

# Energy Situation Analysis Report

**Last Updated: January 9, 2003**

**Next Update: January 14, 2003**

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## Latest Oil Market Developments

West Texas Intermediate (WTI) near-month futures prices on the New York Mercantile Exchange (NYMEX) fell on Wednesday, January 8, to \$30.56 per barrel, as the Energy Information Administration (EIA) reported an unexpected build in U.S. oil inventories while OPEC appeared ready to hike production. Prices, however, were up \$1.43 per barrel today (to \$31.99 per barrel), as U.N. chief weapons inspectors Hans Blix and Mohammed El Baredei addressed the U.N. Security Council this morning regarding progress by inspectors. Meanwhile, the general strike in [Venezuela](#) is now on its 39th day with no end in sight. [more...](#)

## Latest U.S. Weekly EIA Petroleum Information

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) increased by 0.4 million barrels last week, but are 33.8 million barrels below the level last year at this time. Distillate fuel inventories increased by 2.9 million barrels, with most of the increase in low-sulfur distillate fuel (diesel fuel), while high-sulfur distillate fuel (heating oil) increased by 0.9 million barrels. However, distillate fuel inventories remain in the lower portion of the normal range for this time of year. Meanwhile, motor gasoline inventories increased by 4.8 million barrels last week, as gasoline demand typically reaches its lowest point of the year during January. [more...](#)

## World Oil Market Highlights

According to first quarter 2003 estimates, the world (excluding Iraq and Venezuela) holds between 4 and 4.5 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. [more...](#)

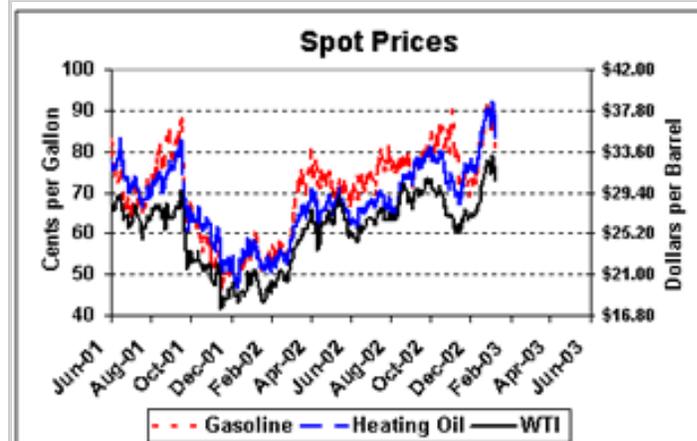
## Latest U.S. Weekly Natural Gas Information

A surge in spot prices on Wednesday (January 8)

## Energy Prices\*

Petroleum Futures (near month)	1/8/03	1/7/03	Change
<b>WTI (\$/Bbl)</b>	<b>30.56</b>	<b>31.08</b>	<b>-0.52</b>
<b>Gasoline (c/gallon)</b>	<b>83.51</b>	<b>84.18</b>	<b>-0.67</b>
<b>Heating Oil (c/gallon)</b>	<b>83.21</b>	<b>84.88</b>	<b>-1.67</b>
Natural Gas (\$/MMBtu)			
<b>Henry Hub</b>	<b>5.07</b>	<b>4.89</b>	<b>+0.18</b>
<b>California</b>	<b>4.67</b>	<b>4.41</b>	<b>+0.26</b>
<b>New York City</b>	<b>6.26</b>	<b>6.1</b>	<b>+0.15</b>
Electricity (\$/Megawatthour)			
<b>COB</b>	<b>41.25</b>	<b>41.25</b>	<b>0.00</b>
<b>PJM West</b>	<b>37.92</b>	<b>45.39</b>	<b>-7.47</b>
<b>NEPOOL</b>	<b>53.00</b>	<b>55.00</b>	<b>-2.00</b>
<b>Average</b>	<b>43.26</b>	<b>42.86</b>	<b>+0.40</b>

[\\*Definitions](#)



Source: Closing quote as reported by Reuters News Service

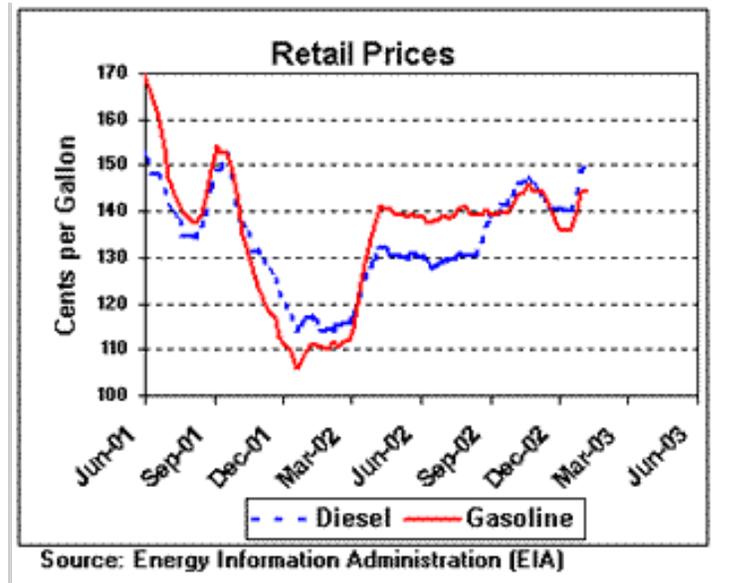
overshadowed smaller declines of the previous day, leaving spot prices higher than Monday's levels at most market locations. Yesterday's increases occurred at all major market locations, and ranged from 11 to 49 cents per MMBtu. The average spot price at the Henry Hub gained 18 cents per MMBtu to \$5.07 per MMBtu. NYMEX futures contract prices had two consecutive days of gains, as the massing of Arctic air in Northeastern Canada appeared to increase the likelihood of a significant cold snap for the nation east of the Rockies. [more...](#)

### Latest U.S. Coal Information

Average spot prices for coal gained slightly in the two weeks between December 20, 2002, and the week ended January 3, 2003 (no new data were published for the Christmas holiday week). The Central Appalachian coal price gained \$0.85 per short ton, the Northern Appalachian indexed price inched up by ten cents and the Illinois Basin price gained \$0.50. [more...](#)

### Latest U.S. Electricity Information

In the Northeast, warmer weather reduced customer demand and led to lower electricity prices over the past few days with the exception of New York City. PJM West's prices decreased to \$37.92 per megawatthour on January 8, down from \$48.91 per megawatthour on January 6. In the Midwest, lower customer demand, caused by milder weather, decreased electricity prices over the past two trading days. Additional generating capacity also pushed down prices in the region. [more...](#)



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## Special Topic -- Basic Facts on Venezuela

(updated December 17, 2002)

Venezuela, OPEC's only member located in the Western Hemisphere, produced about 2.9 million barrels per day of oil (total liquids) on average during the first nine months of 2002, representing almost 4% of total world oil production. By November, Venezuelan crude oil production was an estimated 400,000 barrels per day above its quota level of 2.5 million barrels per day.

Venezuela has also been one of the 5 largest oil exporters in the world, with net exports averaging 2.4 million barrels per day through the first 3 quarters of 2002. Venezuela's has ranked consistently as the last several years as one of the four top sources of U.S. oil imports (along with Canada, Mexico, and Saudi Arabia). Venezuelan exports to the U.S. peaked in 1997 at about 1.8 million barrels per day. In 1997, Venezuelan imports accounted for over 17% of total U.S. imports, compared to 12% during the first nine months of 2002.

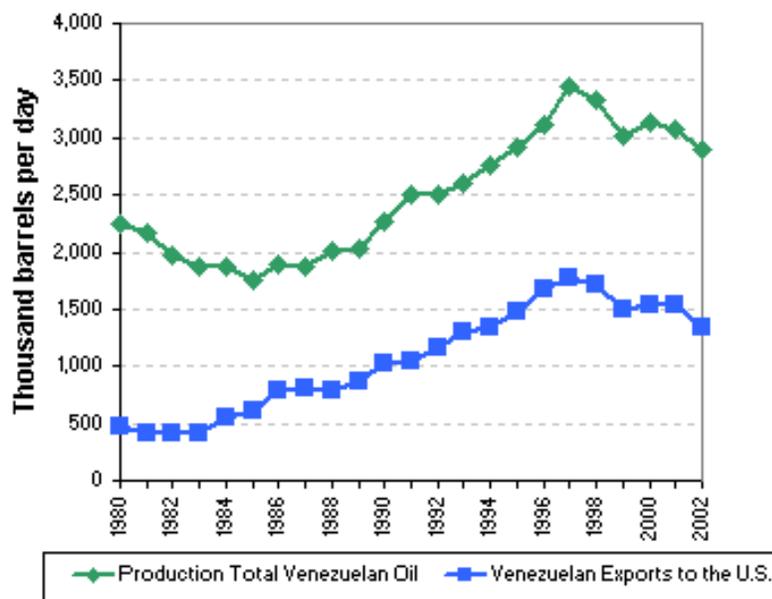
During the first nine months of 2002, oil from Venezuela supplied approximately 14% of U.S. net oil imports and ranked as the fourth largest source of U.S. oil imports (behind Canada, Saudi Arabia, and Mexico). The United States imported 1.5 million barrels per day of oil from Venezuela during this period. In addition to oil imported directly from Venezuela, the United States also imports oil products (i.e., motor gasoline, heating oil) refined in the Caribbean. The United States imports around 300,000 barrels per day of refined products from the Caribbean, of which roughly 200,000 barrels per day is refined from Venezuelan crude oil. Including this (see table), Venezuela supplies about 15% of U.S. net oil imports, about 15% of net gasoline imports, about 66% of net distillate imports, and about 276% of residual net fuel imports (total net residual fuel imports are small due to relatively high export volumes resulting in a large percentage).

Much of Venezuela's exports to the United States are destined for refineries operated by Citgo, a subsidiary of PdVSA, the Venezuelan national oil company. Over two-thirds of Venezuelan oil exports to the United States arrive at U.S. Gulf Coast facilities.

The U.S. East Coast region (Petroleum Administration for Defense District I, or PADD I) imported 238,000 barrels per day of oil from Venezuela. This represented approximately 8.5% of total PADD I net oil imports over that period. During the same nine months, U.S. PADD III (the Gulf Coast region) imported 1.1 million barrels per day of oil from Venezuela, making up approximately 19% of total PADD III net oil imports.

The U.S. Gulf Coast is particularly reliant on Venezuelan crude oil. During the first nine months of 2002, crude oil imports from Venezuela accounted for 21% of the Gulf Coast region's total crude oil imports. This compares to only 7% dependence

**Venezuelan Oil Production and Exports, 1980-2002\***



\*Production and export data for 2002 are through September 2002. Production data includes both crude oil and other liquids. Export data include both crude oil and refined products.

on Venezuelan crude oil for the East Coast region. The reason for this difference is mainly that the Gulf Coast is a major crude oil refining center, while the East Coast is more of a consuming region.

For refined products, the East Coast receives 57% of its asphalt and road oil, 21% of its jet fuel, and 15% of its distillate imports from Venezuela. Apart from crude oil, the Gulf Coast relies on Venezuelan imports most heavily for naphtha and petrochemical feedstock (17%), unfinished oils (12%), and gasoline blending components (8%).

<b>**Total U.S. Dependency on Venezuelan Crude Oil</b>	<b>2001</b>			<b>2002 (Jan-Sep)</b>		
	<b>Imports</b>	<b>% of Net Imports</b>	<b>% of Product Supplied</b>	<b>Imports</b>	<b>% of Net Imports</b>	<b>% of Product Supplied</b>
Crude Oil *	1291	13.9%	8.5%	1201	13.4%	8.0%
Gasoline (incl. Blending components)	139	22.8%	1.6%	105	15.2%	1.2%
Distillate Fuel	100	44.5%	2.6%	72	66.2%	1.9%
Residual Fuel	80	76.9%	9.8%	43	275.6%	6.8%
Other Products	<u>158</u>			<u>167</u>		
<b>Total Oil</b>	<b>1768</b>	<b>16.2%</b>	<b>9.0%</b>	<b>1588</b>	<b>15.4%</b>	<b>8.1%</b>
<b>* Crude oil product supplied is defined as crude oil refinery inputs.</b>						
<b>** Calculated using 100% of Venezuela imports, 50% of Virgin Island imports and 100% of Netherlands Antilles imports based on estimates on the share of Venezuelan crude oil used in these countries.</b>						

File last modified: December 17, 2002

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## Latest Oil Market Developments

(updated January 9, 2003)

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Meanwhile, the general strike in [Venezuela](#), which has brought oil production in that country to a near halt, is now on its 39th day with no end in sight. OPEC has called an emergency meeting for Sunday, January 12, to discuss increasing production by as much as 2 million barrels per day to offset losses to the world oil market from the disruption of exports from Venezuela. OPEC President Abdullah al-Attiyah stated today that OPEC members were discussing how much oil was required to compensate for Venezuela. Saudi Arabia reportedly favors a relatively large increase (possibly in the 2 million-barrel-per-day range), while many other OPEC members appear to favor a smaller increase, closer to 1 million barrels per day. Wednesday marked the sixteenth consecutive day that the OPEC basket price was above the end of the \$22.00-\$28.00 "price band," which is supposed to trigger a 500,000-barrel-per-day increase in OPEC output after 20 days above the band's upper end.

In addition to Venezuela, oil prices have been pushed higher in recent weeks by continued fears that a war with Iraq could affect Middle Eastern oil supplies as well. Military forces have continued to deploy from the United States to bases in the Persian Gulf region. Oil markets fear that if a war with Iraq were to occur while the stoppage in Venezuelan oil exports continued, this could push the world's spare oil output capacity (around 4.0-4.5 million barrels per day, not including Iraq or Venezuela) to its limit. More than 85% of the world's spare oil production capacity lies in the Persian Gulf region, particularly Saudi Arabia (2-2.5 million barrels per day), the UAE (around 550,000 barrels per day), Iran (400,000 barrels per day), and Kuwait (250,000 barrels per day). Outside of the Persian Gulf, the largest source of excess production capacity lies in Nigeria (200,000 barrels per day) and Algeria (150,000 barrels per day). It should be noted that numerous analysts question whether or not several of these countries can actually achieve the full capacity production levels assumed by EIA.

Other issues related to **world oil markets** include:

- Striking oil workers at Venezuela's state oil company (PdVSA) dismissed as unrealistic a plan by the Venezuelan government, announced Tuesday, to reorganize and split up the company. The reorganization would split the company geographically into eastern and western halves, and reduce central management functions in Caracas. Meanwhile, Venezuela's 130,000-barrel-per-day El Palito refinery reportedly was damaged Tuesday during restart operations by replacement workers.
- EIA reported Wednesday that U.S. inventories of crude oil, distillates (including heating oil), and gasoline were up unexpectedly last week. However, the American Petroleum Institute (API) reported a crude stock draw of 2 million barrels, and EIA's stock numbers were still far below year-ago levels.
- OPEC President Abdullah al-Attayah said today that any increase in OPEC production quotas would be effective no earlier than February 1, and also that any hike should be reversed once Venezuelan exports have resumed.
- Russian Energy Minister Igor Yusufov said Monday that Russia would support increases in production to ensure market stability. A spokesman for Norway's Ministry of Petroleum said on Tuesday that the country was producing at its maximum capacity of 3.1 million barrels per day and could not increase production to help compensate for the disruption of Venezuelan exports.
- Press reports Tuesday indicated that Saudi Arabia had chartered seven tankers (two ultra large crude carriers -- ULCCs -- and five very large crude carriers - -VLCCs) for deliveries to the United States by early March. These tankers would be capable of carrying a combined total of approximately 17 million barrels of crude oil.
- As of January 8, 2003, the [U.S. Strategic Petroleum Reserve \(SPR\)](#) contained 599.1 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 updated January 9 , 2003)

### Petroleum Inventories

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) increased by 0.4 million barrels last week, but are 33.8 million barrels below the level last year at this time. Distillate fuel inventories increased by 2.9 million barrels, with most of the increase in low-sulfur distillate fuel (diesel fuel), while high-sulfur distillate fuel (heating oil) increased by 0.9 million barrels. However, distillate fuel inventories remain in the lower portion of the normal range for this time of year. Meanwhile, motor gasoline inventories increased by 4.8 million barrels last week, as gasoline demand typically reaches its lowest point of the year during January.

U.S. inventories of propane fell by nearly 1.6 million barrels last week to end the week of January 3, 2003 at an estimated 50.7 million barrels. Although the end of December marks the mid-point of the winter heating season, the second half historically accounts for the largest draw on inventories, particularly during the cold months of January and February. With colder than normal temperatures in October and November, and near normal temperatures in December, propane inventories declined by more than 20 million barrels, a level that was about 55 percent greater than the 5-year average, although U.S. inventories still remain well within the average range for this time of year. Looking ahead, if U.S. inventories of propane follow the previous 5-year trend with a 21 million barrel draw during the second half of the heating season, inventories would fall to about 29 million barrels by the end of March 2003, a level that would continue well within the average range for this time of year. Regional inventories were lower in the East Coast and Gulf Coast regions last week with respective declines of 0.2 million barrels and 1.8 million barrels, while the Midwest region reported a 0.5 million-barrel stock build during this same time, the first such build since the end of September. Regional inventories continued within the average range for all major areas last week.

### Petroleum Imports

U.S. crude oil imports (including imports going into the Strategic Petroleum Reserve) averaged 8.3 million barrels per day last week, nearly a 700,000-barrel-per-day increase from the very low amount imported in the previous week. Crude oil imports have averaged 8.6 million barrels per day over the last four weeks, or about 200,000 barrels per day less than averaged during the same four-week period last year. Although the sources of weekly crude oil imports are very preliminary and thus not published, it appears that some crude oil from Venezuela was imported into the United States last week, although much less than we would typically expect. Total motor gasoline imports (including both finished gasoline and gasoline blending components) averaged more than 700,000 thousand barrels per day last week, while distillate fuel imports averaged 400,000 barrels per day last week.

Monthly data on the sources of U.S. crude oil imports in October 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. crude oil imports in October 2002 were Saudi Arabia (1.633 million barrels per day), Canada (1.570 million barrels per day), Mexico (1.527 million barrels per day), and Venezuela (1.453 million barrels per day). The imports from Saudi Arabia were the most from any single country since Saudi Arabia crude oil imports averaged 1.826 million barrels per day in August 2001, and the amount of imports from Canada were the most ever from that country. Rounding out the top ten sources, in order, were Nigeria (0.549 million barrels per day), United Kingdom (0.486 million barrels per day), Norway (0.308 million barrels per day), Angola (0.246 million barrels per day), Colombia (0.232 million barrels per day), and Iraq (0.215 million barrels per day). Of the 9.495 million barrels per day of crude oil imported into the United States during the month of October 2002, the top four countries accounted for 65% of these imports, while the top ten sources accounted for nearly 87% of all U.S. crude oil imports. Russian crude oil imports averaged 0.209 million barrels per day, ranking 11th for the month, which is the 2nd largest amount since June 1994 (only exceeded by the 0.220 million barrels per day 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 January 3, a decrease of about 100,000 barrels per day from the previous week. Specifically, decreases were seen in PADD I (East Coast), PADD III (Gulf Coast), and PADD V (West Coast). With less crude oil being run through refineries, motor gasoline, jet fuel, and distillate fuel refinery production all decreased. However, refinery production for distillate fuel particularly, still remains relatively high for this time of year.

### Petroleum Demand

Total product supplied over the last four-week period averaged 20.1 million barrels per day, or about 5.7 percent more than the same period last year. Over the last four weeks, motor gasoline demand is up 3.2 percent, kerosene-jet fuel demand is up 10.5 percent, and distillate fuel demand is up 10.7 percent compared to the same four-week period last year.

### Spot Prices (updated January 7)

The average world crude oil price on January 3, 2003 was \$29.03 per barrel, up \$0.08 per barrel from the previous week and \$9.89 per barrel more than last year. The spot price for conventional gasoline in the New York Harbor was 89.78 cents per gallon on Friday, January 3, down 1.00 cent per gallon from last week and 29.68 cents per gallon higher than a year ago. The spot price for No. 2 heating oil in the New York Harbor was 90.80 cents per gallon, 0.62 cent per gallon higher than last week and 32.55 cents per gallon more than last year.

**Retail Gasoline and Diesel Fuel Prices Continue to Increase** (updated January 7)

The U.S. average retail price for regular gasoline rose for the fourth week in a row last week, increasing by 0.3 cent per gallon as of January 6 to end at 144.4 cents per gallon. This price is 33.2 cents per gallon higher than last year. Prices throughout most of the country were up, with the largest increase occurring on the West Coast, where prices rose 3.0 cents to end at 150.0 cents per gallon. The Midwest was the only region that saw a price decrease, with prices falling by 3.1 cents to end at 141.9 cents per gallon. Retail diesel fuel prices increased last week, rising to a national average of 150.1 cents per gallon as of January 6. Retail diesel prices were up throughout the country, with the largest price increase occurring on the Gulf Coast, where prices rose by 2.5 cents per gallon to end at 147.3 cents per gallon. If supply pressure from the crude oil market continues in the coming months, it is likely that prices for both gasoline and distillate fuels will continue to rise.

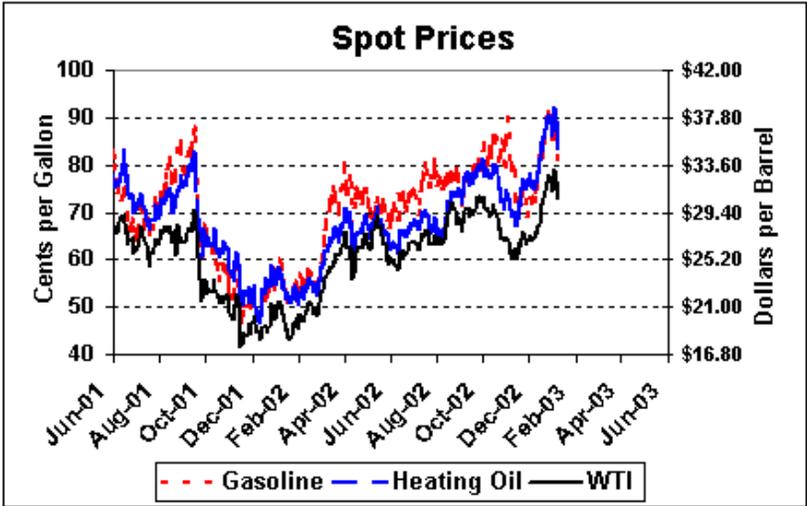
**Heating Oil Prices Rise Over 14 Cents per Gallon in One Month**

Residential heating fuel prices continued their increase for the period ending January 6, 2003. The average residential heating oil price was 142.8 cents per gallon, up 2.0 cents per gallon from the previous week. Since the beginning of December 2002 heating oil prices have increased 14.4 cents per gallon, from 128.4 cents to 142.8 cents per gallon. Heating oil prices are 26.0 cents per gallon higher than last year at this time. Wholesale prices, on the other hand, decreased by 0.2 cent per gallon this week, falling from 95 to 94.8 cents per gallon.

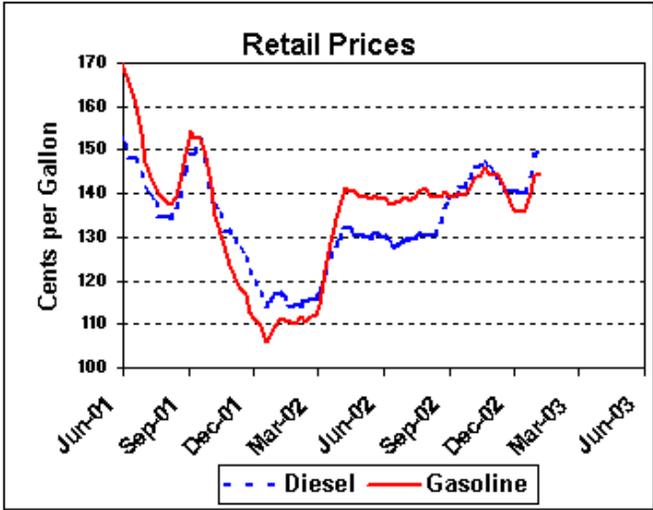
Residential propane prices also continued to move upward by 1.5 cents per gallon from 125.2 to 126.7 cents per gallon for the period ending January 6, 2003. Residential propane prices have risen 9.2 cents per gallon since the beginning of December 2002. Residential propane prices are 13.4 cents per gallon higher than one year ago. Wholesale prices increased this week, rising from 62.3 to 62.9 cents a gallon, up 0.6 cent per gallon.

**U.S. Petroleum Prices**

(updated January 9, 2003)



Source: Closing quote as reported by Reuters News Service



Source: Energy Information Administration (EIA)

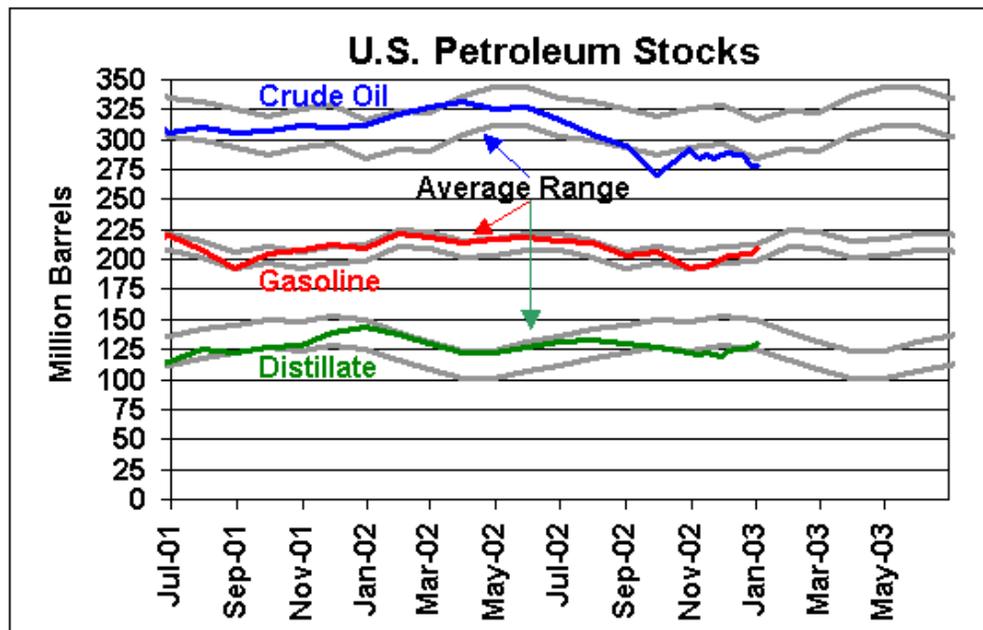
## Crude Oil and Oil Products Price Table

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	Belvieu	Conway	Gasoline	Diesel
	\$/bbl	\$/bbl	cents per gallon		cents per gallon		c/gal	cents per gallon		cents per gallon	
11/21/2002	\$27.07	\$26.35	73.13	72.42	74.80	74.93	76.18	48.25	49.51		
11/22/2002	\$27.73	\$26.76	74.70	74.87	76.80	76.64	78.18	48.25	49.32		
11/25/2002	\$27.01	\$26.11	71.70	71.55	74.85	75.04	76.10	47.75	48.25	138.0	140.5
11/26/2002	\$26.60	\$26.40	72.60	72.53	76.08	75.75	76.33	47.88	48.38		
11/27/2002	\$26.87	\$26.89	69.18	73.43	75.48	75.71	75.98	48.26	48.75		
11/28/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA		
11/29/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA		
12/2/2002	\$27.27	\$27.24	72.77	74.39	77.80	77.39	78.20	48.57	49.19	136.4	140.7
12/3/2002	\$27.34	\$27.30	72.95	75.32	76.78	77.50	77.28	49.38	49.69		
12/4/2002	\$26.80	\$26.71	71.63	72.93	75.05	74.54	75.23	48.88	49.38		
12/5/2002	\$27.27	\$27.29	73.35	75.27	75.70	75.62	76.03	49.38	49.57		
12/6/2002	\$27.03	\$26.93	72.15	74.03	74.83	74.73	75.15	49.32	49.44		
12/9/2002	\$27.29	\$27.20	74.23	76.21	75.60	75.82	75.98	49.38	49.32	136.0	140.5
12/10/2002	\$27.73	\$27.74	76.25	78.87	76.35	77.19	76.70	49.38	49.32		
12/11/2002	\$27.49	\$27.40	74.83	77.39	76.45	76.87	77.20	49.94	50.38		
12/12/2002	\$28.20	\$28.01	77.72	80.71	78.50	79.25	78.93	51.69	51.88		
12/13/2002	\$28.39	\$28.44	80.88	83.95	80.85	81.56	81.23	52.13	53.13		
12/16/2002	\$30.15	\$30.10	84.56	87.85	84.58	85.64	85.05	54.00	54.19	136.3	140.1
12/17/2002	\$30.04	\$30.10	81.30	85.39	83.00	83.95	83.50	53.69	53.50		
12/18/2002	\$30.41	\$30.44	83.10	87.54	84.60	85.53	85.25	53.88	53.88		
12/19/2002	\$30.57	\$30.56	84.15	87.81	85.65	86.06	85.55	53.88	54.25		
12/20/2002	\$30.57	\$30.30	84.55	87.92	85.65	85.95	87.23	54.19	53.94		
12/23/2002	\$32.09	\$31.75	89.04	91.86	89.20	89.62	91.58	54.82	54.32	140.1	144.0
12/24/2002	\$32.13	\$31.97	89.85	92.77	89.65	90.49	91.83	54.82	54.32		
12/25/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA		
12/26/2002	\$32.61	\$32.49	90.95	92.97	90.25	90.91	92.13	56.25	54.88		
12/27/2002	\$32.68	\$32.72	90.78	93.25	90.18	90.79	93.58	55.88	54.44		
12/30/2002	\$31.41	\$31.37	86.15	87.92	86.25	86.74	88.80	55.25	54.38	144.1	149.1
12/31/2002	\$31.21	\$31.20	85.10	86.48	87.20	86.55	89.30	53.94	53.25		
1/1/2003	NA	NA	NA	NA	NA	NA	NA	NA	NA		
1/2/2003	\$31.97	\$31.85	86.75	88.30	88.45	88.09	90.07	55.44	54.88		
1/3/2003	\$33.26	\$33.08	89.78	91.90	91.80	91.82	93.40	57.25	55.50		
1/6/2003	\$32.29	\$32.10	86.25	88.20	89.08	88.79	90.70	55.94	54.00	144.4	150.1
1/7/2003	\$31.20	\$31.08	81.75	84.18	84.95	84.88	86.58	54.82	52.50		
1/8/2003	\$30.66	\$30.56	80.25	83.51	83.46	83.21	84.21	54.44	52.69		

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	
	1/3/2003	1/3/2002	Diff.	% Diff.
<b>Refinery Activity</b>				
Crude Oil Input	14,834	14,671	163	1.1%
Operable Capacity	16,800	16,534	266	1.6%
Operable Capacity Utilization (%)	89.0%	90.0%	-1.0%	
<b>Production</b>				
Motor Gasoline	8,729	8,289	440	5.3%
Jet Fuel	1,531	1,518	13	0.9%
Distillate Fuel Oil	3,887	3,727	160	4.3%
<b>Imports</b>				
Crude Oil (incl. SPR)	8,620	8,825	-205	-2.3%
Motor Gasoline	792	730	62	8.6%
Jet Fuel	113	95	18	19.5%
Distillate Fuel Oil	505	245	260	106.4%
<b>Total</b>	<b>10,948</b>	<b>10,984</b>	<b>-36</b>	<b>-0.3%</b>
<b>Exports</b>				
Crude Oil	10	12	-2	-16.2%
Products	996	1,079	-83	-7.7%
<b>Total</b>	<b>1,006</b>	<b>1,091</b>	<b>-85</b>	<b>-7.8%</b>
<b>Products Supplied</b>				
Motor Gasoline	8,829	8,556	273	3.2%
Jet Fuel	1,678	1,512	166	11.0%
Distillate Fuel Oil	4,011	3,623	388	10.7%
<b>Total</b>	<b>20,094</b>	<b>19,015</b>	<b>1,079</b>	<b>5.7%</b>
<b>vs. Year Ago</b>				
<b>Stocks (Million Barrels)</b>				
	<b>1/3/2003</b>	<b>1/3/2002</b>	<b>Diff.</b>	<b>% Diff.</b>
Crude Oil (excl. SPR)	278.7	312.5	-33.8	-10.8%
Motor Gasoline	209.8	210.6	-0.8	-0.4%
Jet Fuel	40.6	41.9	-1.3	-3.1%
Distillate Fuel Oil	129.7	144.1	-14.4	-10.0%
<b>Total (excl. SPR)</b>	<b>953.0</b>	<b>1,036.2</b>	<b>-83.2</b>	<b>-8.0%</b>



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

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## World Oil Market Highlights

(updated January 9, 2003)

According to first quarter 2003 estimates, the world (excluding Iraq and Venezuela) holds between 4 and 4.5 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 <sup>1</sup> (Thousand barrels per day)					
	4Q 2002 Production	1Q 2003 Production	1/01/03 Quota <sup>2</sup>	Production Capacity <sup>3</sup>	1Q 2003 Surplus Capacity <sup>3</sup>
Algeria	933	950	735	1,100	150
Indonesia	1,085	1,025	1,192	1,150	125
Iran	3,500	3,450	3,377	3,850	400
Kuwait <sup>4</sup>	1,960	1,950	1,845	2,200	250
Libya	1,350	1,330	1,232	1,400	70
Nigeria	2,018	2,100	1,894	2,300	200
Qatar	690	660	596	850	190
Saudi Arabia <sup>4</sup>	8,332	7,969	7,475	10,000-10,500 <sup>5</sup>	2,031-2,531 <sup>5</sup>
UAE <sup>6</sup>	2,007	2,050	2,007	2,600	550
Venezuela <sup>7</sup>	2,297	1,252	2,647	N/A	N/A
<b>OPEC 10 Crude Oil Total</b>	<b>24,171</b>	<b>22,736</b>	<b>23,000</b>	<b>25,450-25,950<sup>5</sup></b>	<b>3,966-4,466<sup>5</sup></b>

Iraq <sup>8</sup>	2,307	2,400	N/A	2,900	500
<b>OPEC Crude Oil Total</b>	<b>26,478</b>	<b>25,136</b>	N/A	<b>28,350-28,850<sup>5</sup></b>	<b>4,466-4,966<sup>5</sup></b>
Other Liquids <sup>9</sup>	2,761	2,761	N/A		
<b>Total OPEC Production</b>	<b>29,239</b>	<b>27,897</b>	N/A		

NA: Not Applicable

<sup>1</sup>Crude oil does not include lease condensate or natural gas liquids.

<sup>2</sup>Quotas are based on crude oil production only.

<sup>3</sup>Maximum 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. Excludes Venezuela.

<sup>4</sup>Kuwaiti 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.

<sup>5</sup> Saudi 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.

<sup>6</sup>The 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.

<sup>7</sup>Venezuelan capacity and production numbers exclude extra heavy crude oil used to make Orimulsion. It has been estimated that it may take several months from the end of the current general strike for Venezuela to restore its pre-strike production capacity. The Venezuelan production estimate for the first quarter assumes an end to the general strike by end-January.

<sup>8</sup>Iraqi 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.

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

### Major Sources of U.S. Petroleum Imports, Jan.-October 2002\*

(all volumes in million barrels per day)

	Total Oil Imports	Crude Oil Imports	Petroleum Product Imports
<b>Canada</b>	1.91	1.41	0.50
<b>Saudi Arabia</b>	1.53	1.50	0.03
<b>Mexico</b>	1.50	1.46	0.04
<b>Venezuela</b>	1.42	1.23	0.20
<b>Nigeria</b>	0.59	0.56	0.03
<b>United Kingdom</b>	0.46	0.39	0.08

<b>Iraq</b>	0.46	0.46	0.00
<b>Norway</b>	0.39	0.35	0.04
<b>Angola</b>	0.32	0.31	0.01
<b>Total Imports</b>	11.32	9.04	2.28

*\* Table includes all countries from which the U.S. imported more than 300,000 barrels per day of total oil in Jan.-Oct. 2002.*

<b>Top World Oil Net Exporters, Jan.-Oct. 2002*</b>		
	<b>Country</b>	<b>Net Exports (million barrels per day)</b>
1)	Saudi Arabia	6.85
2)	Russia	5.03
3)	Norway	3.12
4)	Iran	2.47
5)	Venezuela	2.45
6)	United Arab Emirates	1.93
7)	Nigeria	1.85
8)	Mexico	1.68
9)	Kuwait	1.63
10)	Iraq	1.52
11)	Algeria	1.25
12)	Libya	1.20

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

During the first ten months of 2002, about half of U.S. crude oil imports came from the Western Hemisphere (17% from South America, 17% from Canada, 13% from Mexico, 4% from the Caribbean), while 20% came from the Persian Gulf region (14% from Saudi Arabia, 4% 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.*

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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 January 9, 2003)

### [Industry/Market Developments](#)

*S&P Notes Slowdown in Pipeline Projects:* After a boom in natural gas pipeline construction, the number of new pipeline projects appears to be slowing, according to Standard & Poors (S&P). S&P noted in a report that recent pipeline additions mostly have been driven by electric power plant construction, which will likely slow in the coming years owing in part to an oversupply of electricity in many regions of the country. In the Northeast, there will likely be an expansion of the Maritimes and Northeast Pipeline, which transports gas into the region from Sable Island production in Eastern Canada. Activity on projects bringing natural gas from traditional routes from the South has slowed to a “virtual standstill” after a tremendous amount of activity in the last couple of years. In the Southeast, a region targeted with several proposals for pipeline expansions to meet demand from new power plants, S&P allows for the construction of at least one new major pipeline to transport re-gasified natural gas from Bahamas-based liquefied natural gas (LNG) terminals into Florida. According to S&P, it seems probable that one or more of the proposed pipelines – AES Corp.’s Ocean Express, Tractebel North America Inc.’s Calypso, and El Paso Global LNG’s Seafarer – will be built. Lastly, S&P reported that expansions out of the Rockies and into California are on the drawing board, the largest of which are the 1 Bcf per day expansion of the Kern River pipeline and El Paso Corp’s 750 MMcf per day expansion.

*Natural Gas Rig Count:* The number of rigs drilling for natural gas dropped 16 to 706 for the week ending January 3, according to Baker-Hughes Incorporated. This is the first week that the number of rigs drilling for gas has declined since the week ending November 8, when rigs numbered 673. The current number of rigs is 6 percent below the level last year at this time. The total number of rigs in the United States, including natural gas and oil drilling, declined 25 to 837 this week. Natural gas drilling continues to account for an increasingly larger portion of drilling activity with its share growing to 84.3 percent from 83.8 percent last week. This is the highest percentage of rigs dedicated to natural gas over oil production since the middle of September, when natural gas rigs accounted for 86.4 percent of rig activity.

### [Storage](#)

Working gas in storage was 2,331 Bcf for the week ended January 3, according to EIA’s *Weekly Natural Gas Storage Report*, which is virtually identical to the average for the preceding 5 years (1998-2002) of 2,333 Bcf. Implied net withdrawals were 86 Bcf, marking the second time in 3 weeks that withdrawals have fallen below 100 Bcf.

<b>All Volumes in Bcf</b>	<b>Current Stocks 1/3/2003</b>	<b>Estimated Prior 5-Year (1998-2002) Average</b>	<b>Percent Difference from 5 Year Average</b>	<b>Implied Net Change from Last Week</b>	<b>One-Week Prior Stocks 12/27/2002</b>
<b>East Region</b>	1,333	1,416	-5.9%	-67	1,400
<b>West Region</b>	342	293	16.7%	-11	353
<b>Producing Region</b>	656	624	5.1%	-8	664
<b>Total Lower 48</b>	2,331	2,333	-0.1%	-86	2,417

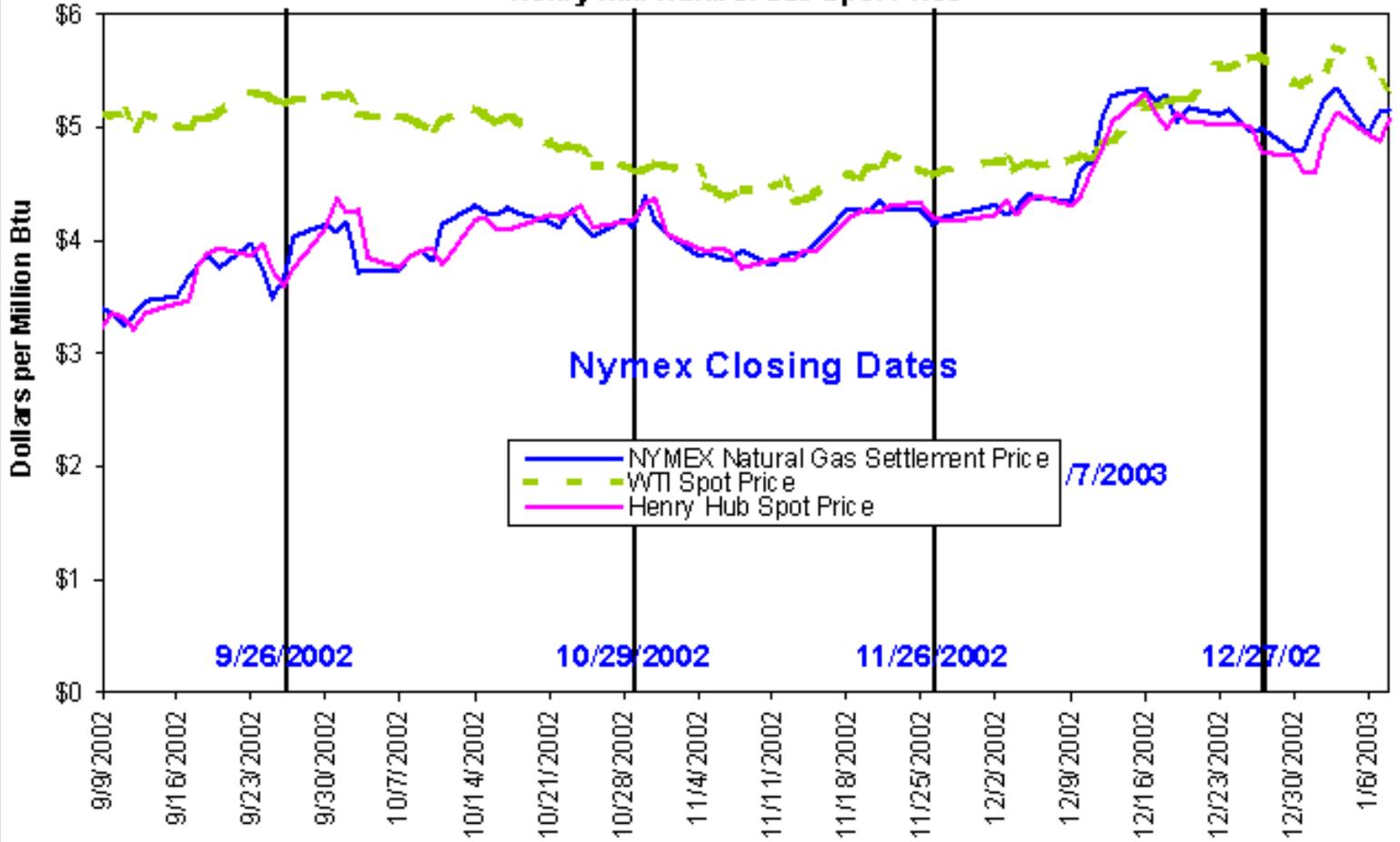
Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database. Column and/or row sums may not equal totals due to independent rounding.

### Prices:

A surge in spot prices on Wednesday (January 8) overshadowed smaller declines of the previous day, leaving spot prices higher than Monday's levels at most market locations. Yesterday's increases occurred at all major market locations, and ranged from 11 to 49 cents per MMBtu. The average spot price at the Henry Hub gained 18 cents per MMBtu to \$5.07 per MMBtu. Wednesday's increases resulted in spot prices exceeding Monday's levels by a dime to around 30 cents per MMBtu at most market locations. Only at a handful of Northeast price points and on Florida Gas Transmission did Wednesday's increases fail to offset Tuesday's declines. Two Northeast locations in that category-Algonquin and Tennessee Zone 6-nonetheless continued to have the highest and second-highest prices in the nation (\$6.51 and \$6.45 per MMBtu, respectively), owing partly to continuing transportation restrictions on these systems.

NYMEX futures contract prices had two consecutive days of gains, as the massing of Arctic air in Northeastern Canada appeared to increase the likelihood of a significant cold snap for the nation east of the Rockies. The near-month contract (February delivery) rose a cumulative \$0.226 per MMBtu to settle yesterday (Wednesday, January 8) at \$5.161 per MMBtu. The March contract was close behind, at \$5.111 per MMBtu..

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



Note: The West Texas Intermediate crude oil price, in dollars per barrel, is converted to \$/MMBtu using a conversion factor of 5.80 MMBtu per barrel. The dates marked by vertical lines are the NYMEX near-month contract settlement dates. Source: NGI's *Daily Gas Price Index* (<http://Intelligencepress.com>)

<i>Trade Date (All prices in \$ per MMBtu)</i>	<b>California Composite</b>				<b>NYMEX futures contract-February delivery</b>	<b>NYMEX futures contract-March delivery</b>
	<b>Average Price*</b>	<b>Henry Hub</b>	<b>New York City</b>	<b>Chicago</b>		
12/10/2002	4.13	4.39	5.23	4.26	4.594	4.484
12/11/2002	4.33	4.64	5.39	4.43	4.675	4.539
12/12/2002	4.40	4.82	5.43	4.59	5.020	4.790
12/13/2002	4.52	5.04	5.63	4.75	5.235	4.935
12/16/2002	4.83	5.31	6.46	5.03	5.297	4.967
12/17/2002	4.70	5.14	6.12	4.79	5.179	4.879
12/18/2002	4.61	4.98	5.56	4.72	5.249	4.949
12/19/2002	4.80	5.14	5.63	4.97	5.073	4.868
12/20/2002	4.80	5.05	5.69	4.96	5.203	5.000
12/23/2002	4.85	5.03	6.00	4.96	5.176	5.011
12/24/2002	4.85	5.03	6.00	4.96	5.209	5.039
12/26/2002	4.86	5.00	6.01	4.89	4.990	4.880
12/27/2002	4.58	4.78	5.39	4.71	5.022	4.892
12/30/2002	4.50	4.75	5.28	4.61	4.800	4.710
12/31/2002	4.29	4.60	5.44	4.55	4.789	4.692
1/2/2003	4.37	4.94	6.10	4.81	5.251	5.131
1/3/2003	4.55	5.13	6.26	5.01	5.344	5.220
1/6/2003	4.40	4.95	6.38	4.81	4.935	4.870
1/7/2003	4.41	4.89	6.11	4.75	5.127	5.047
1/8/2003	4.67	5.07	6.26	4.99	5.161	5.111

\* 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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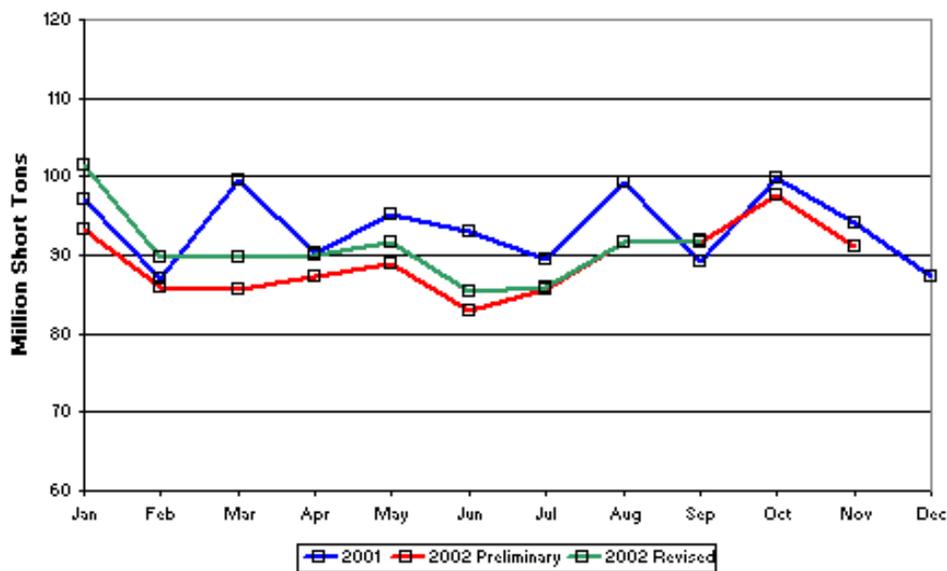
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## Latest U.S. Coal Information

### Coal Production (Updated January 7, 2003)

For the week ended December 28, 2002, coal-related statistics were significantly higher than in the same (Christmas holiday) week in 2001. Railcar loadings of coal were 5.3% higher than year-ago levels while estimated national coal production was 19.5% higher. Year-to-date, estimated western U.S. coal production is 0.8% above the levels of a year ago; eastern U.S. coal production is estimated now to be 5.4% below last year's level. The estimated production for the first 11 months of 2002 is 1,005.9 million short tons (mmst), 2.7% lower than the 1,034.0 mmst in the first 11 months of 2001. This estimate incorporates coal production survey data of the Mine Safety and Health Administration through the third quarter 2002.

U.S. Monthly Coal Production

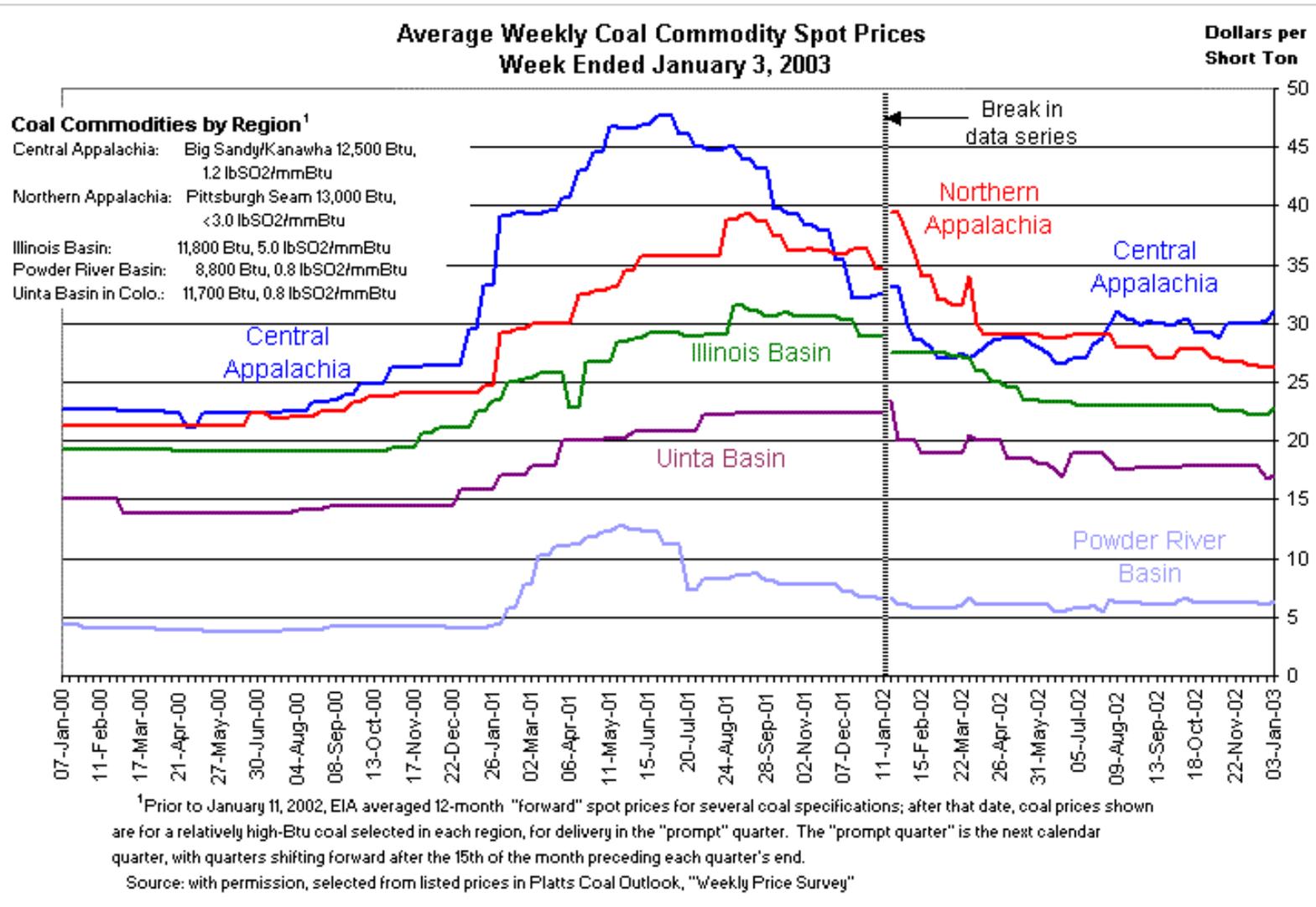


### Coal Prices (Updated January 7, 2003)

It appears that spot coal prices closed out the year on an up note. The average spot prices indexed by EIA (plotted below) all gained slightly in the two weeks between December 20, 2002, and the week ended January 3, 2003 (no new data were published for the Christmas holiday week). The Central Appalachian coal price gained \$0.85 per short ton, the Northern Appalachian indexed price inched up by ten cents and the Illinois Basin price gained \$0.50. The Powder River Basin prices advanced by twenty cents and the Uinta Basin price gained twenty-five cents. Compared to peak prices in summer 2001, Central and Northern Appalachian coal prices are lower by about \$16.50 and \$13.00 per short ton, respectively, or 35% and 33% lower. The largest difference in percentage is for the Powder River Basin coal prices, about half the late Spring 2001 peak price (down by \$6.45 per short ton, or 51%). Compared to previous price floors, in the summer of 2000, the latest EIA-indexed spot prices of \$31.10 per short ton for Central Appalachian and \$26.30 per short ton for Northern Appalachian coal are now higher by 40% and 23% respectively. Other prices also remain higher than the summer 2000 base: by 24% for the Uinta Basin, 19% for the Illinois Basin, and 68% for the Powder River Basin.

The weekly spot price survey done by Energy Argus Coal Daily, noted a "holiday lull" had settled over spot markets last week. "As expected, spot market activity in Central Appalachia and the Powder River Basin was extremely slow. . . resulting in little to no change in prices (Coal Daily, December 30, 2002). Like EIA's spot prices, indicators cited by commercial coal analysts have been mixed of late. Coal producers were encouraged that, as of December 20, over-the-counter prices for NYMEX look-alike

coals (12,500 Btu/lb, 1% sulfur) rose from \$27.25 to \$29.50 per short ton during the month. Coal trade volumes reportedly had picked up also, and those looking for hopeful signals were pleased. The fact that NYMEX prices returned to \$30.00 per short ton for the prompt quarter also gave encouragement to coal sellers, along with completion of 160 trades during the prior 2 weeks (compared with virtually none). At the same time, fuel buyers are not concerned. The anecdotal information is that large coal-consuming power plants just did not need any coal at that point and that some of them had even sold excess inventory to other coal consumers. It would take a long spell of sub-zero temperatures to change their outlooks. There is reportedly evidence "that some utilities are opting to secure low-cost (natural gas) generating capacity as a hedge. . . instead of maintaining higher coal stockpiles" (Platts Coal Outlook, December 23, 2002: pp. 1, 6, 14).



Over-the-counter (OTC) trading volumes on the [NYMEX](#) since September have been the lowest since trade was initiated in coal in July 2001. The settled prices for near-month deliveries reached \$30.00 per short ton as of December 19 and remain there as of December 27, 2002, although no trades were transacted during Christmas week. That price holds for February and March deliveries then rises to \$31.25 per short ton for April through June 2003. Continuing tepid trade volumes, however, render OTC and NYMEX prices only marginally relevant.

### Market Trends

Even though trade volumes are low overall, markets for medium- and high-sulfur coals continue to hold their shares during 2002. One reason is the low cost of emission allowances. The bottom-line costs for combustion and emissions using the higher-sulfur products can be less than burning compliance coal. According to Energy Argus' Coal Daily (December 9, 2002: p.7), for compliance coal, emitting 1.2 lbs of sulfur dioxide/mmBtu, for a \$28.35 per short ton spot price, 12,500 Btu/lb coal, the cost

adjusted for purchased allowances would be \$30.32 per short ton. For the same heating value, a coal emitting 1.5 lbs of sulfur dioxide/mmBtu, spot priced at \$26.50 per short ton, the adjusted cost would be \$28.96 per short ton, while for the analogous coal emitting 2.0 lbs of sulfur dioxide/mmBtu, spot priced at \$24.75 per short ton, the bottom-line cost would be \$28.03 per short ton. Despite the forward-costs savings, not every coal-fired generator is in a position to use this strategy.

According to comments on third quarter performance by Peabody CEO, Irl Engelhardt, many customers were believed to be bringing stockpiles down to levels lower than historical norms. Arch Energy president and CEO, Steven Leer, voiced similar observations. Arch estimated that utility coal stocks were already in line with the same point in 1999, 2000, and 2001. "It is possible . . . that power producers are planning to operate with stockpiles at levels lower than the historical range," he said. If so, "the long run impact is likely to be a positive one for coal producers, as the market moves toward better overall supply-demand balance" (Coal Transportation Report, November 4, 2002). For much of 2002, however, broad problems have depressed the coal industry: the overall economy; failure or bankruptcies among independent power producers (IPPs) and online energy traders; low electricity prices and post-Enron credit problems for electric power producers; relatively low gas prices; operational expediences of combined-cycle natural gas generators, which sometimes keep them online even when coal-fired dispatch would be cheaper; and reluctance of investors to finance new or innovative coal-based generation, with longer lead-times, greater capital requirements, and uncertain eventual environmental compliance costs.

Would-be buyers in the second half of 2002 found major coal producers generally unwilling to commit beyond existing contracts at current prices. With some eastern mines off line, supplies of eastern compliance coal reportedly remained tight and many buyers, either with a stockpile cushion or credit problems, delayed buys. Citing the high capital costs of opening new coal mines, Consol Energy disclosed on September 24, 2002, 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, 2002). Meanwhile, stock market prices for energy trading companies and some utilities took heavy losses due to bankruptcy announcements and credit downgrades. One effect of these trends was a tightening of new capital, credit, and short-term cash for expansions as well as coal purchases and operating expenses. Concurrently, power plant operators delayed some of their fuel purchase due to 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](#). Most of that planned capacity was natural gas-fired. Coal-fired plants are similarly affected but not reflected in 2002 capacity changes because they are longer-term projects.

### Coal Producer Issues

Energy Argus' *Coal Daily* (December 9, 2002) reported that some coal producers in the Colorado Plateau broke with suppliers trying to put a floor beneath coal prices. Citing continued lack of demand from Western utilities the report identified RAG Coal in Colorado and Andalex Resources in Utah as the rumored sources of low-priced coal. Energy Argus reported Green River Basin (Colorado) spot coal with 11,100 nominal Btu/lb dropping to \$12.00 per short ton, while the Uinta Basin 11,700 Btu product declined to \$15.00 per short ton. In Utah, the Uinta Basin coal dropped to \$17.00 per short ton. Energy Argus uses a different pricing index for spot coal than does EIA (EIA does not track Green River, lower-Btu coal). EIA's indexed spot Uinta coal in Colorado averaged \$17.80 per short ton for the week ended December 6.

Peabody Energy COO Richard Whiting commented at the American Coal Council's 20th annual Coal Market Strategies Conference in October 2002, that his company had 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 raise money to pay down debt; now they are more focused on profitability. Mr. Whiting noted that productivity gains will inevitably flatten out. Peabody continues to push mining equipment vendors for better technology, but he was concerned about a lack of capital investment in the industry and about low rates of return. Meanwhile, some eastern coal producers grouched that some of their fellow producers were not being disciplined, and that they continue to produce unwanted coal at a time when the market is virtually nonexistent. The major problem for producers, however, has been too much "coal on the ground," (in consumers' stockpiles). Until cold weather takes hold in the East, with significant consumption of those stocks, buyers simply cannot justify contracting for more coal, even at bargain prices. If consumer stocks were drawn down rapidly, however, producers hoped to get the \$30+ per short ton they have been seeking (*Coal Outlook*, November 18, 2002).

John Dean of JD Consulting displayed a graph at the Conference showing that productivity at Powder River Basin (PRB) high-Btu mines (8800 Btu/lb) peaked in 1998 and has declined since. This would reverse the general trend, as PRB productivity had been increasing for many years. An Arch coal speaker 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 said there is significant opportunity to increase output at the longwall mines by upgrading the conveyor systems that move coal out of the mines.

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## Latest U.S. Electricity Information

(updated January 9, 2003)

**Selected Wholesale Electricity Prices:** In the Western United States, spot electricity prices generally increased the last two trading days with the exception of the Mead/Marketplace trading center on January 8. The main factor contributing to the price increase was higher natural gas prices, which pushed up power plant production costs. Another supporting factor was higher customer demand precipitated by cooler temperatures. In addition, Southern California Edison shut down its San Onofre Unit 3 nuclear reactor for 45 days. This also affected prices. The reactor has a generating capacity of 1,120 megawatts. At Mid-Columbia, a benchmark for the Northwest, prices increased to \$40.36 per megawatthour on January 8 from a seven-day low of \$35.42 per megawatthour on January 6. Prices followed a similar pattern at California's NP-15 and SP-15 and at the 4 Corners trading center.

In the Midwest, lower customer demand, caused by milder weather, decreased electricity prices over the past two trading days. Additional generating capacity also pushed down prices in the region. At the Cinergy Trading Center, prices fell to \$28.60 per megawatthour on January 8 from \$34.79 per megawatthour on January 6. Similar to the Midwest, southeastern prices declined over the past several trading days. Prices within the SERC trading area rose from \$25.91 per megawatthour on December 31 to the seven-day high of \$35.47 per megawatthour on January 6. They declined to \$32.57 per megawatthour on January 8.

In the Northeast, warmer weather reduced customer demand and led to lower electricity prices over the past few days with the exception of New York City. New York City's prices increased to \$75 per megawatthour on January 8 after remaining at \$66 since December 19. PJM West's prices decreased to \$37.92 per megawatthour on January 8, down from \$48.91 per megawatthour on January 6. At Nepoch, prices fell to \$53.00 per megawatthour on January 8 after reaching a seven-day high of \$58.25 per megawatthour on January 6.

Over the past seven days, average prices at all trading centers ranged between \$40.77 and \$44.31 per megawatthour with an overall weekly average of \$42.86 per megawatthour.

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

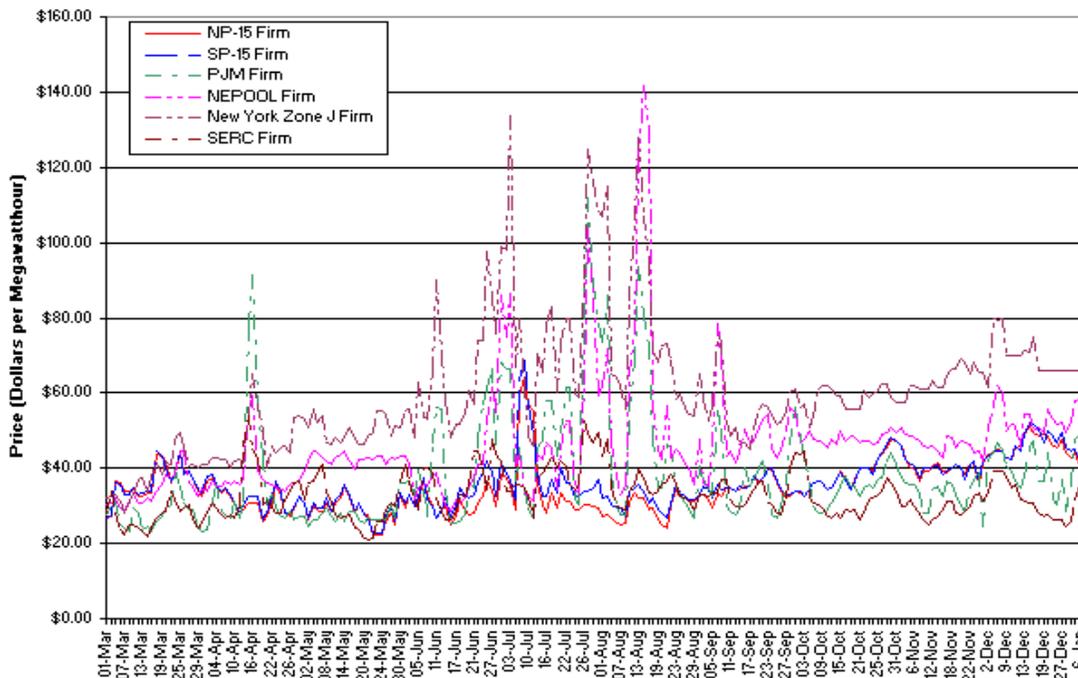
Trading Centers	Date							Price Range		
	12/31/02	1/1/03*	1/2/03*	1/3/03	1/6/03	1/7/03	1/8/03	Max	Min	Average
	Holiday									
COB	38.92	n.a.	n.a.	40.63	38.83	41.25	41.25	41.25	38.83	40.18
Palo Verde	39.86	n.a.	n.a.	41.97	38.51	38.36	38.85	41.97	38.36	39.51
Mid-Columbia	36.50	n.a.	n.a.	37.11	35.42	38.46	40.36	40.36	35.42	37.57
Mead/Marketplace	42.50	n.a.	n.a.	44.30	40.33	41.55	41.46	44.30	40.33	42.03
4 Corners	39.50	n.a.	n.a.	40.70	38.06	38.45	39.17	40.70	38.06	39.18
NP 15	42.82	n.a.	n.a.	44.00	40.41	43.42	44.77	44.77	40.41	43.08
SP 15	44.41	n.a.	n.a.	45.20	41.95	43.78	46.21	46.21	41.95	44.31
PJM West	36.31	n.a.	n.a.	47.62	48.91	45.39	37.92	48.91	36.31	43.23
NEPOOL	52.33	n.a.	n.a.	58.00	58.25	55.00	53.00	58.25	52.33	55.32
New York Zone J	66.00	n.a.	n.a.	66.00	66.00	66.00	75.00	75.00	66.00	67.80
Cinergy	24.16	n.a.	n.a.	34.75	34.79	29.22	28.60	34.79	24.16	30.30
SERC	25.91	n.a.	n.a.	31.45	35.47	33.42	32.57	35.47	25.91	31.76
<b>Average Price</b>	40.77	n.a.	n.a.	44.31	43.08	42.86	43.26	44.31	40.77	42.86

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

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

**Average Wholesale Electricity Prices in the U.S.**



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