

# Energy Situation Analysis Report

**Last Updated: January 14, 2003**

**Next Update: January 16, 2003**

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## Latest Oil Market Developments

West Texas Intermediate (WTI) near-month futures prices on the New York Mercantile Exchange (NYMEX) rose by 11 cents on Tuesday, January 14, to \$32.37 per barrel, as statements made by Chief U.N. weapons inspector Dr. Hans Blix on Monday (1/13/02) concerning Iraqi compliance with U.N. Security Council resolution 1441 caused some concern amongst traders. The statements by Dr. Blix, as well as a supply disruption over the weekend from the North Sea, overshadowed OPEC's decision, announced on Sunday (1/12/03), to raise the OPEC-10 production ceiling by 1.5 million barrels per day. Meanwhile, the general strike in [Venezuela](#) is now on its 44th day with no end in sight. [more...](#)

## Latest U.S. Weekly EIA Petroleum Information

The U.S. average retail price for regular gasoline rose for the fifth week in a row last week, increasing by 1.0 cent per gallon as of January 13 to end at 145.4 cents per gallon. This price is 34.3 cents per gallon higher than last year. Prices throughout most of the country were up, with the largest increase occurring in the Midwest, where prices rose 2.3 cents to end at 144.2 cents per gallon. The Gulf Coast was the only region that saw a price decrease, with prices falling by 0.2 cent to end at 139.9 cents per gallon. [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...](#)

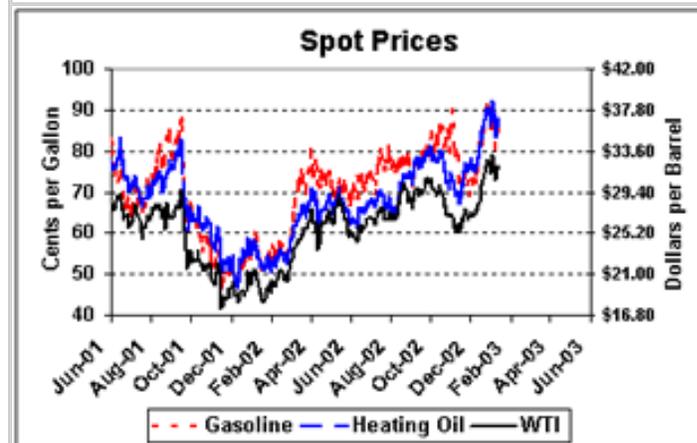
## Latest U.S. Weekly Natural Gas Information

Amid frigid temperatures across most of the Lower 48 States, natural gas spot prices registered gains of 10 to 25

## Energy Prices\*

Petroleum Futures (near month)	1/13/03	1/10/03	Change
<b>WTI (\$/Bbl)</b>	<b>32.26</b>	<b>31.68</b>	<b>+0.58</b>
<b>Gasoline (c/gallon)</b>	<b>89.90</b>	<b>87.19</b>	<b>+2.71</b>
<b>Heating Oil (c/gallon)</b>	<b>88.38</b>	<b>86.53</b>	<b>+1.85</b>
<b>Natural Gas (\$/MMBtu)</b>			
<b>Henry Hub</b>	<b>5.22</b>	<b>5.21</b>	<b>+0.01</b>
<b>California</b>	<b>4.64</b>	<b>4.64</b>	<b>0.00</b>
<b>New York City</b>	<b>7.86</b>	<b>7.52</b>	<b>+0.34</b>
<b>Electricity (\$/Megawatthour)</b>			
<b>COB</b>	<b>40.88</b>	<b>45.50</b>	<b>-4.62</b>
<b>PJM West</b>	<b>56.13</b>	<b>58.63</b>	<b>-2.50</b>
<b>NEPOOL</b>	<b>68.00</b>	<b>57.15</b>	<b>+10.85</b>
<b>Average</b>	<b>49.12</b>	<b>50.67</b>	<b>-1.55</b>

[\\*Definitions](#)



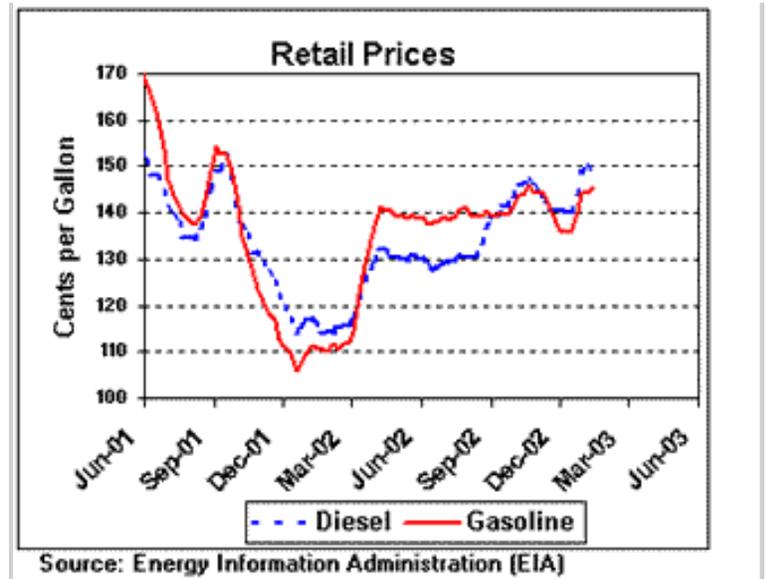
cents per MMBtu at most market locations since last Wednesday, January 8. In the Northeast, where temperatures reached their lowest point so far this winter, prices climbed more than 37 cents per MMBtu. The largest increases occurred at the New York citygate, where prices climbed \$1.86 per MMBtu or over 30 percent since last Wednesday. [more...](#)

### Latest U.S. Coal Information

The average coal spot prices indexed by EIA began 2003 up 2.0% compared with the week ended December 20, 2002 (no new data were published for the Christmas holiday week). For the week ended January 10, 2003, those spot prices all remained unchanged. 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%). [more...](#)

### Latest U.S. Electricity Information

In the Northeast, electricity prices were generally higher on January 10 with exception of the New England. New York City's prices reached a seven-day high of \$92 per megawatthour on January 10 after remaining at \$75 for the prior two trading days, and then fell \$2 per megawatthour to \$90 on January 13. In the Midwest, electricity prices increased significantly on January 10 as colder weather led to higher customer demand. In the Southeast, prices increased over the past two trading days because the region experienced higher than normal customer demand as temperatures continued to fall. Over the past seven days, average prices at all trading centers ranged between \$42.86 and \$50.67 per megawatthour with an overall weekly average of \$45.25 per megawatthour. [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.

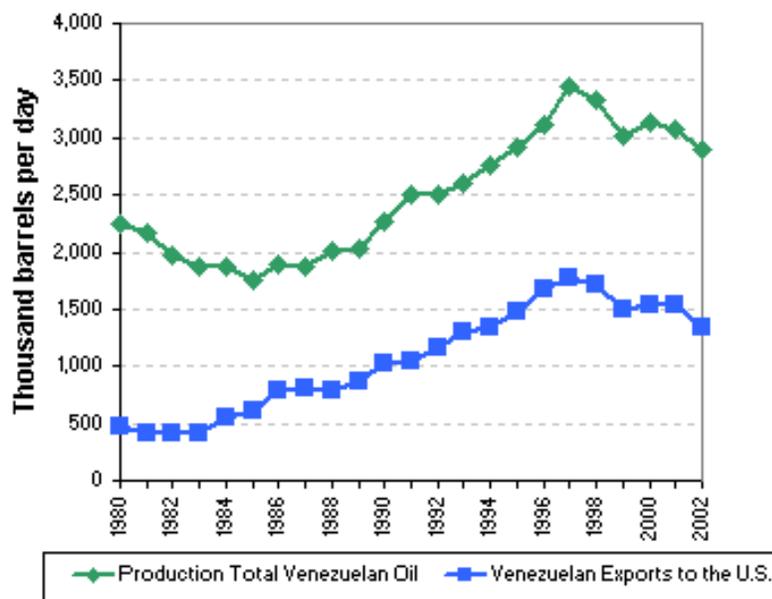
During the first nine months of 2002, oil from Venezuela supplied approximately 14% of U.S. net oil imports and ranked as the fourth largest source of U.S. oil imports (behind Canada, Saudi Arabia, and Mexico). The United States imported 1.5 million barrels per day of oil from Venezuela during this period. 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 14, 2003)

West Texas Intermediate (WTI) near-month futures prices on the New York Mercantile Exchange (NYMEX) rose by 11 cents on Tuesday, January 14, to \$32.37 per barrel, as statements made by Chief U.N. weapons inspector Dr. Hans Blix on Monday (1/13/02) concerning Iraqi compliance with U.N. Security Council resolution 1441 caused some concern amongst traders (see below). The statements by Dr. Blix, as well as a supply disruption over the weekend from the North Sea, overshadowed OPEC's decision, announced on Sunday (1/12/03), to raise the OPEC-10 production ceiling by 1.5 million barrels per day. The American Petroleum Institute (API) and the Energy Information Administration (EIA) will release weekly petroleum stocks data on Wednesday (1/15/03) morning.

Meanwhile, the general strike in [Venezuela](#), which has brought oil production in that country to a near halt, is now on its 44th day with no end in sight. Street clashes erupted on Monday (1/13/03) between opponents of President Chavez and government sympathizers in Zulia, a major oil producing state. Recent production estimates indicate that Venezuela is currently producing under 600,000 barrels per day, significantly less than its pre-strike production of approximately 2.9 million barrels per day. President Chavez will meet on Thursday (1/16/03) with U.N. Secretary General Kofi Annan in New York.

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. 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:

- On Monday (1/13/02) Chief U.N. Weapons Inspector Dr. Hans Blix said that his inspection team had uncovered evidence of potential Iraqi noncompliance with U.N. Security Council resolution 1441 saying, "We have found no irregularity in terms of weapons of mass destruction...On the

other hand we do have considerable evidence of Iraqi illegal imports of weapons-related items, although I'm not saying here necessarily related to weapons of mass destruction..." Dr. Blix's statements caused concern on trading floors while President Bush reacted by saying on Tuesday (1/13/03), "Time is running out on Saddam Hussein. He must disarm. I'm sick and tired of games and deception...". Dr. Blix will next brief the Security Council on the findings of his inspection team on January 27, 2003.

- On Sunday, (1/12/02) OPEC announced that it will raise the OPEC-10 output ceiling by 1.5 million barrels per day, to 24.5 million barrels per day, effective February 1, 2003. A communiqué from OPEC regarding the 6.5% increase attributed the decision to the cartel's forecasts for the demand/supply picture in the first quarter of 2003 and recent oil supply shortfalls. Press reports indicate that Saudi Arabia has already informed international customers to expect 10% to 20% more Saudi oil in February. OPEC's next meeting is scheduled for March 11, 2003.
- Mexico, a major non-OPEC oil supplier, announced on Monday (1/13/03) that it too will raise oil exports. Mexico's energy ministry announced an increase of 120,000 barrels per day, raising the country's export platform to 1.88 million barrels per day. Mexico shipped 1.531 million barrels per day to the United States in November, making it the top foreign crude supplier to the United States for the month. Although Mexico is not an OPEC member, the country has worked in conjunction with OPEC since 1998.
- Two Norwegian North Sea oil fields, Gullfaks and Visund, went off line on Friday (1/10/03) and Monday (1/13/03) respectively, due to technical problems with the flare system at the two integrated fields. The combined disruption owing to the loss of the two fields is approximately 165,000 barrels per day. Representatives from Norwegian state oil company, Statoil, anticipate that Visund (35,000 barrels per day) will resume production on Tuesday, while Gullfaks (130,000 barrels per day) will come back on line on Thursday.
- On Sunday (1/12/03) a fire at the Marathon Ashland Petroleum refinery in Garyville, Louisiana caused the 232,000-barrel-per-day refinery to be shut down. Gasoline futures prices on the NYMEX increased on Monday (1/13/03) as news of the disruption spread through the marketplace. There were no injuries reported owing to the fire, and it is currently unknown when the refinery will come back online.
- As of January 14, 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 complete update: 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.

Preliminary monthly data on the origins of U.S. crude oil imports in November 2002 was recently released 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 November 2002 were Mexico (1.531 million barrels per day), Saudi Arabia (1.474 million barrels per day), Canada (1.453 million barrels per day), and Venezuela (1.438 million barrels per day). This is the first time since July 2002 in which Mexico was the leading source of U.S. crude oil imports. Rounding out the top ten sources, in order, were United Kingdom (0.632 million barrels per day), Nigeria (0.556 million barrels per day), Angola (0.390 million barrels per day), Norway (0.388 million barrels per day), Iraq (0.380 million barrels per day), and Kuwait (0.230 million barrels per day). Of the 9.529 million barrels per day of crude oil imported into the United States during the month of November 2002, the top four countries accounted for 62% of these imports, while the top ten sources accounted for nearly 89% of all U.S. crude oil imports. Russian crude oil imports, after averaging at least 0.100 million barrels per day in the previous three months, averaged 0.085 million barrels per day, ranking 14th for the month (behind Colombia, Ecuador, and Gabon).

### 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 14)

The average world crude oil price on January 10, 2003 was \$28.77 per barrel, down \$0.26 per barrel from the previous week but \$9.22 per barrel more than last year.. The spot price for conventional gasoline in the New York Harbor was 84.48 cents per gallon on Friday, January 10, down 5.30 cents per gallon from last week and 30.70 cents per gallon higher than a year ago. The spot price for No. 2 heating oil in the New York Harbor was 86.10 cents per gallon, 5.70 cents per gallon lower than last week and 32.65 cents per gallon more than last year.

**Retail Gasoline and Diesel Fuel Prices** (updated January 14)

The U.S. average retail price for regular gasoline rose for the fifth week in a row last week, increasing by 1.0 cent per gallon as of January 13 to end at 145.4 cents per gallon. This price is 34.3 cents per gallon higher than last year. Prices throughout most of the country were up, with the largest increase occurring in the Midwest, where prices rose 2.3 cents to end at 144.2 cents per gallon. The Gulf Coast was the only region that saw a price decrease, with prices falling by 0.2 cent to end at 139.9 cents per gallon.

Retail diesel fuel prices decreased last week, falling to a national average of 147.8 cents per gallon as of January 13. Retail diesel prices were down throughout the country, with the largest price decrease occurring in the Midwest, where prices dropped 2.8 cents per gallon to end at 146.7 cents per gallon.

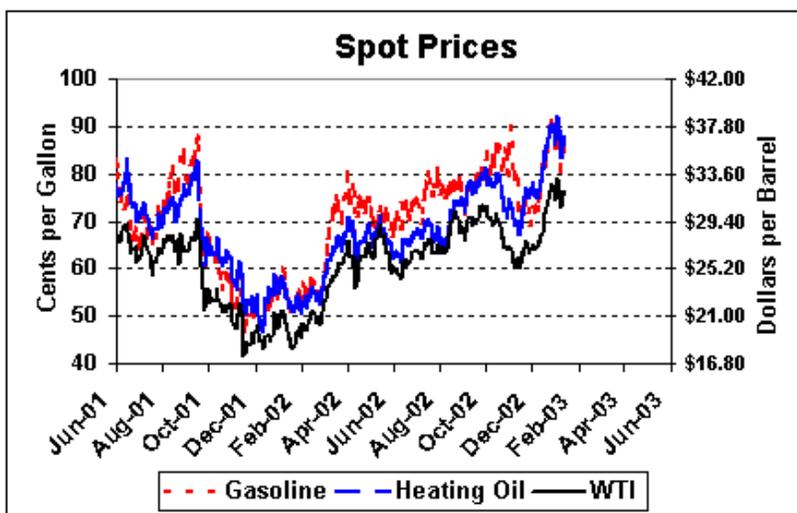
**Heating Oil Prices Rise Over 14 Cents per Gallon in One Month**

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.

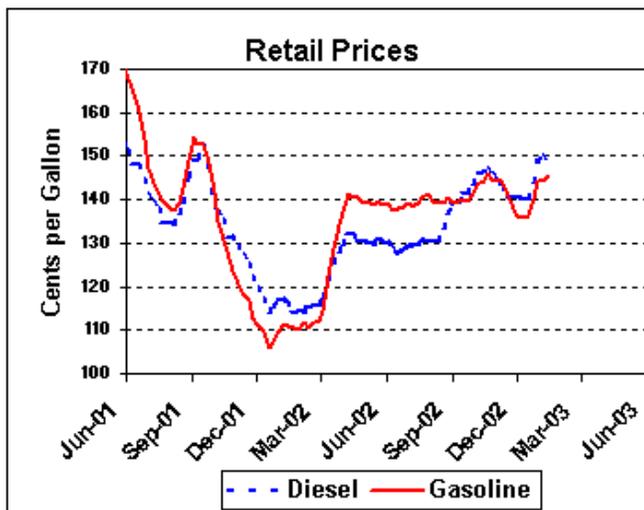
Residential propane prices also continued to move upward by 1.5 cents per gallon from 125.2 to 126.7 cents per gallon for the period ending January 6, 2003. Residential propane prices have risen 9.2 cents per gallon since the beginning of December 2002. Residential propane prices are 13.4 cents per gallon 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 14, 2003)



Source: Closing quote as reported by Reuters News Service



Source: Energy Information Administration (EIA)

**Crude Oil and Oil Products Price Table**

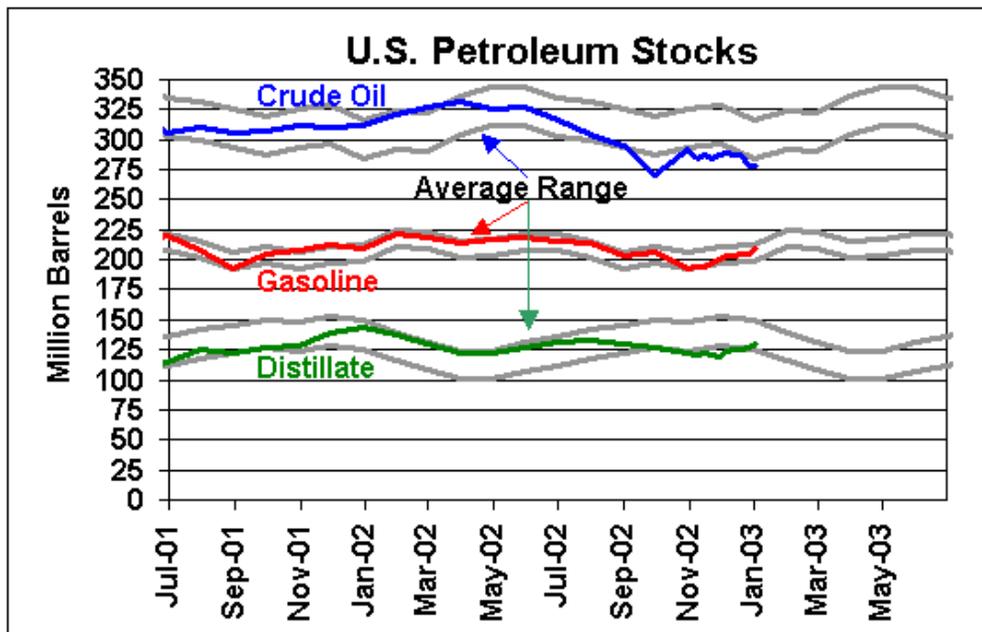
Date	WTI Crude Oil		Gasoline		Heating Oil		Kerojet	Propane		EIA Weekly Retail	
	Spot	Futures	Spot	Futures	Spot	Futures	Spot	Spot	Spot	US Average	
	Cushing		NYH		NYH		NYH	Mt. Belvieu	Conway	Gasoline	Diesel
	\$/bbl	\$/bbl	cents per gallon		cents per gallon		c/gal	cents per gallon		cents per gallon	
11/26/2002	\$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		
1/9/2003	\$31.95	\$31.99	86.98	89.25	87.28	87.50	88.03	55.50	53.63		
1/10/2003	\$31.59	\$31.68	84.48	87.19	86.10	86.53	86.75	55.50	53.75		
1/13/2003	\$32.08	\$32.26	86.03	89.90	87.78	88.38	89.13	56.63	54.00	145.4	147.8

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%
Total			10,948	10,984	-36	-0.3%
<b>Exports</b>						
Crude Oil			10	12	-2	-16.2%
Products			996	1,079	-83	-7.7%
Total			1,006	1,091	-85	-7.8%
<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%
Total			20,094	19,015	1,079	5.7%

	20,094	19,015	1,079	5.7%
<b>Total</b>				
				<b>vs. Year Ago</b>
<b>Stocks</b> (Million Barrels)	<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%
Total (excl. SPR)	953.0	1,036.2	-83.2	-8.0%



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.



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## Latest U.S. Weekly Natural Gas Information

(updated January 14, 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.

### [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

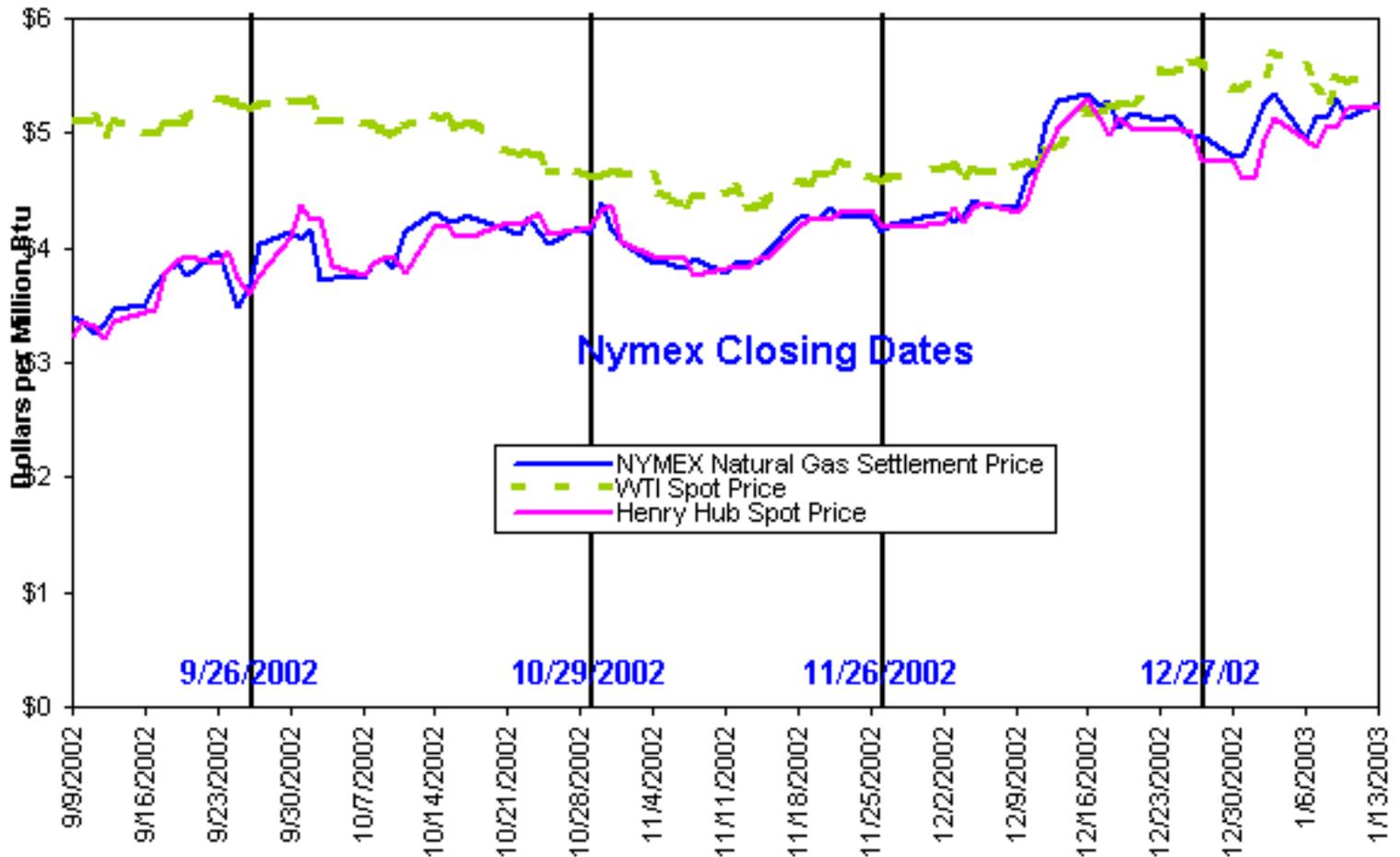
Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database. Column and/or row sums may not equal totals due to independent rounding.

### Prices:

Amid frigid temperatures across most of the Lower 48 States, spot prices registered gains of 10 to 25 cents at most market locations since last Wednesday, January 8. In the Northeast, where temperatures reached their lowest point so far this winter, prices climbed more than 37 cents per MMBtu. The largest increases occurred at the New York citygate, where prices climbed \$1.86 or over 30 percent since last Wednesday. The highest price in the nation was \$8.26 at the Algonquin citygate, which supplies New England natural gas consumers. In contrast to the overall pattern of price increases, prices declined at most locations in California, falling 6 to 13 cents since last Wednesday.

At the NYMEX, the price of the futures contract for February delivery at the Henry Hub settled at \$5.251 per MMBtu yesterday (January 13), reflecting a one-day increase of more than 10 cents per MMBtu since Friday, January 10. Despite the increase, the latest price is over 9 cents less than its level on January 3, 2003, when it settled at \$5.344 per MMBtu, an all-time high for the contract.

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



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

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

<i>Trade Date (All prices in \$ per MMBtu)</i>	<b>California Composite Average Price*</b>	<b>Henry Hub</b>	<b>New York City</b>	<b>Chicago</b>	<b>NYMEX futures contract-February delivery</b>	<b>NYMEX futures contract-March delivery</b>
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
1/9/2003	4.53	5.05	6.79	4.98	5.304	5.229
1/10/2003	4.64	5.21	7.52	5.12	5.143	5.068
1/13/2003	4.64	5.22	7.86	5.14	5.251	5.172

\* 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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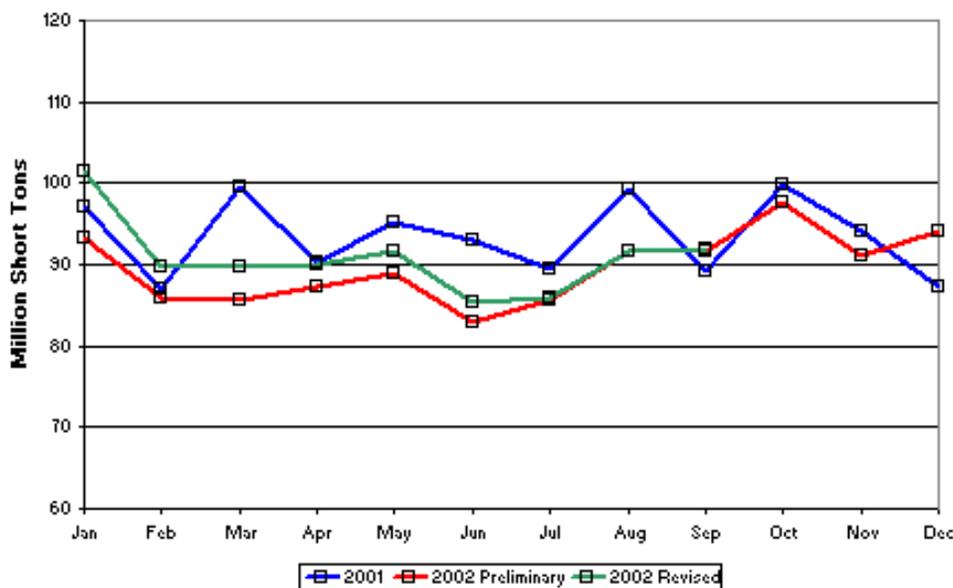
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## Latest U.S. Coal Information

### Coal Production (Updated January 14, 2003)

For the week ended January 4, 2003, coal-related statistics were higher than in the same (New Years holiday) week in 2002. Railcar loadings of coal were 5.3% higher than year-ago levels and estimated national coal production was 3.8% higher. Year-to-date statistics (4.9% lower than last year) are not meaningful because they compare just the partial first weeks of 2003 and 2002. The longer-term comparison, for the 52 weeks ended January 4, 2003, versus the 52 weeks ended January 5, 2002, shows estimated western U.S. coal production in the more recent period at 0.8% above the levels of a year earlier; eastern U.S. coal production in the more recent period is estimated to be 5.5% below the levels a year earlier. The estimated production for the 12 months of 2002 is 1,099.9 million short tons (mmst), 1.8% lower than the 1,121.3 mmst in 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

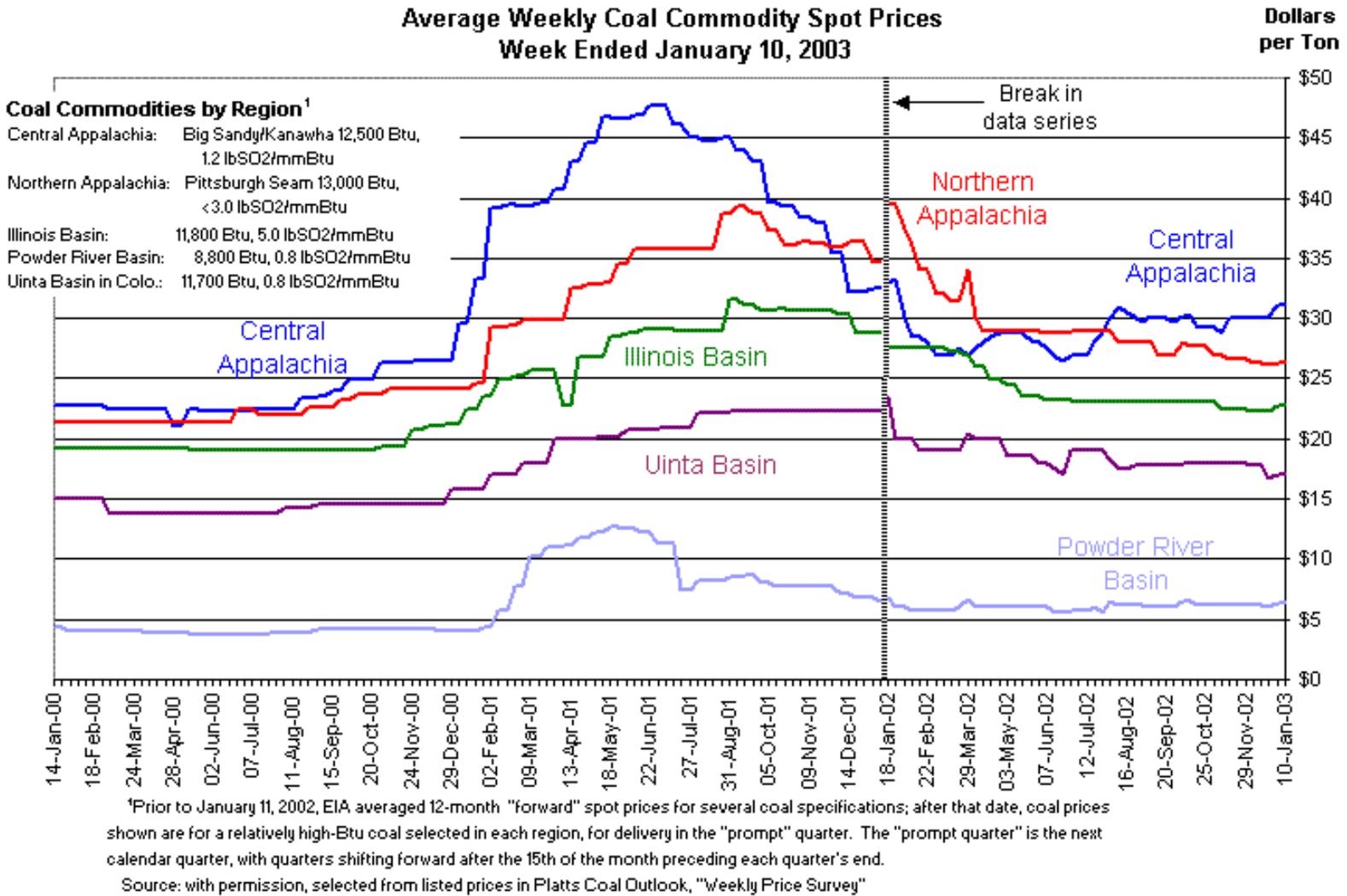


### Coal Prices (Updated January 14, 2003)

The average spot prices indexed by EIA (plotted below) began 2003 up 2.0% compared with the week ended December 20, 2002 (no new data were published for the Christmas holiday week). For the week ended January 10, 2003, those spot prices all remained unchanged. It would be premature to speculate which direction they might move next. When these spot prices last changed, 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 around

Christmas. "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 2002 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 expediencies 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 groused 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 14, 2003)

**Selected Wholesale Electricity Prices:** In the Western United States, spot electricity prices fluctuated during the past few trading days. In general, increased reliance on natural gas and cooler weather contributed to an increase in electricity prices throughout the region on January 10, followed by a decrease in prices on January 13, as warmer weather returned to the region. At Mid-Columbia, a benchmark for the Northwest, prices increased to a seven-day high of \$43.00 per megawatthour on January 10 from \$38 on January 9 and then decreased to \$38.52 on January 13. At California's NP-15 and SP-15, prices increased to \$47.16 and \$47.92 per megawatthour on January 10 from \$41.92 and \$43.11 on January 9, and then decreased to \$43.94 and 44.72, respectively. The region's other trading centers including California-Oregon Border, Palo Verde, Mead/Marketplace and 4 Corners also experienced the same price fluctuation.

In the Midwest, electricity prices increased significantly on January 10 as colder weather led to higher customer demand. In addition, higher natural gas prices also raised electricity prices. The region received some relief on January 13 as warmer weather led to a decrease in prices. At the Cinergy Trading Center, prices jumped to \$50.68 per megawatthour on January 10 from \$35.89 on January 9 and then fell to \$43.60 on January 13.

In the Southeast, prices increased over the past two trading days because the region experienced higher than normal customer demand as temperatures continued to fall. Prices within the SERC trading area rose from \$32.28 per megawatthour on January 9 to the seven-day high of \$43.41 on January 13.

In the Northeast, prices were generally higher on January 10 with exception of the New England. At Nepoch, prices fell to \$57.15 per megawatthour on January 10 from \$57.31 on January 9 and then rose to \$68 on January 13. Colder weather increased customer demand and led to higher electricity prices. New York City's prices reached a seven-day high of \$92 per megawatthour on January 10 after remaining at \$75 for the prior two trading day, and then fell \$2 per megawatthour to \$90 on January 13. Two events in New York caused electricity prices to increase on January 10. First, Indian Point 2 reduced its generating capacity while repairs were in progress. Secondly, the Leeds-Hurley Avenue transmission line was down for repairs until January 16. At PJM West, prices increased to \$58.63 per megawatthour on January 10 from \$42.52 on January 9, and then decreased slightly to \$56.13.

Over the past seven days, average prices at all trading centers ranged between \$42.86 and \$50.67 per megawatthour with an overall weekly average of \$45.25 per megawatthour.

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

Trading Centers	Date							Price Range		
	1/3/03	1/6/03	1/7/03	1/8/03	1/9/03	1/10/03	1/13/03	Max	Min	Average
COB	40.63	38.83	41.25	41.25	40.00	45.50	40.88	45.50	38.83	41.19
Palo Verde	41.97	38.51	38.36	38.85	37.14	42.13	39.09	42.13	37.14	39.44
Mid-Columbia	37.11	35.42	38.46	40.36	38.00	43.00	38.52	43.00	35.42	38.70
Mead/Marketplace	44.30	40.33	41.55	41.46	41.13	45.00	41.85	45.00	40.33	42.23
4 Corners	40.70	38.06	38.45	39.17	37.13	42.11	39.31	42.11	37.13	39.28
NP 15	44.00	40.41	43.42	44.77	41.92	47.16	43.94	47.16	40.41	43.66
SP 15	45.20	41.95	43.78	46.21	43.11	47.92	44.72	47.92	41.95	44.70
PJM West	47.62	48.91	45.39	37.92	42.52	58.63	56.13	58.63	37.92	48.16
NEPOOL	58.00	58.25	55.00	53.00	57.31	57.15	68.00	68.00	53.00	58.10
New York Zone J	66.00	66.00	66.00	75.00	75.00	92.00	90.00	92.00	66.00	75.71
Cinergy	34.75	34.79	29.22	28.60	35.89	50.88	43.60	50.88	28.60	36.79
SERC	31.45	35.47	33.42	32.57	32.28	36.73	43.41	43.41	31.45	35.05
<b>Average Price</b>	44.31	43.08	42.86	43.26	43.45	50.67	49.12	50.67	42.86	45.25

**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.

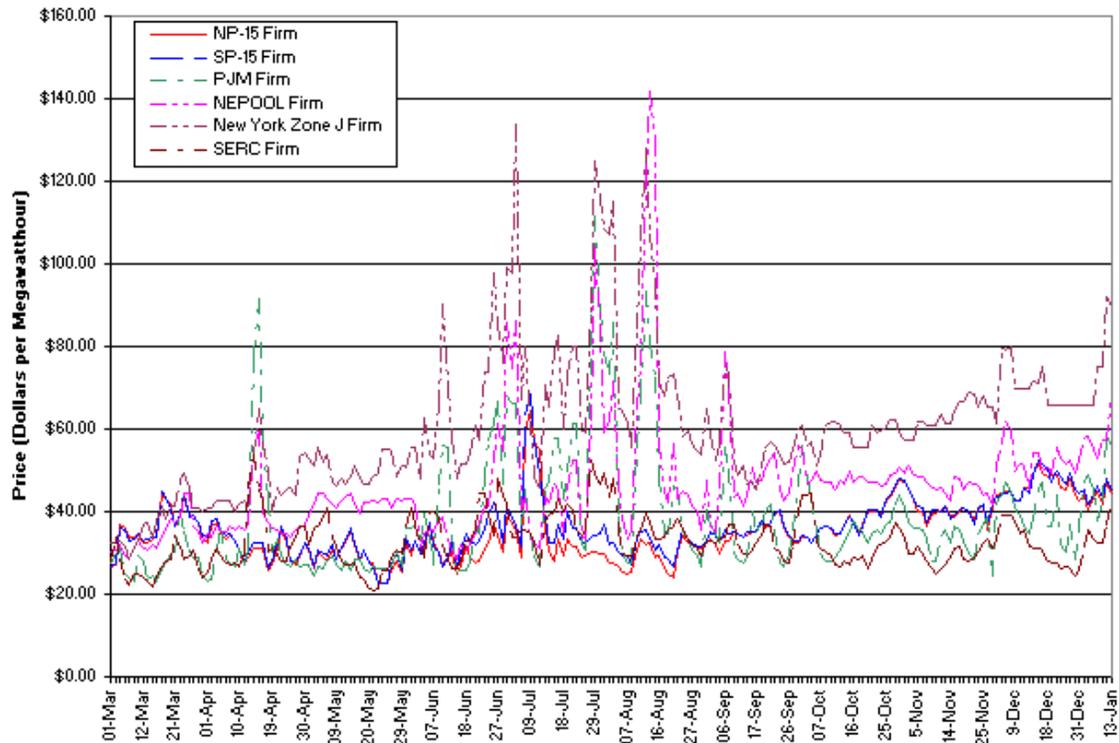
**Palo Verde:** Average price of electricity traded at Palo Verde and the West Wing, Arizona.

**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.

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

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



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