

Energy Situation Analysis Report

Last Updated: October 1, 2002

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Latest Oil Market Developments

West Texas Intermediate (WTI) front month crude oil futures on the New York Mercantile Exchange (NYMEX) rose by 38 cents per barrel on Tuesday (10/01/02), to \$30.83 per barrel as UN arms inspectors and Iraqi weapons experts reached an agreement on the details of a possible return of inspectors to Iraq. Traders and analysts are also paying close attention to Hurricane Lili, which could hit the U.S. Gulf Coast later this week. [more...](#)

Latest U.S. Weekly EIA Petroleum Information

The U.S. average retail price for regular gasoline increased over the last week, rising by 1.8 cents per gallon as of September 30 to end at 141.3 cents per gallon. This price is 0.3 cent per gallon lower than last year. Retail diesel fuel prices increased for the seventh week in a row, rising by 2.1 cents per gallon to a national average of 143.8 cents per gallon as of September 30. [more...](#)

World Oil Market Highlights

According to fourth quarter 2002 estimates, the world (excluding Iraq) holds about 5 million barrels per day of excess oil production capacity that could be brought online, almost all of which lies in OPEC countries. [more...](#)

Latest U.S. Weekly Natural Gas Information

Prices at most major spot markets moved up between \$0.33 and \$0.50 per MMBtu yesterday (Monday, 9/30) as the fourth Atlantic Ocean storm of the season reached hurricane status. At the Henry Hub the spot price exceeded \$4.00 per MMBtu for the first time since mid June 2001 when it reached \$4.13 per MMBtu. [more...](#)

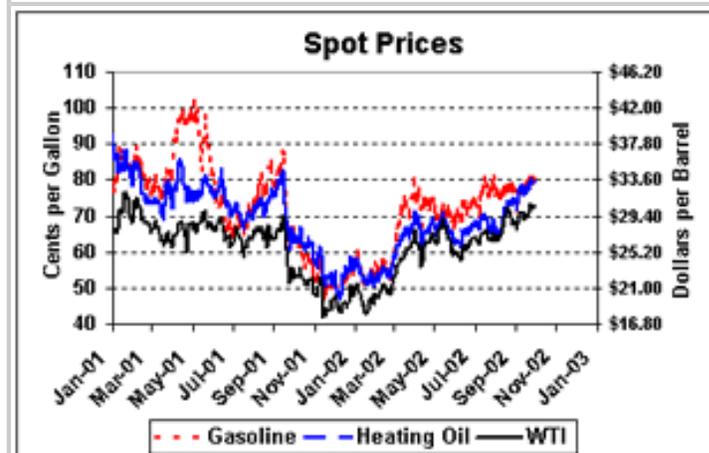
Latest U.S. Coal Information

Over-the-counter (OTC) trading volumes on the NYMEX were low throughout the month of August. The past week

Energy Prices*

Petroleum Futures	9/30/02	9/27/02	Change
WTI (\$/Bbl)	30.45	30.54	-0.09
Gasoline (c/gallon)	81.35	81.43	-0.08
Heating Oil (c/gallon)	80.18	80.38	-0.20
Natural Gas (\$/MMBtu)			
Henry Hub	4.09	3.76	+0.33
California	3.59	3.26	+0.33
New York City	4.48	4.02	+0.46
Electricity (\$/Megawatthour)			
COB	29.50	27.25	+2.25
PJM West	46.84	35.58	+11.26
NEPOOL	56.00	50.00	+6.00
Average	38.03	34.41	+3.62

[*Definitions](#)



Source: Closing quote as reported by Reuters News Service

saw, again, limited activity. Offered prices for 2002 deliveries dipped to \$28.70 with all months in 2003 remaining above \$30.00. For the week ended September 20, the week-to-week coal 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

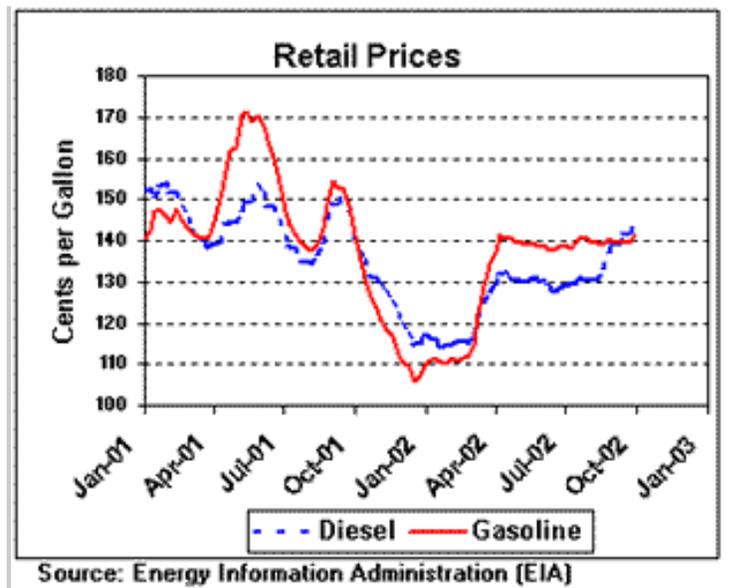
Electricity prices in the Mid-continent region have been rapidly increasing the past two trading days as unseasonable warm weather set in the region. Prices in the Northeast have been increasing for the past three trading days amidst rising natural gas prices, due to the concerns over Hurricane Lili's potential affect on natural gas production in the Gulf of Mexico, and warmer temperatures increasing the demand for electricity. Over the past seven days, the average price at all trading centers has ranged between \$32.59 and \$38.03 per megawatthour. [more...](#)

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Latest Oil Market Developments

(updated October 1, 2002)

West Texas Intermediate (WTI) front month crude oil futures on the New York Mercantile Exchange (NYMEX) rose by 38 cents per barrel on Tuesday (10/01/02), to \$30.83 per barrel as UN arms inspectors and Iraqi weapons experts reached an agreement on the details of a possible return of inspectors to Iraq. Oil markets are also paying close attention to Hurricane Lili, which could hit the U.S. Gulf Coast later this week. In addition, analysts are looking forward to the latest weekly data to be released by the American Petroleum Institute on Tuesday evening, as well as [EIA stock data](#) to be released Wednesday morning, which will include the first reports on the impact of tropical storm Isidore. In other news, the strike at West Coast ports has not affected oil shipments. NYMEX front month futures prices have been above the \$30-mark since Monday, September 23, when prices settled at \$30.71.

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 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:

- Major Gulf Coast producers began evacuating their staff on Monday (9/30/02) as many fear that Hurricane Lili is heading for the Coast. Hurricane Lili comes in the wake of Tropical Storm Isidore, which just last week forced producers to shut in virtually all of their oil production and closed the Louisiana Offshore Oil Port (LOOP) for five days.
- The OPEC crude oil basket reached its sixth consecutive day above the \$22-\$28 dollar range on Monday (9/30/02). The OPEC price-band mechanism allows for increased output of 50,000 barrels per day after 20 consecutive days above the \$28-dollar mark. According to Indonesian Oil Minister Purnomo Yusgiantoro, "If the oil price rises above \$28 per barrel for 20 days, OPEC will add production. Saudi Arabia is ready for that."
- For the week ending 9/20/02, Iraq exported 1.9 million barrels per day of oil under the UN oil-for-food program, the highest volume reached since the most recent phase of the program began on 5/30/02, and more than double the amount of oil exported during the previous week. During that same week, Iraq informed major oil companies that it would no longer require them to pay an

illegal "surcharge" outside the UN oil-for-food program. Iraq had required the surcharge since November 2000.

- A strike at Mexican state oil monopoly Pemex, the third largest exporter of oil to the U.S., was averted on Sunday as management and labor unions came to an agreement on wages.
- As of September 25, 2002, the U.S. Strategic Petroleum Reserve (SPR) contained 585.4 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.

File last modified: October 1, 2002

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Latest U.S. Weekly EIA Petroleum Information

(last complete update: September 26, 2002)

Petroleum Inventories

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) fell by 2.6 million barrels last week, even with an increase in crude oil imports. Commercial crude oil inventories have now fallen by 17.9 million barrels in the last four weeks, and are below the bottom end of the normal range for this time of year. In PADD II (Midwest), crude oil inventories rose by 1.0 million barrels last week after reaching the lowest level since at least 1990 in the week ending September 13. For the major petroleum products, motor gasoline inventories increased by 2.2 million barrels last week, while distillate fuel inventories declined by 1.6 million barrels, split almost evenly between high-sulfur and low-sulfur distillate fuel.

In July, distillate fuel inventories increased by only 2.5 million barrels, the lowest increase ever in EIA's database for the month of July (going back to 1963). Then, in August, distillate fuel inventories (using weekly data) fell by 4.2 million barrels, which would make that the largest draw ever in EIA's database for the month of August. Since distillate fuel inventories typically build 4-5 million barrels in August, this amounted to a downward swing of 8-9 million barrels, putting distillate fuel inventories at the end of August suddenly in the middle of the normal range and trending down! A four-million-barrel build in the week ending September 6 provided some false comfort, but draws in the next two weeks have all but wiped out that build. Once again, distillate fuel inventories are below 130 million barrels. If distillate fuel inventories don't increase by over 8 million barrels over the last 10 days of September to end at 137.8 million barrels (a very unlikely scenario), then the build from the end of April through the end of September would be the smallest ever over that time period since at least 1963!

Petroleum Imports

U.S. crude oil imports last week averaged nearly 9.0 million barrels per day, up 300,000 barrels per day compared to the previous week, but still lower than was seen during August. During the most recent four weeks, crude oil imports have averaged 8.8 million barrels per day, or nearly 600,000 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) averaged about 800,000 barrels per day last week, while distillate fuel imports remained relatively low, averaging about 100,000 barrels per day.

Refinery Inputs and Production

U.S. crude oil refinery inputs averaged 15.2 million barrels per day during the week ending September 20, up slightly from the previous week. In PADD III (Gulf Coast), crude oil refinery inputs averaged less than 7 million barrels per day, marking the first time consecutive weeks have been below that level since March 2001. Over the last four weeks, crude oil refinery inputs have averaged about 200,000 more than last year at this time. Refinery production for motor gasoline increased significantly last week, while jet fuel and distillate fuel refinery production increased by much smaller increments.

Petroleum Demand

Total product supplied over the last four-week period averaged 19.5 million barrels per day, or about 0.7 percent more than the level last year. Motor gasoline demand has averaged 2.2 percent above last year's level over the same period, but distillate fuel and kerosene-jet fuel demand have averaged 0.3 percent and 2.1 percent less than last year's level, respectively, over the last four weeks.

Spot Prices (updated September 30, 2002)

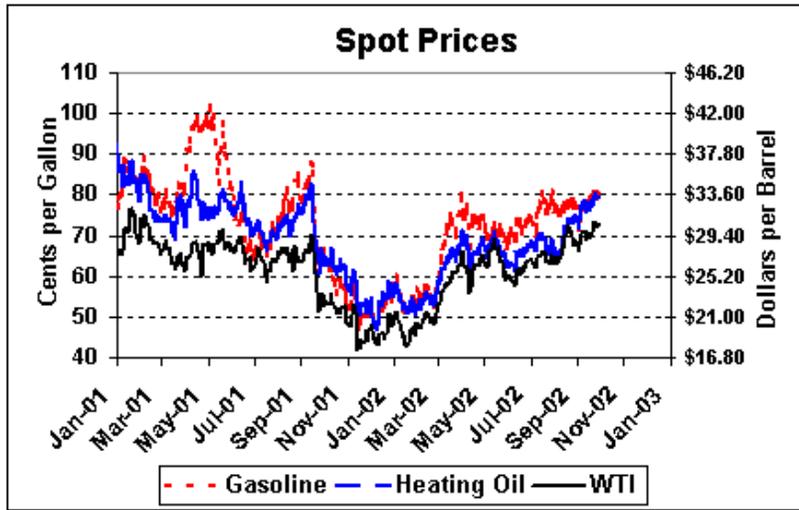
The average world crude oil spot price on September 27, 2002 was \$27.56 per barrel, up \$0.83 per barrel from the previous week and \$6.35 per barrel more than last year. The price for West Texas Intermediate (WTI) crude oil was \$30.53 per barrel on September 27, 2002, \$0.88 per barrel higher than last week and \$7.09 per barrel higher than last year. The spot price for conventional gasoline in the New York Harbor was 80.05 cents per gallon, up 0.27 cent per gallon from last week and 13.02 cents per gallon higher than a year ago. The spot price for low sulfur diesel fuel in the New York Harbor was 81.20 cents per gallon, 1.72 cents per gallon above last week and 13.82 cents per gallon more than last year.

Retail Gasoline and Diesel Fuel Prices (updated October 1, 2002)

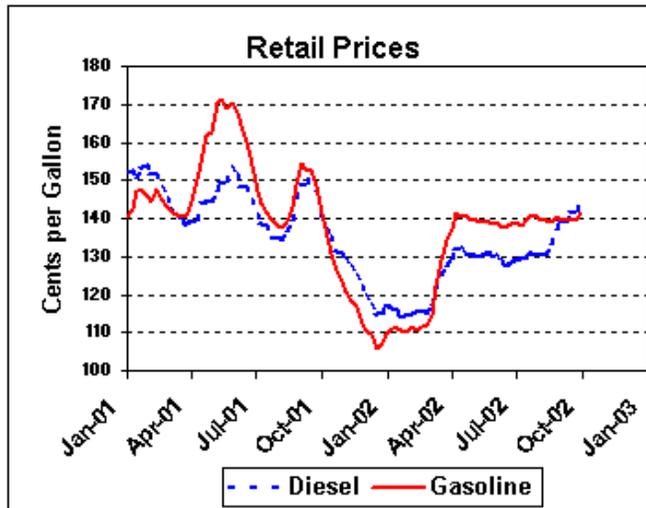
The U.S. average retail price for regular gasoline increased over the last week, rising by 1.8 cents per gallon as of September 30 to end at 141.3 cents per gallon. This price is 0.3 cent per gallon lower than last year. The rise in retail prices can partly be contributed to worries about supply due to the threat of Hurricane Lili on the U.S. Gulf Coast and ongoing tensions with Iraq. Retail diesel fuel prices increased for the seventh week in a row, rising by 2.1 cents per gallon to a national average of 143.8 cents per gallon as of September 30. U.S. diesel fuel prices have 13.5 cents per gallon since they start increasing seven weeks ago, and with distillate stocks expected to remain on the low edge of the normal range throughout the winter, it is unlikely that prices will soften. Typically, diesel prices are higher in the fall and winter as demand increases due to heating and agricultural uses, putting pressure on the heating oil and diesel fuel markets. Retail diesel prices were up throughout most of the country, with the largest price increases occurring on the Gulf Coast, which each saw prices rise by 2.7 cents per gallon to end at 140.3 cents per gallon. Prices in California fell by 0.3 cent per gallon to end at 157.9 cents per gallon.

U.S. Petroleum Prices

(updated October 1, 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	
8/13/2002	\$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
9/24/2002	\$30.79	\$30.77	80.85	82.92	79.40	80.70	83.53	48.63	47.75		
9/25/2002	\$30.69	\$30.64	80.63	81.69	79.70	80.63	83.68	47.51	46.69		
9/26/2002	\$30.31	\$30.41	78.80	80.81	79.20	80.40	83.10	47.50	46.75		
9/27/2002	\$30.53	\$30.54	80.05	81.43	79.20	80.38	83.20	47.82	46.88		
9/30/2002	\$30.59	\$30.45	79.73	81.35	79.18	80.18	83.06	48.13	47.00	141.3	143.8

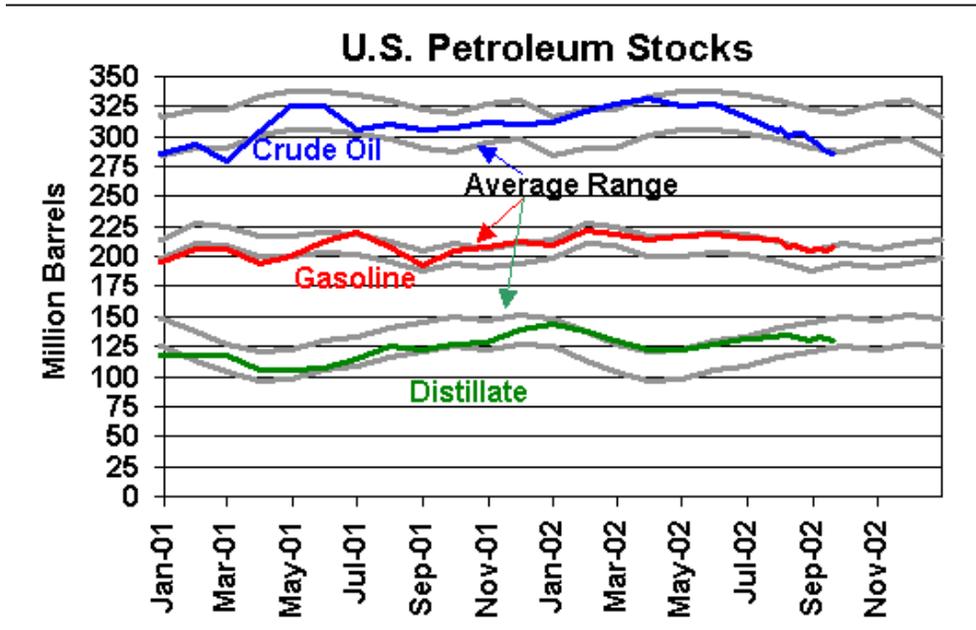
Source: Spot and futures closing quotes as reported by Reuters News Service, retail prices reported by EIA

Energy Situation Analysis Report

U.S. Petroleum Supply

	(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
		9/20/2002	9/20/2001	Diff.	% Diff.
Refinery Activity					
Crude Oil Input		15,277	15,087	190	1.3%
Operable Capacity		16,800	16,559	241	1.5%
Operable Capacity Utilization (%)		92.0%	92.6%	-0.6%	
Production					
Motor Gasoline		8,425	8,348	77	0.9%
Jet Fuel		1,564	1,477	87	5.9%
Distillate Fuel Oil		3,586	3,634	-48	-1.3%
Imports					
Crude Oil (incl. SPR)		8,798	9,353	-555	-5.9%
Motor Gasoline		796	838	-42	-5.0%
Jet Fuel		116	152	-36	-23.8%
Distillate Fuel Oil		184	283	-99	-35.0%
Total		10,973	11,755	-782	-6.7%
Exports					
Crude Oil		29	14	15	101.0%
Products		904	882	22	2.5%
Total		933	897	36	4.1%
Products Supplied					
Motor Gasoline		8,876	8,684	192	2.2%
Jet Fuel		1,555	1,589	-34	-2.1%
Distillate Fuel Oil		3,680	3,690	-10	-0.3%

Jet Fuel	1,555	1,569	-14	-2.1%
Distillate Fuel Oil	3,680	3,690	-10	-0.3%
Total	19,524	19,382	142	0.7%
			vs. Year Ago	
Stocks (Million Barrels)	9/20/2002	9/20/2001	Diff.	% Diff.
Crude Oil (excl. SPR)	285.2	308.8	-23.6	-7.6%
Motor Gasoline	207.2	201.3	5.9	2.9%
Jet Fuel	42.0	42.4	-0.4	-0.9%
Distillate Fuel Oil	129.8	125.2	4.6	3.7%
Total (excl. SPR)	1,002.9	1,023.3	-20.4	-2.0%



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

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World Oil Market Highlights

(updated September 26, 2002)

According to [fourth quarter 2002 estimates](#), the world (excluding Iraq) holds about 5 million barrels per day of excess oil production capacity that could be brought online, almost all of which lies in OPEC countries.

OPEC Crude Oil Production ¹ (Thousand barrels per day)					
	3Q 2002 Production	4Q 2002 Production	1/01/02 Quota ²	2002 Production Capacity ³	4Q Surplus Capacity ³
Algeria	850	870	693	1,100	230
Indonesia	1,110	1,095	1,125	1,200	105
Iran	3,400	3,400	3,186	3,850	450
Kuwait ⁴	1,910	1,920	1,741	2,400	480
Libya	1,320	1,330	1,162	1,400	70
Nigeria	1,926	2,010	1,787	2,300	290
Qatar	630	680	562	850	170
Saudi Arabia ⁴	7,567	7,600	7,053	10,000-10,500 ⁵	2,400-2,900 ⁵
UAE ⁶	1,990	2,010	1,894	2,600	590
Venezuela ⁷	2,732	2,745	2,497	2,750	5
OPEC 10 Crude Oil Total	23,435	23,660	21,700	28,450-28,950⁵	4,790-5,290⁵
Iraq ⁸	1,971	1,995	N/A	3,050	1,055

OPEC Crude Oil Total	25,406	25,655	N/A	31,500-32,000⁵	5,845-6,345⁵
Other Liquids ⁹	2,751	2,751	N/A		
Total OPEC Production	28,157	28,406	N/A		

NA: Not Applicable

¹Crude oil does not include lease condensate or natural gas liquids.

²Quotas are based on crude oil production only.

³Maximum sustainable production capacity, defined as the maximum amount of production that: 1) could be brought online within a period of 30 days; and 2) sustained for at least 90 days.

⁴Kuwaiti and Saudi Arabian figures each include half of the production from the Neutral Zone between the two countries. Saudi Arabian production also includes oil produced from its offshore Abu Safa field on behalf of Bahrain.

⁵Saudi Arabia is the only country with the capability to further increase its capacity significantly within 90 days. Saudi Arabia can increase its sustainable production capacity to 10 million barrels per day within 30 days and to 10.5 million barrels per day within 90 days. As a result, the estimates for Saudi Arabia are as shown as a range, with the lower figure using the 30 days' definition and the upper end reflecting Saudi Arabia's 90 days' capability. OPEC's surplus capacity estimates are also shown as a range for this reason.

⁶The UAE is a federation of seven emirates. The quota applies only to the emirate of Abu Dhabi, which controls the vast majority of the UAE's economic and resource wealth.

⁷Venezuelan capacity and production numbers exclude extra heavy crude oil used to produce Orimulsion.

⁸Iraqi oil exports are approved by the United Nations under the oil-for-food program for Iraq established by Security Council Resolution 986 (April 1995) and subsequent resolutions. As a result, Iraqi production and exports have not been a part of any recent OPEC agreements. Resolution 986 limited the sale of Iraqi crude oil over six-month periods to specified dollar amounts. However, the Security Council voted to remove any limits on the amount of oil Iraq could export in December 1999.

⁹Other liquids include lease condensate, natural gas liquids, and other liquids including volume gains from refinery processing.

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.

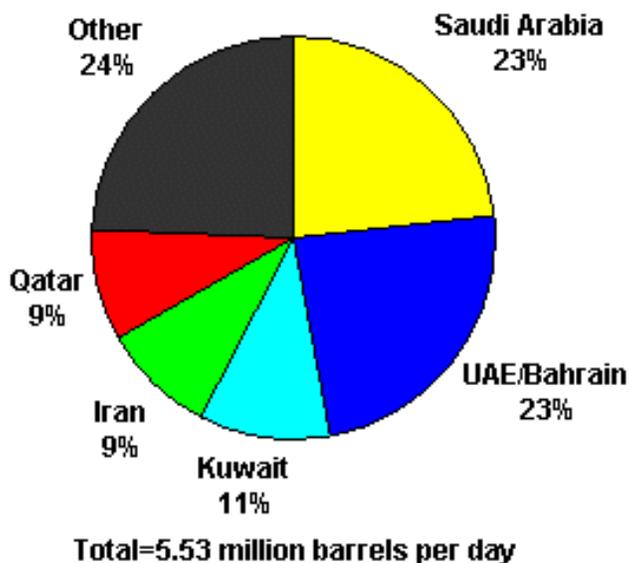
Top World Oil Net Exporters, Jan.-May 2002*		
	Country	Net Exports (million barrels per day)
1)	Saudi Arabia	6.64
2)	Russia	4.81
3)	Norway	3.18
4)	Iran	2.43
5)	Venezuela	2.34
6)	United Arab Emirates	1.92
7)	Nigeria	1.86
8)	Iraq	1.65
9)	Kuwait	1.60
10)	Mexico	1.67
11)	Algeria	1.21
12)	Libya	1.17

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

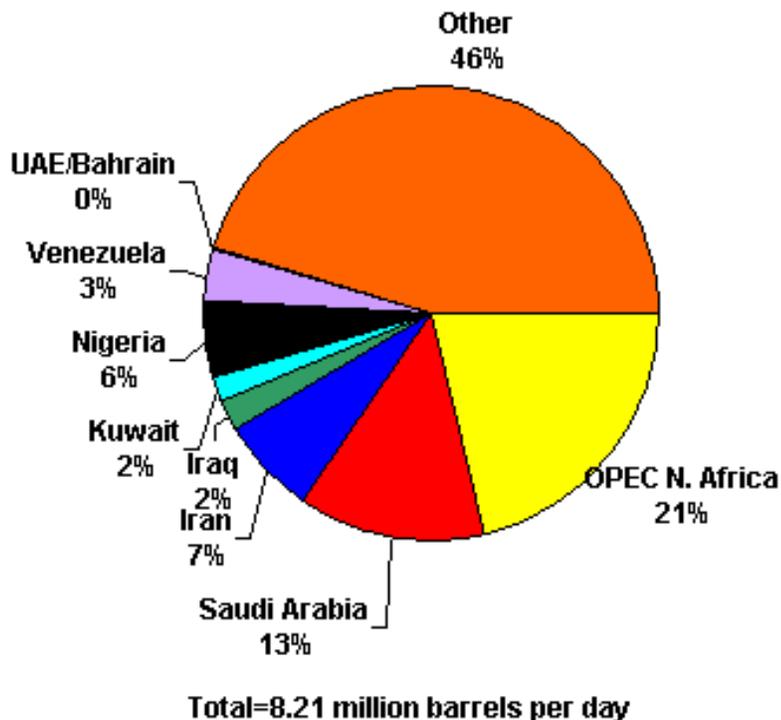
During the first five months of 2002, about half of U.S. crude oil imports came from the Western Hemisphere (17% from South America, 16% from Mexico, 15% from Canada, 2% from the Caribbean), while 27% came from the Persian Gulf region (17% from Saudi Arabia, 8% from Iraq, 2% from Kuwait).

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 October 1, 2002)

[Industry/Market Developments](#)

FERC Approves U.S. Leg Of Millennium Pipeline Project: Last Wednesday (September 18), the FERC issued a pipeline certificate for the U.S. segment of the much-delayed Millennium Pipeline, which is intended to bring gas from Canada to the New York City market area. Originally proposed in December 1997, the pipeline would stretch about 442 miles from Dawn, Ontario, near Lake Erie to the New York City area, providing up to 700 million cubic feet (MMcf) per day of additional capacity. U.S. sponsors of the pipeline include Columbia Gas Transmission (which has the majority interest and will develop and operate the pipeline), MCN Energy Group, and Westcoast Energy (a subsidiary of Duke Energy). One of the major causes of delay for project approval had been resistance of the city of Mount Vernon, NY, to the original route that had the pipeline passing directly through the city. The developers and the city were able to find a mutually agreeable compromise, clearing the way for FERC approval. However, the Canadian leg of the project has yet to be approved by Canada's National Energy Board (NEB). The Canadian sponsors, TransCanada PipeLines and Saint Clair Pipeline, Ltd., who had applications pending before the NEB, withdrew them last August when the U.S. approval process dragged on and on.

[Storage](#)

Working gas in storage was 2,991 Bcf for the week ended Friday, September 20, 2002, according to the EIA Weekly Natural Gas Storage Report. This is 11.1% above the 5-year average for the report week, and almost 5% above the level last year for the same week. The implied net injections were 67 billion cubic feet (Bcf), which is roughly 8% below the 5-year average of 73 Bcf for the report week. If net injections continue to approximate the 5-year average, then working gas in storage will be close to 3,300 Bcf by the end of October when the refill season ends. This exceeds last year's working gas stocks at the beginning of the heating season by about 5%.

All Volumes in Bcf	Current Stocks 9/20/2002	Estimated Prior 5-year (1997-2001) Average	Percent Difference from 5-Year Average	Implied Net Change from Last Week	One- Week Prior Stocks 9/13/2002
East Region	1,732	1,646	5.2%	45	1,687
West Region	399	338	18.0%	5	394
Producing Region	860	709	21.3%	17	843
Total Lower 48	2,991	2,692	11.1%	67	2,924

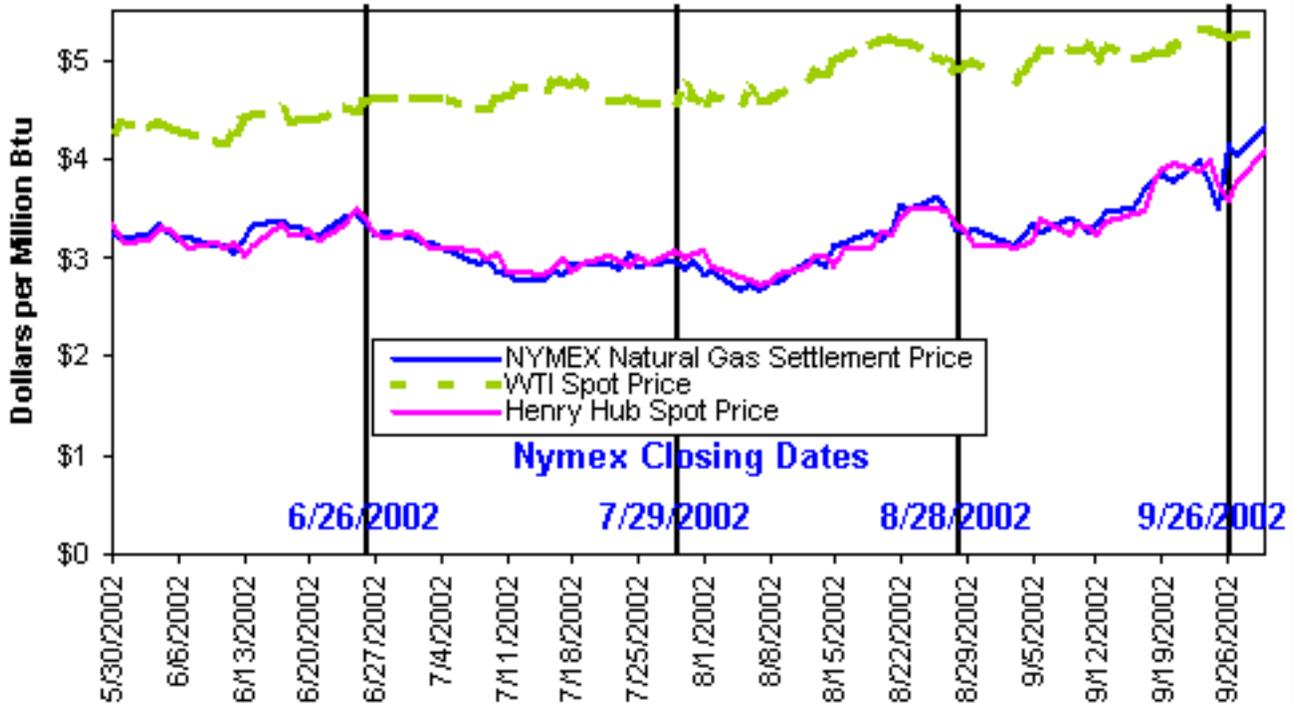
Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database.

Prices:

Prices at most major spot markets moved up between \$0.33 and \$0.50 per MMBtu yesterday (Monday, 9/30) as the fourth Atlantic Ocean storm of the season reached hurricane status. The storm, named Hurricane Lili, moved into the Gulf of Mexico late yesterday. According to the National Weather Service, Lili is currently on a northwesterly track and could make landfall along the Louisiana /Texas coastline later in the week. The Minerals Management Service reported that curtailments of natural gas production fell to 1.17 Bcf per day on Monday from Friday's level of 6.40 Bcf. Prices at major city gates in Chicago and New York climbed to \$4.04 and \$4.48 per MMBtu, respectively, in yesterday's trading. At the Henry Hub the spot price exceeded \$4.00 per MMBtu for the first time since mid June 2001 when it reached \$4.13 per MMBtu.

At the NYMEX, the hurricane also contributed to an almost \$0.10 increase in the daily settlement price of the November contract as it traded as high as \$4.195 before ending the day at \$4.138 per MMBtu. The December contract gained almost \$0.08 to settle at \$4.323 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: 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
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
9/17/2002	3.39	3.46	3.80	3.44	3.679	3.977
9/18/2002	3.57	3.79	4.16	3.80	3.787	4.070
9/19/2002	3.65	3.89	4.19	3.90	3.856	4.106
9/20/2002	3.51	3.94	4.27	3.85	3.758	3.992
9/23/2002	3.64	3.87	4.19	3.80	3.978	4.175
9/24/2002	3.63	3.98	4.42	3.86	3.742	3.929
9/25/2002	3.32	3.75	4.21	3.56	3.494	3.793
9/26/2002	3.28	3.59	3.95	3.46	4.138	4.323
9/27/2002	3.26	3.76	4.02	3.57	4.041	4.245
9/30/2002	3.59	4.09	4.48	4.04	4.323	4.403

* 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.

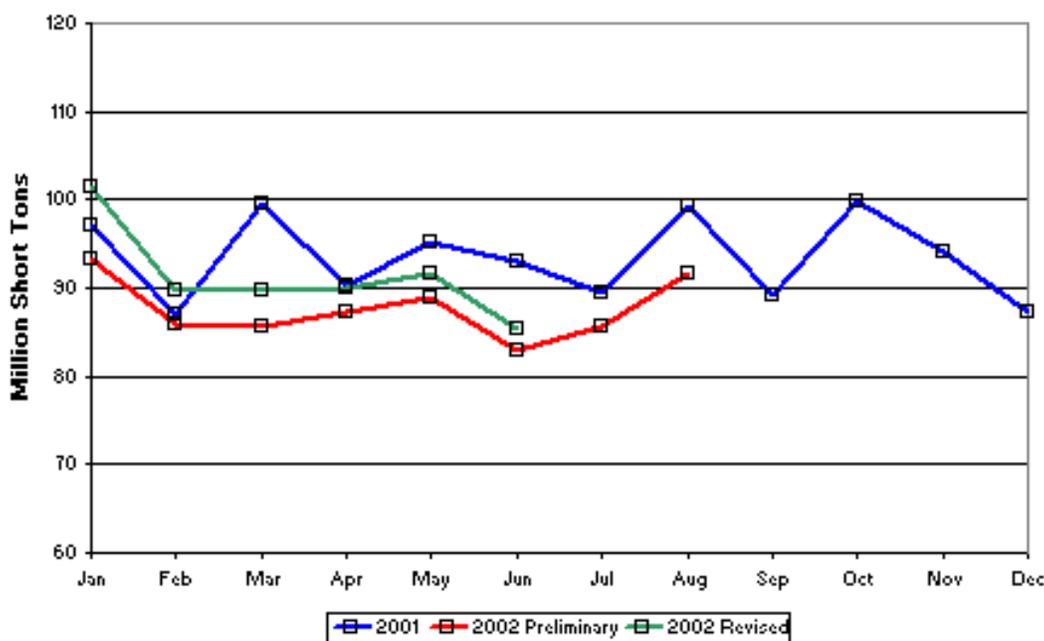
Latest U.S. Coal Information

(updated October 1, 2002)

Coal Production

For the week ended September 21, rail car loadings of coal were 2.0% lower while national [coal production](#) was 2.7% lower, compared to year-ago levels. Year-to-date, estimated 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 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 resulted from large coal stockpiles at mines and at consuming facilities due to slow economic activity and an extended period of low seasonal demand last spring at electric power plants. Hot weather since July, contributed to more normal demand, but consumed only part of the high consumer stocks. EIA estimated 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 producer/distributor stockpiles built up much above planned levels. Since that time, a greater-than-usual portion of coal shipments were loaded from previously mined production.

Would-be buyers have mostly found coal producers unwilling to commit beyond existing contracts at current prices. With some eastern mines still off line, supplies of eastern compliance coal have reportedly been tight and most buyers, with still a stockpile cushion, have delayed buying. Citing the high capital costs of opening new coal mines, Consol energy disclosed on September 24 that the company does not intend to invest in new mines until contract coal prices in Appalachia go above \$30 per short ton and buyers are willing to commit to contracts longer than 2 or 3 years (Energy Argus Coal Daily, September 26).

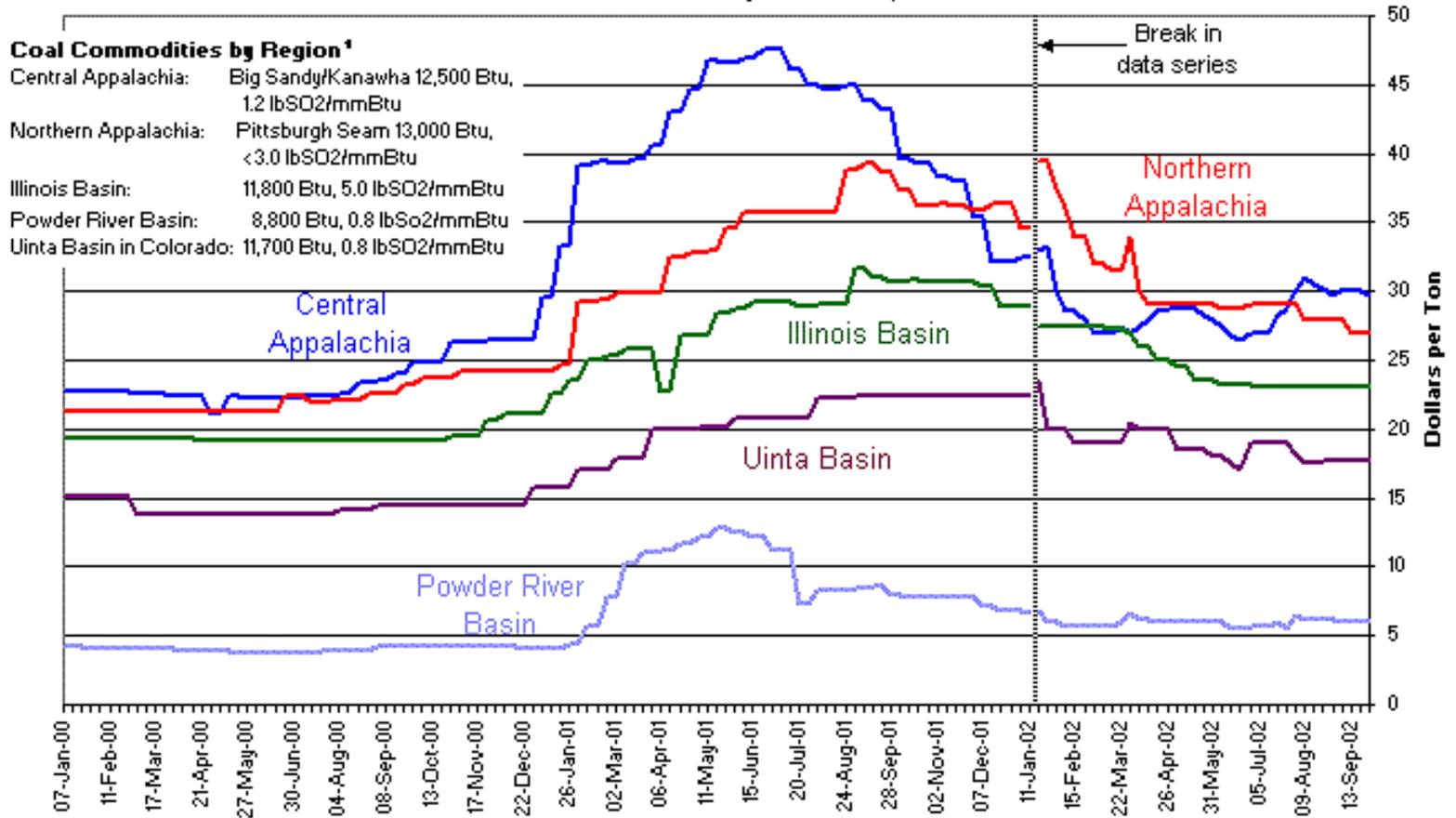
EIA believes that the stock rundown has now reduced coal on the ground at mines and coal yards to near-normal levels and that summer consumption at power plants has made a significant dent in coal on hand in that leading coal consuming sector. Having coal supplies at or a bit above normal, however, has not yet compelled most buyers to solicit for major coal purchases. The notable exception is the Tennessee Valley Authority (TVA), which has recently taken bids for up 3.7 million short tons. Many interested parties are awaiting word of the prices TVA will pay for the wide-ranging types of coals it recently solicited (bids were due September 26). TVA has entered the market at a time when many producers may be ready to deal in return for some firm contracts or simply some cash flow. Meanwhile, producers who can may hold out for better prices in hopes of a cold winter (Platts Coal Outlook, Sept. 30, p.3).

Coal Prices

For the week ended September 27, the week-to-week coal prices tracked by EIA were virtually unchanged (graph below). Mixed coal price movements in recent weeks, but with no overall trend, have recently given way to a "flat-lining" in average spot coal prices. The lack of life in coal markets reflects the continuing uncertainty over the direction of coal prices.

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 \$29.75 per short ton for Central Appalachian and \$27.00 per short ton for Northern Appalachian coal are higher by 33% 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 27, 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.

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 be 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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Latest U.S. Electricity Information

(updated October 1, 2002)

Selected Wholesale Electricity Prices: Western U.S. electricity prices have been relatively stable in the Pacific Northwest and mixed in California and in the desert southwest for the past seven trading days. At the Mid-Columbia trading center, in the Pacific Northwest, prices ranged between a high of \$26.41 per megawatthour on September 30 and a low \$25.36 per megawatthour on September 25. Prices at the NP-15 transmission grid, in California, have ranged between a high of \$39.24 per megawatthour and a low of \$32.29 per megawatthour. At the Four Corners trading center, in the desert southwest, prices ranged between \$35.54 and \$28.31 per megawatthour.

Electricity prices in the Mid-continent region have been rapidly increasing the past two trading days as unseasonable warm weather set in the region. Also many generating units have shut down for normal maintenance, typical for this time of year because there is usually very little demand. Cinergy's price, over the last two trading days, has jumped 108% to \$42.61 per megawatthour on September 30.

In the Southeast U.S., prices have also increased for the last two trading days amid rising natural gas prices, unit outages and above average demand. Natural gas prices rose on concerns about Hurricane Lili's affect on natural gas production in the Gulf of Mexico. According to Bloomberg's Power Lines Report, several large gas producers began precautionary evacuations as the storm was upgraded from a tropical storm to a hurricane. Prices at the SERC have increased over 46%, over the last two trading days, from \$27.54 per megawatthour on September 26 to \$40.12 per megawatthour on September 30.

Similar to the Southeast, prices in the Northeast have been increasing for the past three trading days amidst rising natural gas prices, due to the concerns over Hurricane Lili potential affect on natural gas production in the Gulf of Mexico, and warmer temperatures increasing the demand for electricity. Prices at NEPOOL increased from a low of \$42.63 per megawatthour on September 25 to \$56.00 per megawatthour on September 30. At the PJM West prices have increased from \$26.86 per megawatthour to \$46.84 per megawatthour. New York Zone J, New York City prices also increased from \$51.50 to \$60.00 per megawatthour.

Over the past seven days, the average price at all trading centers has ranged between \$32.59 and \$38.03 per megawatthour.

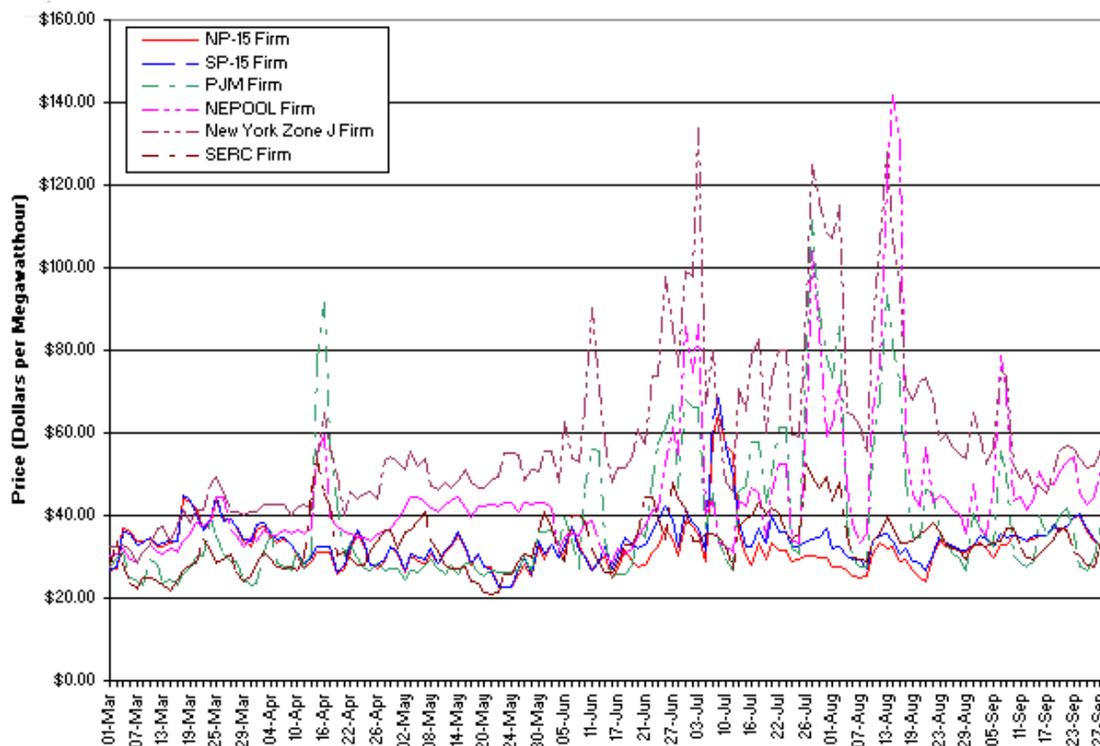
U.S. Regional Electricity Prices at Major Trading Centers (Dollars per megawatthour)

Trading Centers	Date							Price Range		
	9/20/02	9/23/02	9/24/02	9/25/02	9/26/02	9/27/02	9/30/02	Max	Min	Average
COB	31.35	32.34	31.46	30.13	28.25	27.25	29.50	32.34	27.25	30.04
Palo Verde	33.62	36.19	35.30	33.63	31.93	30.55	29.82	36.19	29.82	33.01
Mid-Columbia	25.43	25.48	25.63	25.36	25.78	25.70	26.41	26.41	25.36	25.68
Mead/Marketplace	36.29	38.69	38.65	36.20	33.31	32.43	30.96	38.69	30.96	35.22
4 Corners	33.18	35.54	34.84	33.50	29.44	28.31	28.50	35.54	28.31	31.90
NP 15	37.50	39.75	39.84	36.08	33.80	32.29	32.65	39.84	32.29	35.99
SP 15	37.34	39.63	40.23	36.67	34.20	32.87	32.94	40.23	32.87	36.27
PJM West	41.96	35.67	27.55	26.86	29.90	35.58	46.84	46.84	26.86	34.91
NEPOOL	53.00	54.38	45.13	42.63	44.50	50.00	56.00	56.00	42.63	49.38
New York Zone J	57.00	56.00	53.75	51.50	52.00	55.00	60.00	60.00	51.50	55.04
Cinergy	31.50	24.50	22.25	21.05	20.47	30.91	42.61	42.61	20.47	27.61
SERC	36.55	30.97	30.15	28.14	27.54	32.05	40.12	40.12	27.54	32.22
Average Price	37.89	37.43	35.40	33.48	32.59	34.41	38.03	38.03	32.59	35.60

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).

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.
SERC:	Average price of electricity traded into the Southeastern Electric Reliability Council.

Average Wholesale Electricity Prices in the U.S.



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