



# ENERGY SITUATION ANALYSIS REPORT



May 1, 2002

(next scheduled update: May 2, 2002)

Energy Information Administration  
US Department of Energy  
Washington, DC 20585  
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[Petroleum](#) [Natural Gas](#) [Coal](#) [Electricity](#)

## Latest Energy Market Developments

(updated May 1, 2002)

West Texas Intermediate (WTI) oil prices for June (near-month) delivery fell about 28 cents per barrel yesterday (April 30) on the NYMEX. Oil prices fell further this morning following the release of weekly industry data by the American Petroleum Institute (API) showing a large and unexpected increase in crude oil stocks. Also this morning, the Energy Information Administration (EIA) confirmed API's large stock build, reporting a crude oil stock increase of 4.6 million barrels for the week ending April 26. EIA also reported that gasoline stocks rose 1.3 million barrels for the same period, while U.S. oil imports averaged 9.4 million barrels per day. Analysts had expected a crude oil stock draw following troubles in Venezuela last month, as well as production cutbacks by OPEC and Iraq's continuing oil embargo. Oil markets are closely tracking the Arab-Israeli conflict, which appeared to ease somewhat yesterday as Israeli troops began a withdrawal from the West Bank city of Hebron, and as an agreement was reached to implement the U.S.-brokered plan aimed at allowing Yasser Arafat to leave his compound in Ramallah. Overall, oil prices remain relatively strong due to OPEC oil output cuts, Middle Eastern tensions, and a recovering U.S. economy. This past Friday, the Commerce Department estimated that U.S. GDP growth in the first quarter of 2002 reached 5.8%, the fastest growth since the fourth quarter of 1999. However, many economists pointed out that much of this growth came as the result of one-time a "inventory swing" as businesses built back depleted stocks from late last year.

Other topics affecting **world oil markets** include:

- Iran's President, Ayatollah Ali Khamenei, said today that Islamic nations should make a "serious decision" on imposing an oil embargo. Khamenei added, "A one-month cut will demonstrate that the Islamic nations have the capability to confront international dictatorship."
- U.N. Secretary General Kofi Annan is scheduled to meet with Iraq's Foreign Minister, Naji Sabri, for discussions on Iraqi compliance with Security Council Resolutions pertaining to U.N. weapons inspectors. The current phase of the U.N.-Iraq "Oil for Food" program expires on May 29.
- Iraq's unilateral 30-day embargo of its U.N.-sanctioned "Oil-for-Food" oil exports is in its fourth week. Iraq has stated intentions to decide at the beginning of next week whether to extend the embargo beyond 30 days.

Other recent developments in **U.S. energy markets** include:

- The retail price for regular motor gasoline fell this week, losing 1.1 cents per gallon to end at 139.3 cents per gallon. This price is 23.3 cents per gallon lower than last year. Prices have been flat or falling for the past three weeks. Prices were down throughout the country, except for in the Rocky Mountains, which saw an increase of 0.8 cents per gallon.
- As of May 1, the [U.S. Strategic Petroleum Reserve](#) (SPR) contained 566.2 million barrels of oil. The SPR has a maximum drawdown capability of 4.18 million barrels per day for 90 days, with oil beginning to arrive in the marketplace 15 days after a presidential decision to initiate a drawdown.
- Spot prices for natural gas moved up sharply again on Tuesday, April 30 as demand for air conditioning continued in response to the warm and humid weather that stretched from Texas to Florida.
- Western U.S. wholesale electricity prices increased Tuesday as available generating capacity decreased and natural gas prices increased. Over the same period, electricity prices in the Northeast have dropped as electricity demand has decreased with mild weather. Overall the average price at all trading centers decreased 12% over the past week, from \$31.70 per megawatthour on April 24 to \$28.02 per megawatthour on April 30.
- U.S. coal supplies are more than adequate for anticipated needs. U.S. coal prices have either fallen or held relatively steady in recent weeks.

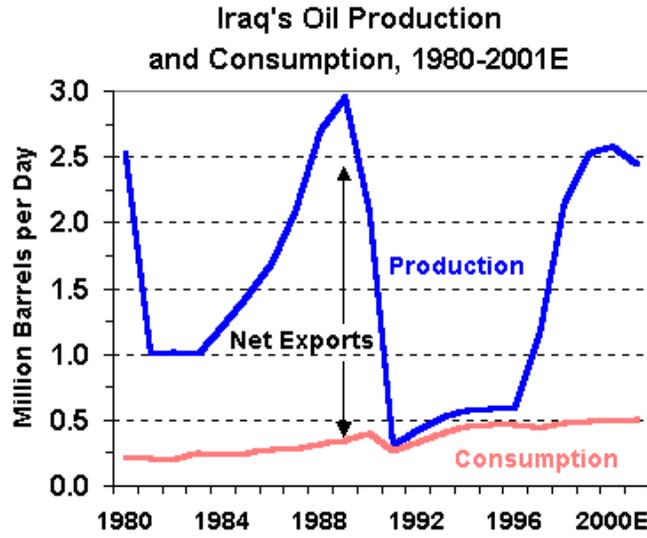
## Special Topic -- Basic Facts on [Iraq](#)

(updated April 30, 2002)

While Iraq's weekly export levels fluctuate, the country remains an important world oil player, with U.N. "Oil-for-Food" exports from January 1, 2002 through

April 8, 2002 averaging 1.7 million barrels per day. "Oil-for-Food" exports ceased on April 8, when the country declared an embargo. The United States is the largest single market for Iraqi oil, with almost half of Iraqi oil exports bound for the United States in 2001. Imports from Iraq accounted for an average 8% of total U.S. imports in 2001. In 2001, Iraq was the sixth-largest source of U.S. crude oil imports, behind Saudi Arabia, Mexico, Canada, Venezuela, and Nigeria.

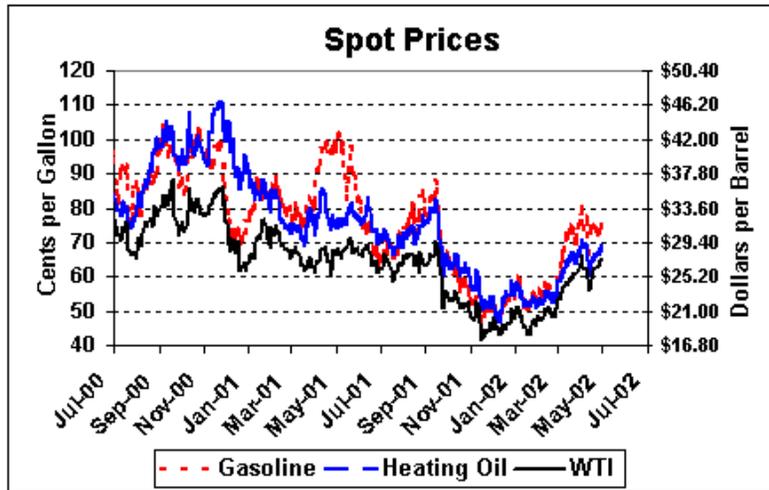
The current phase of the "Oil-for-Food" program expires at the end of May 2002. Temporary downturns in Iraqi exports in association with program rollovers are common.



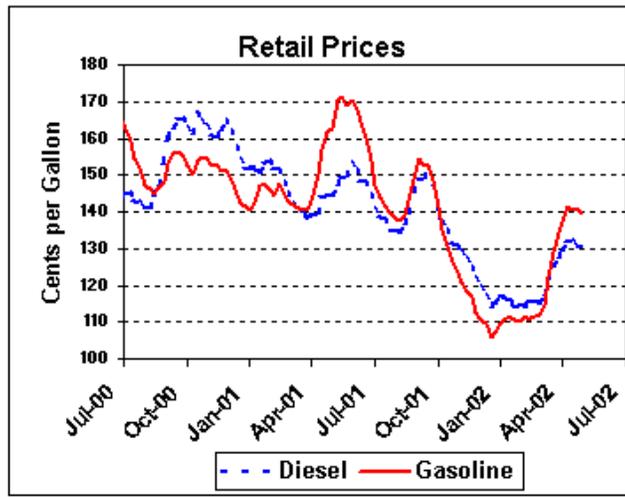
*Note: Production includes crude oil, lease condensate, natural gas liquids, ethanol, and refinery gain.*

### U.S. Petroleum Prices

(updated May 1, 2002)



Source: Closing quote as reported by Reuters News Service



Source: Energy Information Administration (EIA)

### Crude Oil and Oil Products Price Table

Date	WTI Crude Oil		Gasoline		Heating Oil		Kerojet	Propane		EIA Weekly Retail	
	Spot	Futures	Spot	Futures	Spot	Futures	Spot	Spot	Spot	US Average	
	Cushing		NYH		NYH		NYH	Mt. Belvieu	Conway	Gasoline	Diesel
	\$/bbl	\$/bbl	cents per gallon		cents per gallon		c/gal	cents per gallon		cents per gallon	
3/13/2002	\$24.14	\$24.16	71.63	79.20	64.15	64.82	65.43	37.82	34.63		
3/14/2002	\$24.48	\$24.56	71.85	79.95	63.73	65.70	65.18	37.88	34.88		
3/15/2002	\$24.47	\$24.51	72.63	80.90	64.28	64.76	65.73	38.26	35.32		
3/18/2002	\$25.03	\$25.11	75.28	83.36	66.00	66.48	67.40	38.07	35.75	128.8	125.1
3/19/2002	\$25.02	\$24.88	74.23	83.16	66.20	66.12	67.30	39.63	37.13		
3/20/2002	\$24.92	\$24.90	72.30	81.92	65.60	66.57	66.60	39.82	37.57		
3/21/2002	\$25.74	\$25.61	73.88	82.93	66.80	67.14	67.80	38.69	37.00		
3/22/2002	\$25.56	\$25.35	70.82	80.08	64.83	65.27	65.45	39.69	38.25		
3/25/2002	\$25.69	\$24.99	69.55	78.81	63.60	64.16	64.60	39.00	37.75	134.2	128.1
3/26/2002	\$25.75	\$25.36	70.81	80.08	65.23	65.68	66.26	39.75	38.25		
3/27/2002	\$25.79	\$25.87	74.55	82.05	66.40	66.72	67.80	40.50	39.63		
3/28/2002	\$26.21	\$26.31	74.88	82.49	67.05	66.89	67.95	40.63	41.00		
3/29/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA		
4/1/2002	\$26.82	\$26.88	78.25	84.90	68.40	68.69	68.05	42.38	41.88	137.1	129.5
4/2/2002	\$27.75	\$27.71	80.15	86.98	70.65	70.95	72.75	44.82	44.63		
4/3/2002	\$27.55	\$27.56	76.35	84.84	70.40	70.83	72.50	44.38	44.25		
4/4/2002	\$26.64	\$26.58	74.75	82.33	68.40	68.66	70.50	44.01	44.50		
4/5/2002	\$26.21	\$26.21	73.70	81.70	68.15	68.22	70.05	43.00	42.19		
4/8/2002	\$26.16	\$26.54	77.57	84.19	69.57	69.30	71.20	43.82	42.94	141.3	132.3
4/9/2002	\$25.45	\$25.82	75.13	83.39	66.80	67.80	68.50	41.19	40.13		
4/10/2002	\$26.15	\$26.13	76.00	83.44	67.35	67.84	68.98	41.00	40.13		
4/11/2002	\$24.93	\$24.99	72.53	78.87	64.73	64.71	66.50	39.00	37.69		
4/12/2002	\$23.51	\$23.47	66.48	72.96	60.03	60.05	61.93	38.07	36.63		
4/15/2002	\$24.53	\$24.57	73.00	78.63	63.07	63.34	65.09	39.50	38.00	140.4	132.0
4/16/2002	\$24.92	\$24.75	74.73	79.29	64.23	63.78	66.25	39.50	38.00		
4/17/2002	\$25.94	\$25.94	74.70	80.77	65.10	65.40	67.25	40.25	38.75		
4/18/2002	\$25.86	\$26.18	74.57	81.13	65.30	65.58	67.25	41.13	39.13		
4/19/2002	\$26.43	\$26.38	73.95	80.40	65.65	65.91	67.75	40.38	37.88		
4/22/2002	\$26.28	\$26.27	72.82	79.02	65.55	65.81	67.65	41.00	38.50	140.4	130.4
4/23/2002	\$26.28	\$26.62	74.11	80.16	66.40	66.53	69.07	41.69	39.32		
4/24/2002	\$26.28	\$26.38	71.89	78.76	66.10	66.12	68.28	41.13	39.19		
4/25/2002	\$26.36	\$26.73	72.50	79.37	66.70	67.20	69.10	41.50	39.69		
4/26/2002	\$27.12	\$27.11	74.00	81.39	67.60	67.90	70.00	40.69	39.25		
4/29/2002	\$27.45	\$27.57	74.95	83.36	68.95	69.20	71.20	41.57	39.25	139.3	130.2
4/30/2002	\$27.32	\$27.29	74.93	82.30	68.65	68.90	70.90	42.00	39.88		

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

## Latest U.S. Weekly EIA Petroleum Information

(updated May 1, 2002)

### Bulls vs. Bears

Following the breakneck 5.8% growth rate (measured as Gross Domestic Product or GDP) registered for the U.S. economy during the first quarter 2002, some economists are now suggesting more moderate growth in the range of 3% to 3.5% during the second quarter, and perhaps for the remainder of the year. How will these projections bode for U.S. petroleum markets in the months ahead? Taking either a bullish or bearish position with respect to the level of GDP growth may only determine the speed at which oil markets will tighten up. Even with this week's increase in crude oil inventories, it does appear inevitable that, in the

near future, crude oil inventories will fall. As a result, diminishing crude oil supplies may have the effect of causing added tightness in gasoline, and possibly jet fuel markets in the run-up to the summer travel season. .

The unexpectedly large jump in economic activity during the first quarter of 2002, when combined with the modest 1.7% rebound in GDP during the fourth quarter of 2001, now strongly confirms the view held here that seemingly weak U.S. oil demand levels apparent over the winter now ended were not structurally rooted. Most, if not all, of the deficit seen in monthly comparisons with last year now can be attributed to short-term factors, all but dissipated - near record warm weather, dramatically lower natural gas prices, and September 11's impact jet fuel demand. Should economic growth continue to run at 3% or higher (which could occur, since continued slowing in de-stocking in the business sector is anticipated), the masking effect of these factors will be evident all too soon in solid petroleum demand growth rates and inventory declines.

Indeed, largely unaffected by these special factors, demand for finished motor gasoline set a first quarter record, averaging 8.4 million barrels per day, 2.3% higher than first quarter 2001. Demand for jet fuel, although trailing more than 10% below the same first quarter period last year, continues to rebound from the effects of the September 11 terror attacks. For example, over the most recent four-week period, jet fuel demand is just 1.4 percent less than during the same period last year, while motor gasoline has shown a growth rate of 2.7% over this period. Again, if demand for these fuels remains strong, crude oil and petroleum product inventories would be expected to trend lower over the next few months. While an inventory cushion currently exists for motor gasoline, jet fuel inventories remain close to year-ago levels. For the week ending April 26, inventories of motor gasoline stood at 211.9 million barrels, more than 12 million barrels above year-ago levels. Inventories of jet fuel totaled 39.7 million barrels during this same period, 0.8 million barrels below the prior year level.

U.S. reported commercial crude oil inventories surprised analysts by increasing 4.6 million barrels last week. Although a small rise in crude oil imports explains some of the gain, the additional increase in reported inventories is in the nature of weekly data. Sometimes changes in reported inventories lag changes in imports, as the timing of imports is critical with weekly data. Nevertheless, despite this increase, commercial crude oil inventories remain less than 4 million barrels above the level at the same time last year. Moreover, crude oil imports over the last four weeks have averaged 8.9 million barrels per day, down about 9% from the same period last year. If product demand continues to remain relatively strong for gasoline in particular, the current inventory cushion will be needed to supply the market temporarily. However, once this cushion is reduced, refiners will need to increase production, putting added pressure on crude oil inventories.

### **Retail Gasoline Takes a Slide**

The retail price for regular motor gasoline fell this week, losing 1.1 cents per gallon to end at 139.3 cents per gallon. This price is 23.3 cents per gallon lower than last year. Prices have been flat or falling for the past three weeks. Prices were down throughout the country, except for in the Rocky Mountains, which saw an increase of 0.8 cents per gallon. The largest price decrease occurred in the Midwest, where prices dropped 2.4 cents per gallon. Gasoline inventories rose last week, remaining 6.2% above last year's level and 2.3% above the 5-year average. Total gasoline imports were up last week, at a level 23.3% higher than this time last year. However, continuing daily conflicts in the Middle East and OPEC's reluctance to raise its production quota have the potential to disrupt crude oil and product markets.

Retail diesel fuel prices fell for a third straight week by 0.2 cents per gallon, to a national average of 130.2 cents per gallon as of April 29.

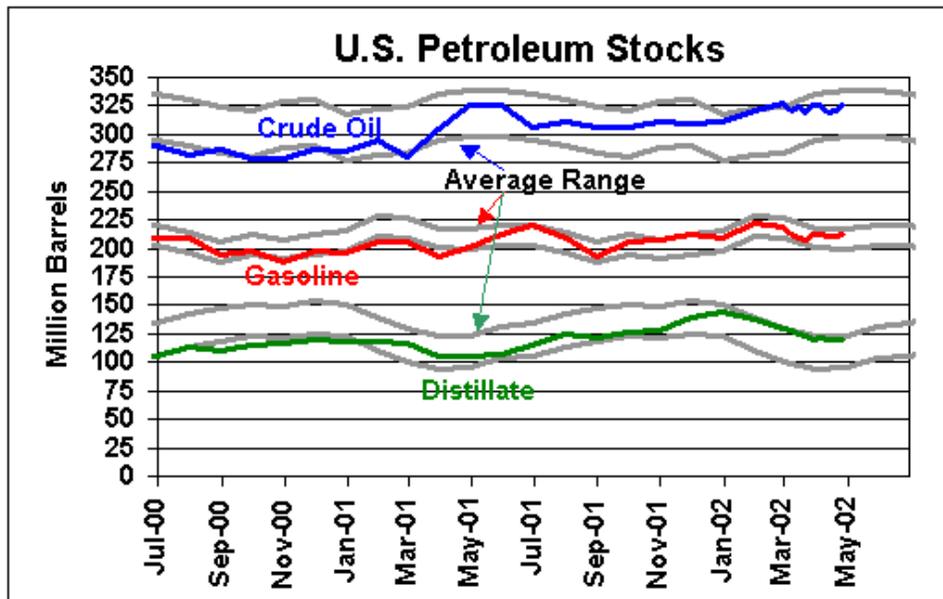
### **Total Gasoline Imports Reach Record Levels**

Total gasoline imports (including blending components) averaged nearly 1.1 million barrels per day for the week ending April 26, which is more than 100,000 barrels per day higher than the previous record set during the week ending September 28, 2001. Even with this record level of imports, gasoline inventories only increased by 1.3 million barrels. If imports had been just 200,000 barrels per day less (which still would have represented a high level), gasoline inventories would have been drawn down slightly.

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## U.S. Petroleum Supply

(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
	4/26/2002	4/26/2001	Diff.	% Diff.
<b>Refinery Activity</b>				
Crude Oil Input	15,140	15,441	-301	-1.9%
Operable Capacity	16,800	16,636	164	1.0%
Operable Capacity Utilization (%)	89.9%	94.2%	-4.3%	
<b>Production</b>				
Motor Gasoline	8,408	8,395	13	0.2%
Jet Fuel	1,497	1,543	-46	-3.0%
Distillate Fuel Oil	3,628	3,633	-5	-0.1%
<b>Imports</b>				
Crude Oil (incl. SPR)	8,914	9,785	-871	-8.9%
Motor Gasoline	885	760	125	16.5%
Jet Fuel	123	152	-29	-19.2%
Distillate Fuel Oil	196	306	-110	-36.0%
<b>Total</b>	<b>11,293</b>	<b>12,271</b>	<b>-978</b>	<b>-8.0%</b>
<b>Exports</b>				
Crude Oil	33	8	25	291.5%
Products	938	941	-3	-0.3%
<b>Total</b>	<b>971</b>	<b>950</b>	<b>21</b>	<b>2.2%</b>
<b>Products Supplied</b>				
Motor Gasoline	8,772	8,539	233	2.7%
Jet Fuel	1,633	1,656	-23	-1.4%
Distillate Fuel Oil	3,656	3,845	-189	-4.9%
<b>Total</b>	<b>19,467</b>	<b>19,623</b>	<b>-156</b>	<b>-0.8%</b>
<b>Stocks (Million Barrels)</b>				
	<b>4/26/2002</b>	<b>4/26/2001</b>	<b>Diff.</b>	<b>% Diff.</b>
Crude Oil (excl. SPR)	325.5	321.9	3.6	1.1%
Motor Gasoline	211.9	199.6	12.3	6.2%
Jet Fuel	39.7	40.5	-0.8	-2.0%
Distillate Fuel Oil	120.2	105.0	15.2	14.5%
<b>Total (excl. SPR)</b>	<b>1,004.3</b>	<b>968.1</b>	<b>36.2</b>	<b>3.7%</b>



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

## World Oil Market Highlights

(updated April 30, 2002)

According to second quarter 2002 estimates, the world holds about 7 million barrels per day of excess oil production capacity outside of Iraq, over 90% of which lies in OPEC countries.

<b>Major Sources of U.S. Petroleum Imports, 2001*</b>			
(all volumes in million barrels per day)			
	<b>Total Oil Imports</b>	<b>Crude Oil Imports</b>	<b>Petroleum Product Imports</b>
<b>Canada</b>	1.79	1.32	0.47
<b>Saudi Arabia</b>	1.66	1.61	0.05
<b>Venezuela</b>	1.54	1.28	0.26
<b>Mexico</b>	1.42	1.38	0.04
<b>Nigeria</b>	0.86	0.81	0.04
<b>Iraq</b>	0.78	0.78	0.00
<b>Norway</b>	0.33	0.27	0.06
<b>Angola</b>	0.32	0.31	0.07
<b>United Kingdom</b>	0.31	0.23	0.08
<b>Total Imports</b>	11.62	9.15	2.47

\* Table includes all countries from which the U.S. imported more than 300,000 barrels per day in 2001.

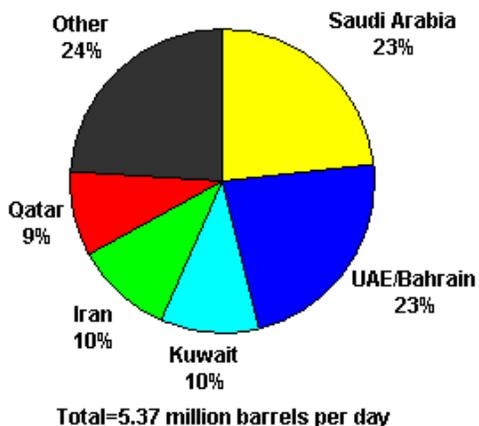
<b>Top World Oil Net Exporters, 2001*</b>		
	<b>Country</b>	<b>Net Exports (million barrels per day)</b>
1)	Saudi Arabia	7.38
2)	Russia	4.76
3)	Norway	3.22
4)	Iran	2.74
5)	Venezuela	2.60
6)	United Arab Emirates	2.09
7)	Nigeria	2.00
8)	Iraq	2.00
9)	Kuwait	1.80
10)	Mexico	1.65
11)	Libya	1.24
12)	Algeria	1.24

\*Table includes all countries with net exports exceeding 1 million barrels per day in 2001.

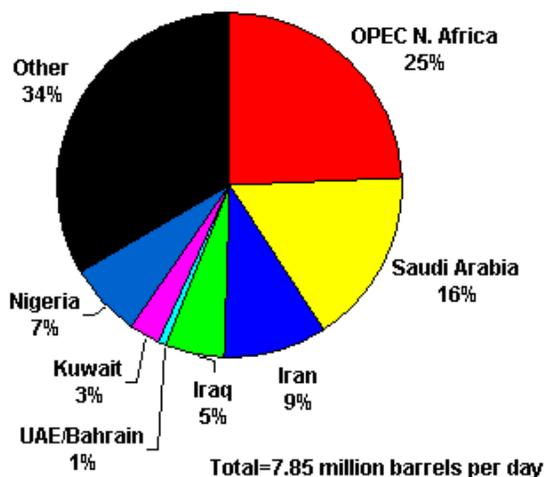
During 2001, about 48% of U.S. crude oil imports came from the Western Hemisphere (19% from South America, 15% from Mexico, 14% from Canada), while 30% came from the Persian Gulf region (18% from Saudi Arabia, 9% from Iraq, 3% from Kuwait).

In general, OECD Europe depends far more heavily on the Persian Gulf and North Africa for oil imports than the United States. During 2001, about 35% of OECD Europe's net oil imports came from the Persian Gulf (mainly Saudi Arabia, Iran, Iraq, and Kuwait), around one-third from Africa (mainly Libya, Algeria, and Nigeria), and much of the remainder from Russia. Japan receives over three-quarters of its oil supplies from the Persian Gulf (mainly the UAE, Saudi Arabia, Kuwait, Iran, and Qatar) with the remainder coming from Indonesia, China, and other sources.

**Japanese Net Oil Imports by Country, 2001**



**OECD European Net Oil Imports by Country, 2001**



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## Latest U.S. Weekly Natural Gas Information

(updated May 1, 2002)

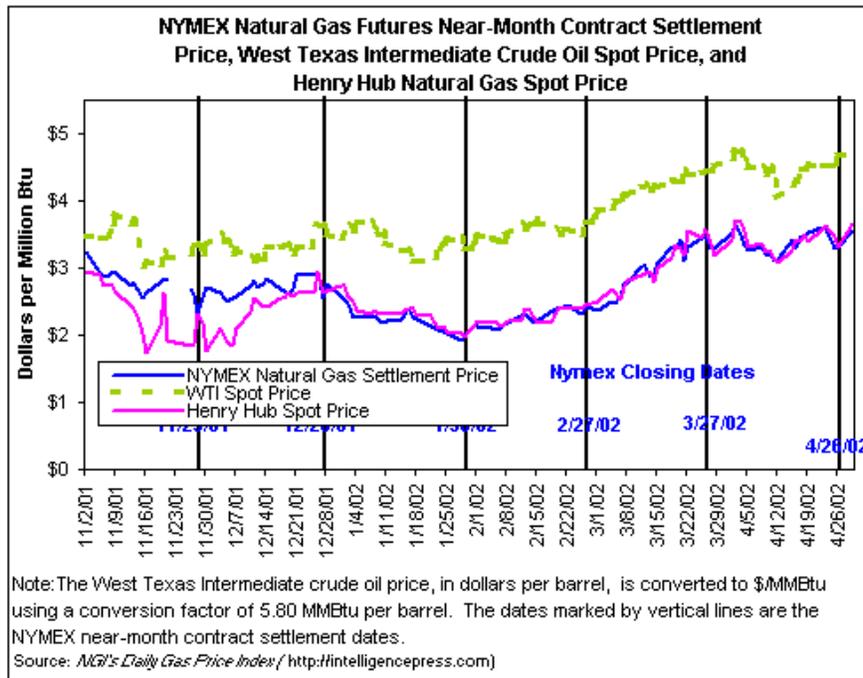
### Industry/Market Developments

*Gas drilling activity:* The number of rotary rigs drilling gas prospects rose for the third week in a row, to 634, according to the latest Baker Hughes rig count released Friday, April 26. This is the first time in nearly a year that the natural gas rig count has recorded consecutive weekly increases. Since reaching its all-time high of 1,068 rigs running for the week ended July 13, 2001, the rig count has fallen quite consistently, recording only 4 weekly increases in the 36 weeks through April 5. As of that date, the rig count had dropped to 591-- its lowest level since October 15, 1999, when it reached 579. Despite the recent increases in natural gas drilling, the monthly average gas rig count declined from 617 in March 2002 to 612 in April.

### Prices

Spot prices for natural gas moved up sharply again on Tuesday, April 30, rising \$0.21 per MMBtu at the Henry Hub to trade at \$3.65 per MMBtu, an increase of \$0.33 per MMBtu from the previous Friday (4/26/02). Prices rose at most major market locations as demand for air conditioning continued in response to the warm and humid weather that stretched from Texas to Florida. This weather pattern contributed to a Florida citygate price of \$4.70 per MMBtu on Tuesday (4/30/02)--a \$0.50 per MMBtu increase from the previous day. In addition, cool overnight temperatures resulted in some springtime heating demand in the populous Northeast. In California, prices rose again but slowed significantly from Monday's (4/30/02) sharp climb and traded Tuesday, on average, at \$3.27 per MMBtu. Steeper price increases were again reported in the Rocky Mountains where prices moved up over \$0.50 per MMBtu from the recently depressed levels at some of that region's markets, while other markets in the region had one-day declines of close to \$0.40 per MMBtu.

On the NYMEX, the contract for June delivery again moved up sharply in yesterday's trading, increasing over \$0.23 per MMBtu to settle at \$3.795 per MMBtu. The new near-month (June) contract has gained about \$0.42 per MMBtu in its first two days of trading.



All prices in \$ per MMBtu	California Composite				NYMEX futures contract-May delivery	NYMEX futures contract-June delivery	NYMEX futures contract-July delivery
	Average Price*	Henry Hub	New York City	Chicago			
4/3/02	3.53	3.68	4.07	3.69	3.506	3.528	3.558
4/4/02	3.45	3.56	4.08	3.61	3.333	3.371	3.409
4/5/02	3.14	3.31	3.80	3.34	3.275	3.313	3.357
4/8/02	3.23	3.36	3.72	3.40	3.327	3.365	3.410
4/9/02	3.14	3.25	3.59	3.28	3.201	3.240	3.283
4/10/02	3.15	3.25	3.59	3.28	3.184	3.223	3.264
4/11/02	3.04	3.14	3.56	3.17	3.103	3.141	3.181
4/12/02	2.68	3.08	3.35	3.09	3.125	3.163	3.205
4/15/02	3.11	3.27	3.74	3.30	3.430	3.465	3.500
4/16/02	3.31	3.43	3.88	3.44	3.294	3.329	3.367
4/17/02	3.23	3.40	3.76	3.38	3.477	3.511	3.546
4/18/02	3.31	3.51	3.81	3.50	3.485	3.523	3.558
4/19/02	3.01	3.40	3.68	3.41	3.527	3.562	3.595
4/22/02	3.32	3.58	3.97	3.59	3.596	3.616	3.646
4/23/02	3.31	3.63	3.97	3.64	3.591	3.615	3.645
4/24/02	3.14	3.53	3.85	3.55	3.419	3.431	3.465
4/25/02	3.14	3.47	3.81	3.49	3.295	3.306	3.341
4/26/02	2.70	3.32	3.66	3.33	3.319	3.372	3.407
4/29/02	3.14	3.44	3.79	3.48	expired	3.561	3.589
4/30/02	3.27	3.65	3.95	3.67	expired	3.795	3.823

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

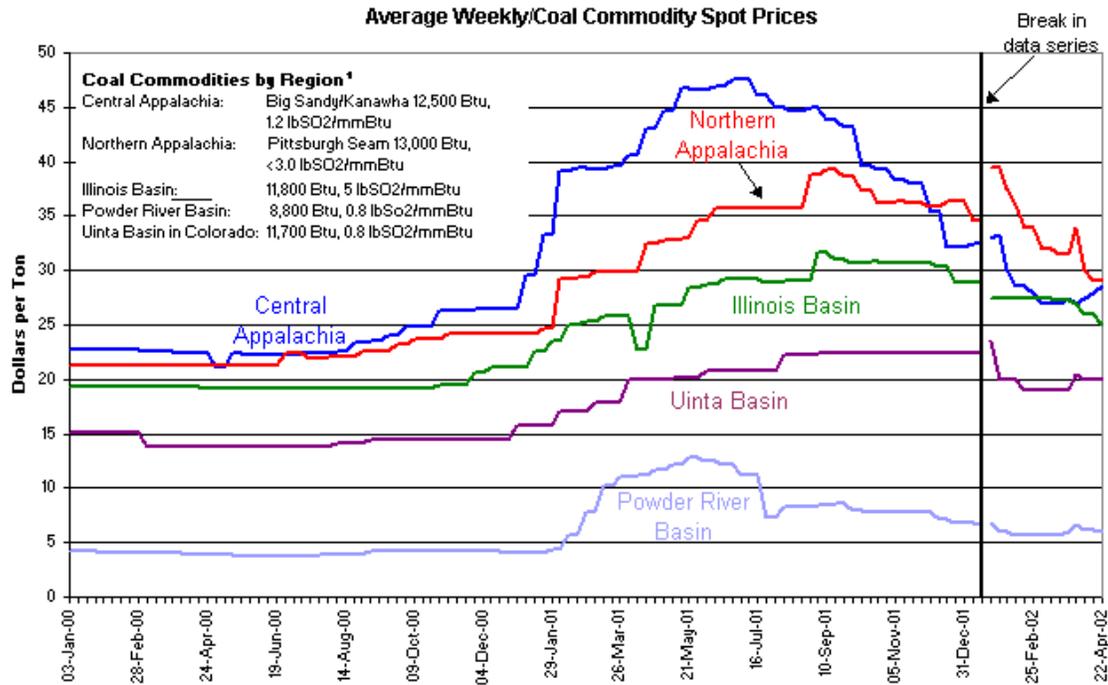
**Latest U.S. Coal Information**

(updated April 25, 2002)

U.S. coal supplies are more than adequate for anticipated needs. For the week ending April 20, EIA estimates U.S. [coal production](#) at 20.0 million short tons (mst). This was 8% lower than in the comparable week in 2001. Year-to-date as of April 20, rail car loadings of coal and national coal production have fallen by 4.4% and 5.2%, respectively, compared to their levels a year ago. Year-to-date, western U.S. coal production is 1.3% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 9.4% below last year's level. The estimated production for the first quarter of 2002 was 268.8 mst. Restrained production at this time accommodates higher-than-usual coal stockpiles at consuming facilities, coinciding with the spring period of low seasonal demand.

While crude oil prices have fluctuated, mostly upward, in recent weeks, U.S. coal prices have either fallen or held relatively steady. Although price criteria

changed since last summer, Illinois, Uinta, and Powder River Basin coals are continuing the level-to-slowly-declining price profiles established with the 2001 spot data. Since summer 2001 peaks, Central and Northern Appalachian coal prices have fallen significantly (by about \$19.00 and 10.00 per short ton, respectively). The latest prices, \$28.50 per short ton for Central Appalachian and \$29.00 per short ton for Northern Appalachian coal, are 28% and 36% above prices in the summer of 2000, prior to escalation. Spot prices currently indexed are about 25% and 40% above the summer 2000 baseline, respectively, for Central and Northern Appalachia, and about 10% for the Uinta Basin, 20% for the Illinois Basin, and 50% for the Powder River Basin, above summer 2000 levels. In the latest week, coal prices either did not change or moved down by small percentages, with the exception of Central Appalachian coal, which has extended a 3-week rise totaling \$1.50 per short ton. Uncertainty over the course of events in the Middle East continues to add a security margin to other energy prices. Although [NYMEX](#) trade volumes are nominal and erratic, the trend since mid-November 2001 has been toward lower prices, with a recent leveling off of prices since early February 2002.

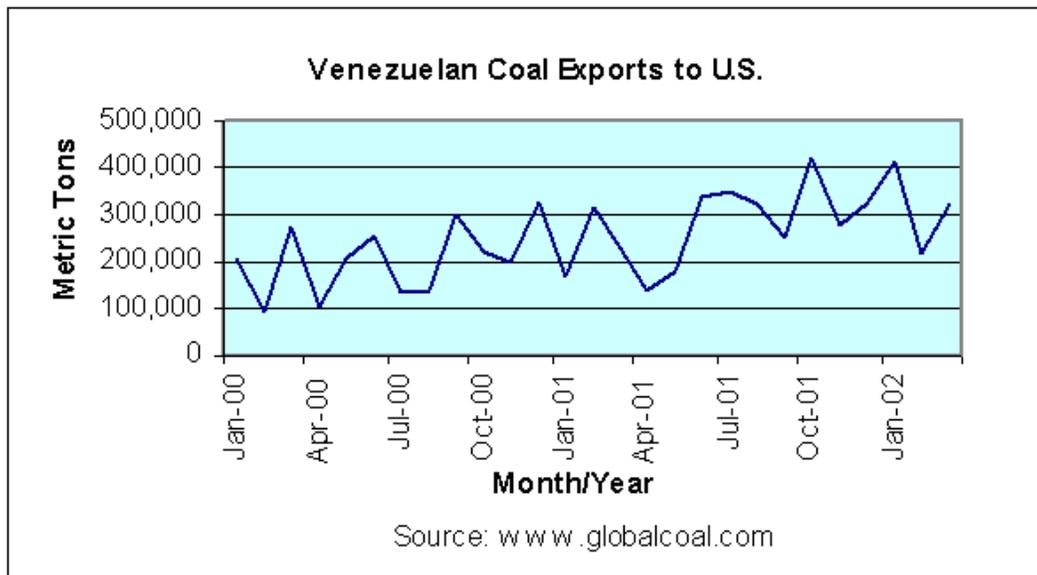


Source: with permission, selected from listed prices in Platts Coal Outlook, "Weekly Price Survey"

\*Prior to January 14, 2002 EIA averaged 12-month "forward" spot prices for several coal specifications; after that date, the values shown are based on a single specification in each region for delivery by the end of the next quarter.

Principals from the over-the-counter (OTC) markets say the wide volatility of coal prices during the past 2 years indicates the need for a "more mature" OTC trading market, according to Platts Coal Trader, April 23, 2002. The prices tracked in the Average Weekly Coal Commodity Spot Prices (above) are estimated from near-term OTC spot prices, for delivery by the end of the coming quarter, or generally within 30 to 120 days.

Although the United States can produce sufficient coal for domestic needs, 12.5 mst were imported in 2000, about 1% of consumption. A few electric power generators situated near the Atlantic and Gulf coasts purchase imported coal because their location allows them to cash in on low mine-level prices and ocean shipping rates and because the imported coals are low in sulfur, with high heat content. In 2000, 2.0 mst of coal was imported from Venezuela. If disruptions of these coal shipments were to occur, the national impact would be insignificant. In any case, unlike with recent strikes against Venezuelan oil exports, we have seen no curtailment of Venezuelan coal shipments.



A March 28 ruling by U.S. District Judge James Robertson, of the federal district court in Washington, DC, would restrict underground coal mining under national parks, inhabited residences, and other protected areas. The court ruled in favor of the Citizens Coal Council, an environmental advocacy group, in its suit challenging the way the Department of the Interior has allowed permitting of underground coal mining that may cause ground subsidence in specified protected areas. The effect of this ruling would negate permitting practices that have been followed, but challenged, almost since the initiation of the Surface Mining Control and Reclamation Act of 1977. The National Mining Association, which along with Gale Norton, Secretary of the Interior, is one of the Defendants, claims that the ruling ignores long-standing interpretation of the 1977 statute and would devastate eastern U.S. coal production. It pledges to appeal the ruling.

In the long term, however, EIA expects domestic coal supplies to be more than adequate for projected consumption. Most coal is still sold under multi-year contracts, and average prices for all coal supply contracts, incorporating spot and long-term, are projected to stabilize at well below current spot prices. EIA's projections of average coal prices decline slightly in inflation-adjusted dollars because nominal prices rise more slowly than the rate of inflation between 2000 and 2020.

## Latest U.S. Electricity Information

(updated May 1, 2002)

**Selected Wholesale Electricity Prices (April 24 – April 30):** Western U.S. wholesale prices increased Tuesday as available generating capacity decreased and natural gas prices increased. Prices at the California-Oregon Border have increased 9%, from \$24.88 per megawatthour on April 29 to \$27.00 per megawatthour on April 30. Palo Verde prices increased slightly, from \$27.01 per megawatthour on April 29 to \$27.89 per megawatthour on April 30.

Over the same period, electricity prices in the Northeast have dropped as electricity demand has decreased with mild weather. New York electricity prices decreased from \$41.57 per megawatthour on April 29 to \$39.98 per megawatthour on April 30. Prices in New York have been higher than other Northeast areas with the scheduled maintenance of a key transmission line in Western New York reduced capacity. The maintenance will last from April 25 to May 10. ISO New England's electricity price decreased from \$32.90 per megawatthour on April 29 to \$31.50 per megawatthour on April 30.

Overall the average price at all trading centers decreased 12% over the past week, from \$31.70 per megawatthour on April 24 to \$28.02 per megawatthour on April 30.

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

Trading Centers	Date							Price Range		
	4/24/02	4/25/02	4/26/02	4/27/02	4/28/02	4/29/02	4/30/02	Max	Min	Average
COB	33.00	27.00	25.88	n.q.	n.q.	24.88	27.00	33.00	24.88	27.55
Palo Verde	32.85	32.45	26.74	n.q.	n.q.	27.01	27.89	32.85	26.74	29.39
Mid-Columbia	21.89	22.75	20.08	n.q.	n.q.	19.85	18.67	22.75	18.67	20.65
Mead/Marketplace	35.42	32.14	28.19	n.q.	n.q.	27.47	29.02	35.42	27.47	30.45
4 Corners	32.42	31.75	27.00	n.q.	n.q.	26.25	26.44	32.42	26.25	28.77
NP 15	35.85	32.52	27.89	n.q.	n.q.	27.17	29.06	35.85	27.17	30.50
SP 15	36.34	33.35	27.95	n.q.	n.q.	27.87	29.36	36.34	27.87	30.97
PJM West	29.68	26.98	26.66	n.q.	n.q.	28.33	26.50	29.68	26.50	27.63
ISO New England	29.38	28.46	31.03	29.55	35.22	32.90	31.50	35.22	28.46	31.12
New York ISO	35.63	36.49	34.21	31.18	29.72	41.57	39.98	41.57	29.72	35.74
Cinergy	26.25	24.81	24.10	n.q.	n.q.	24.33	22.74	26.25	22.74	24.45
<b>Average Price</b>	<b>31.70</b>	<b>29.88</b>	<b>27.25</b>	<b>30.37</b>	<b>32.47</b>	<b>27.97</b>	<b>28.02</b>	<b>32.47</b>	<b>27.25</b>	<b>28.84</b>

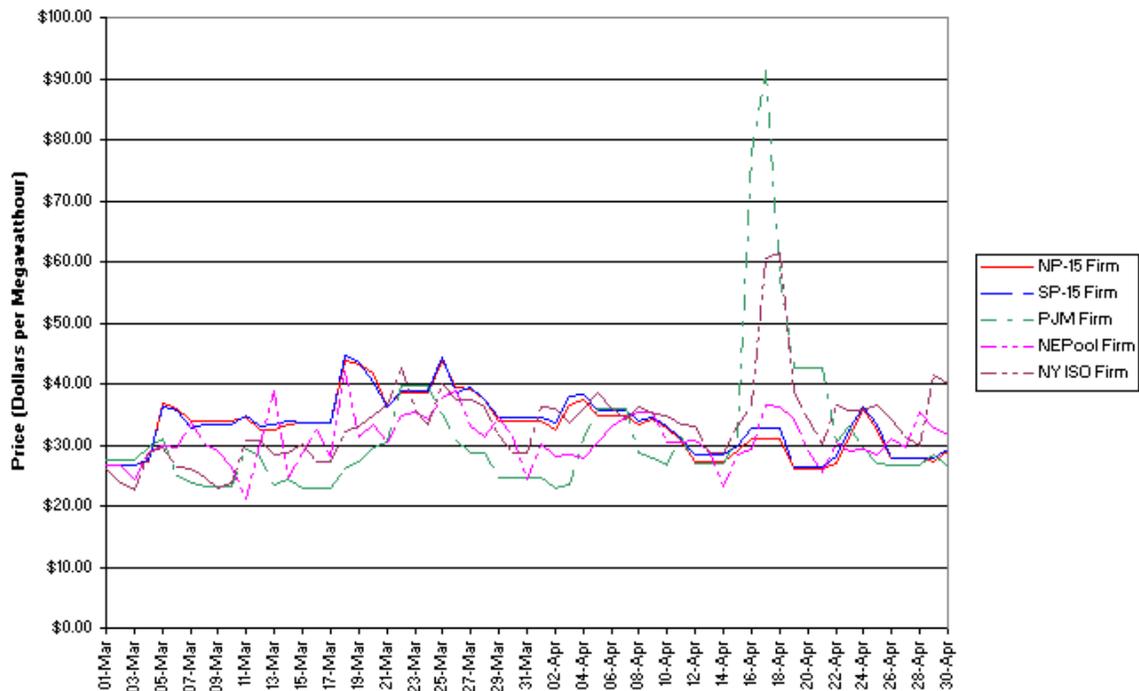
Source: COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West, and Cinergy trading centers, Used with Permission from Bloomeberg L.P., ISO New England (<http://www.iso-ne.com>), and New York ISO

**Notes:**

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

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

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



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