

Energy Situation Analysis Report

Last Updated: October 15, 2002

Next Update: October 17, 2002

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Latest Oil Market Developments

West Texas Intermediate (WTI) front month (November) crude oil futures on the New York Mercantile Exchange (NYMEX) settled at \$30.03 per barrel Monday (10/14/02), up 66 cents per barrel from Friday's close, to their highest level since October 2. The OPEC basket price rose above OPEC's \$28 per barrel price-band threshold for the first time in almost a week, settling at \$28.16 per barrel. The WTI settled 31 cents lower at \$29.72 a barrel on Tuesday as worries eased that a new tropical depression in the Caribbean could disrupt oil imports and production in the region, as did two previous hurricanes, Isidore and Lili. [more...](#)

Latest U.S. Weekly EIA Petroleum Information

The average world crude oil price on October 11, 2002 was \$26.85 per barrel, down \$0.59 from the previous week but \$6.85 per barrel more than last year. The spot price for conventional gasoline in the New York Harbor on October 11 was 82.80 cents per gallon, up 2.70 cents from last week and 23.35 cents higher than a year ago. The spot price for No. 2 heating oil in the New York Harbor on October 11 was 77.88 cents per gallon, down 1.32 cents from last week and 12.77 cents more than last year. [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...](#)

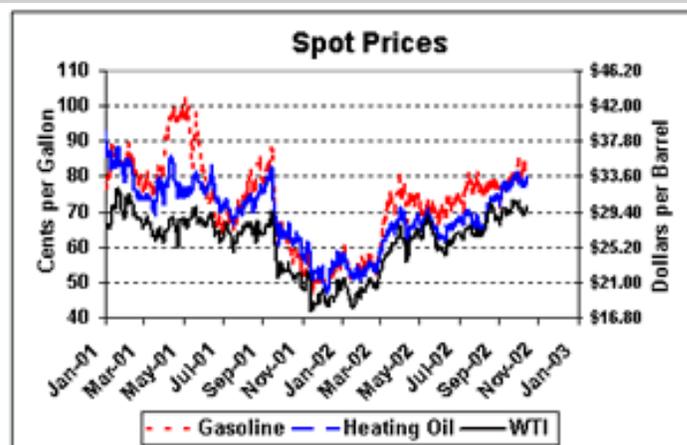
Latest U.S. Weekly Natural Gas Information

Natural gas spot prices soared in yesterday's (Monday, October 14) trading, gaining from 25 to nearly 75 cents per MMBtu at nearly every market location. Monday's

Energy Prices*

Petroleum Futures	10/14/02	10/11/02	Change
WTI (\$/Bbl)	30.03	29.37	+0.66
Gasoline (c/gallon)	84.96	82.01	+2.95
Heating Oil (c/gallon)	80.89	78.97	+1.92
Natural Gas (\$/MMBtu)			
Henry Hub	4.19	3.79	+0.40
California	3.82	3.23	+0.59
New York City	4.45	4.05	+0.40
Electricity (\$/Megawatthour)			
COB	30.44	30.96	-0.52
PJM West	33.00	30.65	+2.35
NEPOOL	46.50	47.50	-1.00
Average	35.41	33.91	+1.25

[*Definitions](#)



results more than overshadowed the significant losses seen on Friday, brought on by further recovery of Gulf Coast production and anticipation of the Columbus Day holiday weekend. At the Henry Hub, the average spot price rose 40 cents on Monday to \$4.19 per MMBtu. The average New York citygate spot price increased by an equal amount to \$4.45 per MMBtu. Spot prices at all pricing locations in the Gulf Coast and Midwest were over \$4 per MMBtu. Spot prices in California had the largest one-day increases, with an average increase of 63 cents per MMBtu. The PG&E citygate price reached \$3.94, while the Southern California Border average price rose over 50 cents to \$3.75 per MMBtu. [more...](#)

Latest U.S. Coal Information

Spot coal prices tracked by EIA strengthened slightly for the week ended October 4, after three weeks of stagnation. The lack of life in coal markets recently 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 \$17.00 and \$11.00 per short ton, respectively. [more...](#)

Latest U.S. Electricity Information

U.S. electricity spot prices in the Northeast and West were mixed over the past seven trading days. Electricity prices in the Mid-continent region, as measured at the Cinergy trading center, decreased by almost \$12.00 per megawatthour from Oct 4 to Oct 11. Lower temperatures reduced electricity demand coupled with increased production from nuclear power plants in the region. In the Southeastern U.S., the SERC's prices dropped five consecutive trading days, (Oct 4 through Oct 11), as electricity demand remained low with moderate weather.

[more...](#)

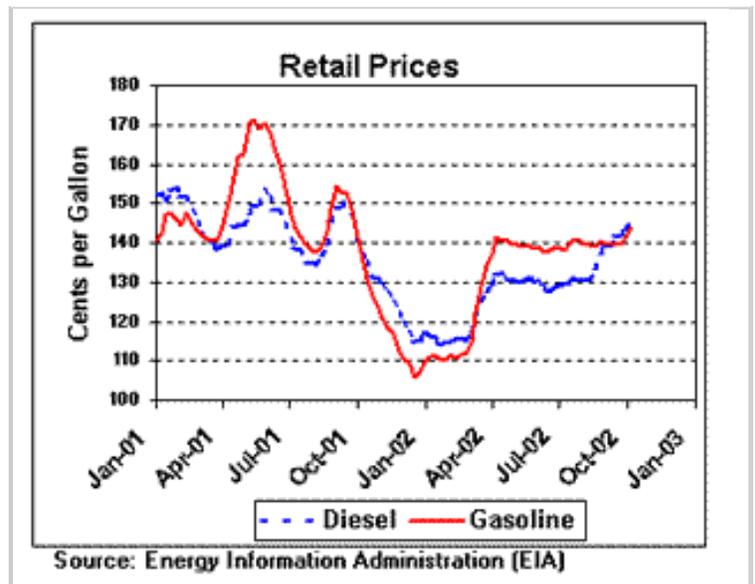
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Latest Oil Market Developments

(updated October 15, 2002)

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Oil markets continue to watch the situation in the Middle East, including U.N. Security Council discussions on an Iraq resolution, and the U.S. administration's statements on Iraq policy. In general, oil prices have been driven sharply higher (up around 50%) since the beginning of 2002 due to several factors, including: 1) significant cuts in OPEC production quotas during 2001; 2) tensions in the Middle East, particularly speculation over the possibility of U.S. military action against Iraq (the so-called "war premium"); 3) a steep slide in U.S. crude oil inventories (see [Latest U.S. Weekly EIA Petroleum Information](#)); and 4) concerns in the wake of the French tanker explosion that oil facilities will continue to be major terrorist targets.

Topics affecting **world oil markets** include:

- In the wake of terrorist attacks in Indonesia, the United States has started evacuating embassy staff, and energy concerns have beefed up security at their facilities. Indonesia's chief security minister Susilo Bambang Yudhoyono announced that security was being increased around energy installations as well, and the navy also said they were increasing their patrols around offshore sites.
- The International Energy Agency (IEA) estimated OPEC production reached 23.86 million barrels per day in September, almost 2.2 million barrels per day above quota levels. The IEA's Executive Director, Robert Priddle, added that OPEC was continuing production above quota levels in October at about the same rate that it had in September.
- The IEA said that current the current high oil prices give companies little incentive to stock up ahead of winter. IEA Executive Director Priddle noted that forward crude oil futures prices were below levels for prompt delivery, penalizing companies that hold on to oil. "There is very little incentive in the market for people to take crude now and run it for stock, which is what one would normally expect before the winter period," he added. "Stocks are not as generous as we would like

to see at this time of year."

- As of October 15, 2002, the U.S. Strategic Petroleum Reserve (SPR) contained 587.7 million barrels of oil. The SPR has a maximum drawdown capability of 4.3 million bbl/d 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 3.2 million bbl/d from days 91-120, to 2.2 million bbl/d for days 121-150, and to 1.3 million bbl/d for days 151-180.

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Latest U.S. Weekly EIA Petroleum Information

(last update: October 10, 2002)

Petroleum Inventories

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) fell by 4.7 million barrels last week to end at 270.5 million barrels, the lowest level recorded at least as far back as EIA has been keeping weekly statistics (1979). Commercial crude oil inventories are now just 0.5 million barrels above the Lower Operational Inventory and over 39 million barrels below the level last year at this time. The decline was especially acute in the Gulf Coast, where they fell by 8.1 million barrels. With reduced refinery production, distillate fuel inventories fell by 2.7 million barrels last week, while motor gasoline inventories dropped by 3.1 million barrels.

With the winter heating season just beginning, petroleum industry observers and consumers alike are beginning to shift their attention to the Nation's stockpile of critical heating fuels, including distillate fuel (used as both heating oil and diesel fuel) and propane. Following last winter's mild weather, inventories of both distillate fuel oil and propane stood at relatively high levels by the end of a winter that would require at best, only moderate restocking to reach adequate levels before the start of this heating season. Despite a below average stockbuild, propane inventories reached 71.2 million barrels by the end of September 2002, a level considered adequate for the start of the winter heating season. But distillate fuel inventories, after tracking at or above the upper limit of the average range for most of the year, unexpectedly foundered during the July through September period, and with the winter heating season just beginning, stand at 127.4 million barrels, a level barely above the lower limit of the average range, as of October 4.

Petroleum Imports

U.S. crude oil imports last week averaged 8.2 million barrels per day; about 800,000 barrels per day less than the week ending September 20, before the effects of the two storms were felt. With crude oil imports reduced the last two weeks due to storm-related impacts, crude oil imports have averaged just 8.6 million barrels per day, or over 700,000 barrels per day less over the last four weeks than averaged during the same four-week period last year. Total motor gasoline imports (including both finished gasoline and gasoline blending components) averaged over 1.0 million barrels per day last week, since product imports generally enter ports that were not affected by these storms. Meanwhile, distillate fuel imports increased significantly last week, averaging over 400,000 barrels per day.

Refinery Inputs and Production

U.S. crude oil refinery inputs averaged just 13.8 million barrels per day during the week ending October 4, due to temporary refinery closures in PADD III (Gulf Coast) and PADD II (Midwest) as a result of Hurricane Lili. Crude oil refinery inputs in the Gulf Coast (PADD III) for the week ending October 4 averaged 800,000 barrels per day less than the previous week, while crude oil refinery input in the Midwest (PADD II), which suffered from reduced supply from the Gulf Coast, averaged 300,000 barrels per day less last week. Total U.S. crude oil refinery inputs have dropped by 1.4 million barrels per day over the most recent two-week period. Due to the large drop last week, crude oil refinery inputs were nearly 300,000 barrels per day less over the last four weeks than last year at this time. With reduced inputs, production for all major petroleum products was lower last week.

Petroleum Demand

Total product supplied over the last four-week period averaged nearly 19.5 million barrels per day, or about 1.8 percent more than the level last year. Over the last four weeks, motor gasoline demand is up 2.1 percent, kerosene-jet fuel demand up 5.7 percent, and distillate fuel demand up 3.6 percent compared to the same four-week period last year.

Spot Prices (updated October 15, 2002)

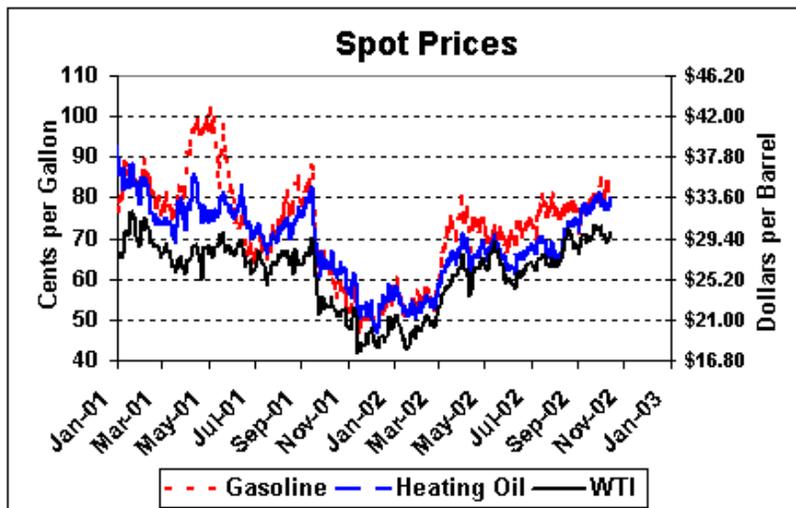
The average world crude oil price on October 11, 2002 was \$26.85 per barrel, down \$0.59 from the previous week but \$6.85 per barrel more than last year. WTI was \$29.36 per barrel on October 11, 2002, \$0.29 less than last week but \$6.87 higher than last year. The spot price for conventional gasoline in the New York Harbor on October 11 was 82.80 cents per gallon, up 2.70 cents from last week and 23.35 cents higher than a year ago. The spot price for No. 2 heating oil in the New York Harbor on October 11 was 77.88 cents per gallon, down 1.32 cents from last week and 12.77 cents more than last year.

Retail Gasoline and Diesel Fuel Prices

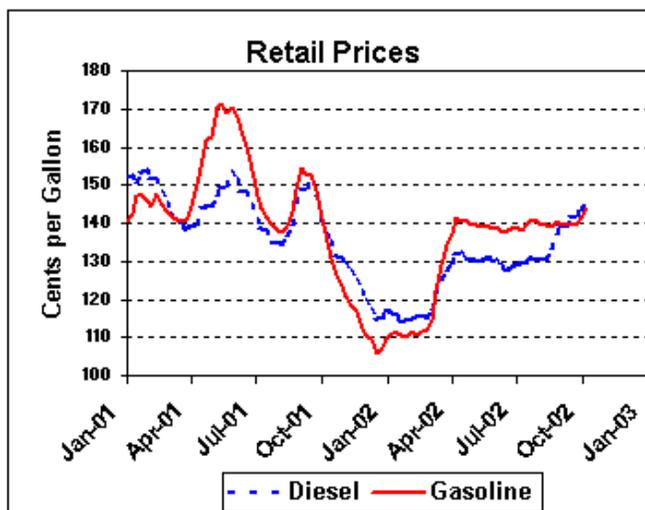
The U.S. average retail price for regular gasoline increased over the last week, rising by 2.6 cents per gallon as of October 7 to end at 143.9 cents per gallon. This price is 8.7 cents per gallon higher than last year. The rise in retail prices can partly be attributed to supply concerns and the war premium. Retail diesel fuel prices increased for the eighth week in a row, rising by 2.2 cents per gallon to a national average of 146.0 cents per gallon as of October 7. U.S. diesel fuel prices have risen 15.7 cents per gallon since they start increasing eight weeks ago, and with distillate fuel 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 East Coast, which each saw prices rise by 2.8 cents per gallon to end at 144.8 cents per gallon. Prices on the West Coast fell by 0.2 cent per gallon to end at 153.4 cents per gallon.

U.S. Petroleum Prices

(updated October 15, 2002)



Source: Closing quote as reported by Reuters News Service



Source: Energy Information Administration (EIA)

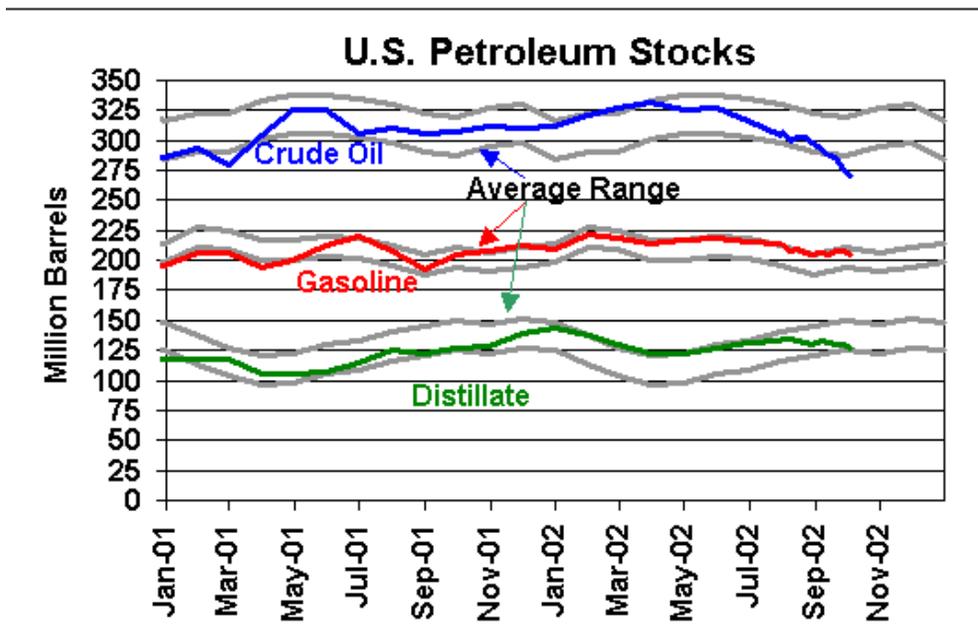
Crude Oil and Oil Products Price Table

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	
8/27/2002	\$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	79.95	84.27	79.00	80.57	83.05	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		
10/3/2002	\$29.73	\$29.76	80.25	80.25	77.72	79.43	83.10	47.50	46.25		
10/4/2002	\$29.65	\$29.62	80.10	79.72	79.20	79.19	83.18	47.57	46.00		
10/7/2002	\$29.65	\$29.64	80.80	80.47	78.08	79.16	82.78	47.57	46.25	143.9	146.0
10/8/2002	\$29.56	\$29.48	83.78	82.35	77.55	79.05	83.30	47.26	45.88		
10/9/2002	\$29.31	\$29.35	82.20	82.04	77.71	79.42	83.51	47.32	46.25		
10/10/2002	\$28.96	\$28.97	81.50	80.46	77.10	78.30	83.10	46.69	45.50		
10/11/2002	\$29.36	\$29.37	82.80	82.01	77.88	78.97	83.40	47.25	47.07		
10/14/2002	\$30.06	\$30.03	85.90	84.96	79.85	80.89	85.40	48.25	47.32		

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	
	10/4/2002	10/4/2001	Diff.	% Diff.
Refinery Activity				
Crude Oil Input	14,748	15,005	-257	-1.7%
Operable Capacity	16,800	16,510	290	1.8%
Operable Capacity Utilization (%)	88.9%	92.2%	-3.3%	
Production				
Motor Gasoline	8,339	8,388	-49	-0.6%
Jet Fuel	1,543	1,424	119	8.4%
Distillate Fuel Oil	3,503	3,643	-140	-3.9%
Imports				
Crude Oil (incl. SPR)	8,580	9,325	-745	-8.0%
Motor Gasoline	827	868	-41	-4.8%
Jet Fuel	125	155	-30	-19.3%
Distillate Fuel Oil	209	310	-101	-32.6%
Total	10,806	11,771	-965	-8.2%
Exports				
Crude Oil	29	8	21	248.5%
Products	909	830	79	9.6%
Total	938	838	100	11.9%
Products Supplied				
Motor Gasoline	8,750	8,568	182	2.1%
Jet Fuel	1,618	1,532	86	5.6%
Distillate Fuel Oil	3,782	3,652	130	3.6%
Total	19,452	19,103	349	1.8%
vs. Year Ago				
Stocks (Million Barrels)				
	10/4/2002	10/4/2001	Diff.	% Diff.
Crude Oil (excl. SPR)	270.5	309.7	-39.2	-12.7%
Motor Gasoline	205.3	206.1	-0.8	-0.4%
Jet Fuel	40.7	42.6	-1.9	-4.5%
Distillate Fuel Oil	127.4	127.2	0.2	0.2%
Total (excl. SPR)	982.1	1,033.9	-51.8	-5.0%



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

File last modified: October 10, 2002

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World Oil Market Highlights

(updated October 8, 2002)

According to fourth quarter 2002 estimates, the world (excluding Iraq) holds around 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	903	950	693	1,100	150
Indonesia	1,110	1,095	1,125	1,200	105
Iran	3,390	3,390	3,186	3,850	460
Kuwait ⁴	1,926	1,960	1,741	2,400	440
Libya	1,330	1,330	1,162	1,400	70
Nigeria	1,933	2,033	1,787	2,300	267
Qatar	640	640	562	850	170
Saudi Arabia ⁴	7,749	7,800	7,053	10,000-10,500	2,200-2,700
UAE ⁶	1,980	1,980	1,894	2,600	620
Venezuela ⁷	2,746	2,800	2,497	2,900	100
OPEC 10 Crude Oil Total	23,708	23,978	21,700	28,600-29,100⁵	4,622-5,122⁵
Iraq ⁸	1,742	1,765	N/A	3,050	1,285

OPEC Crude Oil Total	25,450	25,743	N/A	31,650-32,150⁵	5,907-6,407⁵
Other Liquids ⁹	2,751	2,751	N/A		
Total OPEC Production	28,201	28,495	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.

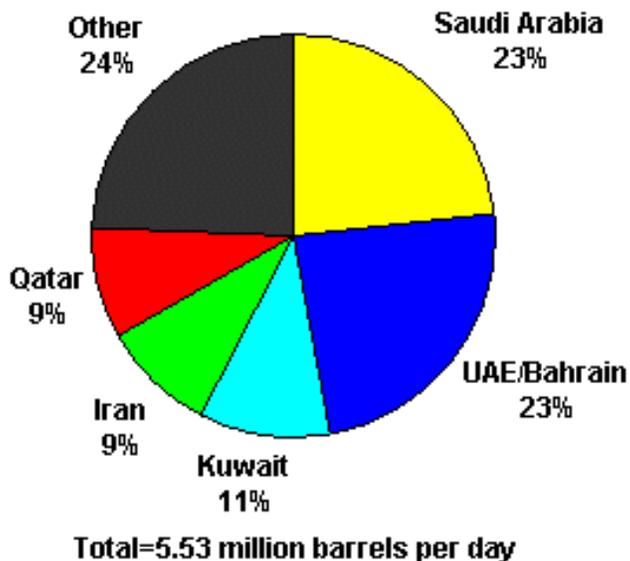
Top World Oil Net Exporters, Jan.-May 2002*		
	Country	Net Exports (million barrels per day)
1)	Saudi Arabia	6.64
2)	Russia	4.81
3)	Norway	3.18
4)	Iran	2.43
5)	Venezuela	2.34
6)	United Arab Emirates	1.92
7)	Nigeria	1.86
8)	Iraq	1.65
9)	Kuwait	1.60
10)	Mexico	1.67
11)	Algeria	1.21
12)	Libya	1.17

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

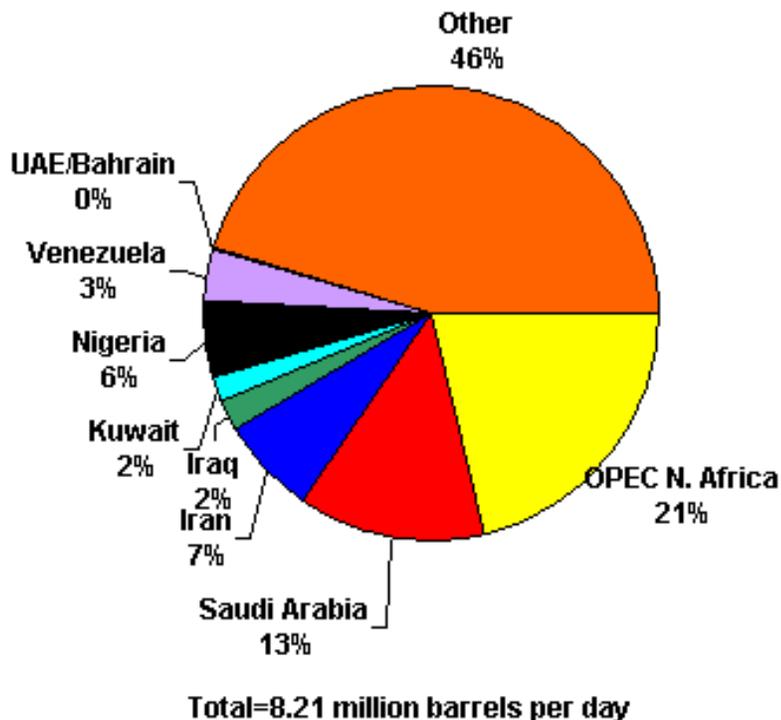
During the first five months of 2002, about half of U.S. crude oil imports came from the Western Hemisphere (17% from South America, 16% from Mexico, 15% from Canada, 2% from the Caribbean), while 27% came from the Persian Gulf region (17% from Saudi Arabia, 8% from Iraq, 2% from Kuwait).

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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Definitions

Petroleum

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

Bbl – Barrel (42 gallons).

C's – cents.

Natural Gas

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

Electricity

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

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

Average - average price of electricity traded at all locations.

Latest U.S. Weekly Natural Gas Information

(updated October 15, 2002)

[Industry/Market Developments](#)

FERC Seeks Transparency of Financial Information: The Federal Energy Regulatory Commission (FERC) on Wednesday (October 9) voted to expand its accounting regulations to include reporting of new financial information by a wide variety of market participants. FERC issued a Final Rule that directs public utilities, licensees, natural gas companies, and oil pipelines to report changes in the fair value of certain investment securities, derivatives, and hedging activities. FERC noted that the action stems, in part, from recent accounting rules issued by the Financial Accounting Standards Board. The changes will allow FERC an understanding of the nature and extent to which hedging activities are used by electric utilities and gas companies, and the impact on the companies' financial condition. FERC deferred action on the continuation of waivers to the Commission's financial reporting rules to power marketers, gas marketers, and power producers. FERC said that it will address reporting by marketers separately.

[Storage](#)

Working gas in underground storage was 3,080 Bcf for the week ended Friday, October 4, according to the EIA Weekly Natural Gas Storage Report. The storage differential compared with the 5-year average was 9 percent as the difference in volumes dropped to 254 Bcf. The week's implied net injection of 42 Bcf was about 35 percent less than the 5-year average of 65 Bcf. With tropical storms limiting supply from the Gulf of Mexico area for the second week in a row, the Producing Region registered a net withdrawal of 3 Bcf for the week.

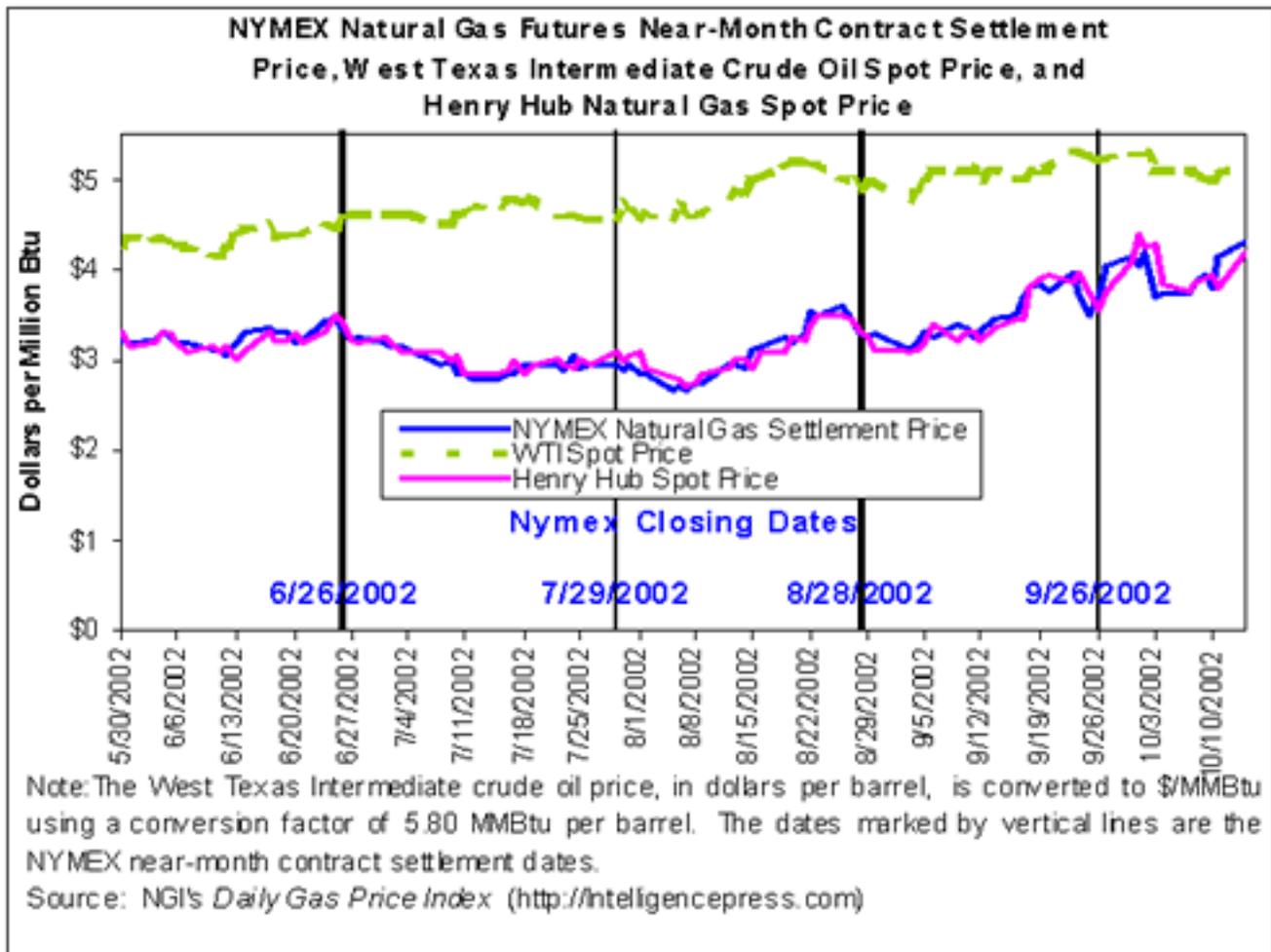
All Volumes in Bcf	Current Stocks 10/4/2002	Estimated Prior 5-Year (1997-2001) Average	Percent Difference from 5 Year Average	Implied Net Change from Last Week	One-Week Prior Stocks 9/27/2002
East Region	1,810	1,737	4.2%	39	1,771
West Region	406	348	16.7%	6	400
Producing Region	864	742	16.4%	-3	867
Total Lower 48	3,080	2,826	9.0%	42	3,038

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 soared in yesterday's (Monday, October 14) trading, gaining from 25 to nearly 75 cents per MMBtu at nearly every market location. Monday's results more than overshadowed the significant losses seen on Friday, brought on by further recovery of Gulf Coast production and anticipation of the Columbus Day holiday weekend. At the Henry Hub, the average spot price rose 40 cents on Monday to \$4.19 per MMBtu. The average New York citygate spot price increased by an equal amount to \$4.45 per MMBtu. Spot prices at all pricing locations in the Gulf Coast and Midwest were over \$4 per MMBtu. Spot prices in California had the largest one-day increases, with an average increase of 63 cents per MMBtu. The PG&E citygate price reached \$3.94, while the Southern California Border average price rose over 50 cents to \$3.75 per MMBtu.

On the NYMEX, Friday's (October 11) trading session presaged Monday's surge in cash prices, as the price of the near-month (November delivery) contract increased nearly 32 cents per MMBtu to settle at \$4.146, bolstered by forecasts for impending cold weather in the Midwest and Northeast. The November contract gained an additional \$0.157 per MMBtu on Monday to settle at \$4.303, marking the fourth session with increasing prices out of the past five. Natural gas futures prices also derived strength from rising crude oil prices, as the weekend bombing in Bali coupled with the recent terrorist attack on a French oil tanker fueled anxieties about world oil supply.



<i>Trade Date (All prices in \$ per MMBtu)</i>	California Composite Average Price*	Henry Hub	New York City	Chicago	NYMEX futures contract-November delivery	NYMEX futures contract-December delivery
9/17/2002	3.39	3.46	3.80	3.44	3.977	4.205
9/18/2002	3.57	3.79	4.16	3.80	4.070	4.275
9/19/2002	3.65	3.89	4.19	3.90	4.106	4.284
9/20/2002	3.51	3.94	4.27	3.85	3.992	4.177
9/23/2002	3.64	3.87	4.19	3.80	4.175	4.342
9/24/2002	3.63	3.98	4.42	3.86	3.929	4.124
9/25/2002	3.32	3.75	4.21	3.56	3.793	4.028
9/26/2002	3.28	3.59	3.95	3.46	3.889	4.114
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
10/3/2002	3.40	4.26	4.97	3.97	3.724	3.959
10/4/2002	3.07	3.85	4.16	3.68	3.739	3.969
10/7/2002	3.33	3.77	4.12	3.75	3.740	3.990
10/8/2002	3.46	3.86	4.21	3.87	3.862	4.120
10/9/2002	3.48	3.91	4.24	3.94	3.918	4.158
10/10/2002	3.43	3.94	4.24	3.94	3.828	4.055
10/11/2002	3.23	3.79	4.05	3.81	4.146	4.336
10/14/2002	3.82	4.19	4.45	4.23	4.303	4.471

* Average of NGI's reported average prices for: Malin, PG&E citygate, and Southern California Border Average.

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

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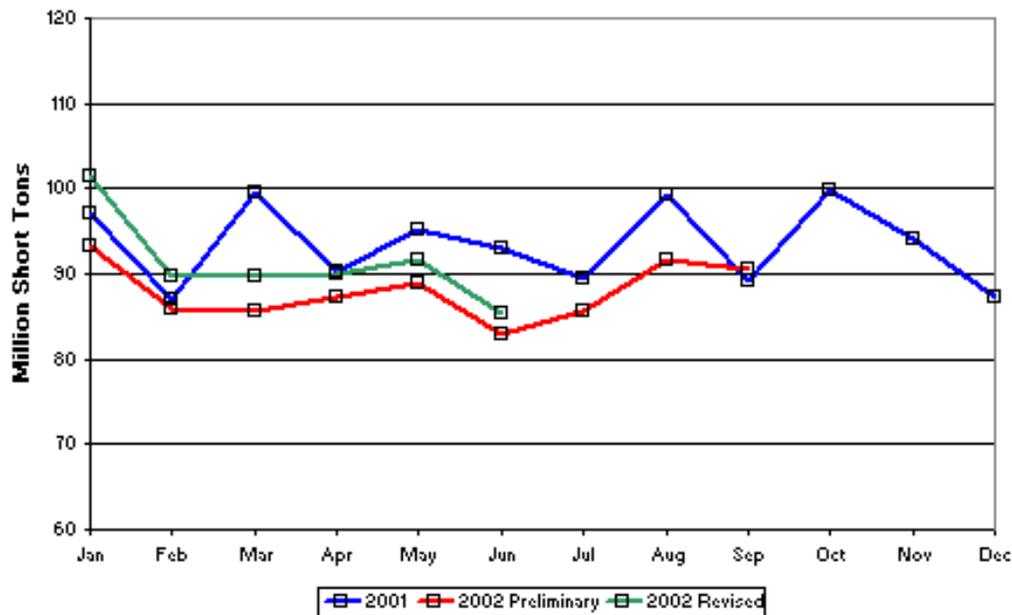
Latest U.S. Coal Information

(updated October 10, 2002)

Coal Production

For the week ended October 5, rail car loadings of coal were 4.0% lower while national [coal production](#) was 2.8% 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 9 months of 2002 is 845.6 million short tons (mst), 2.9% lower than the 840.0 mst in the first 9 months of 2001. The revised estimate incorporates Mine Safety and Health Administration coal production survey data for the second quarter 2002..

U.S. Monthly Coal Production

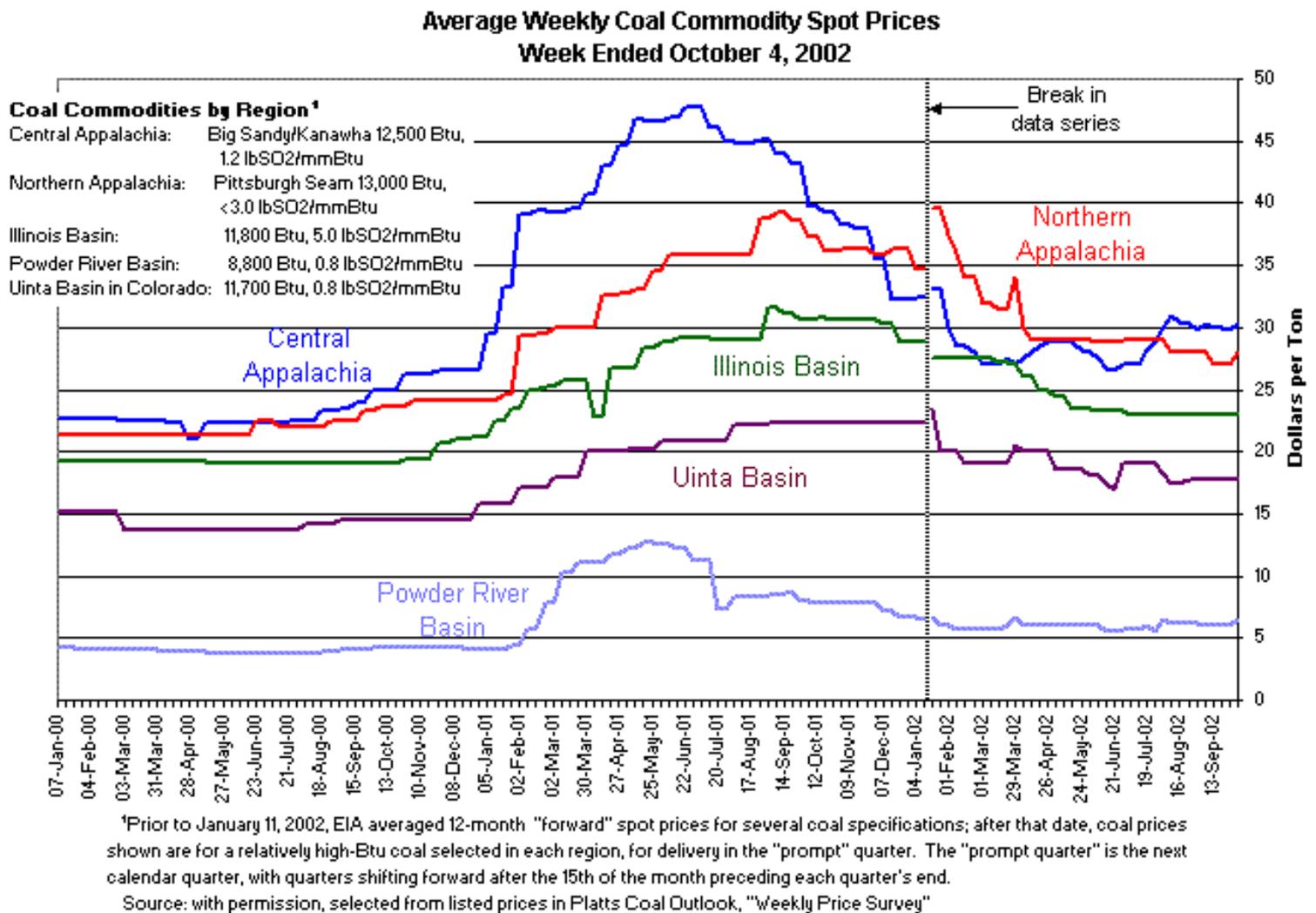


Coal production has been lower than in 2001 ever since the first quarter of 2002. Large coal stockpiles accumulated at mines and at consuming facilities due to slow economic activity and an extended period of seasonally low demand last spring at electric power plants. Hot weather starting in July spurred consumption but ate into only part of the high consumer stocks. Latest EIA estimates for the electric power sector are that 156.4 mst of coal were stockpiled at the end of March, which was 32.0.5% higher than in March 2001. By the end of June, an estimated 163.7 mst of stockpiled coal was 21.2% higher than 12 months earlier. In the first and second quarters of 2002 coal production exceeded coal use. Since March, coal shipments have included an increased proportion of previously mined production.

Coal Prices

The spot coal prices tracked by EIA strengthened slightly for the week ended October 4, after three weeks of stagnation (graph below). The lack of life in coal markets recently 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 \$17.00 and \$11.00 per short ton, respectively. Compared to the previous floor in the summer of 2000, prior to the 2001 escalation, the latest indexed spot prices of \$30.25 per short ton for Central Appalachian and \$28.00 per short ton for Northern Appalachian coal are higher by 37% and 29% respectively. Other prices are also running higher than the summer 2000 base: by 30% for the Uinta Basin, 20% for the Illinois Basin, and 73% for the Powder River Basin.



Over-the-counter (OTC) trading volumes on the [NYMEX](#) throughout the month of September were the lowest since the market initiated trade in coal July 2001. The past week saw limited activity, with the number of trades in single digits, for several 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

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). Meanwhile, stock market prices for energy trading companies and some utilities took heavy losses on October 8 and 9 as investors reacted to a new wave of bankruptcy announcements and credit downgrades. Allegheny Energy, AES Corporation, and El Paso Energy (for alleged gas price manipulation) all took major losses. Both traditional utilities and energy merchants were caught in the downdraft—including Northeast Utilities (with disappointing earnings), Dominion, Duke Energy, and TXU. One effect of these trends is a tightening of new capital, credit, and short-term cash for expansions as well as coal purchases and operating expenses.

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 their coal supplies at or above normal, however, most buyers are still sitting tight and putting off major coal purchases. A notable exception was the Tennessee Valley Authority (TVA), which recently took bids for up 3.7 million short tons. 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 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. On October 2, Springfield (MO) Utilities issued a solicitation for 1.5 mst of Powder River Basin coal, in an otherwise slow market (Platts Coal Outlook, October 7). This comes at a time when several PRB producers' capacity for 1993 is nearly all committed and when producers are looking for greater-than-3-year contracts. In the short term, producers who can may hold out for better prices in hopes of a cold winter (Platts Coal Outlook, Sept. 30, p.3).

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 may be good, for a while, 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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Latest U.S. Electricity Information

(updated October 15, 2002)

Selected Wholesale Electricity Prices: Western U.S. electricity spot prices were mixed over the past seven trading days. Northern California's prices, as measured at the COB trading center, were relatively stable ranging between a high of \$31.16 and a low of \$30.25 per megawatthour. Prices on California's path 15 had slightly more fluctuation, but for the most part were stable. Both NP-15 and SP-15 prices ranged between \$34.18 and \$36.93 per megawatthour. Continuous mild weather throughout the state contributed to price stability.

Northwest spot prices measured at Mid-Columbia trended upward slightly. Prices increased from \$26.41 per megawatthour on Oct 8 to a high of \$30.44 on Oct 14. As reported in Bloomberg Power Lines, some of this price increase can be attributed to a reduction in hydroelectric generation resulting from the Bonneville Power Administration's cut back in daily flows to aid fish migration.

Electricity prices in the Mid-continent region, as measured at the Cinergy trading center, decreased by almost \$12.00 per megawatthour from Oct 4 to Oct 11. Lower temperatures reduced electricity demand coupled with increased production from nuclear power plants in the region. However this downward trend stopped yesterday (Oct 14), as cooler weather increased demand for natural gas for heating which in turn increased fuel costs for electricity production.

In the Southeastern U.S., the SERC's prices dropped five consecutive trading days, (Oct 4 through Oct 11), as electricity demand remained low with moderate weather. The downward trend also stopped Oct 14 as increased heating load and higher natural gas prices contributed to higher electricity prices.

Prices in the Northeast were mixed over the last seven trading days. Prices at NEPOOL ranged between \$45.25 and \$49.88 per megawatthour. Prices in New York City ranged between \$51.00 and \$61.88 per megawatthour. Price at PJM West ranged between \$27.94 and \$35.92. Cooler weather expected in the Northeast should drive electricity prices upward over the coming weeks.

Over the past seven days, the average price at all trading centers ranged between \$33.87 and \$38.03 per megawatthour.

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

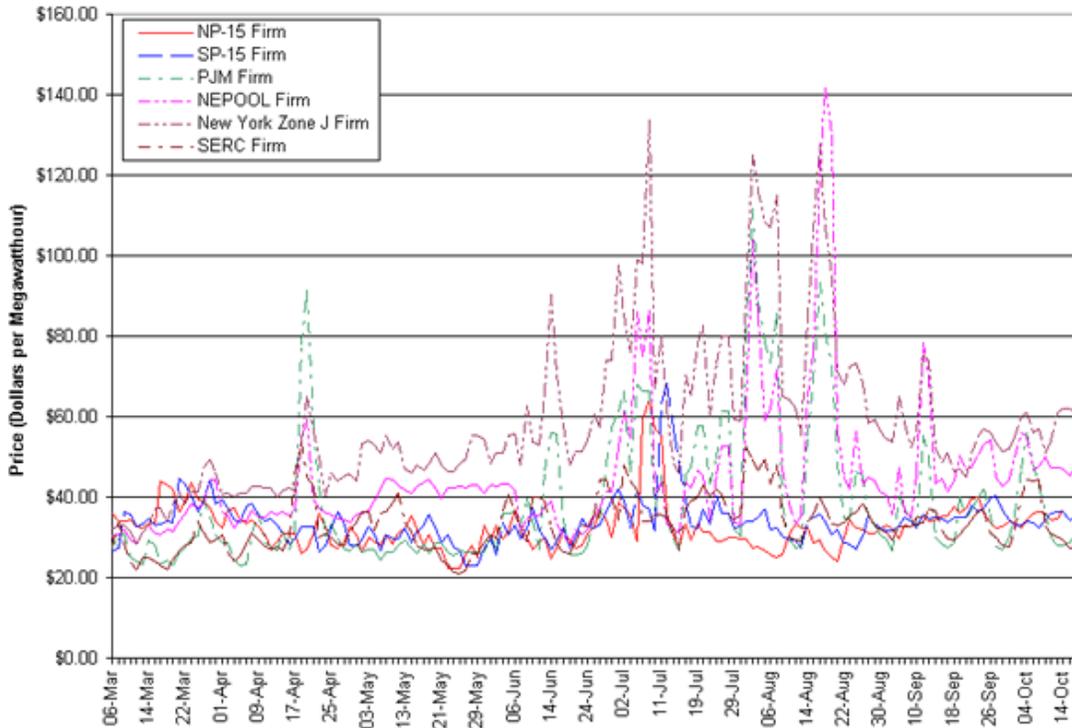
Trading Centers	Date							Price Range		
	10/4/02	10/7/02	10/8/02	10/9/02	10/10/02	10/11/02	10/14/02	Max	Min	Average
COB	30.25	31.16	30.33	30.63	31.00	30.96	30.44	31.16	30.25	30.68
Palo Verde	30.79	33.32	34.06	34.39	32.26	31.58	33.92	34.39	30.79	32.90
Mid-Columbia	27.99	27.21	26.41	26.45	27.98	28.35	30.44	30.44	26.41	27.83
Mead/Marketplace	31.40	33.88	34.04	34.92	32.58	31.93	35.00	35.00	31.40	33.39
4 Corners	30.50	32.44	33.48	34.24	31.29	30.94	33.19	34.24	30.50	32.30
NP 15	34.44	35.96	36.39	36.11	34.32	34.56	36.93	36.93	34.32	35.53
SP 15	34.18	36.12	36.42	36.22	34.46	34.57	36.89	36.89	34.18	35.55
PJM West	35.92	30.00	27.94	27.95	28.79	30.65	33.00	35.92	27.94	30.61
NEPOOL	49.88	47.50	47.33	47.00	45.25	47.50	46.50	49.88	45.25	47.28
New York Zone J	51.00	54.00	61.00	61.88	61.88	61.00	59.25	61.88	51.00	58.57
Cinergy	29.79	24.96	22.50	23.80	19.50	17.95	21.26	29.79	17.95	22.82
SERC	32.66	30.90	30.10	29.36	27.17	26.87	28.04	32.66	26.87	29.30
Average Price	34.90	34.79	35.00	35.25	33.87	33.91	35.41	38.03	33.87	34.73

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.

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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