

# Energy Situation Analysis Report

Last Updated: September 24, 2002

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## Latest Oil Market Developments

Oil prices rose sharply on Monday (September 23), with NYMEX front month crude oil futures closing at \$30.71 per barrel, up \$1.10 from Friday's close. Prices climbed again in early trading today, on continuing uncertainty over the impact of potential military action against Iraq and concerns over Hurricane Isidore. [more...](#)

## Latest U.S. Weekly EIA Petroleum Information

The U.S. average retail price for regular gasoline decreased slightly over the last week, decreasing by 0.6 cent per gallon as of September 23 to end at 139.5 cents per gallon. This price is 9.0 cents per gallon lower than last year. Retail diesel fuel prices increased for the sixth week in a row, rising by 0.3 cents per gallon to a national average of 141.7 cents per gallon as of September 23. [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 yesterday (Monday, September 23) generally eased 5 to 10 cents per MMBtu as traders awaited news of Hurricane Isidore's direction. The spot price at the Henry Hub fell 7 cents per MMBtu to \$3.87 per MMBtu, while at the New York and Chicago citygates prices moved down 8 and 5 cents, respectively, to \$4.19 and \$3.80 per MMBtu. [more...](#)

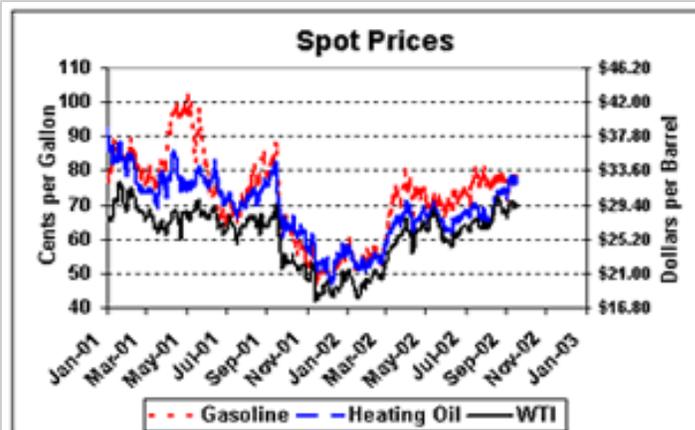
## Latest U.S. Coal Information

For the week ended September 20, the week-to-week coal

## Energy Prices\*

Petroleum Futures	9/23/02	9/20/02	Change
WTI (\$/Bbl)	30.71	29.61	+1.10
Gasoline (c/gallon)	84.27	81.41	+2.86
Heating Oil (c/gallon)	80.57	78.70	+1.87
<b>Natural Gas (\$/MMBtu)</b>			
Henry Hub	3.87	3.94	-0.07
California	3.64	3.51	+0.13
New York City	4.19	4.27	-0.08
<b>Electricity (\$/Megawatthour)</b>			
COB	32.34	31.35	+0.99
PJM West	35.67	41.96	-6.29
NEPOOL	54.38	53.00	+1.38
Average	37.43	37.89	-0.46

[\\*Definitions](#)

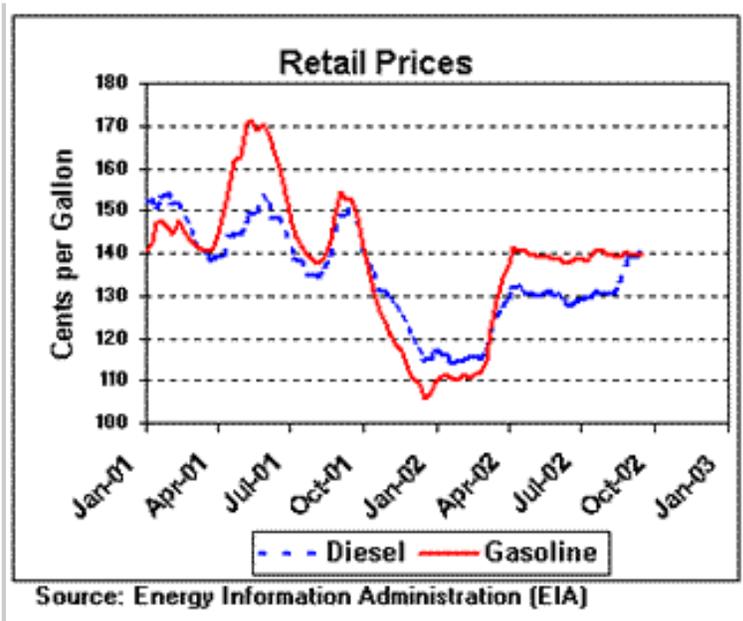


Source: Closing quote as reported by Reuters News Service

prices tracked by EIA 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

After experiencing relatively stable prices last week, Western U.S. prices increased yesterday (Monday, September 23) as higher than normal temperatures increased the demand for electricity. At the NP-15, California's northern transmission grid, prices rose 6% to \$39.75 per megawatthour on September 23. At the SP-15, California's southern transmission grid, also prices increase 6% to \$39.63 per megawatthour. [more...](#)



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Contact:

Lowell Feld

**[lowell.feld@eia.doe.gov](mailto:lowell.feld@eia.doe.gov)**

Phone: Lowell Feld: (202) 586-9502

Fax: (202) 586-9753

URL: <http://www.eia.doe.gov/emeu/security/esar/archive/esararchive.html>

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## Latest Oil Market Developments

(updated September 24, 2002)

Oil prices rose sharply on Monday (September 23), with NYMEX front month crude oil futures closing at \$30.71 per barrel, up \$1.10 from Friday's close. Prices climbed again in early trading today, on continuing uncertainty over the impact of potential military action against Iraq and concerns over Hurricane Isidore, which threatens the U.S. Gulf Coast and has already caused the evacuation of some offshore oil platforms in the Gulf of Mexico and shut down the Louisiana Offshore Oil Port.

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 production above quota levels has mitigated this somewhat in recent months); 2) tensions in the Middle East, particularly speculation over the possibility of US military action against Iraq (the so-called "war premium"); and 3) a steep slide in US crude oil inventories.

Topics affecting **world oil markets** include:

- Iraqi exports under the "Oil-for-Food" program rose sharply to 1.9 million barrels per day last week, according to press reports, after Iraq stopped demanding illegal surcharges on its sales of crude oil under the program.
- Saudi Arabian oil minister Ali Naimi said on Friday (September 20) that there was no need for OPEC to raise production quotas to combat the "risk premium" on crude oil. "If there is no shortage of supply and if inventories are in good shape, responding...isn't going to take away the fear of the consequences of a disaster or war or upheaval of some kind. The unknown is the concern," said Naimi.
- OPEC, in its monthly oil market report released Friday, said crude oil production by its members (excluding Iraq) was 1.9 million barrels per day above quota-mandated levels in August.
- As of September 24, 2002, the US Strategic Petroleum Reserve (SPR) contained 584.4 million barrels of oil. The SPR has a maximum drawdown capability of 4.3 million barrels per day for 90 days, with oil beginning to arrive in the marketplace 15 days after a presidential decision to initiate a drawdown. The SPR drawdown rate declines to 3.1 million barrels per day from days 91-120, to 2.1 million barrels per day for days 121-150, and to 1.2 million barrels per day for days 151-180.

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Contact:

Lowell Feld

[lowell.feld@eia.doe.gov](mailto:lowell.feld@eia.doe.gov)

Phone: Lowell Feld: (202) 586-9502

Fax: (202) 586-9753

URL: <http://www.eia.doe.gov/emeu/security/esar/latem.html>

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## Latest U.S. Weekly EIA Petroleum Information

(last complete update: September 19, 2002)

### Petroleum Inventories

U.S. commercial crude oil inventories fell another 5.4 million barrels last week, and have now dropped by 15 million barrels over the last three weeks to go below the lower limit of the normal range for this time of year. At 287.8 million barrels, commercial crude oil inventories are at the lowest level since the week ending March 9, 2001. And the situation is even more extreme in PADD II, the region that includes Cushing, OK, the spot where physical West Texas Intermediate (WTI) crude oil barrels are traded. In that region, crude oil inventories are just 54.4 million barrels, or more than 2 million barrels less than the previous low, making it the lowest recorded level since EIA began publishing weekly regional data. Since the end of March, U.S. crude oil inventories have fallen by nearly 44 million barrels, going from the upper end of the normal range to below the lower limit of the normal range in just 5 ½ months.

Distillate fuel inventories declined by 2.2 million barrels, while motor gasoline inventories decreased by 0.6 million barrels last week.

### Petroleum Imports

U.S. crude oil imports last week averaged 8.7 million barrels per day, up 300,000 barrels per day compared to the previous week, but still lower than in prior weeks. During the most recent four weeks, crude oil imports have averaged nearly 8.9 million barrels per day, or about 500,000 barrels per day less than during the same four-week period last year.

From March 2001 through July 2001, the United States averaged 9.65 million barrels per day of crude oil imports, with 5.14 million barrels per day coming from OPEC countries. During this period in 2001, crude oil inventories rose 48 million barrels from the end of February through the end of April, followed by a drop of 18 million barrels between the end of April and the end of July, so that by the end of July, crude oil inventories were 30 million barrels higher than they were at the end of February. But this year, the data tell a completely different story. From March 2002 through July 2002, the United States averaged just 9.04 million barrels per day of crude oil imports, or more than 600,000 barrels per day less than last year. This represents a 6.3% reduction, or more importantly, a total reduction in crude oil imports over this 5-month period of 93 million barrels! And, as the major producing group in the world, OPEC took more than its share of the reduction in U.S. crude oil imports. In the same 5-month period this year, U.S. crude oil imports from OPEC countries only averaged 3.96 million barrels per day, a reduction of 23%, or a total reduction of over 180 million barrels over this period! It's amazing that crude oil inventories haven't fallen even more this summer and early fall. Of course, the reason they haven't is lower inputs into refineries and increased imports from non-OPEC countries. And while the data are preliminary, further crude oil inventory declines may yet register in EIA data, as the implied draws over this period remain somewhat greater, even ignoring the forward imbalance without an OPEC production increase. Regardless, clearly OPEC's market share in the United States, the world's largest importing country by a wide margin, has taken a tumble this summer. EIA data for June (see ) show that OPEC imports represented less than 38% of all U.S. crude oil and petroleum product imports, compared to 48% in June 2001. In fact, since April, OPEC's market share of U.S. petroleum imports has been below 40%, a level not seen on an annual basis since 1985.

Total motor gasoline imports (including both finished gasoline and gasoline blending components) fell below 700,000 barrels per day last week for only the second time in the last nine weeks, while distillate fuel imports averaged only 100,000 barrels per day.

### Refinery Inputs and Production

U.S. crude oil refinery inputs averaged 15.1 million barrels per day during the week ending September 13, down 300,000 barrels per day from the previous week. Declines were seen in all regions, except for PADD IV (Rocky Mountain) and PADD V (West Coast), which both increased slightly. In PADD III (Gulf Coast), crude oil refinery inputs averaged less than 7 million barrels per day for the first time since the week ending March 22. Over the last four weeks, crude oil refinery inputs have averaged about 150,000 more than last year at this time. Refinery production for motor gasoline was down sharply last week, while distillate fuel refinery production declined only slightly. Jet fuel refinery production increased, however.

### Petroleum Demand

Total product supplied over the last four-week period averaged 19.8 million barrels per day, or about 0.5% more than the level last year. Motor gasoline demand has averaged 2.6% above last year's level over the same period, but distillate fuel and kerosene-jet fuel demand have averaged 1.1% less and 5.4% less than last year's level, respectively, over the last four weeks.

### Spot Prices (updated September 24, 2002)

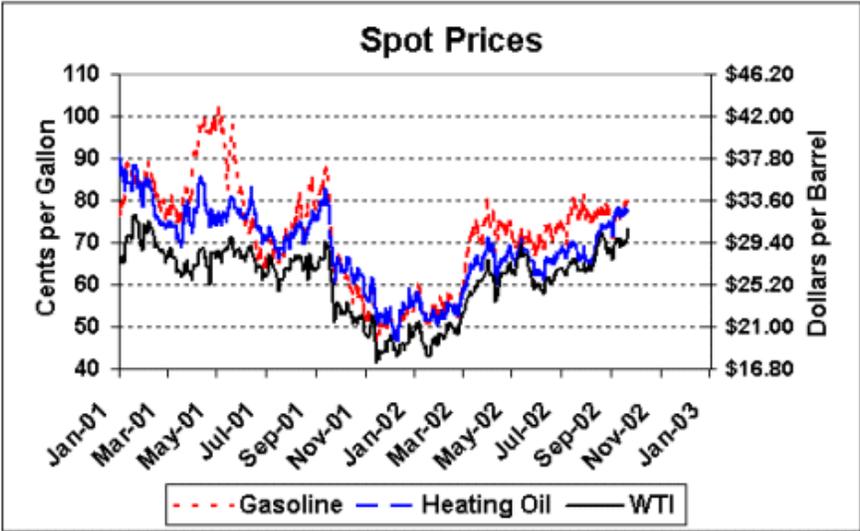
The average world crude oil spot price on September 20, 2002 was \$26.73 per barrel, down \$0.06 from the previous week but \$1.59 more than last year. The price for West Texas Intermediate (WTI) crude oil was \$29.65 per barrel on September 20, 2002, \$0.18 per barrel lower than last week and \$4.19 per barrel higher than last year. The spot price for conventional gasoline in the New York Harbor was 79.78 cents per gallon, up 2.03 cents per gallon from last week and 7.43 cents per gallon higher than a year ago. The spot price for low sulfur diesel fuel in the New York Harbor was 79.48 cents per gallon, 0.17 cent per gallon below last week but 9.65 cents per gallon more than last year.

**Retail Gasoline and Diesel Fuel Prices** (updated September 24, 2002)

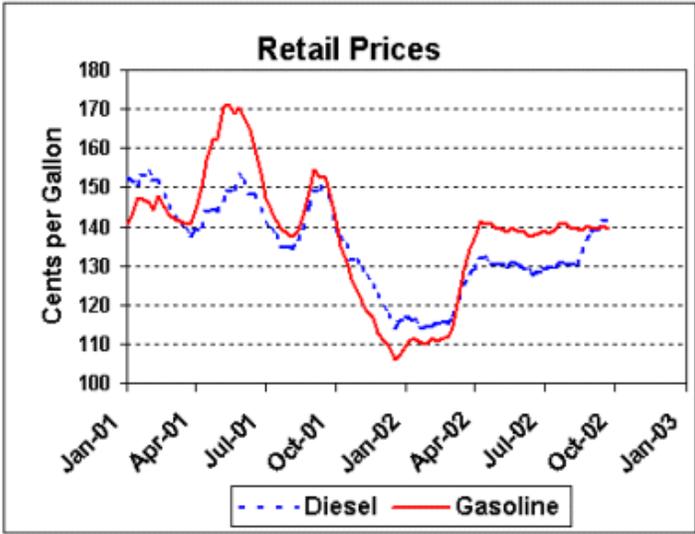
The U.S. average retail price for regular gasoline decreased slightly over the last week, decreasing by 0.6 cent per gallon as of September 23 to end at 139.5 cents per gallon. This price is 9.0 cents per gallon lower than last year. Retail diesel fuel prices increased for the sixth week in a row, rising by 0.3 cents per gallon to a national average of 141.7 cents per gallon as of September 23. U.S. diesel fuel prices have shot up 11.4 cents per gallon since August 12, but last week's increase was much smaller than gains in previous weeks. 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 Midwest and Rocky Mountain regions, which each saw prices rise by 0.9 cents to end at 140.8 cents per gallon and 146.7 cents per gallon. Prices along the West Coast fell by 2.3 cents per gallon to end at 153.4 cents per gallon.

**U.S. Petroleum Prices**

(updated September 24, 2002)



Source: Closing quote as reported by Reuters News Service



Source: Energy Information Administration (EIA)

**Crude Oil and Oil Products Price Table**

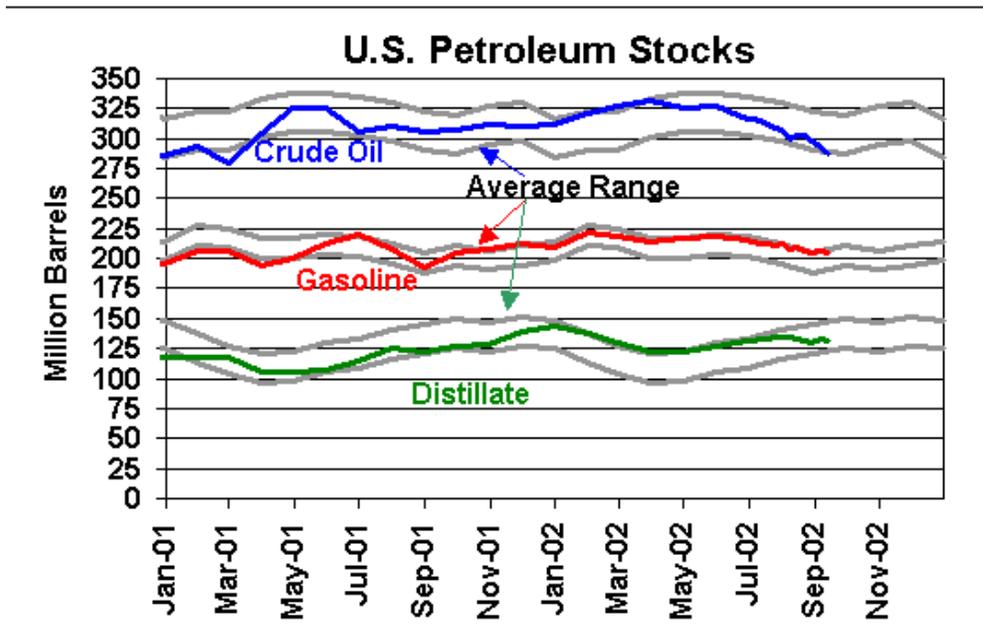
Date	WTI Crude Oil		Gasoline		Heating Oil		Kerojet	Propane		EIA Weekly Retail	
	Spot	Futures	Spot	Futures	Spot	Futures	Spot	Spot	Spot	US Average	
	Cushing		NYH		NYH		NYH	MT. Belvieu	Conway	Gasoline	Diesel
	\$/bbl	\$/bbl	cents per gallon		cents per gallon		c/gal	cents per gallon		cents per gallon	
8/6/2002	\$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
9/17/2002	\$29.08	\$29.08	77.50	77.63	76.85	77.23	81.53	46.50	45.00		
9/18/2002	\$29.57	\$29.48	79.10	79.82	77.90	78.91	82.83	47.57	46.44		
9/19/2002	\$29.49	\$29.50	79.30	80.08	77.85	78.81	82.63	47.57	46.32		
9/20/2002	\$29.65	\$29.61	79.78	81.41	77.45	78.70	82.00	47.88	47.25		
9/23/2002	\$30.85	\$30.71	79.78	84.27	77.45	80.57	82.00	48.75	47.75	139.5	141.7

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

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## U.S. Petroleum Supply

(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
	9/13/2002	9/13/2001	Diff.	% Diff.
<b>Refinery Activity</b>				
Crude Oil Input	15,304	15,150	154	1.0%
Operable Capacity	16,800	16,597	203	1.2%
Operable Capacity Utilization (%)	92.1%	92.8%	-0.7%	
<b>Production</b>				
Motor Gasoline	8,431	8,322	109	1.3%
Jet Fuel	1,534	1,521	13	0.8%
Distillate Fuel Oil	3,576	3,642	-66	-1.8%
<b>Imports</b>				
Crude Oil (incl. SPR)	8,859	9,364	-505	-5.4%
Motor Gasoline	845	798	47	5.9%
Jet Fuel	116	141	-25	-18.0%
Distillate Fuel Oil	205	257	-52	-20.2%
<b>Total</b>	<b>11,160</b>	<b>11,706</b>	<b>-546</b>	<b>-4.7%</b>
<b>Exports</b>				
Crude Oil	29	19	10	49.3%
Products	917	933	-16	-1.7%
<b>Total</b>	<b>946</b>	<b>952</b>	<b>-6</b>	<b>-0.7%</b>
<b>Products Supplied</b>				
Motor Gasoline	9,013	8,783	230	2.6%
Jet Fuel	1,549	1,636	-87	-5.3%
Distillate Fuel Oil	3,699	3,741	-42	-1.1%
<b>Total</b>	<b>19,766</b>	<b>19,666</b>	<b>100</b>	<b>0.5%</b>
<b>vs. Year Ago</b>				
<b>Stocks (Million Barrels)</b>				
	<b>9/13/2002</b>	<b>9/13/2001</b>	<b>Diff.</b>	<b>% Diff.</b>
Crude Oil (excl. SPR)	287.8	308.5	-20.7	-6.7%
Motor Gasoline	205.0	198.4	6.6	3.3%
Jet Fuel	40.9	42.1	-1.2	-2.9%
Distillate Fuel Oil	131.4	124.0	7.4	6.0%
<b>Total (excl. SPR)</b>	<b>1,004.4</b>	<b>1,016.4</b>	<b>-12.0</b>	<b>-1.2%</b>



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

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Contact:

Doug MacIntyre

[douglas.macintyre@eia.doe.gov](mailto:douglas.macintyre@eia.doe.gov)

Phone: Doug MacIntyre : (202) 586-1831

Fax: (202) 586-9753

URL: <http://www.eia.doe.gov/emeu/security/esar/latpet.html>

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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.

<b>Major Sources of U.S. Petroleum Imports, Jan.-May 2002*</b>			
(all volumes in million barrels per day)			
	<b>Total Oil Imports</b>	<b>Crude Oil Imports</b>	<b>Petroleum Product Imports</b>
<b>Canada</b>	1.91	1.45	0.46
<b>Saudi Arabia</b>	1.52	1.50	0.02
<b>Mexico</b>	1.48	1.45	0.03
<b>Venezuela</b>	1.33	1.14	0.19
<b>Iraq</b>	0.70	0.70	0.00
<b>Nigeria</b>	0.54	0.51	0.03
<b>United Kingdom</b>	0.39	0.31	0.08
<b>Norway</b>	0.37	0.33	0.04
<b>Algeria</b>	0.32	0.04	0.28
<b>Angola</b>	0.32	0.31	0.01
<b>Total Imports</b>	<b>11.15</b>	<b>8.86</b>	<b>2.29</b>

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

<b>Top World Oil Net Exporters, Jan.-May 2002*</b>		
	<b>Country</b>	<b>Net Exports (million barrels per day)</b>
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

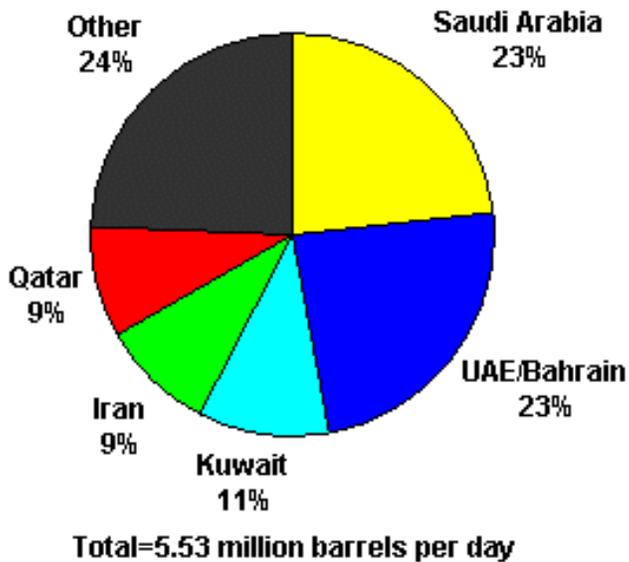
7)	Nigeria	1.86
8)	Iraq	1.65
9)	Kuwait	1.60
10)	Mexico	1.67
11)	Algeria	1.21
12)	Libya	1.17

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

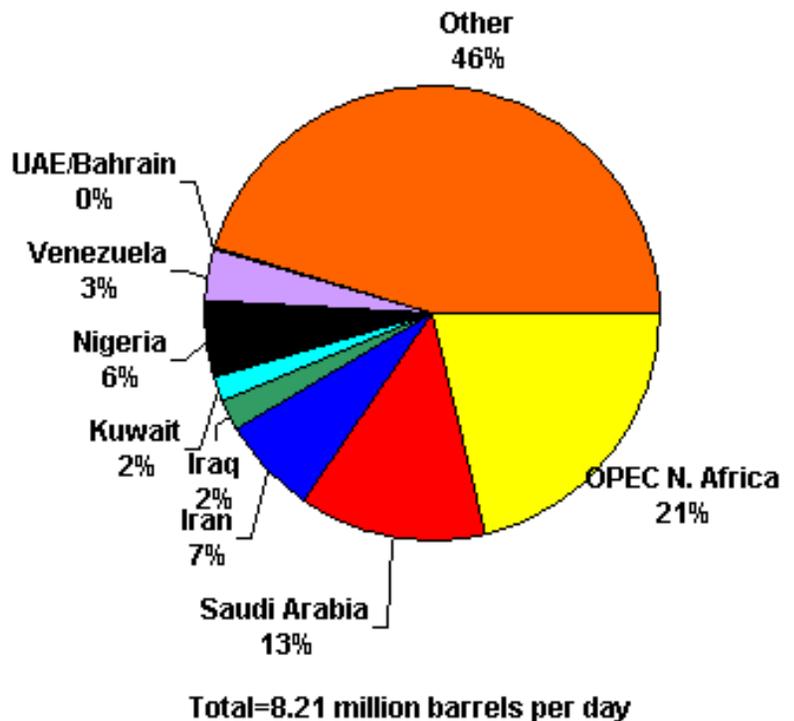
During the first five months of 2002, about half of U.S. crude oil imports came from the Western Hemisphere (17% from South America, 16% from Mexico, 15% from Canada, 2% from the Caribbean), while 27% came from the Persian Gulf region (17% from Saudi Arabia, 8% from Iraq, 2% from Kuwait).

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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Contact:

Lowell Feld

[lowell.feld@eia.doe.gov](mailto:lowell.feld@eia.doe.gov)

Phone: Lowell Feld: (202) 586-9502

Fax: (202) 586-9753

URL: <http://www.eia.doe.gov/emeu/security/esar/esar.html>

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## Latest U.S. Weekly Natural Gas Information

(updated September 24, 2002)

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

*Natural Gas Rig Counts:* The number of rigs drilling for natural gas slipped 21 to 725 for the week ending September 20, according to Baker-Hughes Incorporated. The decline in the number of rigs was the first after 3 consecutive weekly increases. However, the share of rigs drilling for natural gas has been consistently above 80 percent since early last year. Since the week ended May 17, 2002, rigs drilling for natural gas have comprised roughly 84 percent of total rigs drilling, which is close to a record for the split between gas and oil rigs. Last week, rigs drilling for natural gas constituted 85.1 percent of rigs drilling in the United States. This was down slightly from the 86.4 percent reported the previous week, which was the highest share of rigs drilling for natural gas in the 15 years that Baker-Hughes has separately reported gas and oil drilling rigs. The emphasis on gas prospects undoubtedly reflects a relative advantage in the economics of natural gas prospects compared with domestic crude oil prospects.

### [Storage](#)

Working gas in underground storage was 2,924 Bcf for the week ended Friday, September 13, according to the EIA Weekly Natural Gas Storage Report. While the surplus inventory with respect to the 5-year average has been declining steadily, total stocks of 2,924 Bcf were nonetheless 304 Bcf, or nearly 12%, greater than the average. The implied net injection for the week was 69 Bcf, which is about 12% below the previous 5-year (1997-2001) average.

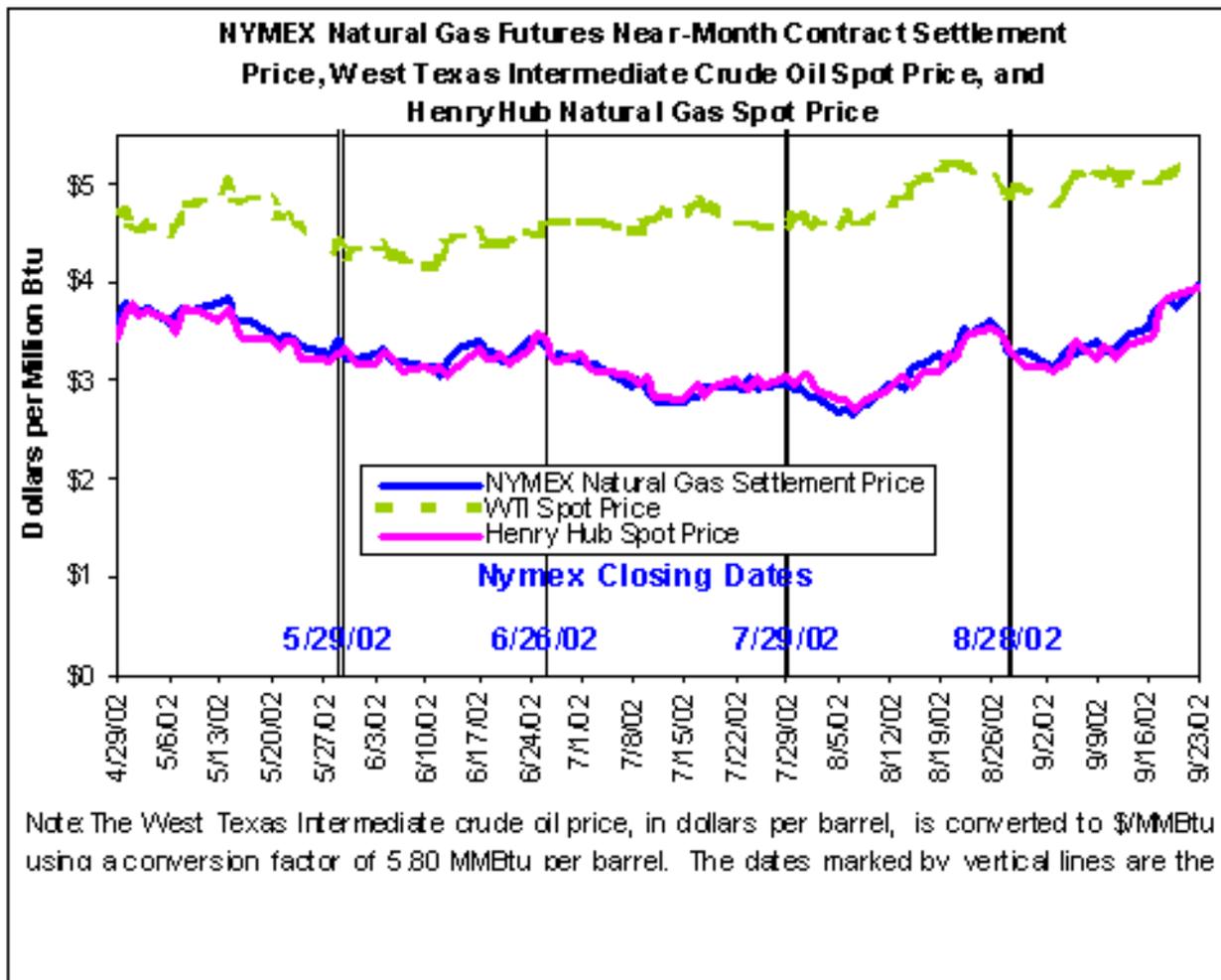
<b>All Volumes in Bcf</b>	<b>Current Stocks 9/13/02</b>	<b>Estimated Prior 5-Year (1997-2001) Average</b>	<b>Percent Difference from 5 Year Average</b>	<b>Implied Net Change from Last Week</b>	<b>One-Week Prior Stocks 9/6/02</b>
<b>East Region</b>	1,687	1,597	5.6%	45	1,642
<b>West Region</b>	394	330	19.4%	4	390
<b>Producing Region</b>	843	692	21.8%	20	823
<b>Total Lower 48</b>	2,924	2,620	11.6%	69	2,855

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

### Prices:

With Hurricane Isidore still threatening production areas in the Gulf of Mexico, natural gas has continued to trade at or near 3-month highs at many locations in the Lower 48 States. The spot price at the Henry Hub last Friday (September 20) reached an average of \$3.94 per MMBtu, or 58 cents higher per MMBtu than the previous Friday, as the storm neared the Gulf of Mexico. As of Monday, the storm's direction remained unclear as it stalled over Mexico's Yucatan Peninsula, but further strengthening as it turned toward the Gulf Coast appeared possible. The Minerals Management Service said that numerous companies had reported evacuating personnel from their offshore operations. Spot prices yesterday (Monday, September 23) generally eased 5 to 10 cents per MMBtu as traders awaited news of Isidore's direction. The spot price at the Henry Hub fell 7 cents per MMBtu to \$3.87 per MMBtu, while at the New York and Chicago citygates prices moved down 8 and 5 cents per MMBtu, respectively, to \$4.19 and \$3.80 per MMBtu.

At the NYMEX, Hurricane Isidore has contributed to an increase in futures prices as the October contract for delivery at the Henry Hub on Monday soared to a close of \$3.978 per MMBtu, an increase of 22 cents since Friday's closing. Concerns over crude oil supplies in the event of an invasion in Iraq also appear to be contributing to futures price increases for energy commodities. The spot price of West Texas Intermediate (WTI) crude oil ended trading yesterday at \$30.85 per barrel, or \$5.32 per MMBtu. The January 2003 natural gas futures contract settled at \$4.408 per MMBtu, a gain of 15.1 cents on the day and the highest closing price for the contract since May 14.



<i>Trade Date (All prices in \$ per MMBtu)</i>	<b>California Composite Average Price*</b>	<b>Henry Hub</b>	<b>New York City</b>	<b>Chicago</b>	<b>NYMEX futures contract-October delivery</b>	<b>NYMEX futures contract-November delivery</b>
8/26/02	3.15	3.51	3.74	3.42	3.676	3.919
8/27/02	3.11	3.48	3.67	3.39	3.531	3.784
8/28/02	3.05	3.33	3.49	3.25	3.403	3.673
8/29/02	3.01	3.26	3.43	3.22	3.250	3.555
8/30/02	2.82	3.12	3.37	3.13	3.296	3.626
9/3/02	2.93	3.10	3.41	3.12	3.132	3.487
9/4/02	2.93	3.12	3.44	3.15	3.193	3.543
9/5/02	2.96	3.19	3.50	3.20	3.342	3.654
9/6/02	3.07	3.38	3.75	3.40	3.265	3.605
9/9/02	2.98	3.24	3.62	3.23	3.399	3.744
9/10/02	3.12	3.35	3.62	3.36	3.356	3.734
9/11/02	3.13	3.32	3.60	3.35	3.250	3.645
9/12/02	3.11	3.22	3.49	3.23	3.329	3.720
9/13/02	3.22	3.36	3.59	3.33	3.467	3.842
9/16/02	3.36	3.44	3.80	3.45	3.507	3.866
9/17/02	3.39	3.46	3.80	3.44	3.679	3.977
9/18/02	3.57	3.79	4.16	3.80	3.787	4.070
9/19/02	3.65	3.89	4.19	3.90	3.856	4.106
9/20/02	3.51	3.94	4.27	3.85	3.758	3.992
9/23/02	3.64	3.87	4.19	3.80	3.978	4.175

\* 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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Contact:

Jim Thompson

[james.thompson@eia.doe.gov](mailto:james.thompson@eia.doe.gov)

Phone: Jim Thompson : (202) 586-6201

Fax: (202) 586-4420

URL: <http://www.eia.doe.gov/emeu/security/esar/latng.html>

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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.

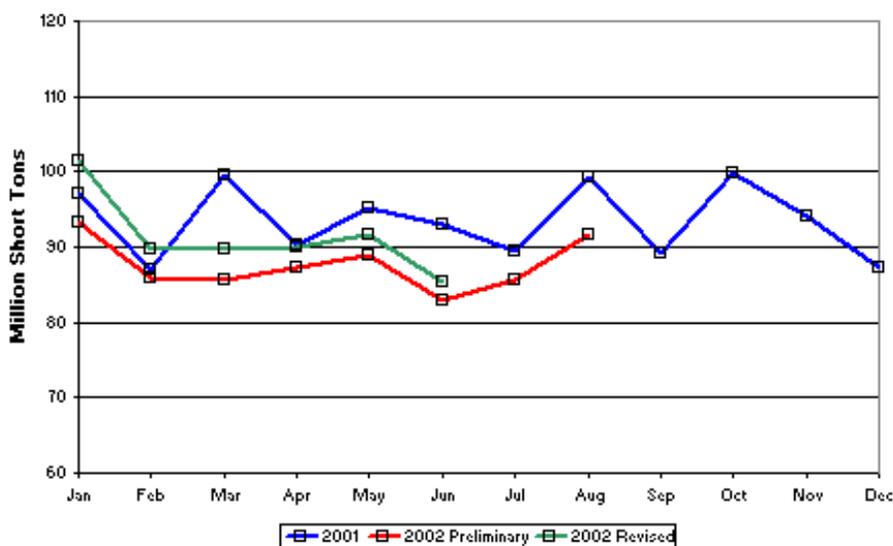
## Latest U.S. Coal Information

(updated September 24, 2002)

### Coal Production

For the week ended September 14, rail car loadings of coal were 1.1% lower while national [coal production](#) was 1.5% lower, compared to year-ago levels. Year-to-date, western U.S. coal production is 0.6% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 6.0% below last year's level. The revised estimated production for the first 8 months of 2002 is 725.2 million short tons (mst), 3.4% lower than the 750.7 mst in the first 8 months of 2001. The revised estimate has been updated using Mine Safety and Health Administration coal production survey data for the second quarter 2002.

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% 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.

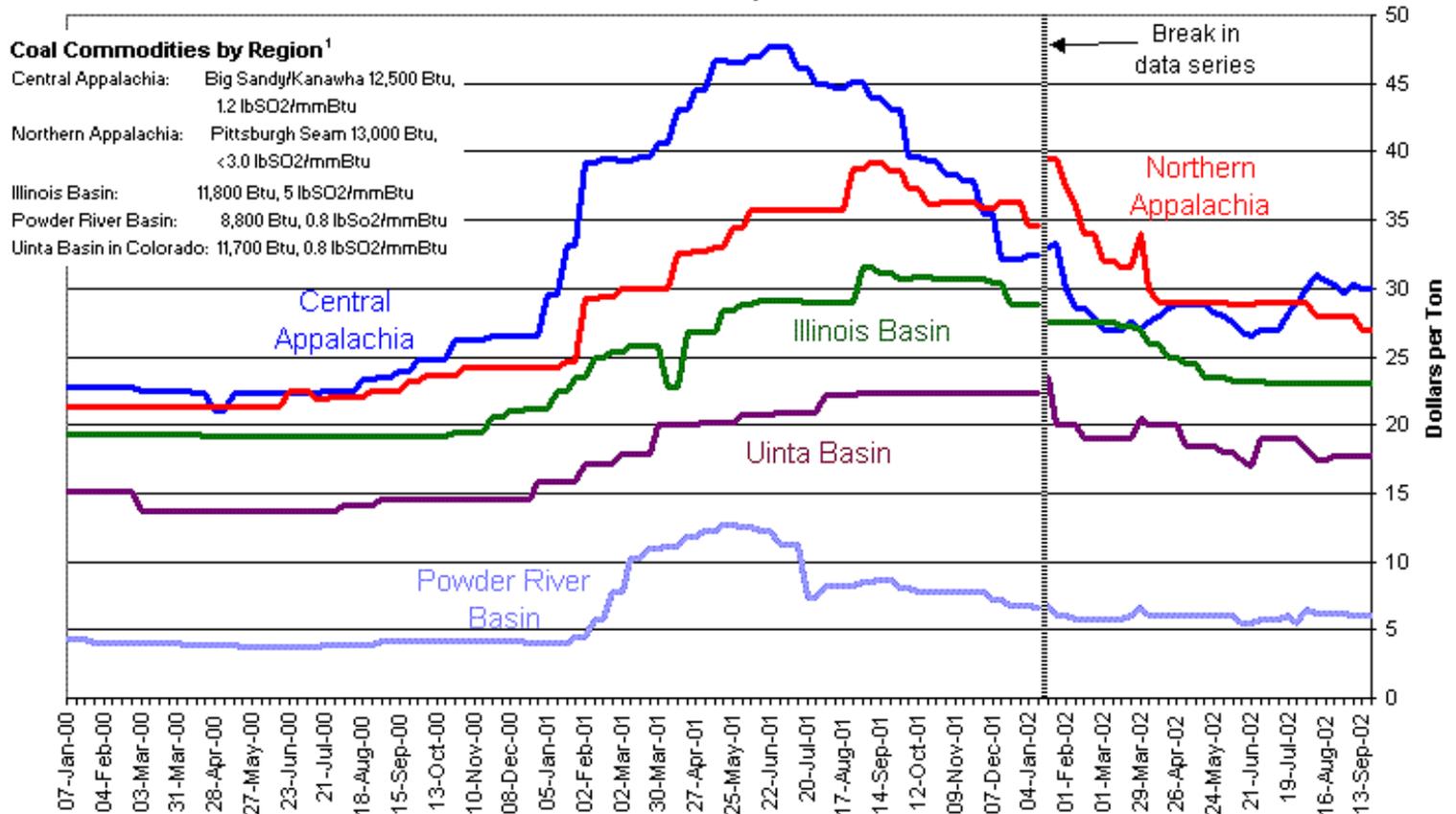
It appears that there was about a 30 million ton overage in the supply chain following the first quarter of 2002, so it was expected to take several months of curtailed production to reduce the excess producer and distributor stocks. Would-be buyers are finding coal producers holding firm on price demands. 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 20, the week-to-week coal prices tracked by EIA were unchanged (graph below). 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.

**Average Weekly Coal Commodity Spot Prices**  
**Week Ended September 20, 2002**



<sup>1</sup>Prior to January 11, 2002, EIA averaged 12-month "forward" spot prices for several coal specifications; after that date, coal prices shown are for a relatively high-Btu coal selected in each region, for delivery in the "prompt" quarter. The "prompt quarter" is the next calendar quarter, with quarters shifting forward after the 15th of the month preceding each quarter's end. Source: with permission, selected from listed prices in Platts Coal Outlook, "Weekly Price Survey"

Over-the-counter (OTC) trading volumes on the [NYMEX](#) were low throughout the month of 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.

## Market Trends

Speaking September 23 at the Platts Coal Marketing Days symposium in Pittsburgh, fuel buyers for three large energy conglomerates described their view of recent coal market trends. At least for large coal purchasing entities, big players have gained "economies of

scale" in their coal purchases during 2002. Tom Mason of Cinergy reported that the advantages cut both ways-there are fewer but larger coal companies and there are larger energy/electricity producers. The "market clout of utilities has been offset by market clout of coal companies," he said. At least that was the case in 2000 and 2001. In 2002, however, the utilities gained the advantage. He expects 2003 to be "a dead heat" (Platts Coal Trader, September 24, 2002).

Although this is good, for now, for large coal purchasers, the outlook is complicated. It is not clear that smaller coal purchasers have been able to find similarly low coal prices, as average forward prices continue relatively level and reported purchasing activity is restrained. Following lower electricity demand, even NRG Energy, the third largest independent U.S. power producer, is experiencing credit problems and is limiting coal purchases to "just in time" as opposed to "just in case." Meanwhile, coal purchasers who can are keeping or building above-average inventories in anticipation of a cold winter and possible coal strikes in the East. Much of the trading that is getting done is said to be by old-fashioned direct contact rather than the internet-based e-trading that was on the rise until this year.

For the time being, coal producers continue to keep some capacity offline to stabilize prices, while coal-consumers plan for continuing diminished demand. The outlook for delayed growth in electricity demand is reflected in EIA's figures for electricity generation capacity additions: 37.0 gigawatts delayed past 2002 and 5.5 gigawatts canceled (<http://www.eia.doe.gov/cneaf/electricity/page/capacity/capacity.html>). While most of the planned capacity was natural gas-fired, coal-fired plants do not show up because they are longer-term projects.

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Contact:

Bill Watson and Rich Bonskowski

[william.watson@eia.doe.gov](mailto:william.watson@eia.doe.gov)

[richard.bonskowski@eia.doe.gov](mailto:richard.bonskowski@eia.doe.gov)

Phone: Bill Watson: 202-287-1971; Rich Bonskowski: 202-287-1725

Fax: 202-287-1934

URL: <http://www.eia.doe.gov/emeu/security/esar/latcl.html>

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## Latest U.S. Electricity Information

(updated September 24, 2002)

**Selected Wholesale Electricity Prices:** After experiencing relatively stable prices last week, Western U.S. prices increased yesterday (Monday, September 23) as higher than normal temperatures increased the demand for electricity. In California, the rise in temperatures prompted the Independent System Operator to declare restricted maintenance operations through 10 pm local time. According to the Bloomberg Power Lines Report, the notice asked that market participants postpone unplanned outages an "avoid actions that may jeopardize generator availability" because generation resources may not be enough to meet the current rise in demand. At the NP-15, California's northern transmission grid, prices rose 6% to \$39.75 per megawatthour on September 23. The SP-15, California's southern transmission grid, also prices increase 6% to \$39.63 per megawatthour.

Electricity prices in the Mid-continent region have been decreasing over the past two trading days as cooler weather has practically eliminated air-conditioning demand. Cinergy's price, over the last two trading days, has decreased 31% to \$24.50 per megawatthour on September 23.

In the Southeast U.S., prices have fallen for two consecutive trading days as cooler weather has set into the area, lowering the demand for electricity. This drop reversed a trend of 5 straight days of increasing prices due to warmer weather and rising natural gas prices. The increase in gas prices was due to the uncertainty of now Hurricane Isidore's effect on natural gas production in the Gulf of Mexico. Prices at the SERC, dropped 16% from \$36.76 per megawatthour on September 19 to \$30.97 per megawatthour on September 23.

Prices in the Northeast have been mixed over the past seven trading days fluctuating on weather demand and the uncertainty of Hurricane Isidore's potential effect on natural gas production in the Gulf of Mexico. Prices at NEPOOL have ranged between a low of \$44.13 per megawatthour and a high of \$54.38 per megawatthour. At the PJM West, prices ranged between \$28.75 and \$41.96 per megawatthour and New York Zone J, New York City, prices ranged between \$45.13 and \$57.00 per megawatthour.

Over the past seven days, the average price at all trading centers has ranged between \$33.59 and \$37.89 per megawatthour.

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

Trading Centers	Date							Price Range		
	9/13/02	9/16/02	9/17/02	9/18/02	9/19/02	9/20/02	9/23/02	Max	Min	Average
COB	30.19	32.31	30.00	30.36	29.35	31.35	32.34	32.34	29.35	30.68
Palo Verde	33.45	33.21	32.65	34.90	31.98	33.62	36.19	36.19	31.98	33.87
Mid-Columbia	27.14	25.75	25.54	24.66	29.35	25.43	25.48	29.35	24.66	26.09
Mead/Marketplace	36.48	35.40	35.29	37.54	34.58	36.29	38.69	38.69	34.58	36.48
4 Corners	32.07	32.56	32.05	34.47	32.14	33.18	35.54	35.54	32.05	33.48
NP 15	34.23	35.18	35.17	37.83	36.11	37.50	39.75	39.75	34.23	37.27
SP 15	35.07	34.92	35.07	37.93	36.34	37.34	39.63	39.63	34.92	37.26
PJM West	28.75	40.04	35.16	36.82	40.15	41.96	35.67	41.96	28.75	37.95
NEPOOL	44.13	50.50	47.00	47.38	50.83	53.00	54.38	54.38	44.13	50.52
New York Zone J	46.50	46.95	45.13	51.00	55.50	57.00	56.00	57.00	45.13	52.93
Cinergy	24.60	27.17	28.96	32.50	35.55	31.50	24.50	35.55	24.50	30.60
SERC	30.52	32.60	34.29	35.80	36.76	36.55	30.97	36.76	30.52	34.87
<b>Average Price</b>	<b>33.59</b>	<b>35.55</b>	<b>34.69</b>	<b>36.77</b>	<b>37.39</b>	<b>37.89</b>	<b>37.43</b>	<b>37.89</b>	<b>33.59</b>	<b>36.83</b>

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

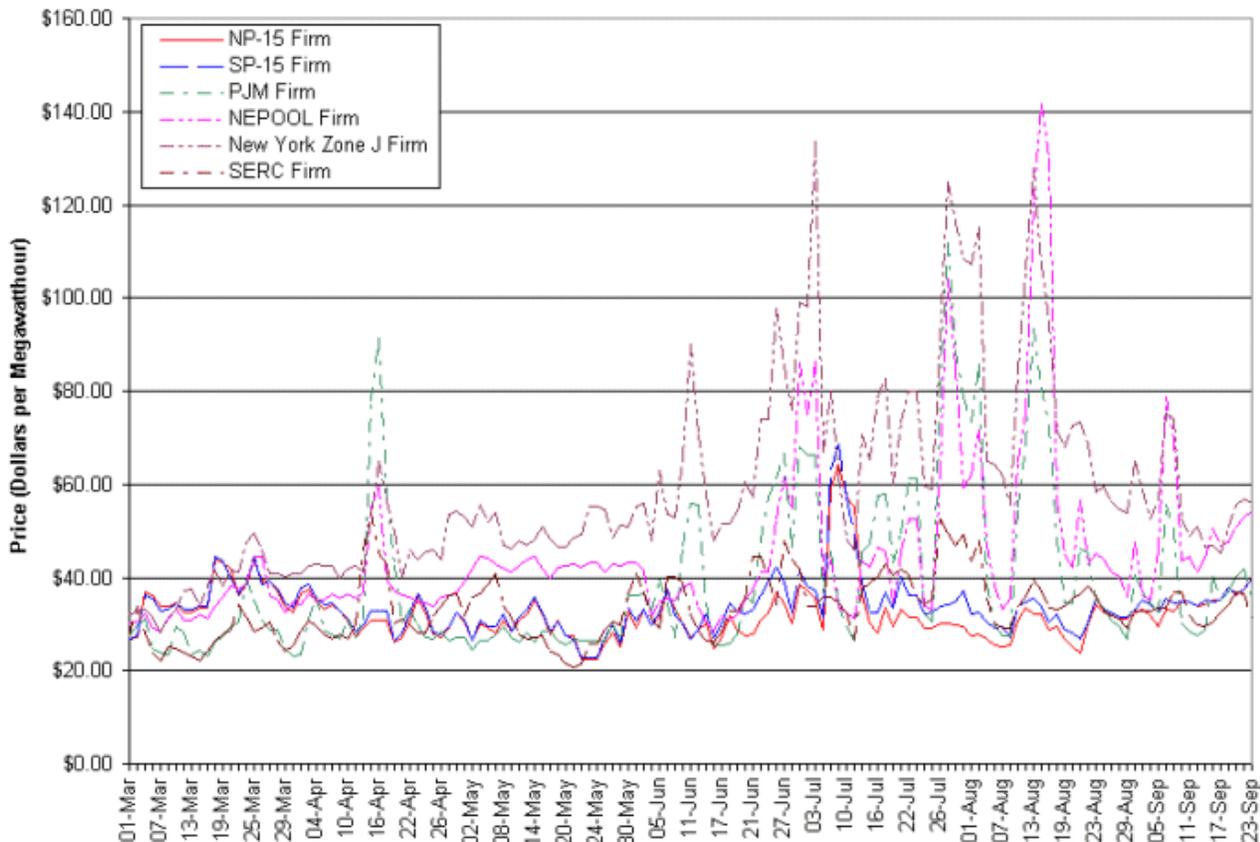
**Four Corners:** Average price of electricity traded at Four Corners, Shiprock, and San Juan, New Mexico.

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

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

<b>SP-15:</b>	Average price of electricity traded at SP-15.
<b>PJM-West:</b>	Average price of electricity traded at PJM Western hub.
<b>NEPOOL</b>	Average price of electricity traded at Nepoch.
<b>New York Zone J:</b>	Average price of electricity traded at the New York Zone J - New York City.
<b>Cinergy:</b>	Average price of electricity traded into the Cinergy control area.
<b>SERC:</b>	Average price of electricity traded into the Southeastern Electric Reliability Council.

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



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Contact:  
 William Liggett  
[william.liggett@eia.doe.gov](mailto:william.liggett@eia.doe.gov)  
 Phone: William Liggett: (202) 287-1727  
 Fax: (202) 287-1934

URL: <http://www.eia.doe.gov/emeu/security/esar/latel.html>

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