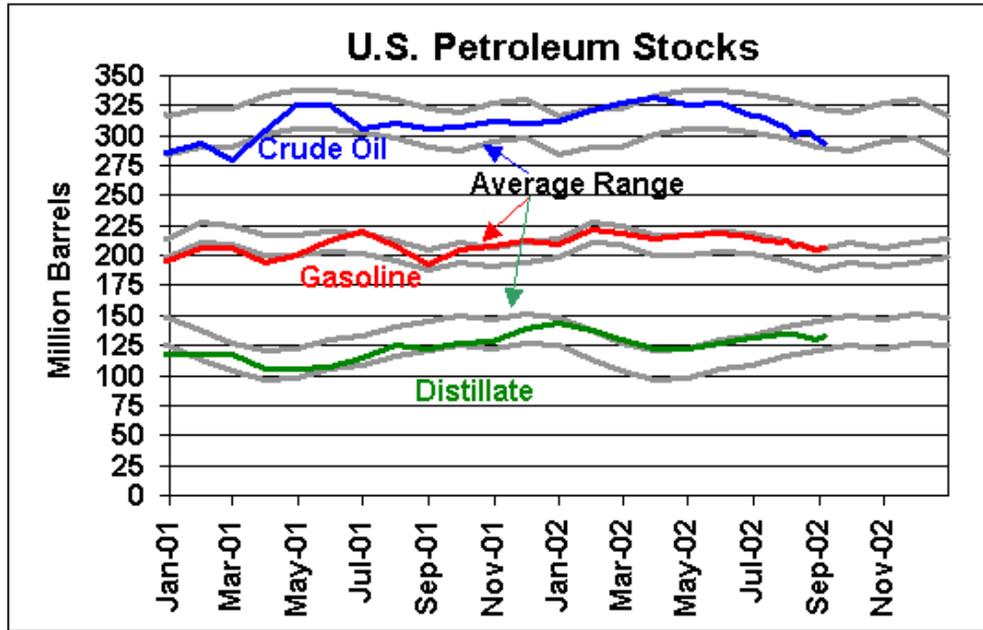
Source: Spot and futures closing quotes as reported by Reuters News Service, retail prices reported by EIA

U.S. Petroleum Supply

(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
	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%
				vs. Year Ago
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

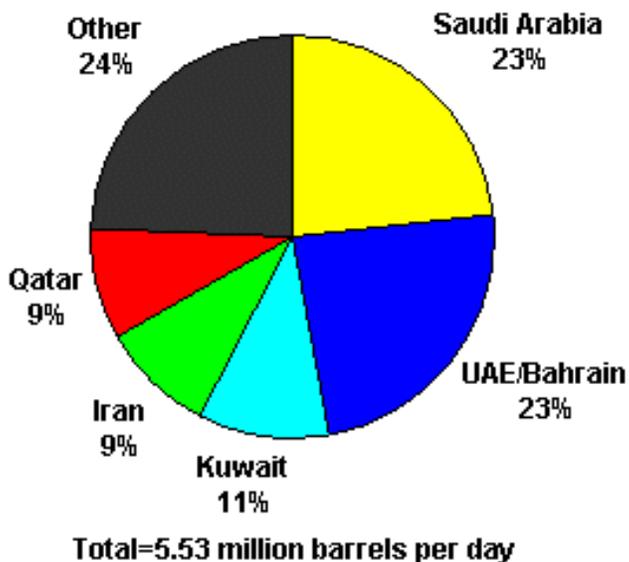
7)	Nigeria	1.86
8)	Iraq	1.65
9)	Kuwait	1.60
10)	Mexico	1.67
11)	Algeria	1.21
12)	Libya	1.17

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

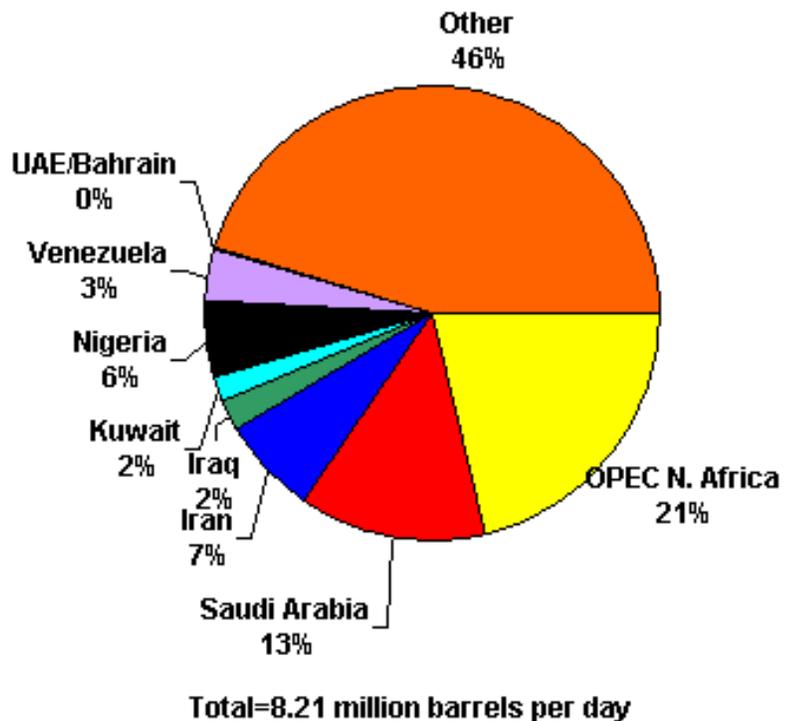
During the first five months of 2002, about half of U.S. crude oil imports came from the Western Hemisphere (17% from South America, 16% from Mexico, 15% from Canada, 2% from the Caribbean), while 27% came from the Persian Gulf region (17% from Saudi Arabia, 8% from Iraq, 2% from Kuwait).

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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Definitions

Petroleum

WTI – West Texas Intermediate (for the purposes of this table, prices provided are near month futures price) Cushing OK.

Bbl – Barrel (42 gallons).

C's – cents.

Natural Gas

Henry Hub – A pipeline hub on the Louisiana Gulf coast. It is the delivery point for the natural gas futures contract on the New York Mercantile Exchange (NYMEX).

Electricity

COB – average price of electricity traded at the California-Oregon and Nevada-Oregon border.

Palo Verde - average price of electricity traded at Palo Verde and West Wing Arizona.

Average - average price of electricity traded at all locations.

Latest U.S. Weekly Natural Gas Information

(updated September 17, 2002)

[Industry/Market Developments](#)

Standard & Poor's Details Liquidity Issues Before Energy Merchants: Liquidity assessments have become the most crucial component of analyzing the creditworthiness of many energy merchant companies, according to Standard & Poor's. In a recent update on the credit difficulties among marketers, Standard & Poor's said that several ongoing trends have heightened liquidity concerns, noting the survival of several companies will depend on their ability to maintain adequate levels of liquidity over the next several months. In 2002, funds from operations for energy merchants have declined dramatically, owing to both declining commodity prices (particularly power prices) and decreased trading following the Enron bankruptcy. At the same time, several companies are selling assets to meet near-term debt maturities and reduce their debts. According to Standard & Poor's, while the assets provide immediate cash relief, the benefits of the sales are not yet known because companies may be selling assets that generated stable cash flow. Lastly, energy merchants are facing tougher access to capital, and onerous covenants in new bank debt could further reduce financial flexibility. Credit analysts predict that credit quality in the utilities and competitive energy sector will remain under pressure into 2003.

[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 past 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

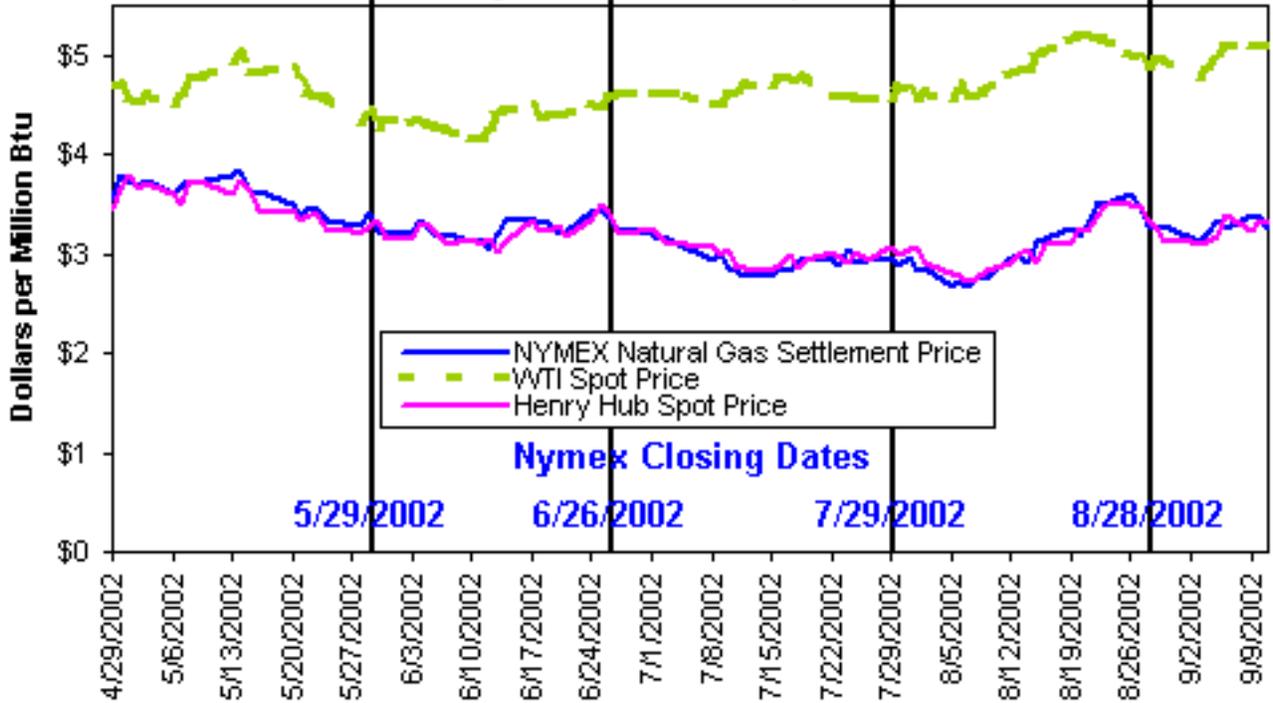
Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database.

Prices:

Spot prices have climbed between 20 and 32 cents per MMBtu since Thursday, September 12. Price gains were largest at selected points in Louisiana and the Northeast where prices rose more than 25 cents per MMBtu. Production shut-ins in the Gulf of Mexico likely contributed to the gains in prices late last week as Tropical Storm Hannah traversed the Gulf, moving from south of Pensacola, Florida, and making landfall near the mouth of the Mississippi River. Although production was restored at most locations as of Monday, September 16, lingering effects of the production curtailments contributed to further increases in prices.

At the NYMEX, the price of the futures contract for October delivery at the Henry Hub increased, climbing nearly 18 cents per MMBtu since Thursday, September 12, to settle at \$3.507 per MMBtu on Monday, September 16. Similarly, prices of the futures contracts for delivery during the heating season months all climbed between 9 and 15 cents per MMBtu since Thursday, September 12.

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: NGL'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
8/19/2002	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
9/12/2002	3.11	3.22	3.49	3.23	3.329	3.720
9/13/2002	3.22	3.36	3.59	3.33	3.467	3.842
9/16/2002	3.36	3.44	3.80	3.45	3.507	3.866

* 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

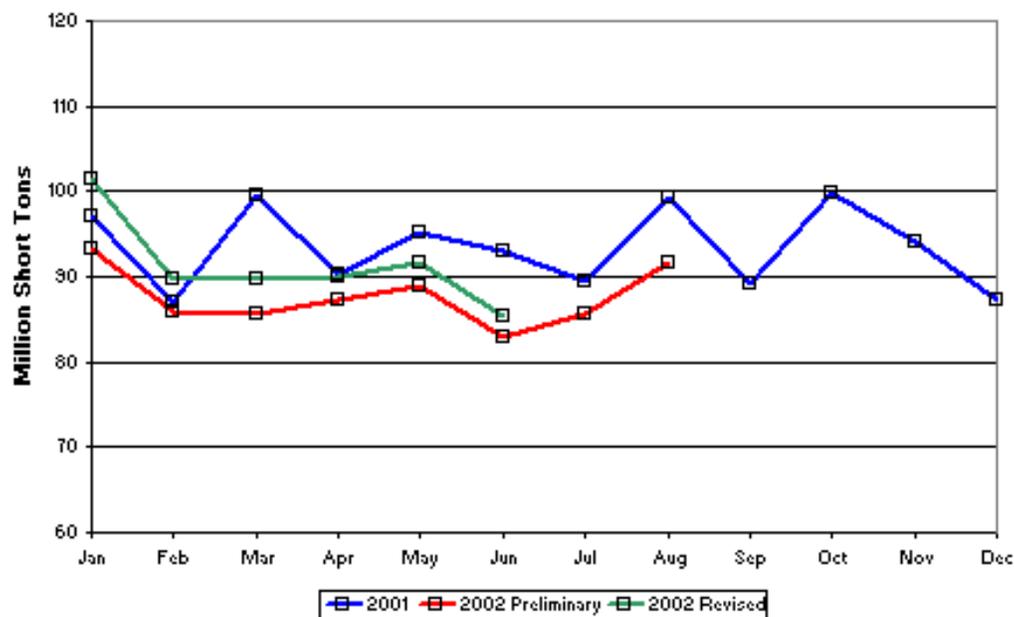
(updated September 17, 2002)

Coal Production

For the week ended September 7, rail car loadings of coal were 3.3% lower while national [coal production](#) was 3.9% higher, compared to year-ago levels. Year-to-date, western U.S. coal production is 1.8% 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 8 months of 2002 was 717.7 million short tons (mst), 4.4% lower than the 750.7 mst in the first 8 months of 2001.

Note: the statement above describes cumulative production on file as of September 12; since then, the graph below has been updated using Mine Safety and Health Administration coal production survey data for the second quarter 2002. The revised data bring estimated production for January through August 2002 to 725.2 mst.

U.S. Monthly Coal Production



Lower production since the first quarter of 2002 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. Since July, hot weather in much of the west and Midwest has reestablished more normal demand, but has consumed only part of the high consumer stocks. 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.

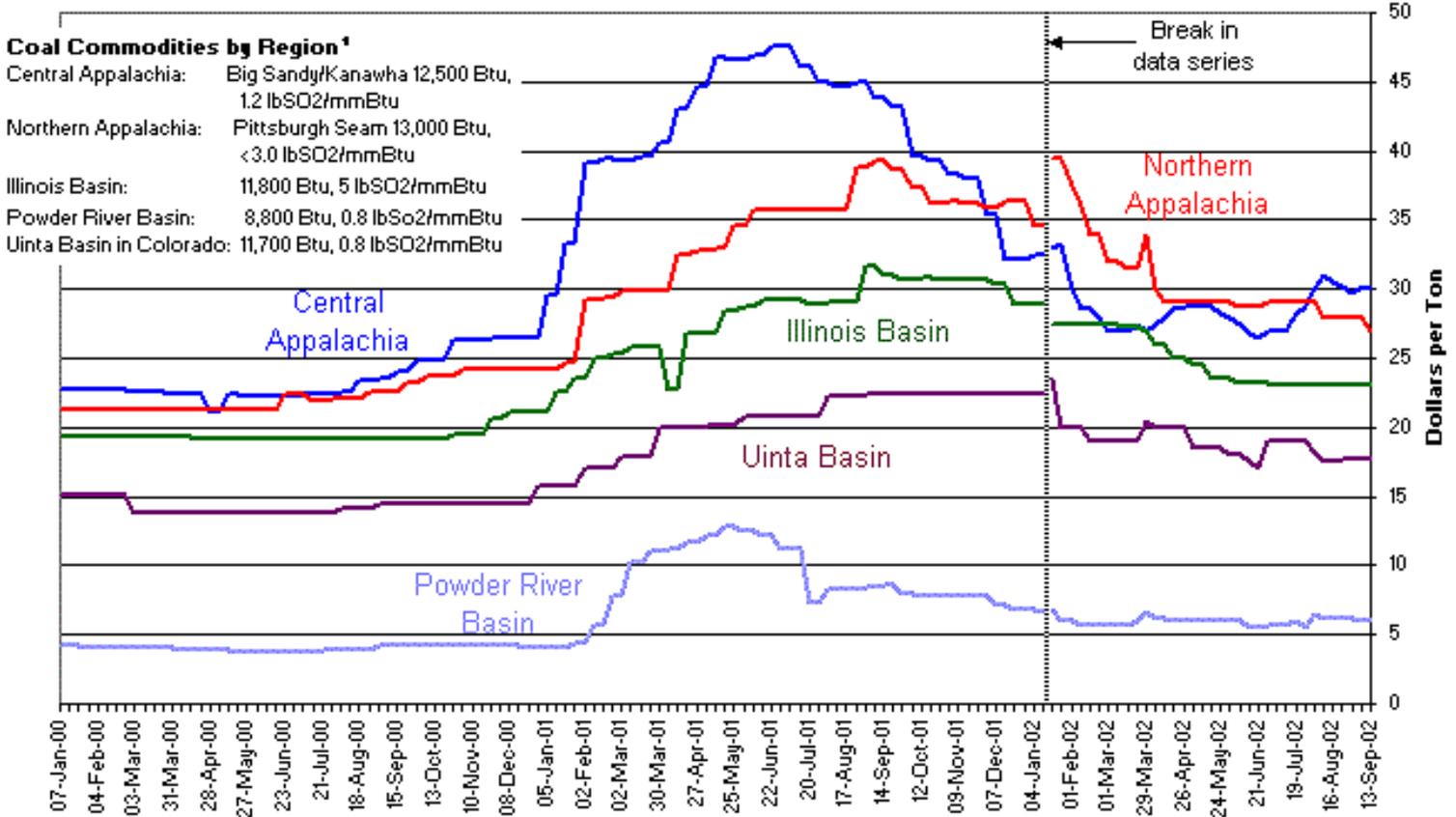
It appears that there was about a 30 million ton overage in the supply chain following the first quarter of 2002, so it was expected to take several months of curtailed production to reduce the excess producer and distributor stocks. Would-be buyers are finding coal producers holding firm on price demands. Analysts at a recent Lehman Brothers conference 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 have kept a number of large mines idle awaiting better prices for contract coal. Supplies of eastern compliance coal have reportedly been tight as a protracted pricing standoff continues and most buyers, with still a comfortable stockpile cushion, forestall buying activity.

Coal Prices

For the week ended September 13, the week-to-week coal prices tracked by EIA were virtually unchanged (graph below). Average Central Appalachian prices declined slightly to \$30 per short ton, Northern Appalachian coal prices went down about \$1 per ton, and all other supply regions were unchanged. Mixed coal price movements 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.

Compared to peak prices in summer 2001, Central and Northern Appalachian coal prices are down by about \$18.00 and \$12.00 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 \$30.00 per short ton for Central Appalachian and \$27.00 per short ton for Northern Appalachian coal are higher by 35% and 27% 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. 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 13, 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 17, 2002)

Selected Wholesale Electricity Prices: Western U.S. spot electricity prices have remained relatively stable over the past seven-day period. Prices at the Mid-Columbia trading center, a benchmark for northwest power prices, have ranged between a low of \$25.75 per megawatthour and a high of \$27.86 per megawatthour. Prices at the SP 15, in California, ranged between \$33.66 per megawatthour and \$35.57 per megawatthour. Similarly, prices at the Four Corners trading center, in Arizona, have ranged between \$30.92 and \$34.75 per megawatthour

Electricity prices in the Mid-continent region have also been relatively stable over the past five trading days as moderate weather has left the demand for electricity mostly unchanged. Cinergy's price, over the last five trading days, has remained in the mid \$20's ranging between \$24.60 and \$27.17 per megawatthour.

Prices in the Northeast increased yesterday (September 16) on the concerns of lower supply due to nuclear generation outages. As reported in the Bloomberg Power Lines Report, nuclear power plants in NEPOOL and in the PJM West were running at 73.6% and 91.5% of capacity, respectively. Prices at NEPOOL increased 14%, to \$50.50 per megawatthour, on September 16. At the PJM West, prices increased 41%, to \$40.04 per megawatthour. New York Zone J, New York City, has seen relatively stable prices over the last five trading days with prices ranging between \$46.50 and \$52.50 per megawatthour.

Over the past seven days, the average price at all trading centers has ranged between \$33.31 and \$43.77 per megawatthour.

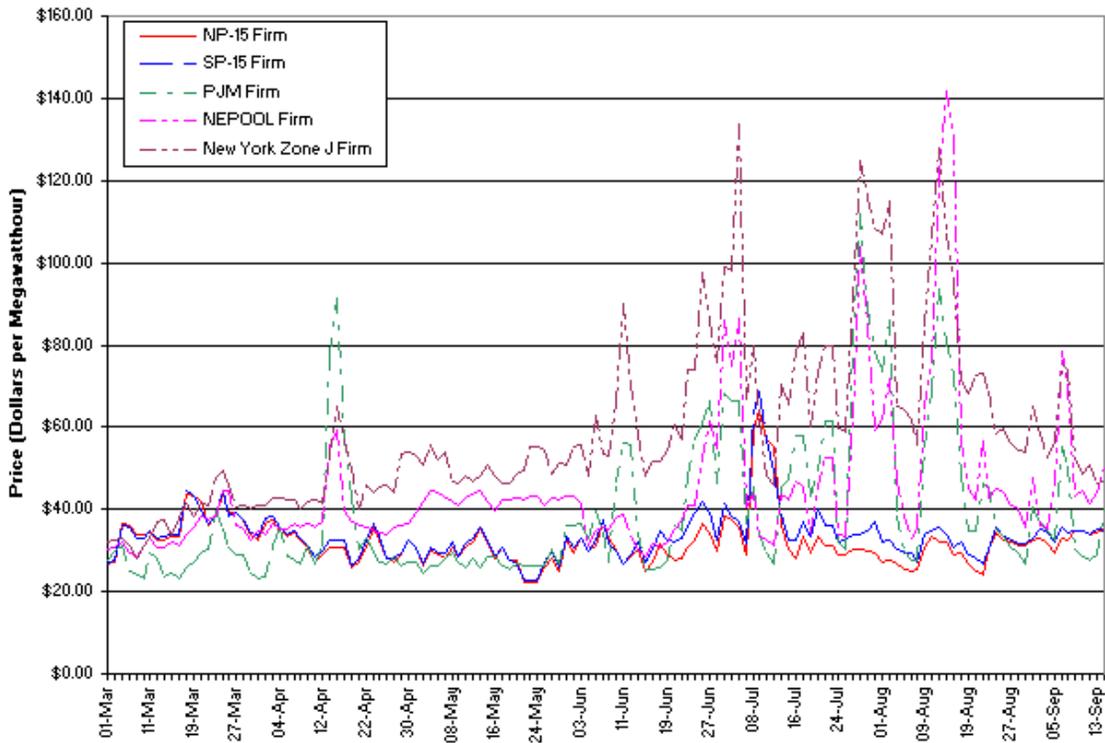
U.S. Regional Electricity Prices at Major Trading Centers (Dollars per megawatthour)

Trading Centers	Date							Price Range		
	9/6/02	9/9/02	9/10/02	9/11/02	9/12/02	9/13/02	9/16/02	Max	Min	Average
COB	28.94	29.63	33.96	31.81	30.60	30.19	32.31	33.96	28.94	31.77
Palo Verde	34.67	33.16	32.82	33.07	31.59	33.45	33.21	34.67	31.59	32.83
Mid-Columbia	25.77	26.31	27.23	27.86	26.36	27.14	25.75	27.86	25.75	26.87
Mead/Marketplace	37.70	36.57	36.19	35.64	34.39	36.48	35.40	37.70	34.39	35.62
4 Corners	34.75	32.75	32.63	32.32	30.92	32.07	32.56	34.75	30.92	32.10
NP 15	33.03	32.73	34.89	34.84	33.87	34.23	35.18	35.18	32.73	34.60
SP 15	35.57	34.54	34.97	34.82	33.66	35.07	34.92	35.57	33.66	34.69
PJM West	55.40	50.15	30.10	28.45	27.50	28.75	40.04	55.40	27.50	30.97
NEPOOL	78.50	69.75	43.38	44.56	41.25	44.13	50.50	78.50	41.25	44.76
New York Zone J	75.25	73.94	52.50	48.75	50.95	46.50	46.95	75.25	46.50	49.13
Cinergy	41.93	43.25	26.31	25.50	25.32	24.60	27.17	43.25	24.60	25.78
Average Price	43.77	42.07	35.00	34.33	33.31	33.87	35.82	43.77	33.31	34.47

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.

Average Wholesale Electricity Prices in the U.S.



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