

Energy Situation Analysis Report

Last Updated: October 3, 2002

Next Update: October 8, 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) are trading generally lower today as Hurricane Lili struck the Gulf Coast, but caused no permanent damage to the oil industry. Meanwhile, the market is paying close attention to deliberations concerning Iraq at the United Nations.

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Latest U.S. Weekly EIA Petroleum Information

Tropical Storm Isidore's effect on petroleum was mostly seen in a decline in U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) of 10.0 million barrels last week. Commercial crude oil inventories are now at the lowest absolute level since at least 1982, and nearly 34 million barrels below the level last year at this time. 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. [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

Despite Lili's imminent arrival on the Louisiana coast, prices fell on Wednesday (10/02/02) virtually everywhere outside of the Rockies. After gains of 29 cents on Tuesday at the Henry Hub, spot prices declined 14 cents on Wednesday, to an average price of \$4.24 per MMBtu.

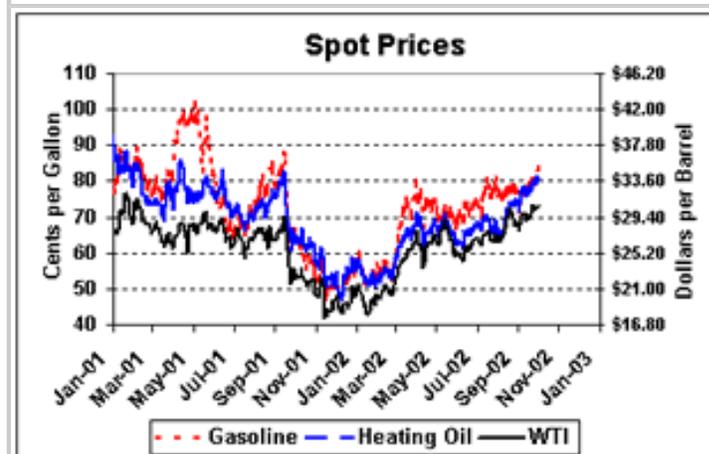
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Latest U.S. Coal Information

Energy Prices*

Petroleum Futures	10/02/02		Change
	10/02/02	10/01/02	
WTI (\$/Bbl)	30.49	30.83	-0.34
Gasoline (c/gallon)	82.50	82.71	-0.21
Heating Oil (c/gallon)	81.35	82.04	-0.69
Natural Gas (\$/MMBtu)			
Henry Hub	4.24	4.38	-0.14
California	3.55	3.75	-0.20
New York City	5.00	4.94	+0.06
Electricity (\$/Megawatthour)			
COB	31.25	30.00	+1.25
PJM West	47.96	55.96	-8.00
NEPOOL	46.67	54.96	-8.29
Average	37.56	39.52	-1.96

[*Definitions](#)



Source: Closing quote as reported by Reuters News Service

For the week ended September 27, the week-to-week coal prices tracked by EIA were virtually unchanged. 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. [more...](#)

Latest U.S. Electricity Information

Northwestern U.S. electricity prices have been increasing for the past three trading days as hydroelectric output has dropped. Prices in California and the desert southwest have been mixed over the last seven trading days. Electricity prices in the Mid-continent region decreased yesterday (October 2) for the first time in several trading days as cooler weather lowered the demand for electricity. Over the past seven days, the average price at all trading centers has ranged between \$32.59 and \$39.52 per megawatthour. [more...](#)

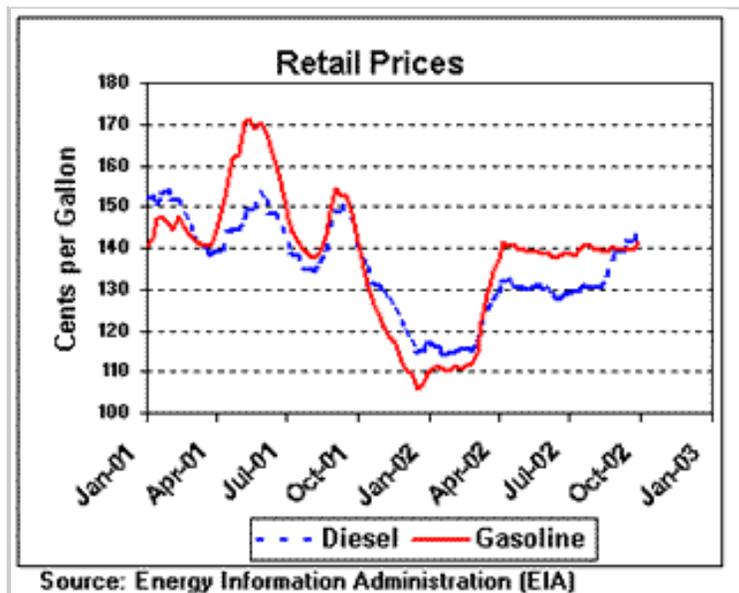
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Latest Oil Market Developments

(updated October 3, 2002)

West Texas Intermediate (WTI) front month crude oil futures on the New York Mercantile Exchange (NYMEX) are trading generally lower today (10/03/02) as Hurricane Lili struck the Gulf Coast, but caused no permanent damage to the oil industry. On Tuesday evening (10/01/02) producers in the region evacuated their staff, and the Louisiana Offshore Oil Port (LOOP) was again closed down. Lili blew ashore on Thursday (10/03/02) morning as a Category 2 storm, losing power over the course of the day. This marks the second major disruption to Gulf Coast oil production owing to severe weather in two weeks. Meanwhile, the market is paying close attention to deliberations concerning Iraq at the United Nations, as well as statements made by Algerian Oil Minister Chakib Khelil concerning OPEC and the "war premium." U.S. petroleum stock data released by the American Petroleum Institute (API) on Tuesday (10/01/02) evening and EIA on Wednesday (10/03/02) morning indicate significant drops in U.S. crude oil inventories as a result of last week's tropical storm Isidore (see below).

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:

- Shortly following the agreements reached between U.N. arms inspectors and Iraqi weapons experts on Tuesday (10/01/02), the United States and Britain reiterated their commitment to a new stronger Security Council resolution. "The United States will continue to pursue a new U.N. resolution... Pressure works, we will keep it up," said Secretary of State Colin Powell.
- U.S. petroleum stock data released this week by both EIA and the API both showed significant drops in crude oil stocks last week, partially as a result of tropical storm Isidore. [EIA data](#) indicates that commercial crude oil inventories are now at the lowest absolute level since at least 1982, and nearly 34 million barrels below the level last year at this time.
- Statements made by Russian Deputy Foreign Minister, Alexander Saltanov on Thursday morning (10/03/02) indicate veto-wielding Russia's opposition to a new Security Council resolution. According to Saltanov, "Attempts to make the U.N. Security Council subscribe to automatic use

of force against Iraq are unacceptable for us."

- On Wednesday, the OPEC crude oil basket reached its ninth consecutive day above the \$22-\$28 dollar range, as Algerian Energy and Mines Minister Chakib Khelil made statements concerning the "war-premium". "If we take into account this premium, we have yet to reach \$28 a barrel," Khelil said. The OPEC price-band mechanism allows for increased output of 50,000 barrels per day after 20 consecutive days above the \$28-dollar mark.
- As of October 3, 2002, the U.S. Strategic Petroleum Reserve (SPR) contained 586.2 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 update: October 3, 2002)

Petroleum Inventories

Tropical Storm Isidore's effect on petroleum was mostly seen in a decline in U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) of 10.0 million barrels last week. Commercial crude oil inventories are now at the lowest absolute level since at least 1982, and nearly 34 million barrels below the level last year at this time. In PADD II (Midwest), crude oil inventories fell by 1.1 million barrels last week and are once again at the lowest level since at least 1990. Distillate fuel inventories rose by 0.3 million barrels last week, while motor gasoline inventories increased by 1.2 million barrels.

Even ignoring last week's sharp added downward pull from Tropical Storm Isidore, U.S. crude oil inventories were already 24 million barrels below last year and well below the normal range as of September 20. Last week's 10 million barrel decline continues a downward trend, with U.S. crude oil inventories plunging from high levels at the end of February 2002, some 44 million barrels over year-ago levels, to current levels of 275 million barrels, representing a decline of 52 million barrels in just seven months, a near record drop. (The only two periods with a sharper drop over a seven month period were in December 1990/January 1991 following Iraq's invasion of Kuwait and December 1999, when similarly deep OPEC production cuts combined with preparations for Y2K to sharply draw down primary inventories.)

Petroleum Imports

U.S. crude oil imports last week averaged 8.5 million barrels per day, down more than 400,000 barrels per day compared to the previous week, largely due to a 700,000 barrel per day decline in imports into the Gulf Coast. Here too, this decline could reasonably be attributed to Tropical Storm Isidore. During the most recent four weeks, crude oil imports have averaged 8.6 million barrels per day, or about 700,000 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 14.9 million barrels per day during the week ending September 27, down nearly 300,000 barrels per day from the previous week. Most of the decline was in PADD II (Midwest) and PADD III (Gulf Coast), partly due to temporary outages related to Tropical Storm Isidore. Crude oil refinery inputs in the Gulf Coast averaged less than 7 million barrels per day for the third week in a row. Still, over the last four weeks, crude oil refinery inputs have averaged over 100,000 barrels per day more than last year at this time. Refinery production for motor gasoline, jet fuel, and distillate fuel all declined last week compared to the previous week.

Petroleum Demand

Total product supplied over the last four-week period averaged over 19.3 million barrels per day, or about 1.2% more than the level last year. Over the last four weeks, motor gasoline is up 1.8%, kerosene-jet fuel demand up 4.1%, and distillate fuel demand down 1.5% compared to the same four-week period last year.

Spot Prices

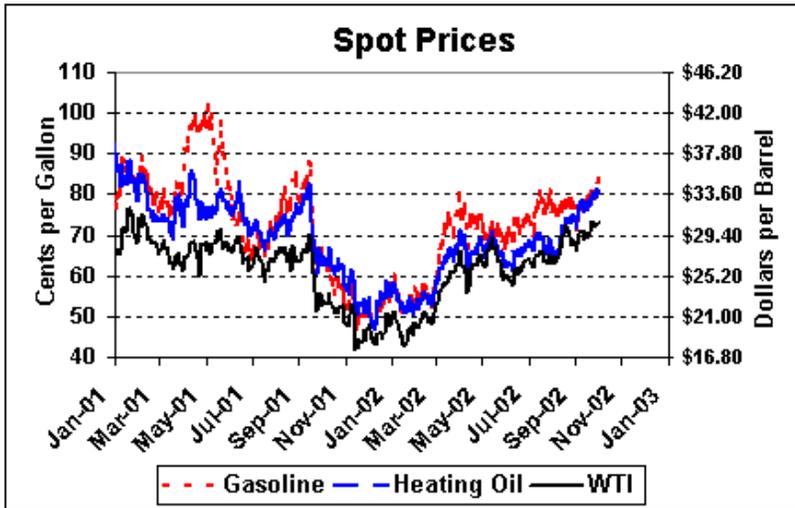
The average world crude oil price on September 27, 2002 was \$27.56 per barrel, up \$0.83 from the previous week and \$6.35 more than last year. WTI was \$30.53 per barrel on September 27, 2002, \$0.88 more than last week and \$7.09 higher than last year. The spot price for conventional gasoline in the New York Harbor was 80.05 cents per gallon, up 0.27 cent from last week and 13.02 cents 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 above last week and 13.82 cents more than last year.

Retail Gasoline and Diesel Fuel Prices

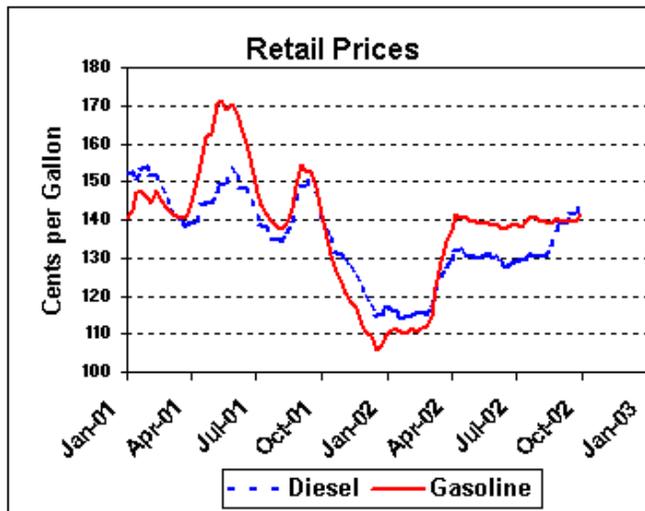
The U.S. average retail price for regular gasoline increased over the last week, rising by 1.8 cents per gallon as of September 30 to end at 141.3 cents per gallon. This price is 0.3 cent per gallon lower than last year. The rise in retail prices can partly be contributed to worries about supply due 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 3, 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	
8/15/2002	\$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
10/1/2002	\$30.71	\$30.83	83.03	82.71	81.05	82.04	85.43	48.75	47.75		
10/2/2002	\$30.59	\$30.49	84.53	82.50	80.20	81.35	86.83	48.25	47.44		

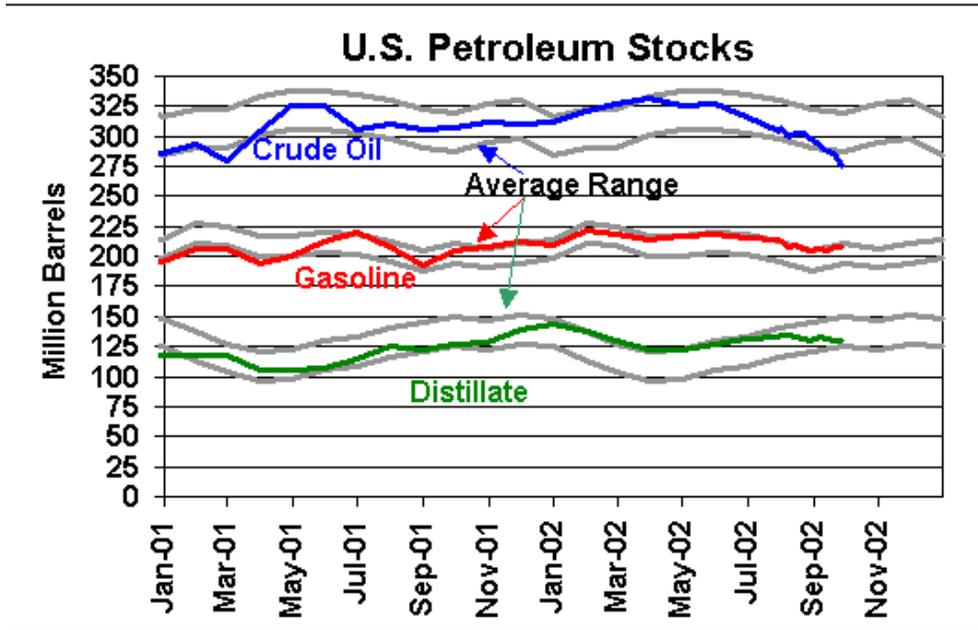
Source: Spot and futures closing quotes as reported by Reuters News Service, retail prices reported by EIA

U.S. Petroleum Supply

	(Thousand Barrels per Day)		Four Weeks Ending		vs. Year Ago	
			9/27/2002	9/27/2001	Diff.	% Diff.
Refinery Activity						
Crude Oil Input			15,165	15,023	142	0.9%
Operable Capacity			16,800	16,521	279	1.7%
Operable Capacity Utilization (%)			91.4%	92.3%	-0.9%	
Production						
Motor Gasoline			8,445	8,374	71	0.9%
Jet Fuel			1,568	1,433	135	9.4%
Distillate Fuel Oil			3,573	3,627	-54	-1.5%
Imports						
Crude Oil (incl. SPR)			8,617	9,342	-725	-7.8%
Motor Gasoline			813	878	-65	-7.4%
Jet Fuel			123	163	-40	-24.5%
Distillate Fuel Oil			178	310	-132	-42.5%
Total			10,816	11,804	-988	-8.4%
Exports						
Crude Oil			29	9	20	207.6%
Products			902	832	71	8.5%
Total			931	841	90	10.7%
Products Supplied						
Motor Gasoline			8,738	8,585	153	1.8%
Jet Fuel			1,602	1,541	61	4.0%
Distillate Fuel Oil			3,583	3,639	-56	-1.5%
Total			19,326	19,097	229	1.2%

vs. Year Ago

Total	13,320	13,097	229	1.2%
			vs. Year Ago	
Stocks (Million Barrels)	9/27/2002	9/27/2001	Diff.	% Diff.
Crude Oil (excl. SPR)	275.2	309.1	-33.9	-11.0%
Motor Gasoline	208.4	204.2	4.2	2.1%
Jet Fuel	40.6	42.7	-2.1	-4.9%
Distillate Fuel Oil	130.1	126.3	3.8	3.0%
Total (excl. SPR)	994.4	1,030.2	-35.8	-3.5%



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.

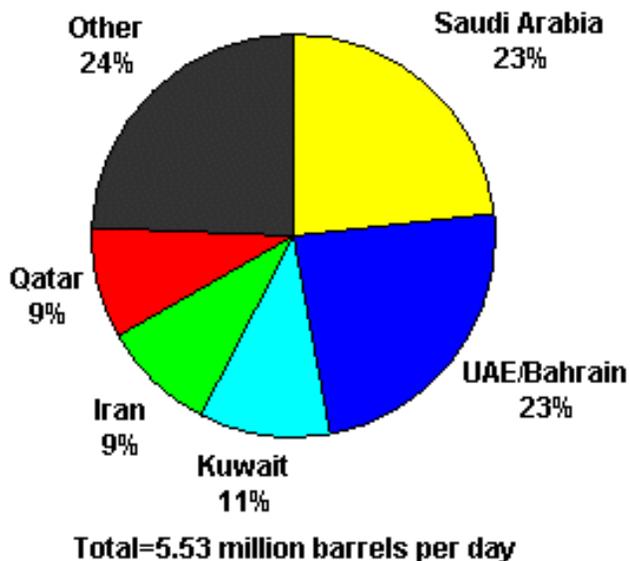
Top World Oil Net Exporters, Jan.-May 2002*		
	Country	Net Exports (million barrels per day)
1)	Saudi Arabia	6.64
2)	Russia	4.81
3)	Norway	3.18
4)	Iran	2.43
5)	Venezuela	2.34
6)	United Arab Emirates	1.92
7)	Nigeria	1.86
8)	Iraq	1.65
9)	Kuwait	1.60
10)	Mexico	1.67
11)	Algeria	1.21
12)	Libya	1.17

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

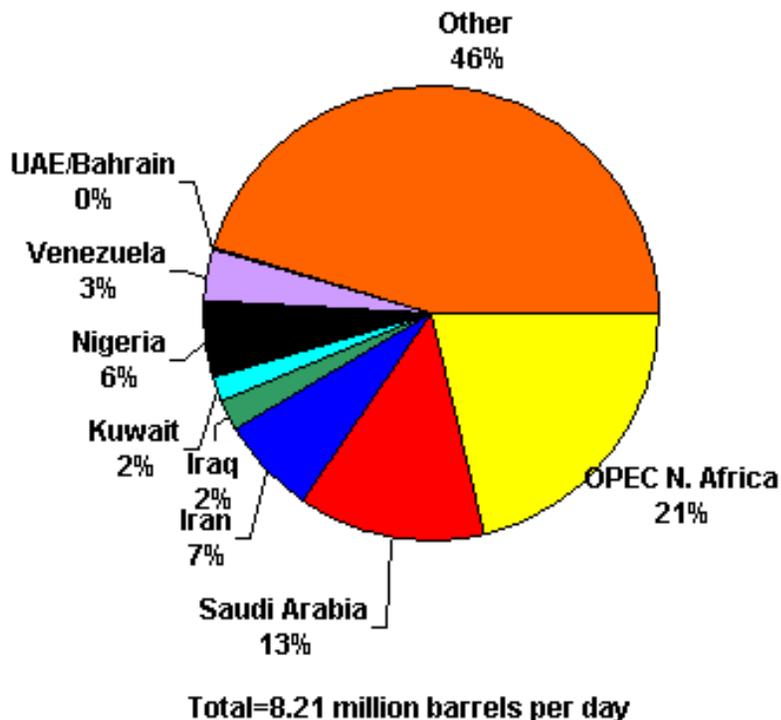
During the first five months of 2002, about half of U.S. crude oil imports came from the Western Hemisphere (17% from South America, 16% from Mexico, 15% from Canada, 2% from the Caribbean), while 27% came from the Persian Gulf region (17% from Saudi Arabia, 8% from Iraq, 2% from Kuwait).

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 3, 2002)

[Industry/Market Developments](#)

EIA Releases New Report on the Fundamentals of Natural Gas Storage: EIA prepared a new report to provide general background information about underground natural gas storage titled [The Basics of Underground Natural Gas Storage](#). The report, which was released on October 2, 2002, describes the different types of underground storage facilities, defines and clarifies key storage measurement terminology, summarizes categories of storage ownership and operation, and briefly discusses changing patterns of storage utilization. A key element of the report is its discussion of relative measures of gas inventories, which attempts to clarify the notion of "percent full" as applied to storage facilities.

[Storage](#)

Working gas in underground storage was 3,038 Bcf for the week ended Friday, September 27, according to the EIA Weekly Natural Gas Storage Report. This is the earliest in the refill season that inventories have topped 3 Tcf in 10 years. Stocks are also 10% greater than the previous 5-year (1997-2001) average for this date, and just under 4% greater than last year at this time. At this level, the nation's storage facilities are close to 76% full, based on EIA's estimate of total working gas capacity.

All Volumes in Bcf	Current Stocks 9/27/2002	Estimated Prior 5-Year (1997-2001) Average	Percent Difference from 5 Year Average	Implied Net Change from Last Week	One-Week Prior Stocks 9/20/2002
East Region	1,771	1,691	4.7%	39	1,732
West Region	400	343	16.6%	1	399
Producing Region	867	726	19.4%	7	860
Total Lower 48	3,038	2,761	10.0%	47	2,991

Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database. Column and/or row sums may not equal totals due to independent rounding.

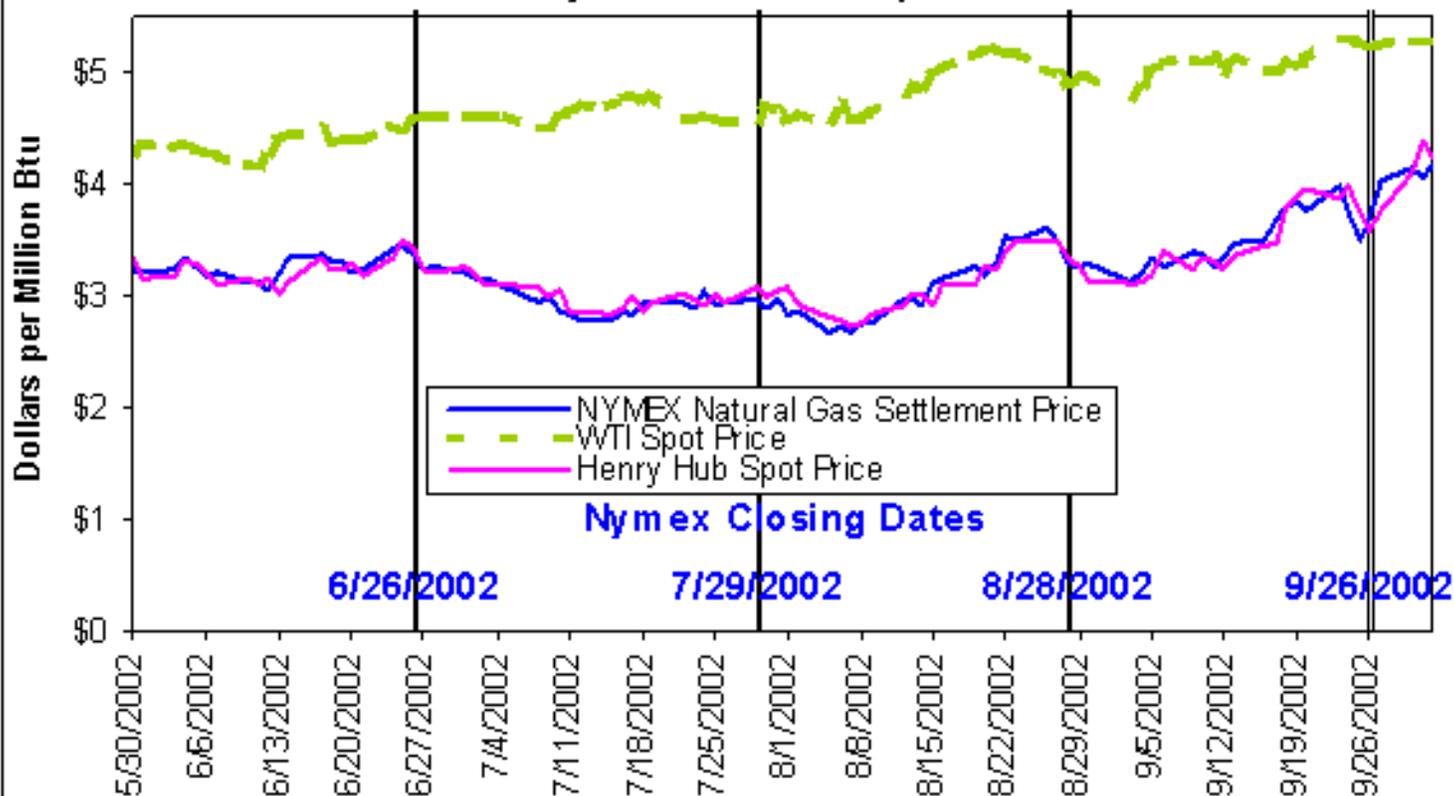
[Prices:](#)

Spot prices continued to surge upward on Tuesday (October 1), with increases ranging from 18 to over 50 cents per MMBtu, as Hurricane Lili bore down on Gulf of Mexico producing areas. By Wednesday, October

2, the Department of Interior's Minerals Management Service was reporting production shut-ins of at least 8.6 Bcf per day. In addition to evacuations all along the Texas and Louisiana coasts, the Henry Hub (near Erath, LA) has been shut down for at least 48 hours. Despite Lili's imminent arrival on the Louisiana coast, prices fell on Wednesday (October 2) virtually everywhere outside of the Rockies. After gains of 29 cents on Tuesday at the Henry Hub, spot prices declined 14 cents on Wednesday (October 2), to an average price of \$4.24 per MMBtu. In the Rockies, prices moved up sharply at most points on Tuesday and Wednesday, with cumulative increases of as much as \$1.58 per MMBtu, as various maintenance actions and forecasts of impending cold temperatures boosted prices. The average spot price in the Rockies yesterday (Wednesday, October 2) was \$2.87 per MMBtu, nearly \$1 higher than a week ago.

On the NYMEX, the contract for October delivery-the outgoing near-month contract-counteracted a near-25 cent decline in last Wednesday's (September 25) trading with a gain of \$0.191 per MMBtu on its final trading day (Thursday, September 26) to close out at \$3.686. On its first day of trading as the near-month contract, the November contract settled at \$4.041 per MMBtu, becoming the first near-month contract to settle above \$4 per MMBtu since June 2001. It settled for \$4.160 per MMBtu yesterday (Wednesday, October 2) for a cumulative gain of \$0.271 since becoming the prompt month contract.

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



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

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

<i>Trade Date (All prices in \$ per MMBtu)</i>	California Composite Average Price*			NYMEX futures contract-		
	Average Price*	Henry Hub	New York City	Chicago	November delivery	December delivery
9/5/2002	2.96	3.19	3.50	3.20	3.654	3.887
9/6/2002	3.07	3.38	3.75	3.40	3.605	4.019
9/9/2002	2.98	3.24	3.62	3.23	3.744	4.009
9/10/2002	3.12	3.35	3.62	3.36	3.734	3.930
9/11/2002	3.13	3.32	3.60	3.35	3.645	3.995
9/12/2002	3.11	3.22	3.49	3.23	3.720	4.110
9/13/2002	3.22	3.36	3.59	3.33	3.842	4.121
9/16/2002	3.36	3.44	3.80	3.45	3.866	4.205
9/17/2002	3.39	3.46	3.80	3.44	3.977	4.275
9/18/2002	3.57	3.79	4.16	3.80	4.070	4.284
9/19/2002	3.65	3.89	4.19	3.90	4.106	4.177
9/20/2002	3.51	3.94	4.27	3.85	3.992	4.342
9/23/2002	3.64	3.87	4.19	3.80	4.175	4.124
9/24/2002	3.63	3.98	4.42	3.86	3.929	4.028
9/25/2002	3.32	3.75	4.21	3.56	3.793	4.124
9/26/2002	3.28	3.59	3.95	3.46	3.889	4.028
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	4.138	4.323
10/1/2002	3.75	4.38	4.94	4.24	4.067	4.240
10/2/2002	3.55	4.24	5.00	4.00	4.160	4.315

* 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.

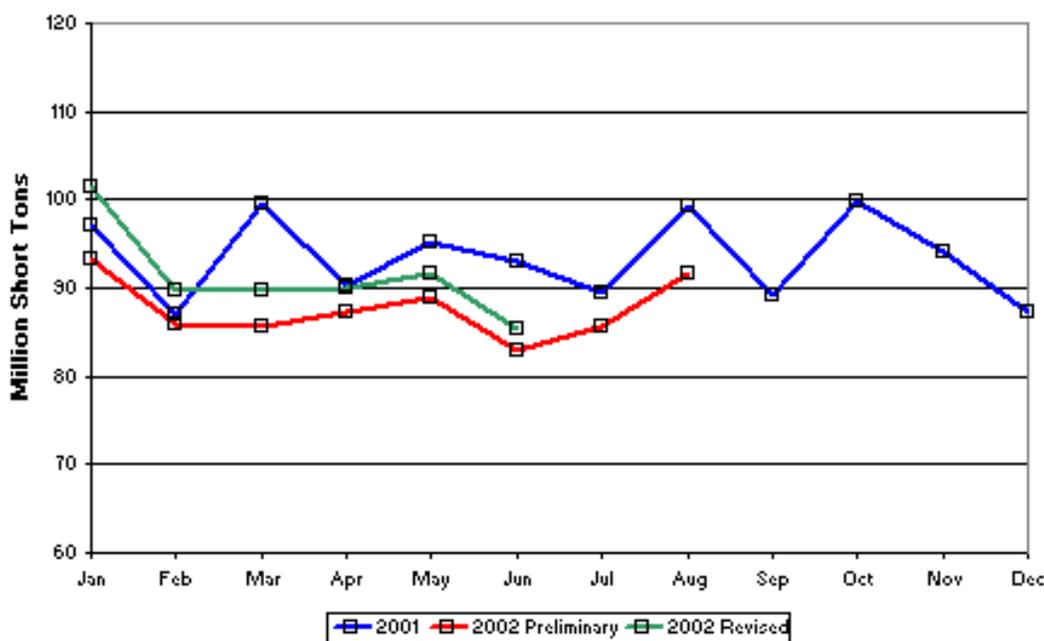
Latest U.S. Coal Information

(updated October 3, 2002)

Coal Production

For the week ended September 28, rail car loadings of coal were 3.0% lower while national [coal production](#) was 3.6% lower, compared to year-ago levels. Year-to-date, estimated western U.S. coal production is 0.5% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 6.1% 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



Coal production has been lower than in 2001 ever since the first quarter of 2002. Large coal stockpiles accumulated at mines and at consuming facilities due to slow economic activity and an extended period of seasonally low demand last spring at electric power plants. Hot weather since July has spurred more normal consumption but ate into 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. Since March, a greater-than-usual portion of coal shipments were loaded from previously mined production.

Would-be buyers have found coal producers generally 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 buys. 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).

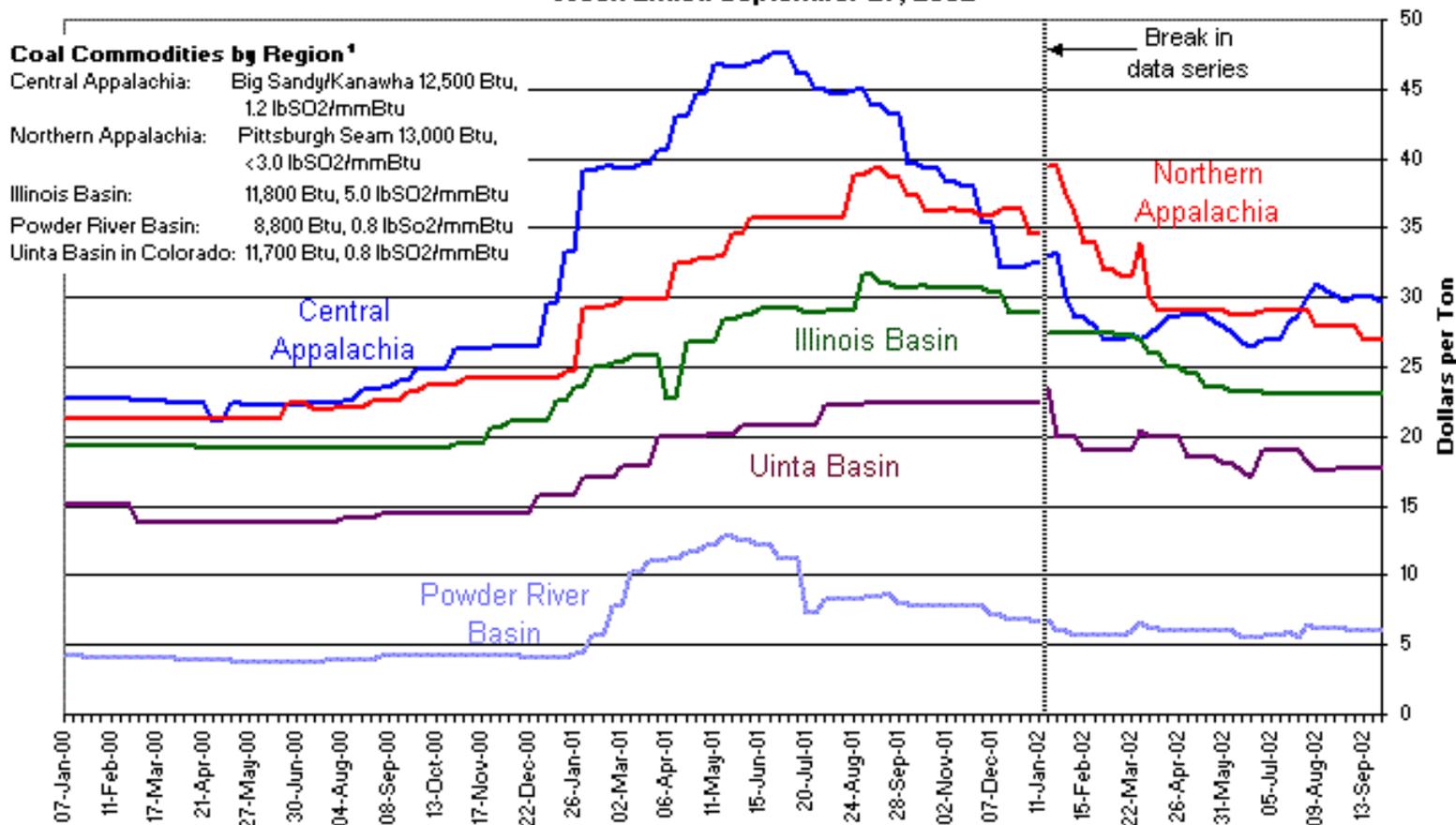
EIA believes that stock rundowns have now reduced coal on the ground at mines and coal yards to near-normal levels and that summer consumption at power plants has made a significant dent in coal on hand in that, the leading coal consuming sector. With coal supplies at or a bit above normal, however, most buyers are still sitting tight and putting off major coal purchases. The notable exception is the Tennessee Valley Authority (TVA), which recently took 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 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 limited activity, with several trades for various delivery dates. Offered prices for November 2002 deliveries settled at \$27.40 with 2003 delivery prices ranging from \$29.35 in January to \$30.00 in July through September.

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 3, 2002)

Selected Wholesale Electricity Prices: Northwestern U.S. electricity prices have been increasing for the past three trading days as hydroelectric output has dropped. According to the Bloomberg Power Lines Report, water flows at the Grand Coulee Dam, on the Colorado River, have slowed to 78.9 thousand cubic feet per second yesterday down from 97.9 a week earlier. That reduced output at the largest U.S. hydroelectric power plant by 15%. Reflective of this reduction in power generation, prices at the Mid-Columbia trading center have increased 12% to \$28.84 per megawatthour over the last three trading days.

Prices in California and the desert southwest have been mixed over the last seven trading days. At the NP-15, California's northern transmission grid, prices ranged between \$39.84 per megawatthour and \$32.29 per megawatthour. Prices at the Four Corners trading zone, in the desert southwest, ranged between \$34.84 per megawatthour and \$28.31 per megawatthour.

Electricity prices in the Mid-continent region decreased yesterday (October 2) for the first time in several trading days as cooler weather lowered the demand for electricity. Prices at the Cinergy Hub decreased 9% to \$39.56 per megawatthour.

In the Southeastern U.S., prices, which have been increasing for several trading days, declined slightly yesterday (October 2) as temperatures moderated decreasing the demand for electricity. Prices at the SERC decreased just \$.36 to \$43.84 per megawatthour. This price is still 59% higher than last weeks low of \$27.54 per megawatthour on September 26.

Similar to the Southeast, prices in the Northeast decreased yesterday (October 2) as cooler weather reduced the demand for electricity. Prices at NEPOOL have decreased for two consecutive trading days to \$46.67 per megawatthour on October 2. At the PJM West, prices decreased 14% to \$47.96 per megawatthour on October 2. New York City prices (New York Zone J) decreased \$5.00 to \$56.00 per megawatthour.

Over the past seven days, the average price at all trading centers has ranged between \$32.59 and \$39.52 per megawatthour.

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

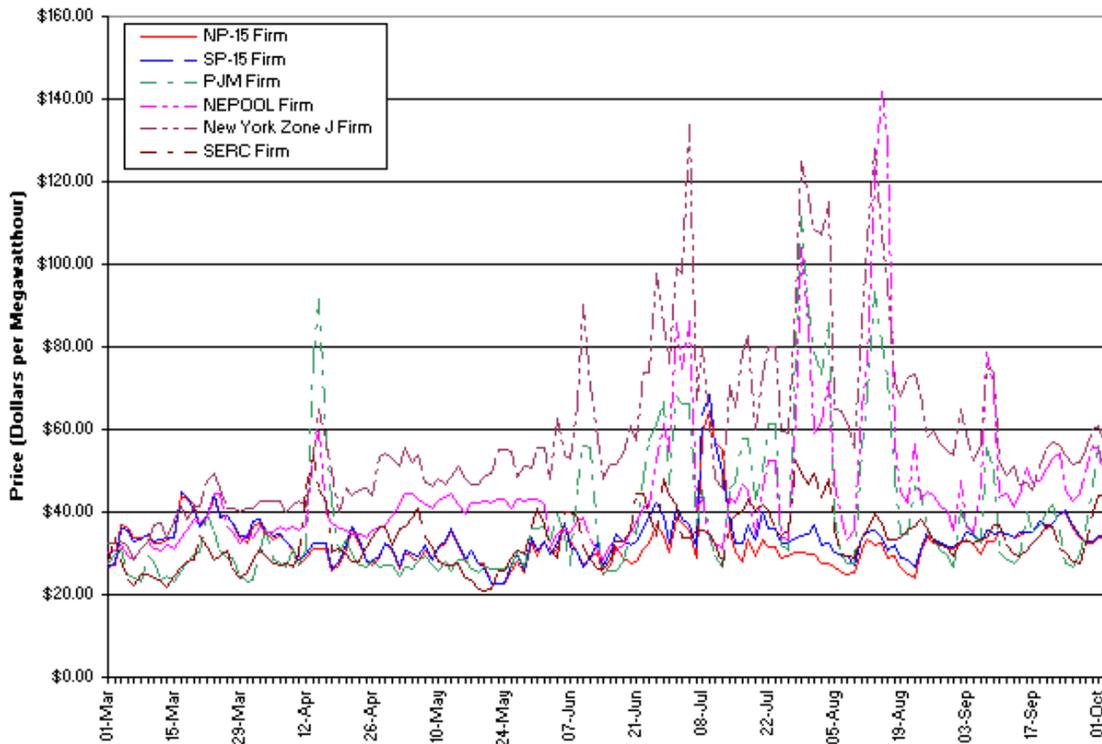
Trading Centers	Date							Price Range		
	9/24/02	9/25/02	9/26/02	9/27/02	9/30/02	10/1/02	10/2/02	Max	Min	Average
COB	31.46	30.13	28.25	27.25	29.50	30.00	31.25	31.46	27.25	29.69
Palo Verde	35.30	33.63	31.93	30.55	29.82	29.01	29.36	35.30	29.01	31.37
Mid-Columbia	25.63	25.36	25.78	25.70	26.41	28.71	28.84	28.84	25.36	26.63
Mead/Marketplace	38.65	36.20	33.31	32.43	30.96	29.93	31.06	38.65	29.93	33.22
4 Corners	34.84	33.50	29.44	28.31	28.50	29.25	28.79	34.84	28.31	30.38
NP 15	39.84	36.08	33.80	32.29	32.65	33.87	33.62	39.84	32.29	34.59
SP 15	40.23	36.67	34.20	32.87	32.94	34.02	33.74	40.23	32.87	34.95
PJM West	27.55	26.86	29.90	35.58	46.84	55.96	47.96	55.96	26.86	38.66
NEPOOL	45.13	42.63	44.50	50.00	56.00	54.96	46.67	56.00	42.63	48.56
New York Zone J	53.75	51.50	52.00	55.00	60.00	61.00	56.00	61.00	51.50	55.61
Cinergy	22.25	21.05	20.47	30.91	42.61	43.32	39.56	43.32	20.47	31.45
SERC	30.15	28.14	27.54	32.05	40.12	44.20	43.84	44.20	27.54	35.15
Average Price	35.40	33.48	32.59	34.41	38.03	39.52	37.56	39.52	32.59	35.86

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.

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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