

Energy Situation Analysis Report

Last Updated: November 12, 2002

Next Update: November 14, 2002

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Latest Oil Market Developments

West Texas Intermediate (WTI) front month (December) crude oil futures prices on the New York Mercantile Exchange (NYMEX) were roughly flat -- down 4 cents per barrel -- today (November 12), after settling at \$25.94 per barrel on Monday, November 11. Markets are awaiting Iraq's decision regarding compliance with the U.N. Security Council resolution passed on Friday. The WTI closing price Monday represented a 56-cent-per-barrel increase from the closing price last Thursday (November 7), which in turn marked the lowest NYMEX front month settlement price since June 20, 2002. [more...](#)

Latest U.S. Weekly EIA Petroleum Information

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) rose by 3.4 million barrels last week, the fourth consecutive weekly increase. However, nationally, they remain about 23 million barrels below the level last year at this time. Also, the U.S. average retail price for regular gasoline rose last week, increasing by 0.4 cent per gallon as of November 4 to end at 144.8 cents per gallon. This price is still 24.2 cents per gallon higher than last year. [more...](#)

World Oil Market Highlights

According to fourth quarter 2002 estimates, the world (excluding Iraq) holds as high as 4.9 million barrels per day of excess oil production capacity that could be brought online. Nearly all of this "excess capacity" lies in OPEC member countries. [more...](#)

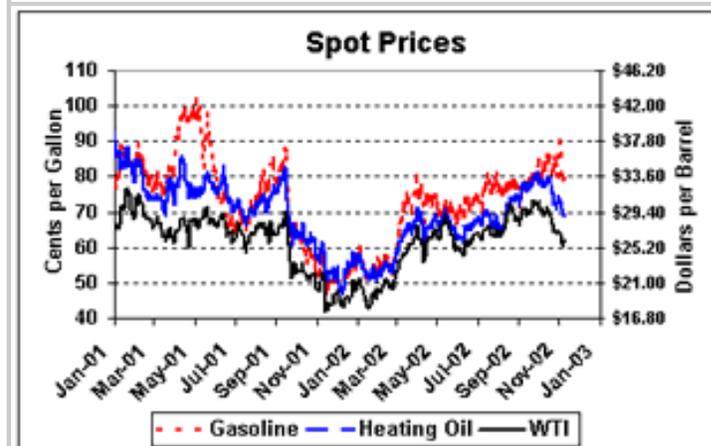
Latest U.S. Weekly Natural Gas Information

Cooler-than-normal temperatures, particularly in the Midwest and Mid-continent, and the normal post-weekend increase in industrial demand pushed natural gas spot prices modestly upward on Monday (November 11) at

Energy Prices*

Petroleum Futures	11/11/02	11/8/02	Change
WTI (\$/Bbl)	25.94	25.78	+0.16
Gasoline (c/gallon)	71.04	71.28	-0.24
Heating Oil (c/gallon)	68.85	68.88	-0.03
Natural Gas (\$/MMBtu)			
Henry Hub	3.83	3.77	+0.06
California	3.75	3.70	+0.05
New York City	4.14	4.03	+0.11
Electricity (\$/Megawatthour)			
COB	32.50	32.50	0.00
PJM West	28.16	28.01	+0.15
NEPOOL	45.25	45.75	-0.50
Average	35.40	35.46	-0.06

[*Definitions](#)



Source: Closing quote as reported by Reuters News Service

most market locations, with increases ranging from 2 to 18 cents per MMBtu. However, these increases were not enough to overcome the two days of price declines at the end of last week, leaving spot prices yesterday (Monday, November 11) from 2 cents per MMBtu to as much as 44 cents per MMBtu lower than their levels of Wednesday, November 6 at nearly all market locations. [more...](#)

Latest U.S. Coal Information

Average spot coal prices tracked by EIA, after strengthening slightly for the week ended October 4, have stalled at static levels (see graph). Coal prices show little movement and lack clear direction as markets-both spot and over-the-counter-show low interest and little activity. Compared to peak prices in summer 2001, Central and Northern Appalachian coal prices are down by about \$19.00 and \$12.00 per short ton, respectively. [more...](#)

Latest U.S. Electricity Information

In observance of Veterans Day, Western power markets were closed November 11. In the Midwest, electricity prices were mixed over the past few days. In the Southeast, electricity prices decreased over the past four trading days, reaching a seven-day low of \$24.74 per megawatthour. In New England, electricity prices fell to a seven day low of \$45.25 per megawatthour as natural gas prices dropped and warmer weather caused a reduction in customer demand. [more...](#)

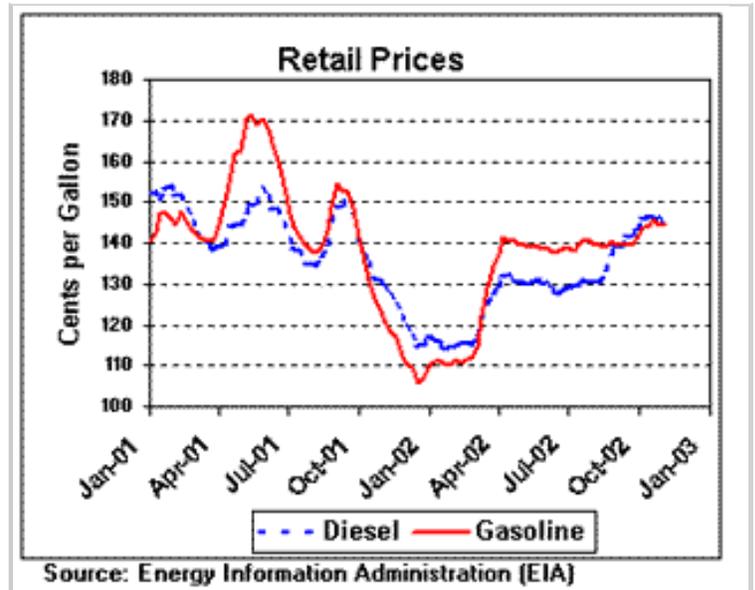
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Latest Oil Market Developments

(updated November 12, 2002)

West Texas Intermediate (WTI) front month (December) crude oil futures prices on the New York Mercantile Exchange (NYMEX) were roughly flat -- down 4 cents per barrel -- today (November 12), after settling at \$25.94 per barrel on Monday, November 11. Markets are awaiting Iraq's decision regarding compliance with the U.N. Security Council resolution passed on Friday. The WTI closing price Monday represented a 56-cent-per-barrel increase from the closing price last Thursday (November 7), which in turn marked the lowest NYMEX front month settlement price since June 20, 2002. This decline has been attributed by many analysts as related to growing overproduction by OPEC and to evidence that oil stocks are being replenished in time for the winter heating season. In addition, over the past several weeks, traders' concerns over the imminence of an attack on Iraq diminished somewhat as discussions continued to make slow progress at the U.N. This likely contributed to a reduction in the so-called "war premium" of several dollars per barrel. Now, however, with a resolution passed in the Security Council, the oil price outlook may become more erratic in the short-run. On the other hand, U.S. inventories of crude oil, gasoline, and distillate fuel all remain at the lower end of the normal range for this time of year, which normally acts as a supportive ("bullish") factor for oil prices.

Topics affecting **world oil markets** include:

- On Friday (11/8/02), the U.N. Security Council unanimously (15-0) adopted a U.S.-backed resolution on Iraq. The resolution demands that Iraq accept all terms within seven days, and make an "accurate, full and complete" declaration as to its weapons programs within 30 days. If Iraq fails to comply fully with the new resolution, paragraph 4 states that Iraq would then be in further "material breach" of its obligations and warns of unspecified "serious consequences" which could follow.
- Iraq's Parliament today unanimously voted to recommend rejection of the new U.N. resolution, but said that the final decision would be left to Iraqi President Saddam Hussein. Earlier, Saddam Hussein's son Uday stated that Iraq should accept the resolution as long as there were "Arab experts or technicians and monitors (on the inspection teams) who are familiar with the nuclear, chemical and biological side." Uday Hussein also called for an Arab oil embargo against any countries that might attack Iraq.
- The International Energy Agency (IEA) reported today that OPEC (excluding Iraq) produced at 24.18 million barrels per day (bbl/d) in October, about 2.5 million bbl/d above quota limits, and that this "surge in crude supply" was helping to replenish oil stocks ahead of the peak winter heating season. The IEA sees strong heating fuel demand due to colder-than-normal weather, jet fuel demand remaining below normal post-9/11, and Iraq the "wild card." In addition, the IEA

reported that Iraqi production increased by 570,000 bbl/d in October, to 2.45 million bbl/d, meaning that total OPEC output grew by 760,000 bbl/d last month.

- As of November 12, 2002, the [U.S. Strategic Petroleum Reserve \(SPR\)](#) contained 590.3 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 text update - November 7, 2002)

Petroleum Inventories

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) rose by 3.4 million barrels last week, the fourth consecutive weekly increase. However, nationally, they remain about 23 million barrels below the level last year at this time. In PADD II (Midwest), crude oil inventories rose slightly to 56.0 million barrels, the highest level since September 6, but still near historic lows seen in recent weeks. Distillate fuel inventories fell by 1.9 million barrels, with decreases in both low-sulfur distillate fuel (diesel fuel) and high-sulfur distillate fuel (heating oil). Distillate fuel inventories remain below the lower limit of the normal range for this time of year. Motor gasoline inventories fell by 2.2 million barrels, and are now just below the lower limit of the normal range for this time of year.

October typically represents one of the slowest months of the year for propane market activity. October is sandwiched between the hectic summer stock-building season and the bustling winter stock-draw-down season. During this period, propane inventories can just as easily show continued modest stock builds as they can show modest stock draws, depending on such factors as weather and fall crop drying demand. But propane market activity during October 2002 was atypical with inventories showing one of the largest stock draws in recent years. Last week's stock draw that measured 1.7 million barrels contributed to preliminary data for U.S. inventories of propane falling by 6.4 million barrels during October 2002, the largest stock draw for this month since 1985, and the second largest ever for October. The sharp plunge in propane inventories, partly reflecting colder-than-normal weather during October, significantly eroded the inventory cushion that was built up over the summer months. However, U.S. inventory levels remain at levels that are still considered by many industry observers as adequate for this time of year.

Petroleum Imports

U.S. crude oil imports averaged 9.1 million barrels per day, up almost 100,000 barrels per day from the previous week. Crude oil imports have averaged 9.4 million barrels per day over the last four weeks, or about 200,000 barrels per day more than averaged during the same four-week period last year. Total motor gasoline imports (including both finished gasoline and gasoline blending components) averaged nearly 1.1 million barrels per day last week, the second highest weekly level ever recorded. Distillate fuel imports remained relatively high, averaging over 300,000 barrels per day for the third straight week.

Monthly data on the sources of U.S. crude oil imports in August 2002 was released recently and it shows that four countries imported more than 1.4 million barrels per day of crude oil to the United States that month. The top sources of U.S. oil imports in August 2002 were Canada (1.537 million barrels per day), Venezuela (1.514 million barrels per day), Mexico (1.475 million barrels per day), and Saudi Arabia (1.411 million barrels per day). Rounding out the top ten sources, in order, were Nigeria (0.792 million barrels per day), United Kingdom (0.480 million barrels per day), Norway (0.402 million barrels per day), Iraq (0.246 million barrels per day), Colombia (0.217 million barrels per day), and Angola (0.211 million barrels per day). Of the 9.545 million barrels per day of crude oil imported into the United States during the month of August 2002, the top four countries accounted for 62% of these imports, while the top ten sources accounted for nearly 87% of all U.S. crude oil imports. Iraqi crude oil imports were the 2nd lowest amount since May 1998 (June 2002 was the only recent month in which Iraq imported less), while Russian crude oil imports averaged 0.100 million barrels per day, ranking 14th for the month, but the 2nd largest amount since June 1994 (only exceeded by the amount imported in May 2002).

Refinery Inputs and Production

U.S. crude oil refinery inputs averaged 14.9 million barrels per day during the week ending November 1, an increase of more than 100,000 barrels per day from the previous week, and the highest level since the week ending September 27. Increased crude oil refinery inputs in PADD I (East Coast) and PADD V (West Coast) were partially offset by declines in the other regions. Despite the increase in crude oil refinery inputs, production of motor gasoline and distillate fuel dropped slightly, while jet fuel production increased moderately last week.

Petroleum Demand

Total product supplied over the last four-week period averaged 19.4 million barrels per day, or about 2.1% less than the level last year. Over the last four weeks, motor gasoline demand is up 4.2%, and kerosene-jet fuel demand is up 0.5%. Distillate fuel demand is down 2.5% compared to the same four-week period last year, even with last week's demand averaging 4.0 million barrels per day.

However, the first bout of cold weather that blanketed the Upper Plains with snow and pumped colder-than-normal temperatures into the Midwest and Northeast regions over the last several weeks is expected to jump start distillate fuel demand over the next several weeks that up until now had been rather lackluster. Through the week ending November 1, 2002, year-to-date demand for distillate fuel trailed the same prior year level by 3.9%, partly reflecting warmer-than-normal weather earlier in the year and a slowing in the economic recovery that occurred during the latter part of the third quarter of this year. But the recent cold snap sent distillate fuel demand the last two weeks to above 4 million barrels per day, the first time two consecutive weeks have registered demand that high since March 2001. The most recent data, based on weekly surveys for October, show distillate demand up 4% over September to an average of 3.8 million barrels per day.

Spot Prices

The average world crude oil price on November 1, 2002 was \$24.53 per barrel, down \$1.29 from the previous week but \$5.90 per barrel more than last year. The spot price for conventional gasoline in the New York Harbor was 85.25 cents per gallon, down 0.20 cent per gallon from last week and 32.97 cents higher than a year ago. The spot price for No. 2 heating oil in the New York Harbor was 73.90 cents per gallon, 1.85 cents per gallon higher than last week and 16.90 cents per gallon more than last year.

Retail Gasoline and Diesel Fuel Prices Fall Back Last Week

The U.S. average retail price for regular gasoline rose last week, increasing by 0.4 cent per gallon as of November 4 to end at 144.8 cents per gallon. This price is 24.2 cents per gallon higher than last year. This is the fourth time in the last five weeks prices have risen during a season of normally decreasing gasoline prices.

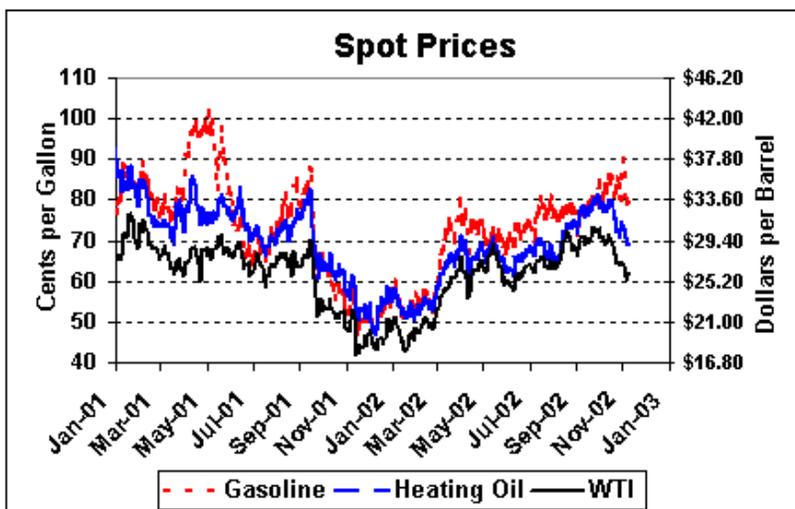
Retail diesel fuel prices fell last week for the second week in a row, decreasing by 1.4 cents per gallon to a national average of 144.2 cents per gallon as of November 4. Prices are expected to remain at these levels or higher throughout the season in part due to low distillate fuel inventories. Retail diesel prices were down throughout the country, with the largest price decrease occurring on the Gulf Coast, which saw the price fall by 2.3 cents per gallon to end at 139.4 cents per gallon. There was a price increase seen in New England, where prices gained 0.1 cent to end at 149.7 cents per gallon.

Retail Heating Fuels Prices Show Slight Upward Movement

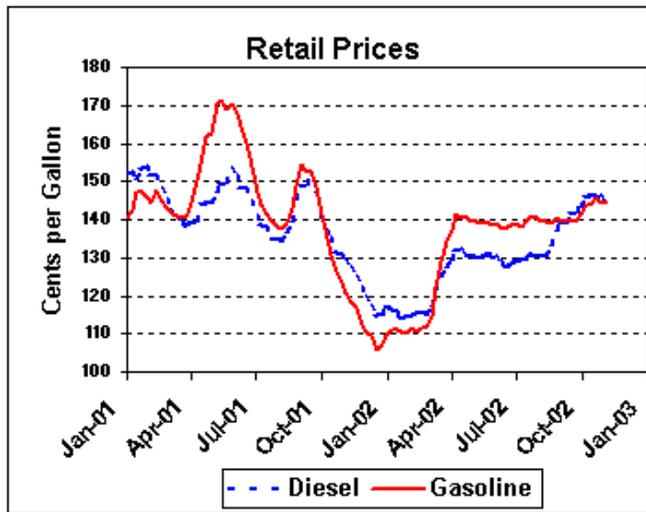
Residential heating oil and propane prices showed slight increases for the period ending November 4, 2002. The average residential heating oil price was 127.8 cents per gallon, up 0.6 cent per gallon, while the average residential propane prices increased 1.0 cent per gallon from 114.1 to 115.1 cents per gallon. Heating oil prices are 5.2 cents per gallon higher than last year at this time while residential propane prices are 1.6 cents per gallon higher than one year ago. Wholesale heating oil prices increased 0.4 cent per gallon, to 82.4 cents per gallon. Wholesale propane prices rose slightly from 54.4 to 55.2 cents a gallon, up 0.8 cent per gallon.

U.S. Petroleum Prices

(updated November 12, 2002)



Source: Closing quote as reported by Reuters News Service



Source: Energy Information Administration (EIA)

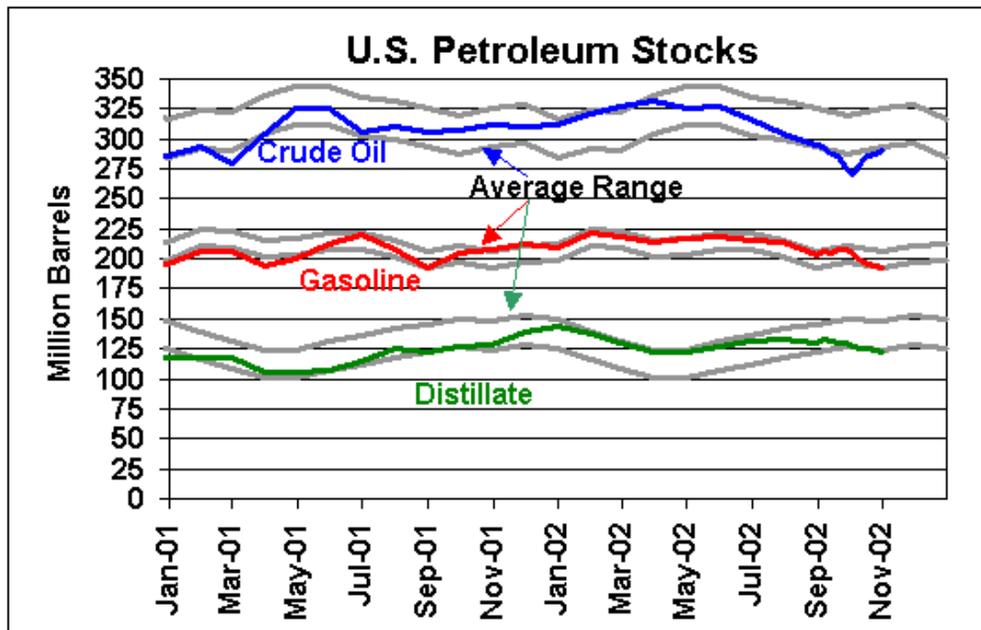
Crude Oil and Oil Products Price Table

Date	WTI Crude Oil		Gasoline		Heating Oil		Kerojet	Propane		EIA Weekly Retail US Average		
	Spot	Futures	Spot	Futures	Spot	Futures	Spot	Spot	Spot	Spot	Gasoline	Diesel
	Cushing		NYH		NYH		NYH	Mt. Belvieu	Conway			
	\$/bbl	\$/bbl	cents per gallon		cents per gallon		c/gal	cents per gallon		cents per gallon		
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	144.0	146.1	
10/15/2002	\$29.73	\$29.72	84.47	83.99	78.80	79.98	84.35	47.94	46.88			
10/16/2002	\$29.28	\$29.47	84.65	83.93	78.79	79.96	83.64	48.25	47.00			
10/17/2002	\$29.61	\$29.62	85.75	83.98	79.85	80.77	84.05	48.63	47.00			
10/18/2002	\$29.56	\$29.60	85.90	85.17	79.90	80.35	83.25	48.82	47.50			
10/21/2002	\$28.31	\$28.37	80.54	81.03	75.66	76.29	79.49	47.68	46.75	145.8	146.9	
10/22/2002	\$27.93	\$27.92	80.93	79.85	75.36	75.78	79.06	47.50	46.63			
10/23/2002	\$28.19	\$28.18	81.40	81.40	75.03	75.67	79.40	48.25	47.69			
10/24/2002	\$27.87	\$28.20	82.23	84.17	74.73	75.97	79.10	48.50	48.32			
10/25/2002	\$27.09	\$27.05	85.45	86.09	72.05	72.76	76.28	47.88	47.94			
10/28/2002	\$27.25	\$27.29	83.60	85.30	71.95	73.08	76.10	47.75	48.00	144.4	145.6	
10/29/2002	\$26.81	\$26.86	80.05	82.27	70.55	71.55	74.90	47.75	48.00			
10/30/2002	\$26.85	\$26.81	80.80	82.83	72.55	72.77	76.05	47.88	47.94			
10/31/2002	\$27.18	\$27.22	79.65	86.35	74.50	74.38	77.85	48.25	48.69			
11/1/2002	\$27.04	\$27.13	85.25	76.45	73.90	74.16	76.60	48.38	49.63			
11/4/2002	\$26.89	\$26.95	89.93	77.43	73.08	73.33	75.53	47.88	49.07	144.8	144.2	
11/5/2002	\$26.06	\$26.14	86.50	74.07	71.41	71.80	74.33	47.25	48.50			
11/6/2002	\$25.72	\$25.77	80.60	71.78	70.72	70.79	73.50	46.57	47.75			
11/7/2002	\$25.36	\$25.38	78.85	70.14	69.80	69.62	72.35	46.50	47.63			
11/8/2002	\$25.83	\$25.78	79.45	71.28	69.08	68.88	71.03	46.32	47.00			
11/11/2002	\$26.02	\$25.94	79.25	71.04	69.00	68.85	70.90	46.69	46.94			

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	
	11/2/2002	11/2/2001	Diff.	% Diff.
Refinery Activity				
Crude Oil Input	14,273	15,002	-729	-4.9%
Operable Capacity	16,800	16,510	290	1.8%
Operable Capacity Utilization (%)	86.0%	92.0%	-6.0%	
Production				
Motor Gasoline	8,282	8,446	-164	-1.9%
Jet Fuel	1,485	1,458	27	1.9%
Distillate Fuel Oil	3,441	3,796	-355	-9.4%
Imports				
Crude Oil (incl. SPR)	9,402	9,211	191	2.1%
Motor Gasoline	757	696	61	8.8%
Jet Fuel	185	63	122	193.7%
Distillate Fuel Oil	301	253	48	19.0%
Total	11,627	11,379	248	2.2%
Exports				
Crude Oil	20	11	9	81.8%
Products	940	935	5	0.5%
Total	960	946	14	1.5%
Products Supplied				
Motor Gasoline	9,022	8,655	367	4.2%
Jet Fuel	1,576	1,570	6	0.4%
Distillate Fuel Oil	3,790	3,888	-98	-2.5%
Total	19,408	19,824	-416	-2.1%
Stocks (Million Barrels)				
	11/2/2002	11/2/2001	Diff.	% Diff.
Crude Oil (excl. SPR)	290.5	313.2	-22.7	-7.2%
Motor Gasoline	192.1	207.8	-15.7	-7.6%
Jet Fuel	42.5	40.3	2.2	5.5%
Distillate Fuel Oil	121.9	128.9	-7.0	-5.4%
Total (excl. SPR)	983.4	1,031.8	-48.4	-4.7%



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

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World Oil Market Highlights

(updated November 12, 2002)

According to fourth quarter 2002 estimates, the world (excluding Iraq) holds as much as 4.9 million barrels per day of excess oil production capacity that could be brought online. Nearly all of this "excess capacity" is located in OPEC member 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	876	900	693	1,100	200
Indonesia	1,112	1,100	1,125	1,200	100
Iran	3,402	3,500	3,186	3,850	350
Kuwait ⁴	1,923	1,950	1,741	2,400	450
Libya	1,333	1,340	1,162	1,400	60
Nigeria	1,949	2,000	1,787	2,300	300
Qatar	650	670	562	850	180
Saudi Arabia ⁴	7,743	7,933	7,053	10,000-10,500 ⁵	2,067-2,567 ⁵
UAE ⁶	1,987	2,000	1,894	2,600	600
Venezuela ⁷	2,733	2,900	2,497	2,950	50
OPEC 10 Crude Oil Total	23,707	24,293	21,700	28,650-29,150⁵	4,357-4,857⁵
Iraq ⁸	1,719	2,232	N/A	2,900	668

OPEC Crude Oil Total	25,426	26,524	N/A	31,550-32,050⁵	5,026-5,526⁵
Other Liquids ⁹	2,761	2,761	N/A		
Total OPEC Production	28,187	29,285	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.-August 2002*

(all volumes in million barrels per day)

	Total Oil Imports	Crude Oil Imports	Petroleum Product Imports
Canada	1.89	1.39	0.50
Saudi Arabia	1.51	1.48	0.03
Mexico	1.50	1.46	0.04
Venezuela	1.39	1.19	0.20
Nigeria	0.60	0.57	0.03
Iraq	0.52	0.52	0.00
United Kingdom	0.46	0.39	0.07
Norway	0.41	0.36	0.05
Angola	0.32	0.31	0.01
Algeria	0.28	0.03	0.25

Total Imports	11.30	9.01	2.29
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** Table includes all countries from which the U.S. imported more than 300,000 barrels per day in Jan.-August 2002.*

Top World Oil Net Exporters, Jan.-Aug. 2002*		
	Country	Net Exports (million barrels per day)
1)	Saudi Arabia	6.10
2)	Russia	4.67
3)	Norway	2.81
4)	Iran	2.35
5)	Venezuela	2.20
6)	Nigeria	1.84
7)	United Arab Emirates	1.72
8)	Iraq	1.45
9)	Kuwait	1.45
10)	Mexico	1.21
11)	Libya	1.12
12)	Algeria	1.04

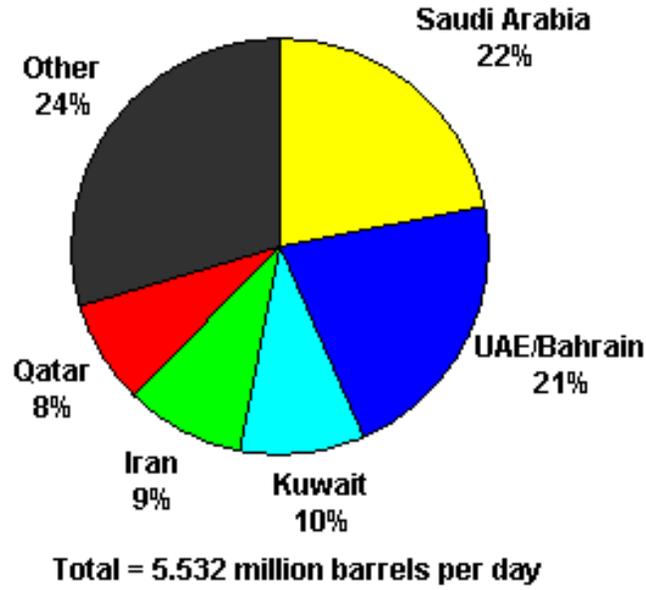
**Table includes all countries with net exports exceeding 1 million barrels per day in Jan.-Aug 2002.*

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 does the United States. 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.

Having provided this information, it is important to stress that oil is a "fungible" (interchangeable, traded on a world market) commodity, that a disruption of oil flows anywhere will affect the price of oil everywhere, and that the specific suppliers of oil to a particular country or region are not of enormous significance, at least from an economic point of view.

Japanese Gross Oil Imports by Country, 1H 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 November 12, 2002)

[Industry/Market Developments](#)

EIA Announces Policy for Revisions to Weekly Natural Gas Storage Report. The Energy Information Administration (EIA) has issued a [Federal Register notice](#) announcing its policy for revisions to weekly estimates of working gas volumes held in underground storage facilities at the national and regional levels disseminated in EIA's Weekly Natural Gas Storage Report (WNGSR). Under this policy, revisions shall be disseminated in the WNGSR according to the established schedule and shall occur when the effect of reported changes is at least 7 billion cubic feet at either a regional or national level. Revisions shall not be disseminated outside the established schedule. This policy is effective November 12, 2002.

EIA Releases New Report on the U.S. LNG Market: EIA has posted a feature article on its web site on the role of liquefied natural gas (LNG) in the natural gas industry titled [U.S. LNG Markets and Uses](#). The article examines different aspects of LNG operations, paying particular attention to marine terminals, peak-shaving storage facilities, and facilities serving niche markets such as LNG as a vehicular fuel. LNG, which is natural gas that has been cooled to about minus 260 degrees Fahrenheit for shipment and/or storage as liquid, is an important source of supply in meeting the peak-day demands of local utilities, particularly in the Northeast. The report highlights the role of these LNG storage facilities, as well as proposed expansion plans at existing U.S. LNG import terminals and proposals for new import facilities.

EIA Issues Information of Particular Interest to Residential Natural Gas Customers: On Friday, November 1, EIA posted an information product on its website titled: [Residential Natural Gas Prices: Information for Consumers](#). This brochure describes how natural gas is supplied to individual households, and shows the various components that are included in the price a residential customer pays for natural gas. It touches on natural gas industry restructuring at the State level, explaining how this on-going process can affect residential consumers and why they should be interested in it. In addition, the brochure summarizes EIA's projections for the current heating season, including the average heating-season price and likely total cost over the winter for natural gas for the typical residential consumer. The brochure also suggests ways for consumers to save on their natural gas bills.

[Storage](#)

Working gas in storage was 3,145 Bcf for the week ended Friday, November 1, 2002, according to the EIA *Weekly Natural Gas Storage Report*. This is the first time since the week ended June 1, 2001, that current stocks have fallen below the level recorded during the same report week of the previous year. Nevertheless, natural gas in storage is almost 5% greater than the 5-year average of 3,007 Bcf for the report week. Implied net withdrawals of natural gas from working gas storage were 27 billion cubic feet (Bcf), which marks the first net withdrawal of the 2002-2003 heating season and only the second time in the past 8 years that a net withdrawal occurred during that week.

All Volumes in Bcf	Current Stocks 11/1/2002	Estimated Prior 5-year (1997-2001) Average	Percent Difference from 5-Year Average	Implied Net Change from Last Week	One-Week Prior Stocks 10/25/2002
East Region	1,854	1,843	0.6%	-13	1,867
West Region	411	363	13.2%	-5	416
Producing Region	880	802	9.7%	-9	889
Total Lower 48	3,145	3,008	4.6%	-27	3,172

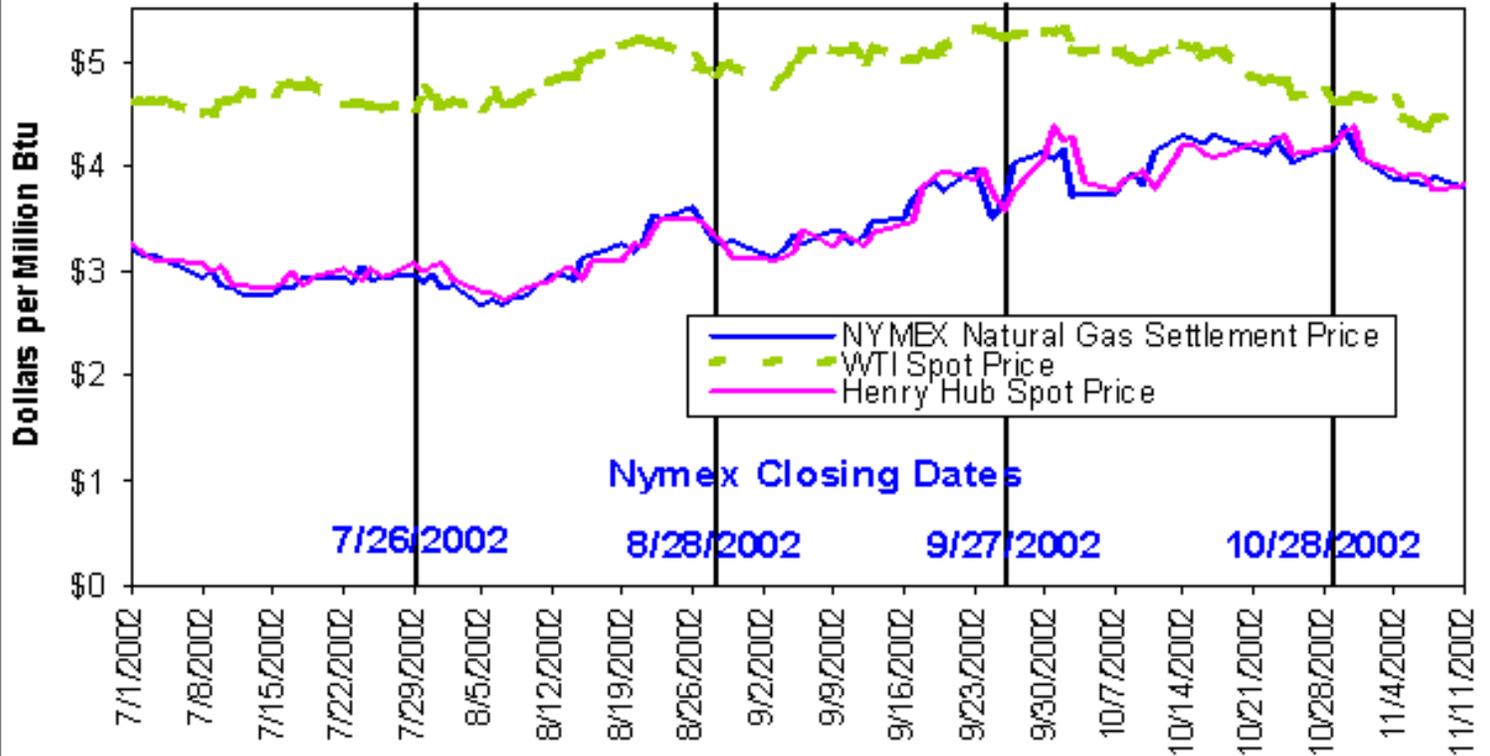
Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database.

Prices:

Cooler-than-normal temperatures, particularly in the Midwest and Mid-continent, and the normal post-weekend increase in industrial demand pushed spot prices modestly upward on Monday (November 11) at most market locations, with increases ranging from 2 to 18 cents per MMBtu. However, these increases were not enough to overcome the two days of price declines at the end of last week, leaving spot prices yesterday (Monday, November 11) from 2 cents per MMBtu to as much as 44 cents per MMBtu lower than their levels of Wednesday, November 6 at nearly all market locations. The Henry Hub average spot price gained 6 cents per MMBtu yesterday, to end trading at \$3.83 per MMBtu, 10 cents per MMBtu lower than the Wednesday level. A few Rocky Mountains market locations bucked the overall trend, as an early-winter storm moved from northern California and the Pacific Northwest into the northern Rockies late last week, supporting demand in those areas. Most Rockies points recorded prices just over \$3 per MMBtu on Monday.

On the NYMEX, futures prices fell on Monday, November 11, as both short-term and winter weather forecasts predicted warmer-than-normal temperatures in most high gas-consuming regions. The near-month contract (for December delivery) decreased \$0.125 per MMBtu to settle at \$3.778 per MMBtu, down nearly 8 cents per MMBtu from its Wednesday (November 6) settlement.

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>)

Trade Date (All prices in \$ per MMBtu)	California Composite					NYMEX futures contract-December delivery	NYMEX futures contract-January delivery
	Average Price*	Henry Hub	New York City	Chicago			
10/15/2002	3.87	4.20	4.53	4.25		4.440	4.505
10/16/2002	3.66	4.10	4.39	4.18		4.422	4.492
10/17/2002	3.68	4.09	4.39	4.19		4.507	4.572
10/18/2002	3.72	4.11	4.41	4.25		4.462	4.542
10/21/2002	3.93	4.23	4.59	4.33		4.378	4.460
10/22/2002	4.00	4.20	4.69	4.34		4.315	4.403
10/23/2002	4.04	4.24	4.81	4.38		4.440	4.510
10/24/2002	4.14	4.31	4.85	4.46		4.300	4.385
10/25/2002	3.97	4.11	4.57	4.26		4.188	4.278
10/28/2002	4.06	4.17	4.80	4.34		4.329	4.409
10/29/2002	4.14	4.19	4.95	4.39		4.261	4.346
10/30/2002	4.25	4.33	5.16	4.48		4.389	4.457
10/31/2002	4.33	4.38	4.98	4.41		4.156	4.256
11/1/2002	4.07	4.06	4.52	4.08		4.060	4.165
11/4/2002	3.93	3.94	4.34	3.91		3.863	3.983
11/5/2002	3.88	3.90	4.42	3.92		3.883	3.993
11/6/2002	3.89	3.93	4.44	3.92		3.854	3.971
11/7/2002	3.89	3.91	4.28	3.85		3.831	3.971
11/8/2002	3.70	3.77	4.03	3.72		3.903	4.032
11/11/2002	3.75	3.83	4.14	3.83		3.778	3.910

* 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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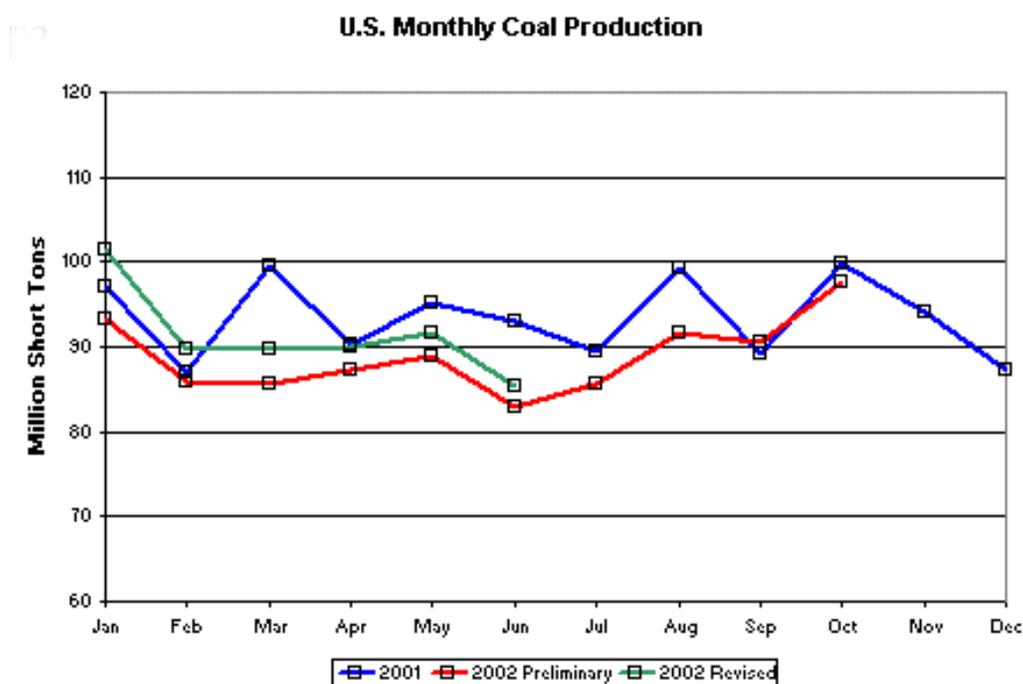
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Latest U.S. Coal Information

(updated November 12, 2002)

Coal Production

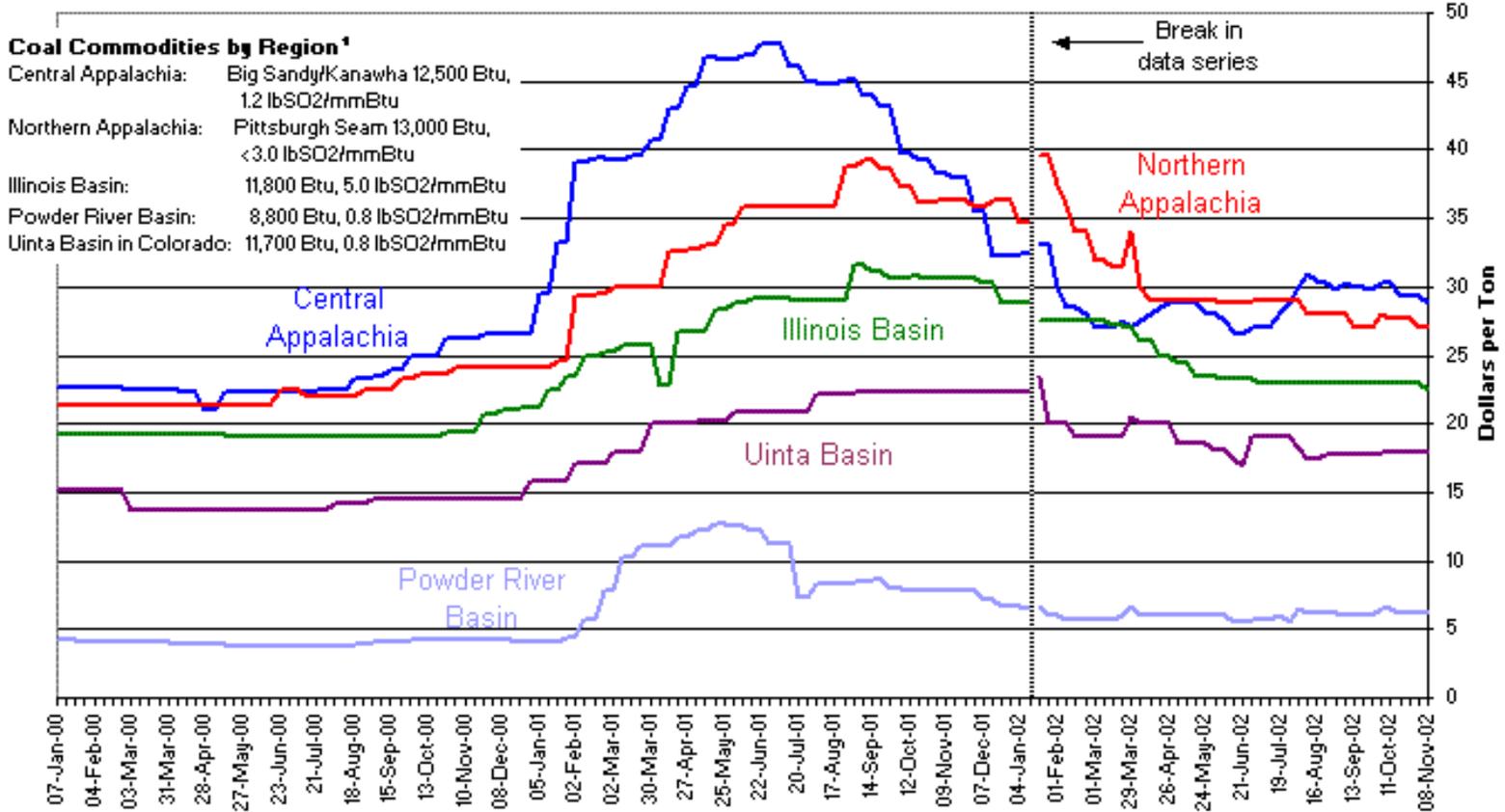
For the week ended November 2, railcar loadings of coal were 10.0% lower while national coal production was 7.0% lower than year-ago levels. Year-to-date, estimated western U.S. coal production is 0.5% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 5.8% below last year's level. The estimated production for the first 10 months of 2002 is 914.5 million short tons (mmst), 2.7% lower than the 939.9 mmst in the first 10 months of 2001. The estimate incorporates Mine Safety and Health Administration coal production survey data through the second quarter 2002.



Coal Prices

The average spot coal prices tracked by EIA, after strengthening slightly for the week ended October 4, have stalled at static levels (graph below). Coal prices show little movement and lack clear direction as markets-both spot and over-the-counter-show low interest and little activity. Compared to peak prices in summer 2001, Central and Northern Appalachian coal prices are down by about \$19.00 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 \$28.75 per short ton for Central Appalachian and \$27.00 per short ton for Northern Appalachian coal are higher by 29% and 27% respectively. Other prices also remain higher than the summer 2000 base: by 30% for the Uinta Basin, 18% for the Illinois Basin, and 67% for the Powder River Basin.

Average Weekly Coal Commodity Spot Prices Week Ended November 8, 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](#) throughout the months of September and October were the lowest since the market initiated trade in coal July 2001. The past week saw negligible activity for the week. The settled price for near-month deliveries continues around \$28 per ton, prices for Central Appalachian coal that major producers consider untenable. NYMEX prices for early 2003 remain below \$29, with offers rising to \$30 starting in October 2003.

Market Trends

At the American Coal Council's 20th annual Coal Market Strategies Conference last month, coal market analysts emphasized the continuing impact of a host of negative factors on coal markets. It was generally agreed that the above normal coal stockpiles at power plants and a number of economically negative issues will keep coal prices and purchases low for the rest of 2002, even if the weather becomes colder than normal. Among the problems depressing the coal industry are some stubborn broader problems such as: the overall economy, failure or bankruptcies among last year's ebullient independent power producers (IPPs) and online energy traders, and post-Enron credit problems for energy producers and for new or innovative coal-based generation.

In addition, the rush by IPPs to build new natural gas-fired units has resulted in a glut of shelved gas-fired generating equipment available at bargain prices. This will make new coal-fired plants—normally larger, more capital-intensive, and requiring more lead time than gas-fired plants to permit and build—less attractive for the next year or more and even harder to finance. Meanwhile, in the wings, preliminary estimates of probable costs of mercury abatement regulations being considered by the Environmental Protection Agency, are projected to be high for coal. Since final standards have

not been promulgated, estimates are speculative, but could add \$2.6 million per year on the low end to \$10.6 million per year on the high end to annualized costs for a 250 megawatt coal-fired power plant. Because of the nature of the mercury and other minerals typically associated with western coal deposits, the higher costs are expected for plants burning western subbituminous coals (presentation by Michael Durham, ADA Environmental Solutions, October 16).

Peabody Energy COO Richard Whiting commented that his company has moved away from the philosophy of producing as much coal as possible at all times to tailoring production to meet demand. That is, they will be return-on-investment-driven rather than cash-flow driven. In the past few years companies like Peabody and Consol used IPOs to get the money needed to pay-down debt, so now they are more focused on profitability. Mr. Whiting also commented that productivity gains will inevitably flatten out. He said that Peabody continues to push mining equipment vendors for better technology, but he is concerned about the lack of capital investment in the industry and the low rates of return.

John Dean of JD Consulting displayed a graph showing productivity at Powder River Basin (PRB) high Btu mines (8800 Btu/lb) peaking in 1998 and declining since. This would reverse the trend, as PRB productivity had been increasing for many years. A representative of Arch coal was pessimistic about the productivity outlook in both the East and West. Key factors are higher stripping ratios in the PRB as mines progress, thinner seams in the East, tighter environmental restrictions in the East, and the introduction of inexperienced new miners in the PRB. The one area he was optimistic about was northern Appalachia, where he believes there is significant opportunity to increase output at the longwall mines by upgrading the conveyor systems that move coal out of the mines.

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. As noted above, 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.

For the time being, coal producers continue to keep some capacity offline to stabilize prices, while coal-consuming power plants plan for continuing slack 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.

Coal Import Prospects

During the 1980s and 1990s, the U.S. coal industry was often its own worst enemy. Hundreds of large and intermediate coal producers kept much more capacity operational than justified by demand. Hundreds more small producers were on the sidelines ready to fulfill spot and short-term contracts at marginal profits. As a result, coal buyers could shop around and generally find a lower price from a cash-strapped coal producer. Over time, this situation helped extend years of declining real-dollar coal prices. Now, according to a new trade report, Energy Publishing's "Coal Americas," another source of downward pressure on coal prices is in place. It may not be obvious from available 2002 coal import statistics, but foreign coal producers are looking to the United States to expand their markets significantly (Coal Americas, October 21).

Coal Americas' message makes sense. The same major factor EIA believes led to several years of declines in U.S. exports - low international coal prices - has not gone unnoticed by U.S. coal buyers. As fewer, larger leaders in the U.S. industry try to impose market discipline by taking less profitable units off line during the current period of low demand,

offshore producers are now vying for a share of the expected market comeback. In 2001, the United States imported nearly 20 mmst of coal, largely from South America - a 58% jump from the 12.5 mmst a year earlier. Imports for January through June 2002 are 7.9 mmst and are on track to reach about 16 mmst, which would still represent growth over the 3-year period.

Energy Publishing lists 18 coal-fired power plants that currently burn at least some imported coal. Nearly every coastal State is represented from Maine to Texas, as well as the Rockport plant in Indiana. The article identifies 46 additional plants situated well to burn imported coal in the future and claims that “the list of U.S. utilities that are eager to explore the possibility of tapping offshore suppliers is continuously growing.” As a prime example, the Southern Company with 35,000 megawatts of coal-fired capacity, has long-term contracts in place with American producer Drummond Coal’s Colombian operations and has tested Australian and Polish coal. In addition, “valley fill” rulings by U.S. District Judge Charles Haden last summer, which have placed new mining permits in West Virginia on hold, could affect mines supplying both metallurgical coal and premium steam coal. An ongoing legal dispute over overweight coal haul trucks, also in West Virginia, is another factor whose outcome could raise operating costs and prices for domestic coal.

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Latest U.S. Electricity Information

(updated November 12, 2002)

Selected Wholesale Electricity Prices: In observance of Veterans Day, Western power markets were closed November 11, so that the latest prices reflect trading on November 8. November 8 prices were up across the region, attributable in part to the increased risk of selling three days in advance, and to a decrease in supplies in certain parts of the region. Diablo Canyon 2, a 1,100-megawatt nuclear plant, went offline as high ocean swells caused by storms threatened to clog the plant's intake valves with kelp, according to Bloomberg's Power Lines. Declining natural gas prices and forecasts for warmer weather is predicted to decrease prices this week.

In the Midwest, electricity prices were mixed over the past few days. On November 8, prices traded into the Cinergy control area, the benchmark for the Midwest, fell to a low of \$18.15 per megawatthour as warmer weather decreased customer demand. However, spot electricity prices increased \$1.35 per megawatthour the next trading day because of an anticipated increase in customer demand brought on by stormy weather and cooler temperatures.

In the Southeast, electricity prices decreased over the past four trading days, reaching a seven-day low of \$24.74 per megawatthour. Within SERC, prices decreased \$6.84 per megawatthour between November 5 and November 11.

In New England, electricity prices fell to a seven day low of \$45.25 per megawatthour as natural gas prices dropped and warmer weather caused a reduction in customer demand. New York City's spot electricity prices remained the same for the past three trading days. PJM West's prices decreased almost 25% between November 1 and November 8 as mild weather and an increase in nuclear generation caused the prices to fall in the region.

Over the past seven days, the average price at all trading centers ranged between \$35.19 and \$41.54 per megawatthour.

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

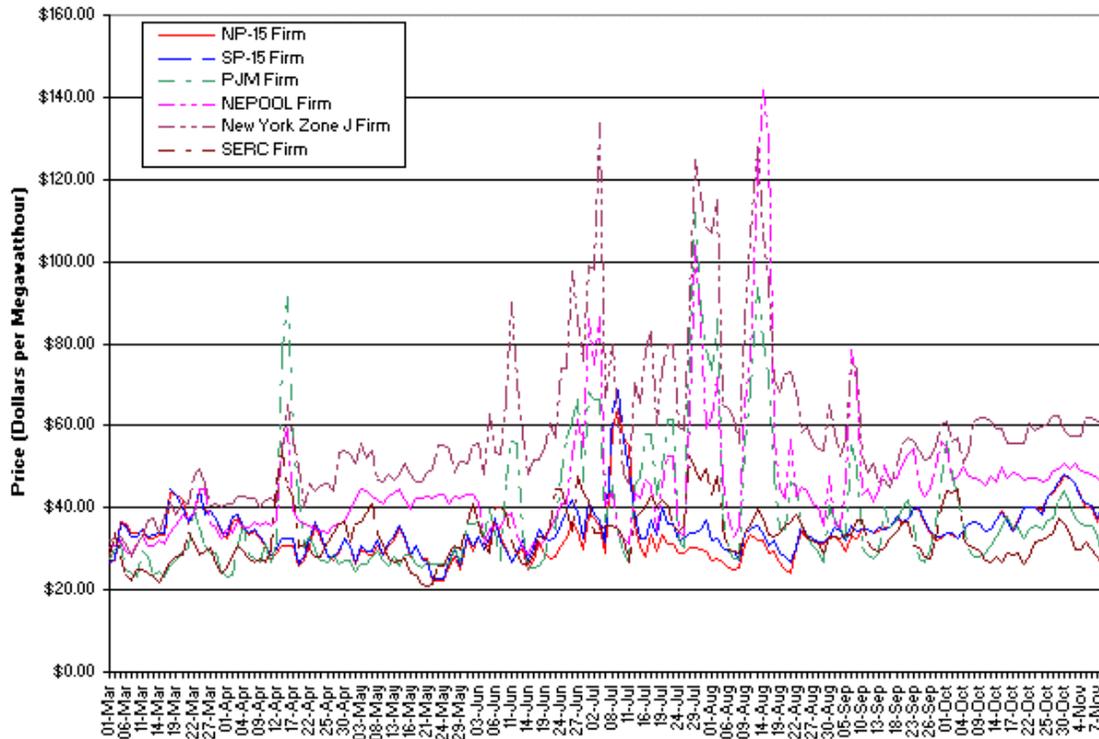
Trading Centers	Date							Price Range		
	11/1/02	11/4/02	11/5/02	11/6/02	11/7/02	11/8/02	11/11/02	Max	Min	Average
COB	42.75	39.15	35.42	34.83	31.44	32.50	32.50	42.75	31.44	35.51
Palo Verde	40.42	37.31	34.86	35.35	32.20	34.13	34.13	40.42	32.20	35.49
Mid-Columbia	40.18	36.21	32.36	31.15	27.81	28.56	28.56	40.18	27.81	32.12
Mead/Marketplace	43.85	40.20	38.08	38.43	34.08	36.55	36.55	43.85	34.08	38.25
4 Corners	40.92	39.83	36.55	37.88	33.75	34.81	34.81	40.92	33.75	36.94
NP 15	45.72	42.60	39.89	40.12	36.33	39.38	39.38	45.72	36.33	40.49
SP 15	45.78	42.53	41.17	40.72	37.33	40.27	40.27	45.78	37.33	41.15
PJM West	37.28	36.09	35.87	35.70	33.22	28.01	28.16	37.28	28.01	33.48
NEPOOL	51.00	49.00	48.50	48.25	47.08	45.75	45.25	51.00	45.25	47.83
New York Zone J	57.50	57.50	62.00	62.00	61.00	61.00	61.00	62.00	57.50	60.29
Cinergy	23.25	23.88	26.55	25.05	19.96	18.15	19.50	26.55	18.15	22.33
SERC	29.78	29.97	31.58	29.99	28.05	26.39	24.74	31.58	24.74	28.64
Average Price	41.54	39.52	38.57	38.29	35.19	35.46	35.40	41.54	35.19	37.71

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 Nepoch.
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.

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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