



ENERGY SITUATION ANALYSIS REPORT



November 15, 2001

Energy Information Administration
U.S. Department of Energy
Washington, DC 20585
(202) 586-8800

Petroleum Natural Gas Coal Electricity

Latest Energy Market Developments

Oil prices fell sharply on November 14, following the decision by the Organization of Petroleum Exporting Countries (OPEC) at its meeting in Vienna, Austria, to cut oil production quotas by 1.5 million barrels per day (6%) as of January 1, 2002, but only "subject to a firm commitment from non-OPEC oil producers to agree to cut their production by...500,000 bbl/d simultaneously." In response to this, plus continued oil demand weakness due to economic difficulties and reduced jet fuel demand since September 11, as well as growing levels of oil inventories, crude oil futures prices on the NYMEX (New York Mercantile Exchange) hit a 27-month low, falling \$1.93 per barrel to \$19.74 per barrel, an 8.9% drop from the day before. This price is nearly 30% lower than the price on September 10 (\$27.66 per barrel). Also yesterday, the OPEC "basket price" fell more than \$1 per barrel, to \$18.09 per barrel, remaining below the cartel's price band for the 38th straight trading day. Late-breaking news indicates that oil prices are down yet another \$2 per barrel so far today (November 15).

The oil price declines of the past several days follow OPEC's month-long attempt to balance its concerns over oil price weakness on the one hand, and world economic weakness and associated low oil demand on the other. In effort to prop up world oil prices without losing market share, OPEC is actively seeking output restraint from major non-OPEC oil exporters such as Mexico, Russia, and Norway. So far, Mexico has agreed to cut production by 100,000 barrels per day, effective January 1. Russia has offered to cut 30,000 barrels per day and maintains that a large production cut is "impossible". Norway now plans to issue a statement next week regarding its production; in the last few weeks, the country has stated repeatedly that it does not plan to cut production in cooperation with OPEC. Meanwhile, the International Energy Agency (IEA) monthly oil market report Monday reported that commercial stocks in OECD countries grew by 1.18 million barrels per day in September, and are now near the top of their 5-year range. The IEA also reported global oil demand down 750,000 barrels per day year-on-year in the third quarter.

U.S. petroleum product (e.g., motor gasoline, jet fuel, heating oil) prices are significantly below levels at the same time last year, while demand for some products is stronger than anticipated. Natural gas prices for the fourth quarter of 2001 are predicted to be low compared to last year's levels, which will benefit end-use customers. Expenditures by residential customers are expected to decline by 32% from last winter, primarily because of a 26% decline in the average wellhead price. The reduced expenditures reflect the combined effect of lower prices and lower weather-related consumption. Meanwhile, mild weather across the United States continues to help stabilize electricity demand and electricity prices. Coal supplies are ample, with production above last year's levels.

Since September 11, security at U.S. nuclear power plants and other critical energy infrastructure has been increased substantially. In another energy security-related development, on Tuesday morning, President Bush ordered that the U.S. Strategic Petroleum Reserve (SPR) be filled to its current physical capacity of 700 million barrels, from about 545 million barrels at present. Oil shipments into the SPR are expected to begin in April 2002 and to be completed by 2005.

World Oil Market Highlights

International Oil Supply and Demand

World oil demand has fallen since September 11, in part due to sharply lower jet fuel demand. Increased jet fuel requirements as a result of military action against targets in [Afghanistan](#) are not expected to offset the decline in commercial jet fuel demand. World oil demand growth of 400,000 barrels per day now is expected in 2001, less than half of early September's growth projections.

To date, no oil supply shortages have materialized in connection with terrorist attacks or ongoing military operations. Decreased world oil demand as a result of reduced economic growth, combined with OPEC overproduction, have resulted in building inventories and sharply lower oil prices in world markets.

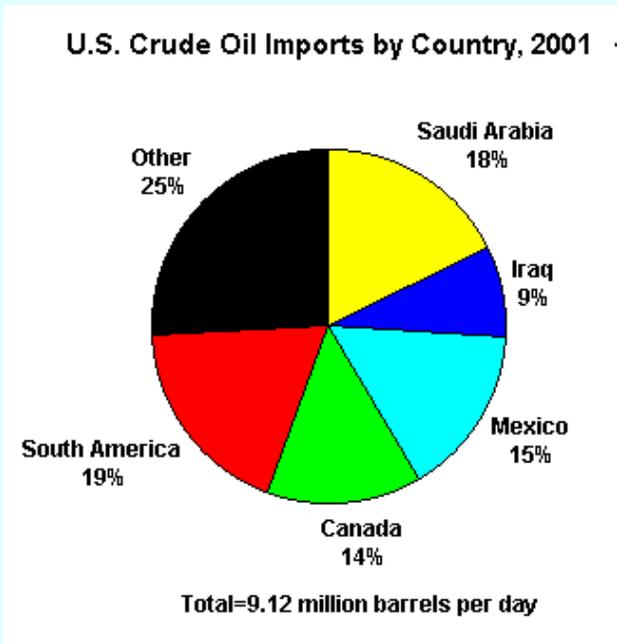
World Excess Oil Production Capacity

The world holds over 5 million barrels per day of excess oil production capacity, about 90% of which lies in OPEC countries. Around two-fifths of

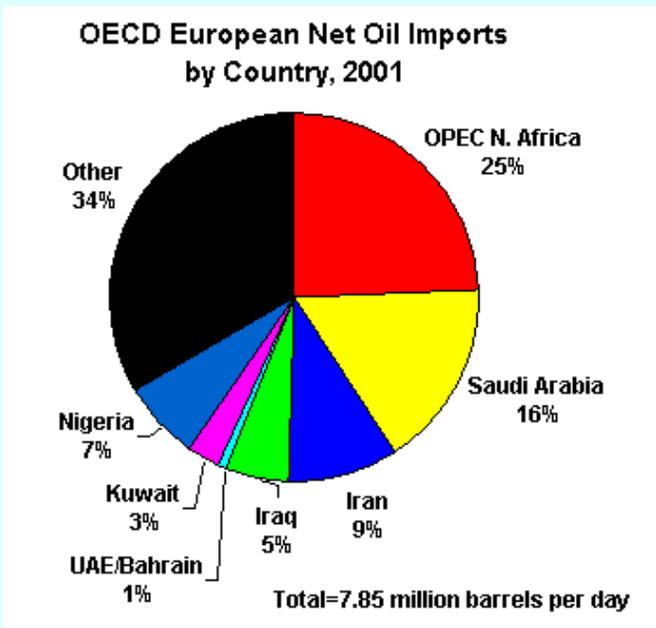
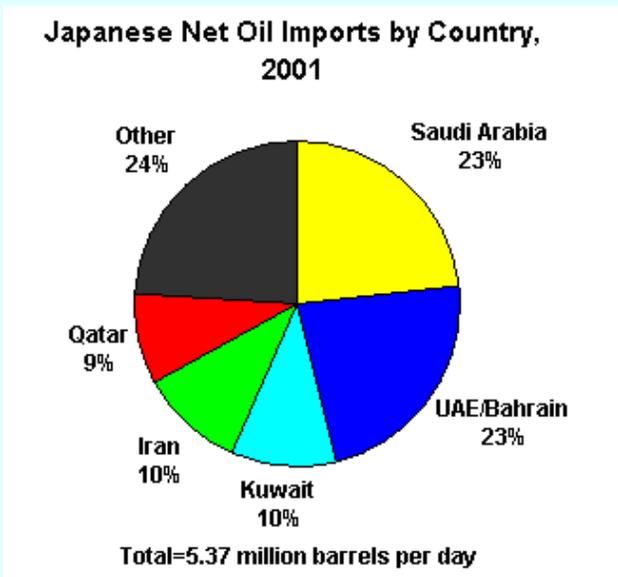
the world total is in [Saudi Arabia](#) alone.

U.S. and other OECD Oil Import Sources

During the first eight months (January-August) of 2001, the United States imported around 9.2 million barrels per day of crude oil. Of this, 47% came from within North and South America (15% from Venezuela, 14% from Canada, 14% from Mexico, 3% from Colombia), while 28% came from the Persian Gulf region (19% from Saudi Arabia, 7% from Iraq, 3% from Kuwait), and the remainder mainly from three other countries -- Nigeria (9%), Norway (3%) and the United Kingdom (2%). All in all, 89% of U.S. crude oil imports during January-August 2001 came from the 10 countries cited above.



In general, OECD Europe depends far more heavily on the Persian Gulf and North Africa for its oil imports than does the United States. During the first six months of 2001, approximately 40% of OECD Europe's net oil imports came from the Persian Gulf (mainly Saudi Arabia, Iran, Iraq, and Kuwait), 35% from Africa (mainly Libya, Algeria, and Nigeria), and much of the remainder from Russia. Japan receives around 80% 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.



Latest U.S. Weekly Petroleum Information

U.S. Oil Markets

The average world crude oil price on November 9, 2001 was \$18.00 per barrel, down \$0.62 from the previous week and \$12.78 per barrel less than last year at the same time. West Texas Intermediate (WTI) fell to \$22.23 per barrel, up \$1.99 from the previous week and \$11.64 per barrel less than last year at the same time. The spot price for conventional gasoline in the New York Harbor was 58.50 cents per gallon, up 6.22 cents from the previous week and 34.08 cents per gallon lower year on year. The spot price for heating oil in the New York Harbor on November 9, 2001 was 61.43 cents per gallon, up 4.43 cents from a week ago and down 40.47 cents per gallon from a year ago.

Falling to the lowest level since July 19, 1999, the national average retail regular gasoline price was 118.2 cents per gallon on November 12, 2001, down 2.4 cents from last week and 34.1 cents lower than a year ago. The national average retail diesel fuel price fell for the eighth consecutive week to 126.9 cents per gallon on November 12, 2001, lower by 2.2 cents from last week and 33.4 cents less than last year.

U.S. crude oil refinery inputs fell sharply last week, although the moving 4-week average was still higher than last year's comparable 4-week average. Crude oil inputs at Midwest (PADD II) refineries last week were at the lowest level since the week ending January 28, 1994. Although U.S. jet fuel refinery production fell by 122,000 barrels per day last week, the most recent 4-week average remained at 91 percent of the 4-week average ending September 7, the week just prior to the September 11 attacks. Motor gasoline refinery production was lower last week compared to the previous week, while distillate fuel production was higher.

Motor gasoline demand remained strong, with the 4-week moving average at 8.7 million barrels per day last week, or 3.7 percent above the same period last year. Jet fuel demand last week remained above 1.6 million barrels per day for the third week in a row, with the most recent 4-week average about 9 percent below the comparable period last year. Distillate fuel oil demand averaged over 3.8 million barrels per day over the most recent 4 weeks, while demand for other oils over the same time span averaged 4.7 percent above last year's level.

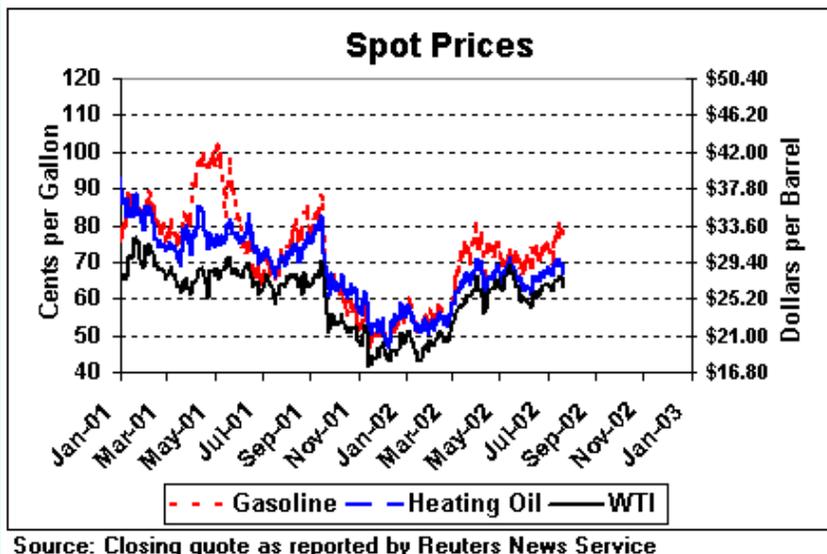
U.S. Oil Imports

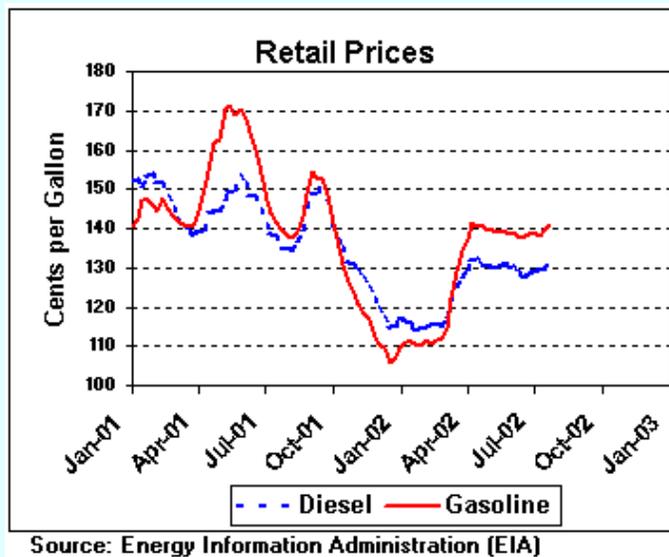
Crude oil imports last week increased, averaging 9.7 million barrels per day, the highest level since the week ending July 13. Crude oil imports into all other regions more than offset a decline into the Gulf Coast (PADD III). The most recent 4-week average increased by over 250,000 barrels per day over the previous 4-week average. Total product imports declined last week to 2.1 million barrels per day, with motor gasoline imports at the second lowest amount since the week ending June 1 (with only the week ending September 14 being lower). Distillate fuel imports also declined last week.

U.S. Oil Inventories

Although crude oil refinery inputs fell last week while imports increased, reported crude oil inventories remained relatively flat, declining by 0.2 million barrels. Motor gasoline inventories decreased by 1.6 million barrels, the third such weekly decline after 5 consecutive weeks of increases. Distillate fuel oil stocks increased by 2.5 million barrels last week, with an increase in high-sulfur distillate fuel inventories (3.4 million barrels) only partially offset by a decline in low-sulfur inventories (0.9 million barrels).

U.S. Petroleum Prices





Crude Oil and Oil Products Price Table

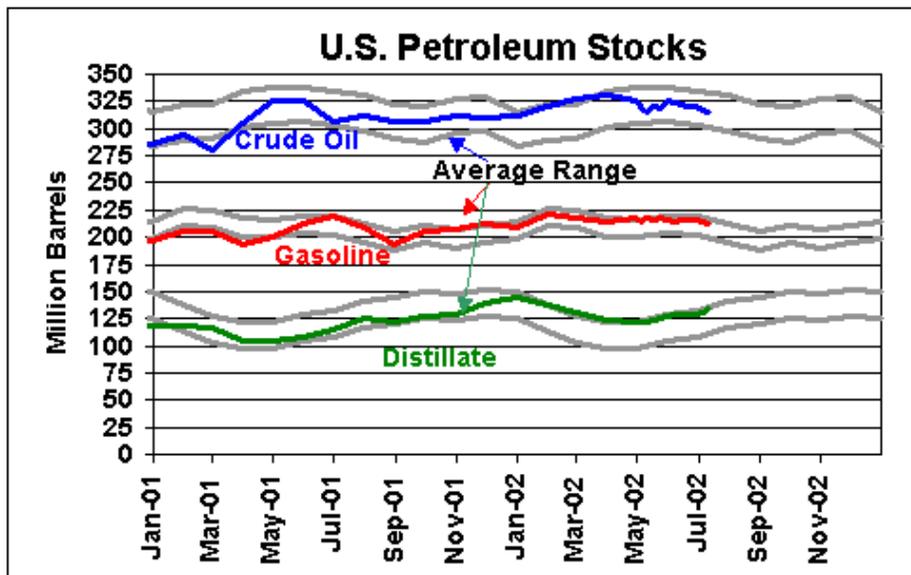
Date	WTI Crude Oil		Gasoline		Heating Oil		Kerojet	Propane		EIA Weekly Retail US Average	
	Spot	Futures	Spot	Futures	Spot	Futures	Spot	Spot	Spot	Gasoline	Diesel
	Cushing	NYH	NYH	NYH	NYH	NYH	NYH	Mt. Belvieu	Conway	Gasoline	Diesel
	\$/bbl	\$/bbl	cents per gallon	cents per gallon	cents per gallon	cents per gallon	¢/gal	cents per gallon	cents per gallon	cents per gallon	cents per gallon
6/4/2002	\$25.32	\$25.33	70.50	75.34	63.25	64.28	66.15	38.01	35.00		
6/5/2002	\$25.02	\$24.89	71.57	75.13	63.03	63.60	65.58	37.26	34.32		
6/6/2002	\$24.89	\$24.79	71.40	75.70	62.70	63.48	65.43	36.94	34.32		
6/7/2002	\$24.72	\$24.75	70.82	75.09	62.65	63.17	65.38	37.07	34.25		
6/10/2002	\$24.24	\$24.29	68.78	73.79	61.65	62.33	64.15	36.38	33.57	137.5	128.6
6/11/2002	\$24.21	\$24.12	68.36	73.29	61.70	61.86	65.07	34.76	33.25		
6/12/2002	\$24.79	\$24.64	69.20	75.10	62.93	63.07	66.33	36.75	33.63		
6/13/2002	\$25.54	\$25.64	72.43	77.85	65.40	66.03	68.80	37.82	35.19		
6/14/2002	\$25.90	\$25.94	73.65	78.70	65.80	66.40	69.63	37.82	35.19		
6/17/2002	\$25.98	\$26.09	73.90	79.10	66.05	66.49	69.77	38.50	36.50	137.8	127.5
6/18/2002	\$25.36	\$25.43	73.15	77.66	65.18	65.49	68.50	37.57	36.50		
6/19/2002	\$25.57	\$25.31	72.05	76.84	65.03	65.24	68.23	37.75	36.13		
6/20/2002	\$25.62	\$25.53	71.60	76.96	65.75	66.03	69.48	37.44	35.63		
6/21/2002	\$25.51	\$25.82	70.30	75.57	64.80	64.89	68.53	37.38	35.94		
6/24/2002	\$26.31	\$26.47	73.50	77.77	66.75	66.64	70.80	37.88	36.00	138.4	128.1
6/25/2002	\$26.06	\$26.32	72.13	77.32	65.68	65.89	69.28	38.25	36.13		
6/26/2002	\$26.67	\$26.76	73.57	78.51	66.33	66.63	70.82	38.00	35.50		
6/27/2002	\$26.77	\$26.86	74.04	79.37	67.00	67.29	70.38	37.88	35.63		
6/28/2002	\$26.79	\$26.86	73.82	79.38	67.50	67.96	70.88	37.63	35.50		
7/1/2002	\$26.79	\$26.81	74.82	79.19	67.60	68.02	70.93	37.38	35.76	139.2	128.9
7/2/2002	\$26.83	\$26.77	74.07	78.98	67.98	68.71	71.28	37.13	35.75		
7/3/2002	\$26.82	\$26.80	73.63	78.60	68.38	68.77	71.82	37.01	35.19		
7/4/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA		
7/5/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA		
7/8/2002	\$26.14	\$26.07	69.60	76.14	66.15	66.80	69.65	36.19	34.38	138.2	129.4
7/9/2002	\$26.16	\$26.09	71.63	76.96	66.40	67.05	69.50	36.25	34.44		
7/10/2002	\$26.73	\$26.77	74.30	78.99	67.70	68.67	70.70	36.94	34.88		
7/11/2002	\$27.01	\$26.83	75.53	79.83	68.90	69.01	71.85	36.50	34.63		
7/12/2002	\$27.48	\$27.48	78.20	82.44	69.72	70.54	72.92	37.19	35.07		
7/15/2002	\$27.23	\$27.07	76.68	80.85	69.20	69.55	72.25	37.07	34.88	139.4	130.0
7/16/2002	\$27.68	\$27.75	79.95	84.53	69.99	71.09	73.04	37.19	34.88		
7/17/2002	\$27.88	\$27.88	80.43	84.84	70.08	70.98	73.13	36.75	34.88		
7/18/2002	\$27.50	\$27.57	78.25	83.35	69.43	70.18	72.81	37.44	34.88		
7/19/2002	\$27.83	\$27.83	78.85	83.86	69.45	70.14	73.10	37.13	35.25		
7/22/2002	\$26.61	\$26.60	76.13	81.14	66.60	67.11	70.38	37.13	35.13	141.0	131.1

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

Energy Situation Analysis Report

U.S. Petroleum Supply

(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
	7/12/2002	7/12/2001	Diff.	% Diff.
Refinery Activity				
Crude Oil Input	15,470	15,540	-70	-0.5%
Operable Capacity	16,800	16,641	159	1.0%
Operable Capacity Utilization (%)	93.3%	94.9%	-1.6%	
Production				
Motor Gasoline	8,520	8,576	-56	-0.6%
Jet Fuel	1,528	1,635	-107	-6.6%
Distillate Fuel Oil	3,713	3,755	-42	-1.1%
Imports				
Crude Oil (incl. SPR)	9,050	9,281	-231	-2.5%
Motor Gasoline	862	796	66	8.3%
Jet Fuel	93	148	-55	-37.3%
Distillate Fuel Oil	227	265	-38	-14.5%
Total	11,323	11,743	-420	-3.6%
Exports				
Crude Oil	30	13	17	123.4%
Products	940	924	16	1.7%
Total	970	938	32	3.4%
Products Supplied				
Motor Gasoline	8,978	8,821	157	1.8%
Jet Fuel	1,626	1,756	-130	-7.4%
Distillate Fuel Oil	3,642	3,624	18	0.5%
Total	19,686	19,702	-16	-0.1%
Stocks (Million Barrels)				
	7/12/2002	7/12/2001	vs. Year Ago	
			Diff.	% Diff.
Crude Oil (excl. SPR)	315.0	309.9	5.1	1.6%
Motor Gasoline	213.2	216.4	-3.2	-1.5%
Jet Fuel	40.3	42.8	-2.5	-5.8%
Distillate Fuel Oil	133.5	117.9	15.6	13.2%
Total (excl. SPR)	1,032.6	1,021.5	11.1	1.1%



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

Latest U.S. Weekly Natural Gas Information

Industry/Market Developments

EIA issued its release of the reference case to the Annual Energy Outlook (AEO) for 2002 on Wednesday, November 14. The report projects natural gas consumption to increase by a little under 1 percent per year through 2020. The AEO also projects that the use of natural gas in electricity generation will grow approximately 4.5 percent per year through 2020, far outstripping the other major fuels' growth. The complete report will be available on December 21, 2001.

Natural Gas Storage

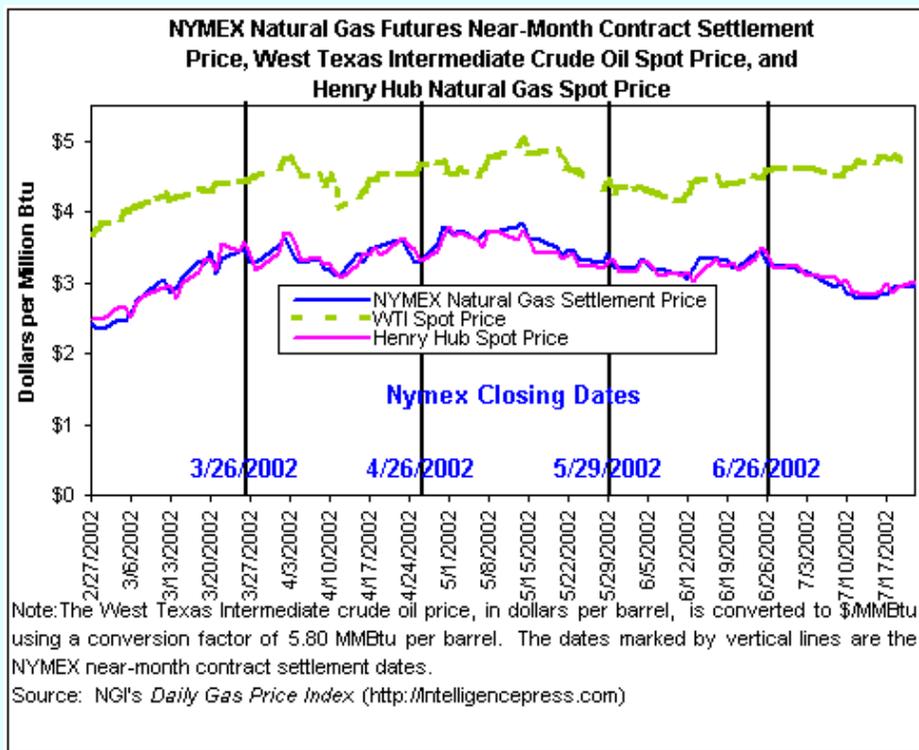
Net injections of natural gas into working gas storage were 7 billion cubic feet (Bcf) during the week ended Friday, November 9, according to the most recent American Gas Association (AGA) estimates. This marks the fifth time in the past 8 years in which storage operators posted positive net injections of natural gas during the report week. At 3,111 Bcf, the level of total working gas in storage was the second highest reported since 1994 and only 20 Bcf less than the level of gas in storage for the same week in 1998.

All Volumes in Bcf	Current Stocks 7/12/2002	Estimated Prior 5-year (1997-2001) Average	Percent Difference from 5-Year Average	Implied Net Change from Last Week	One- Week Prior Stocks 7/5/2002
East Region	1,296	1,169	10.9%	53	1,243
West Region	338	284	19.0%	9	329
Producing Region	788	603	30.7%	7	781
Total Lower 48	2,422	2,056	17.8%	69	2,353

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

Prices

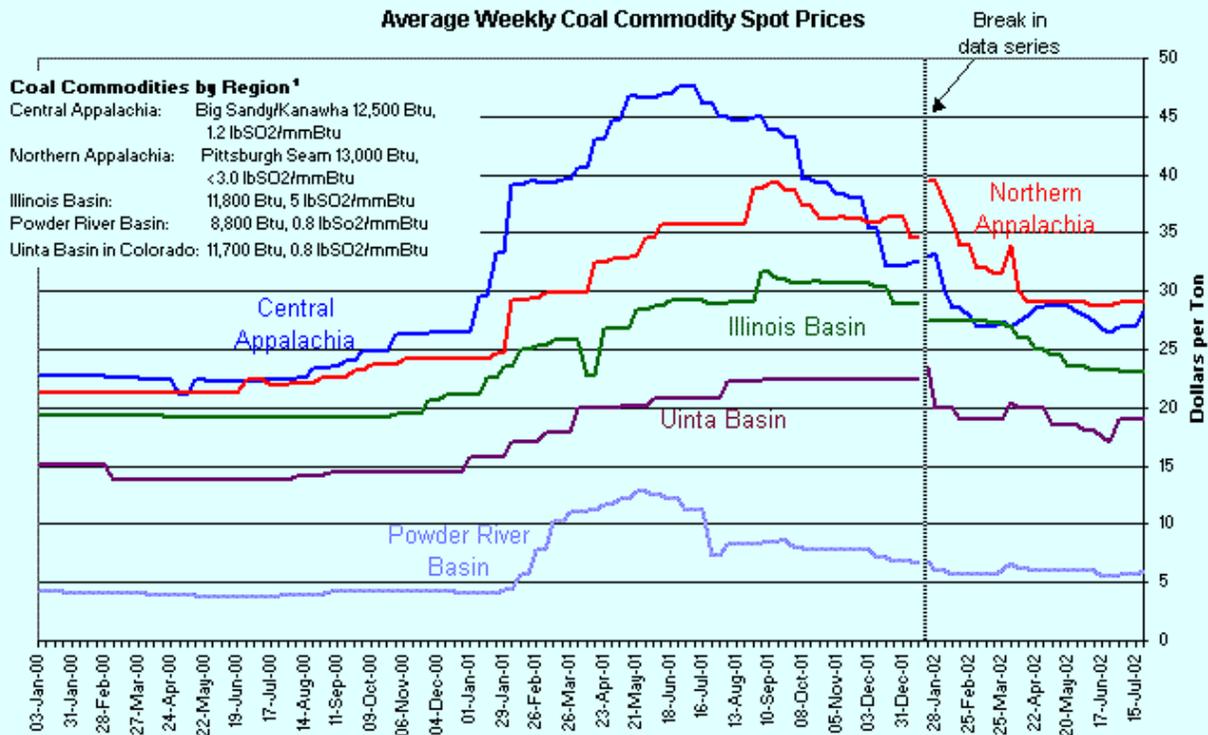
At the NYMEX, prices of the contracts for delivery at the Henry Hub in December and January declined through mid-week. Warmer than normal temperatures, which have kept demand moderate, and another positive net injection report that implies sufficient supplies have contributed to this decline.



Beginning November 14, 2001, the spot price information from Gas Daily presented previously in this report will no longer appear. EIA is investigating the availability of alternate sources for spot price information to be used in its reports.

Latest U.S. Coal Information

For the week ending November 3, EIA estimates U.S. coal production at 22.7 million short tons, about 4% higher than in the previous week. Coal production in October 2001 totaled 98.8 million short tons, about 6% higher than in October 2000. Production for all of 2001 is running about 4.9% above last year's production. Despite availability problems this year for Appalachian coal, and significant increases in short-term prices, for the weeks of November to date, EIA's average of reported spot market coal prices in Appalachia receded to \$37.61 per short ton (f.o.b. rail or barge). This is down more than 13% from EIA's average of reported Appalachian spot prices in June 2001, of \$43.47 per short ton. At the same time, average reported Western spot coal prices declined to \$12.67 in October (Western average November prices not yet available), down 21% from the June 2001 average of \$15.98 per short ton. NYMEX look-alike central Appalachian coal trading and over-the counter Powder River Basin coal traded at an increasing pace during the week ended November 9. Bid prices softened to around \$30 to \$31 per short ton while trade volumes increased, reflecting a combination of a mild winter so far, healthy coal stocks at power plants, and a new level of interplay of coal prices with (declining) oil and natural gas prices.



¹ Prior to January 14, 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"

In the long term, EIA expects domestic coal supplies to be more than adequate for projected consumption. Most coal is still sold under multi-year contracts, and average prices for all coal supply contracts, incorporating spot and long-term, are projected to stabilize at well below current spot prices. EIA's projections of average coal prices decline slightly in inflation-adjusted dollars because nominal prices rise more slowly than the rate of inflation between 2001 and 2020. Customers choose coal because of its abundance and dependable availability, its relatively high Btu content, its [low prices relative to other fossil fuels](#), and, compared with natural gas, much less price volatility.

Latest U.S. Electricity Information

Wholesale electricity prices have fluctuated somewhat over the past week. For example, prices averaged \$30.46 per megawatthour on November 12 and \$24.40 per megawatthour on November 14, 2001. The average price for the past seven days was \$28.09 per megawatthour. Mild weather across the United States continues to help stabilize electricity demand and electricity prices.

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

Trading Centers	Date							Price Range		
	7/12/02	7/15/02	7/16/02	7/17/02	7/18/02	7/19/02	7/22/02	Max	Min	Average
COB	22.83	15.33	13.63	26.75	17.75	22.50	21.70	26.75	13.63	20.07
Palo Verde	46.95	37.14	35.81	39.55	34.99	43.57	37.72	46.95	34.99	39.39
Mid-Columbia	8.93	5.90	5.31	5.25	5.94	14.49	17.75	17.75	5.25	9.08
Mead/Marketplace	53.40	42.05	39.46	45.46	41.32	48.86	40.50	53.40	39.46	44.44
4 Corners	46.50	37.14	37.25	42.63	37.47	43.00	40.42	46.50	37.14	40.63
NP 15	36.00	30.25	28.13	33.42	29.43	33.23	31.35	36.00	28.13	31.69
SP 15	38.87	32.52	32.42	36.97	33.31	40.21	36.00	40.21	32.42	35.76
PJM West	45.60	47.23	57.72	57.79	43.25	49.60	61.33	61.33	43.25	51.79
NEPOOL	43.65	42.25	46.64	45.50	34.45	45.67	52.60	52.60	34.45	44.39
New York Zone J	70.50	65.33	78.50	82.70	60.00	73.38	80.00	82.70	60.00	72.92
Cinergy	35.40	38.18	40.25	34.41	30.38	41.89	38.48	41.89	30.38	37.00
Average Price	40.78	35.76	37.74	40.95	33.48	41.49	41.62	41.62	33.48	38.83

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

Notes:

n.q. - No quotes available for the day.

- COB:** Average price of electricity traded at the California-Oregon and Nevada-Oregon Borders.
- Palo Verde:** Average price of electricity traded at Palo Verde and the West Wing, Arizona.
- Mid-Columbia:** Average price of electricity traded at Mid-Columbia.
- Mead/Market Place:** Average price of electricity traded at Mead Market Place, McCullough and Eldorado.
- Four Corners:** Average price of electricity traded at Four Corners, Shiprock, and San Juan, New Mexico.
- NP-15:** Average price of electricity traded at NP-15.
- SP-15:** Average price of electricity traded at SP-15.
- PJM-West:** Average price of electricity traded at PJM Western hub.
- NEPOOL** Average price of electricity traded at Nepool.
- New York Zone J:** Average price of electricity traded at the New York Zone J - New York City.
- Cinergy:** Average price of electricity traded into the Cinergy control area.

Special Topic -- Strategic Petroleum Reserve

The [U.S. Strategic Petroleum Reserve](#) (SPR) contains 544.7 million barrels of oil, equal to 51 days of oil imports. The SPR has a maximum drawdown capability of 4.18 million barrels per day for 90 days, with oil beginning to arrive in the marketplace 15 days after a presidential decision to initiate a drawdown.

