



ENERGY SITUATION ANALYSIS REPORT



May 8, 2002

(next scheduled update: May 9, 2002)

Energy Information Administration
US Department of Energy
Washington, DC 20585
(202) 586-8800

Petroleum Natural Gas Coal Electricity

Latest Energy Market Developments

(updated May 8, 2002)

Closing prices for West Texas Intermediate crude oil futures for near-month delivery on the NYMEX have remained firm, with crude oil closing higher at \$26.63 per barrel on Tuesday and \$27.85 per barrel today, up \$1.22 per barrel, and the highest level since it reached \$28.81 per barrel on September 17. Although the end of Iraq's 30-day oil embargo was expected to add additional oil supplies to world markets, other developments in the Middle East and market fundamentals continued to hold oil prices up. Markets reacted warily to the news of a suicide bombing in Israel that killed at least 15 people late Tuesday.

Both the American Petroleum Institute and the U.S. Energy Information Administration reported that U.S. crude oil inventories fell last week. The United States is feeling the impacts of reduced global production from both the OPEC/non-OPEC supply cutbacks and the just-ended 30-day Iraqi oil embargo. While weekly data on sources of U.S. crude oil imports are very preliminary and thus not published, it does appear that crude oil imports from Iraq were down sharply from average levels. Partly as a result of this, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) dropped 5.5 million barrels, thereby falling below year-ago levels for the first time since the week ending March 16, 2001.

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

- Norway sees no need to extend beyond the end of June the oil supply cuts it implemented this year with other international producers, Oil Minister Einar Steensnaes said on Tuesday. "We will decide this at the end of June," he added. Norway, the world's third-largest oil exporter behind Saudi Arabia and Russia, had agreed to cut 150,000 barrels per day of oil production for six months.
- Iraq began pumping crude oil to its export terminals on Wednesday after lifting a month-long embargo, the official Iraqi news agency said. "Loading of Iraqi crude oil will start on Thursday, May 9" according to an Iraqi spokesman. Iraq has submitted price proposals for May crude loadings to the U.N. for approval.

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

- As of May 8, the [U.S. Strategic Petroleum Reserve](#) (SPR) contained 566.7 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 natural gas prices fell at nearly every market location in Tuesday's trading. The declines were attributable in part to declining prices in the Midcontinent and Midwest.
- Heavy rain temporarily disrupted coal production and transport in West Virginia, Virginia and Kentucky between May 2 and May 5.
- Wholesale electricity prices at most trading centers in the Western U.S decreased yesterday amid reduced electricity demand and lower natural gas prices.

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

(updated May 8, 2002)

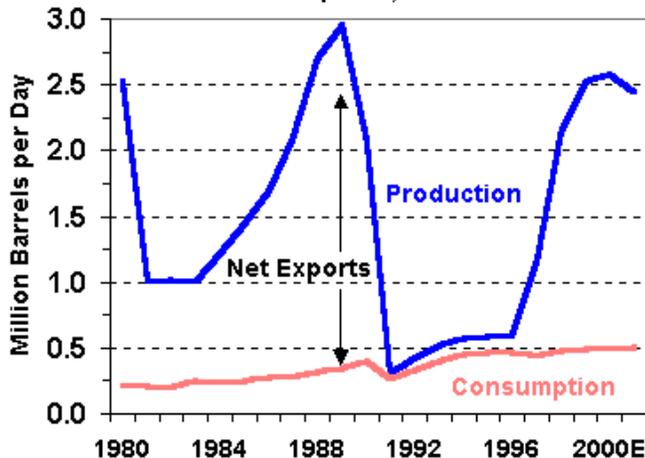
While Iraq's weekly export levels fluctuate, the country remains an important world oil player, with U.N. oil-for-food exports from January 1, 2002 through April 8, 2002 averaging 1.7 million barrels per day. Oil-for-food exports ceased on April 8, when the country declared a unilateral 30-day crude oil export embargo. According to the Iraqi government, Iraq began pumping crude oil to its export terminals on Wednesday after lifting a month-long embargo, with loadings of Iraqi crude oil to begin on Thursday, May 9.

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.

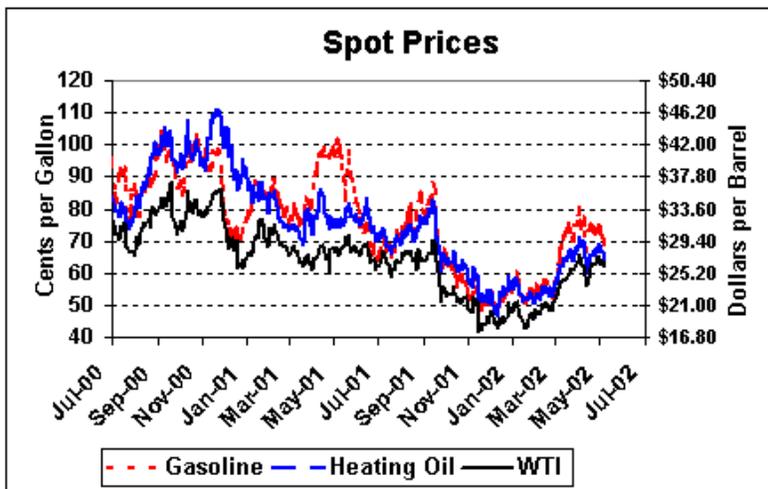
Iraq's Oil Production and Consumption, 1980-2001E



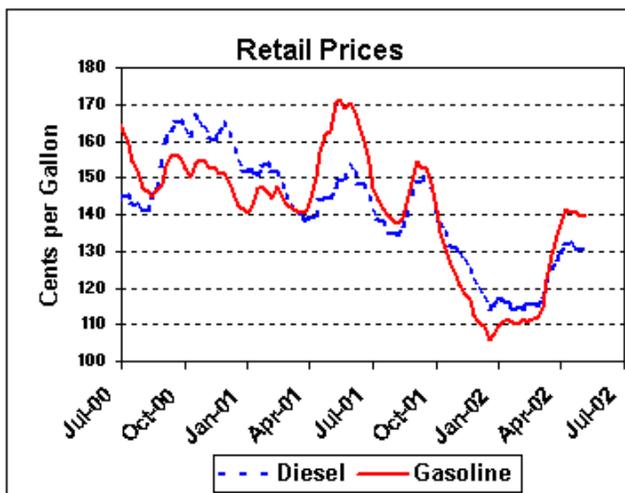
Note: Production includes crude oil, lease condensate, natural gas liquids, ethanol, and refinery gain.

U.S. Petroleum Prices

(updated May 8, 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	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	
3/20/2002	\$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		
5/1/2002	\$26.58	\$26.75	72.75	80.48	67.33	67.42	69.65	41.63	39.51		
5/2/2002	\$26.31	\$26.24	71.73	78.49	66.38	66.07	68.48	41.09	38.50		
5/3/2002	\$26.75	\$26.62	70.78	78.77	66.40	66.53	68.28	41.07	38.63		
5/6/2002	\$26.11	\$26.12	69.07	77.45	64.40	64.98	66.00	40.75	38.13	139.5	130.5
5/7/2002	\$26.79	\$26.63	68.94	78.28	65.80	65.86	67.75	41.00	38.63		

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 8, 2002)

It's A Crude, Crude World

Crude oil dominated petroleum markets last week, as world events once again demonstrated how global the crude oil market actually is. Beginning today, Iraq is expected to once again start exporting oil under the United Nations oil-for-food program, after ending a self-imposed 30-day cut-off in support of the Palestinians. Yet, as Iraq is beginning to export oil to global markets once again, the United States may just be beginning to feel the impacts of the 30-day cut-off. While weekly data on sources of U.S. crude oil imports are very preliminary and thus not published, it does appear that crude oil imports from Iraq were down sharply from average levels. Of course, as is the nature of weekly import data, it may be too early to emphatically say that we have begun a period in which U.S. crude oil imports from Iraq will be reduced as a result of the cut-off last month. But clearly, the impact of reduced Iraqi imports will be felt sometime over the course of this month, due to the length of time it takes for the oil to be shipped from Iraq to the United States. How ironic it is that just as Iraq begins to export again, the United States may begin to feel the effects of the cut-off.

Although crude oil imports remained above 9 million barrels per day for the third week in a row last week, they have still averaged about 800,000 barrels per day less over the last four weeks compared to the same time last year. With OPEC and some major non-OPEC countries agreeing to reduce production and/or exports so far this year, it is not surprising that the country that imports the most oil in the world (the United States) is feeling the impacts of reduced global

production. Partly as a result of this, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) dropped 5.5 million barrels, thereby falling below year-ago levels for the first time since the week ending March 16, 2001. This was not at all surprising, as the surplus to year-ago levels has been rapidly declining since the week ending March 1, 2002, when crude oil inventories were more than 40 million barrels above year-ago levels. If product demand begins to increase as well, we could be in a situation later this month in which both crude oil and product inventories are both falling at the same time.

Events in the Middle East also have dominated the news of late, which has impacted crude oil markets. While late last week it appeared that tensions in the Middle East were being tempered, West Texas Intermediate crude oil prices once again returned to below \$27 per barrel. However, crude oil prices in the short-term will likely continue to ebb and flow somewhat in relation to global events such as the Israel-Palestine situation, the level of Iraqi exports, and expectations of the possibility of changes or lack of change in OPEC production quotas as we get closer to their June 26 meeting. With little in the way of news related to petroleum products, the global crude oil market has taken center stage.

Retail Gasoline Prices See Little Change

The national average retail price for regular motor gasoline on May 6 gained slightly from the previous week, increasing 0.2 cents per gallon to end at 139.5 cents per gallon. This price is 30.8 cents per gallon lower than last year. Prices have remained relatively flat over the past four weeks, with slight up and down changes. Prices were mostly down throughout the country on May 6, except for the Midwest, which saw an increase of 1.5 cents per gallon from the previous week, ending at 137.0 cents per gallon. Prices remained unchanged on the East Coast, staying at 137.9 cents per gallon for the second week. The largest price decrease occurred in California, where prices dropped 1.8 cents per gallon. The relative calm in gasoline markets over the past few weeks may mean that the small bumps we are seeing in the retail price may simply be the pass-through of price changes in the wholesale market over the past 6 weeks or so. Retail diesel fuel prices increased by 0.3 cent per gallon after falling for three weeks, to a national average of 130.5 cents per gallon as of May 6.

Above Average Propane Build

The monthly propane stockbuild totaled an above average 6.1 million barrels, boosting U.S. inventories of propane to an estimated 45.8 million barrels as of April 30, 2002. The average April stockbuild over the past five years was nearly 5.2 million barrels. Regional gains were evenly distributed at 2.7 million barrels in the Midwest and Gulf Coast regions last month, while the East Coast reported a nearly 0.4 million-barrel increase during this same period.

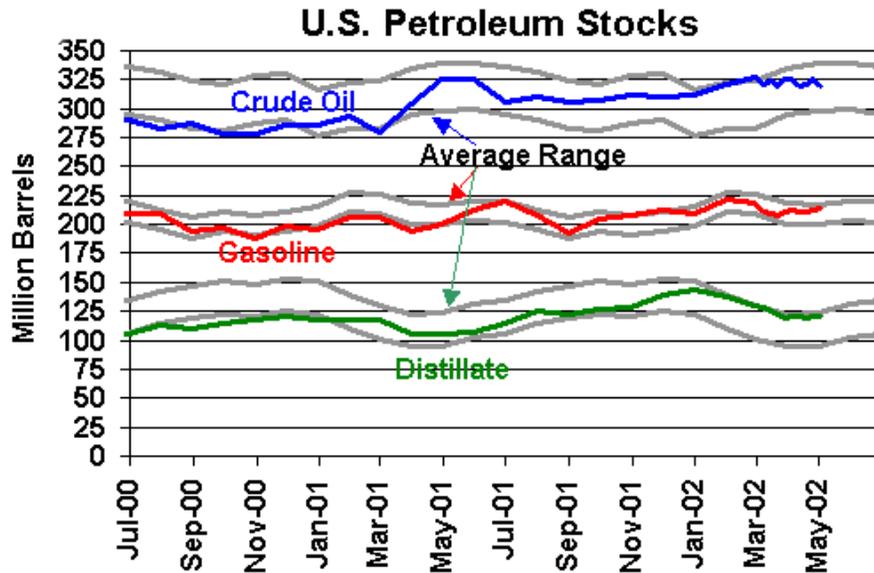
The summer build season typically lasts from April through September, with inventory additions averaging about 37 million barrels over the past five years. However, during this period, inventory builds have ranged from a low of 23 million barrels during 1999, to a high of 47 million barrels during 1998. But with propane inventories beginning the build season from the highest end of March level since 1987, even a low build scenario would cause U.S. inventories of propane to reach well above the 60-million-barrel level many industry observers believe is adequate for the start of the heating season.

Energy Situation Analysis Report

U.S. Petroleum Supply

(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
	5/3/2002	5/3/2001	Diff.	% Diff.
Refinery Activity				
Crude Oil Input	15,276	15,553	-277	-1.8%
Operable Capacity	16,800	16,636	164	1.0%
Operable Capacity Utilization (%)	91.5%	94.9%	-3.4%	
Production				
Motor Gasoline	8,515	8,461	54	0.6%
Jet Fuel	1,494	1,552	-58	-3.8%
Distillate Fuel Oil	3,682	3,651	31	0.8%
Imports				
Crude Oil (incl. SPR)	8,992	9,809	-817	-8.3%
Motor Gasoline	885	775	110	14.1%
Jet Fuel	123	155	-32	-20.6%
Distillate Fuel Oil	196	304	-108	-35.5%
Total	11,293	12,306	-1,013	-8.2%
Exports				
Crude Oil	33	12	21	175.0%
Products	936	950	-14	-1.5%
Total	971	962	9	1.0%
Products Supplied				
Motor Gasoline	8,686	8,558	128	1.5%
Jet Fuel	1,596	1,655	-59	-3.6%
Distillate Fuel Oil	3,741	3,805	-64	-1.7%
Total	19,430	19,584	-154	-0.8%
vs. Year Ago				
Stocks (Million Barrels)	5/3/2002	5/3/2001	Diff.	% Diff.
Crude Oil (excl. SPR)	320.0	325.4	-5.4	-1.7%

Stocks (million barrels)	2000	2001	% Change	% Change
Crude Oil (excl. SPR)	320.0	325.4	-5.4	-1.7%
Motor Gasoline	214.1	201.5	12.6	6.3%
Jet Fuel	40.3	40.8	-0.5	-1.2%
Distillate Fuel Oil	121.5	105.2	16.3	15.5%
Total (excl. SPR)	1,006.7	976.9	29.8	3.1%



World Oil Market Highlights

(updated May 7, 2002)

According to second quarter 2002 estimates, the world holds about 6.8 million barrels per day of excess oil production capacity, over 90% of which lies in OPEC countries. This figure does not include Iraqi spare capacity.

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

Top World Oil Net Exporters, 2001*		
	Country	Net Exports (million barrels per day)
1)	Saudi Arabia	7.38

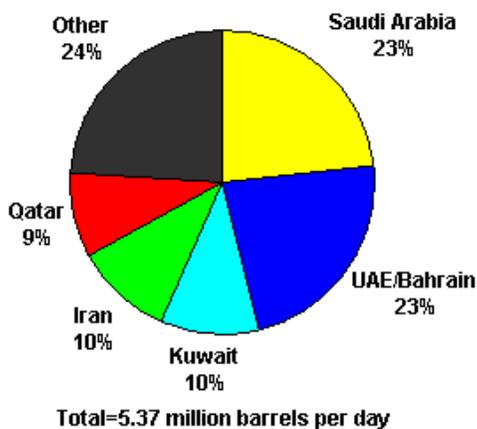
2)	Russia	4.76
3)	Norway	3.22
4)	Iran	2.74
5)	Venezuela	2.60
6)	United Arab Emirates	2.09
7)	Nigeria	2.00
8)	Iraq	2.00
9)	Kuwait	1.80
10)	Mexico	1.65
11)	Libya	1.24
12)	Algeria	1.24

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

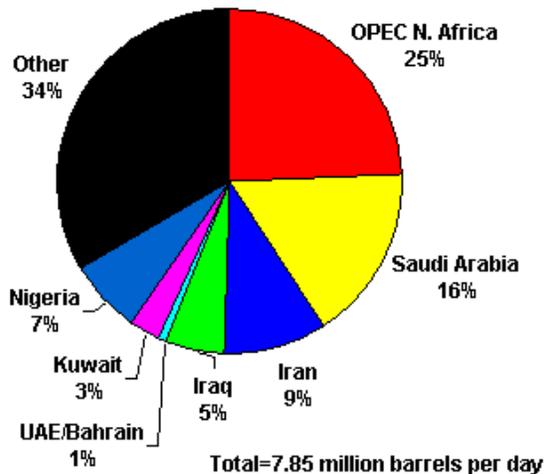
During 2001, about 48% of U.S. crude oil imports came from the Western Hemisphere (19% from South America, 15% from Mexico, 14% from Canada), while 30% came from the Persian Gulf region (18% from Saudi Arabia, 9% from Iraq, 3% from Kuwait).

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



Latest U.S. Weekly Natural Gas Information

(updated May 8, 2002)

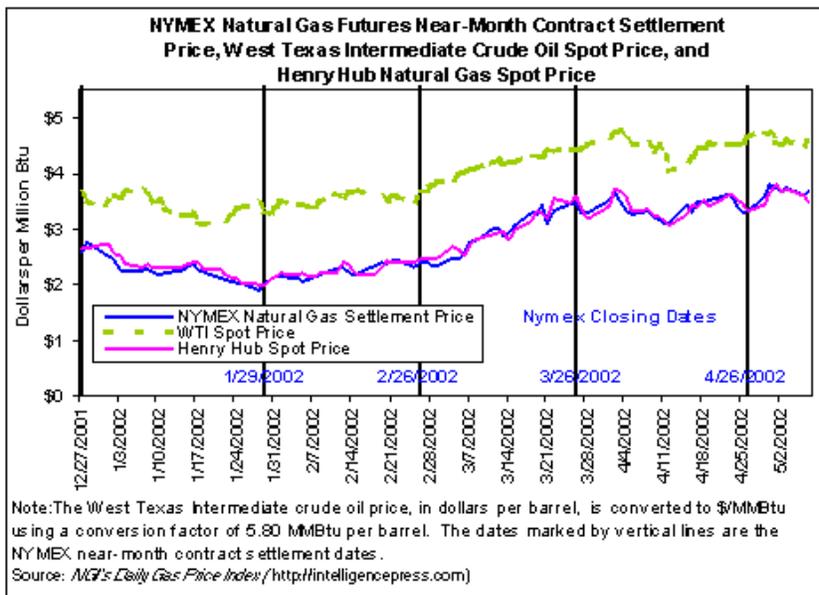
[Industry/Market Developments](#)

EIA Weekly Storage Data Series: EIA released the report [Methodology for EIA Weekly Underground Natural Gas Storage Estimates](#) on Wednesday, May 1, which discusses the methods and procedures that will be used by EIA to prepare weekly estimates of working gas in storage. The paper describes the new weekly survey form (EIA-912) and survey processing procedures, the methodology for sample selection and estimation, and procedures relating to revisions and data security. General information on the weekly storage survey, including weekly release time, a sample of the presentation format, and EIA's policy on the use of automated retrieval programs (or robots) against the EIA web site, is available at <http://tonto.eia.doe.gov/oog/info/ngs/information.html>. Two additional products relating to the new storage survey were released this afternoon (Wednesday, May 8) on EIA's web site. One is a paper comparing the AGA and EIA surveys and methods, with comparisons of the weekly data from the two respective surveys for the brief period during which they overlapped. A second is a data file containing estimates of weekly stocks from 1994 through April 19, 2002, which will be used in the historical comparisons presented in the Weekly Gas Storage Report.

Prices

Spot gas prices fell at nearly every market location in yesterday's (Tuesday, May 7) trading. The price softening even extended to Florida Gas Transmission, where the citygate price held steady at an average of \$6.25 per million Btu (MMBtu), after 6 straight days of rising prices spurred by summer-like heat, maintenance problems, and Overage Alert Day restrictions that were extended for yet another day. The Rocky Mountains region continued to experience high price variability, with drops of 13 to nearly 60 cents per MMBtu on Tuesday. The declines were attributable in part to declining prices in the Midcontinent and Midwest, making the expanded pipeline capacity on Trailblazer Pipeline into those markets moot, at least temporarily. At the Cheyenne Hub, the average spot price fell \$0.28 per MMBtu to \$1.87 per MMBtu. Elsewhere, Gulf Coast prices slipped by about 10 cents per MMBtu on average; the Henry Hub spot price declined 12 cents per MMBtu to \$3.49 per MMBtu, and Northeast prices were down by less than a dime per MMBtu at most market locations. The TRANSCO Zone 6 spot price for New York delivery fell 7 cents per MMBtu to \$3.74 per MMBtu.

On the NYMEX futures market, prices for contracts through the end of next year reversed direction from Monday, with gains of about 8 to nearly 11 cents per MMBtu. The market appeared to react to some longer-term supply concerns related to the declining natural gas rig count and reports of falling production for this year. The near-month (June delivery) contract moved up \$0.078 per MMBtu to settle at \$3.673 per MMBtu.



All prices in \$ per MMBtu	California Composite				NYMEX futures contract-June delivery	NYMEX futures contract-July delivery
	Average Price*	Henry Hub	New York City	Chicago		
4/9/2002	3.14	3.25	3.59	3.28	3.240	3.283
4/10/2002	3.15	3.25	3.59	3.28	3.223	3.264
4/11/2002	3.04	3.14	3.56	3.17	3.141	3.181
4/12/2002	2.68	3.08	3.35	3.09	3.163	3.205
4/15/2002	3.11	3.27	3.74	3.30	3.465	3.500
4/16/2002	3.31	3.43	3.88	3.44	3.329	3.367
4/17/2002	3.23	3.40	3.76	3.38	3.511	3.546
4/18/2002	3.31	3.51	3.81	3.50	3.523	3.558
4/19/2002	3.01	3.40	3.68	3.41	3.562	3.595
4/22/2002	3.32	3.58	3.97	3.59	3.616	3.646
4/23/2002	3.31	3.63	3.97	3.64	3.615	3.645
4/24/2002	3.14	3.53	3.85	3.55	3.431	3.465
4/25/2002	3.14	3.47	3.81	3.49	3.306	3.341
4/26/2002	2.70	3.32	3.66	3.33	3.372	3.407
4/29/2002	3.14	3.44	3.79	3.48	3.561	3.589
4/30/2002	3.27	3.65	3.95	3.67	3.795	3.823
5/1/2002	3.32	3.79	4.06	3.81	3.735	3.767
5/2/2002	3.15	3.65	3.91	3.66	3.684	3.721
5/3/2002	2.91	3.71	3.92	3.69	3.745	3.787
5/6/2002	3.23	3.61	3.81	3.58	3.595	3.639
5/7/2002	3.16	3.49	3.74	3.49	3.673	3.719

* 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>)

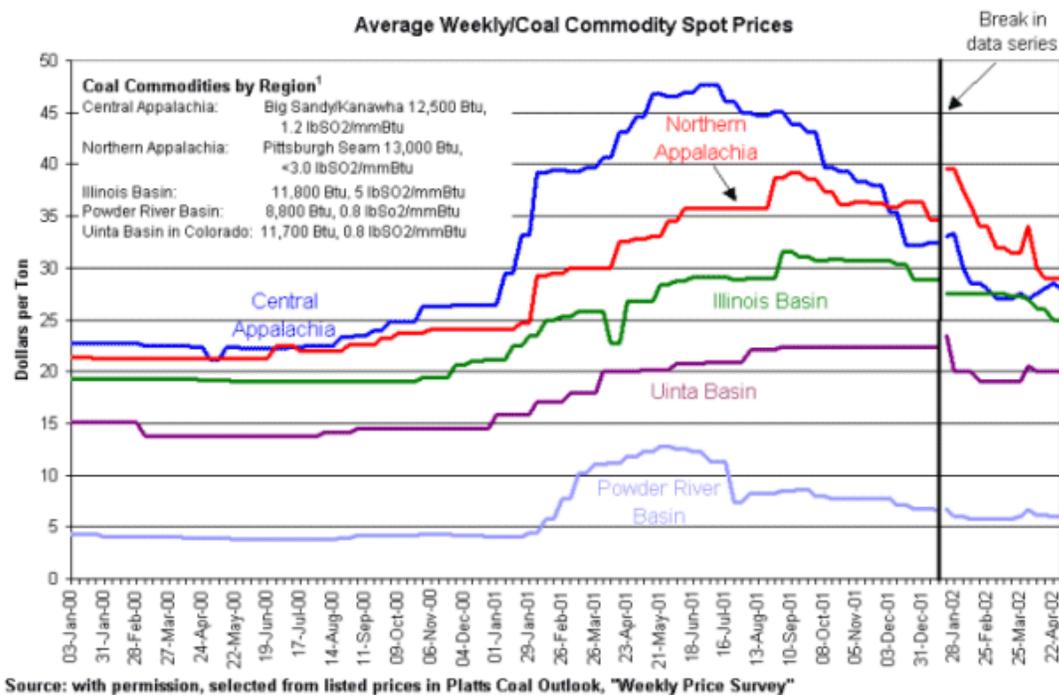
Latest U.S. Coal Information

(updated May 7, 2002)

Temporary disruptions in supply lines for Central Appalachian coal occurred between Thursday, May 2, and Sunday, May 5, 2002, as "heavy rain pounded a five-county area where West Virginia, Virginia and Kentucky meet, sending normally quiet streams raging over their banks" (AP, May 3, 2002). Rapid rainfall always has the potential to disrupt or flood mine workings -- and in this case, State authorities have intervened to control at least one spill from an abandoned waste pond in West Virginia -- but wider problems strained the distribution system. Flooding and washouts affected coal truck deliveries to prep plants and long hauls on the Norfolk Southern Railroad. High water in the Big Sandy and Tug Fork Rivers delayed barge shipments and loadings at some docks. By Monday, May 6, although rivers were still near flood stage and currents were swift, shipping was continuing with minor delays as vigilant rivermen watched for runoff surges in downstream reaches of the rivers, or in the event of new local storms.

Short-term distribution problems of this kind are not usually reflected in Weekly Coal Production estimates. Although they affect local routings, they do not severely disrupt State-level coal production and the overall supply chain. Localized effects and less-than-full-week delivery problems are not precisely traceable given the source data EIA uses for weekly estimates. For the week ending April 27, EIA estimates U.S. [coal production](#) at 20.2 million short tons (mst). This was 7% lower than in the comparable week in 2001. Year-to-date as of April 27, rail car loadings of coal and national coal production have fallen by 4.5% and 5.3%, respectively, compared to their levels a year ago. Year-to-date, western U.S. coal production is 1.4% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 9.5% 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 \$20.00 and 10.00 per short ton, respectively). The latest prices, \$28.00 per short ton for Central Appalachian and \$29.00 per short ton for Northern Appalachian coal, are 26% and 36% above prices in the summer of 2000, prior to escalation. Spot prices currently indexed are running 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. Although NYMEX trade volumes are nominal and erratic, the trend since mid-November 2001 has been toward lower prices, with a leveling off of prices since early February 2002.



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.

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, 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 8, 2002)

Selected Wholesale Electricity Prices (May 1 - May 7): Wholesale electricity prices at most trading centers in the Western U.S decreased yesterday amid reduced electricity demand and lower natural gas prices. Prices at California's three trading centers, COB, NP-15, and SP-15, decreased between 4%-10% from May 6 to May 7. In the Southwest, prices at Palo Verde and 4 Corners decreased an average of 5% over the same two days.

Transmission line maintenance and power flow congestion have contributed to an increase in New York's wholesale prices. The New York ISO price reached a recent high of \$43.16 per megawatthour yesterday, up from \$36.42 per megawatthour on Monday, May 6.

Over the past 7 days, the average price at all trading centers has fluctuated between a high of \$32.58 per megawatthour and a low of \$26.59 per megawatthour, indicative of the underlying volatility of regional electricity prices.

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

Trading Centers	Date							Price Range		
	5/1/02	5/2/02	5/3/02	5/4/02	5/5/02	5/6/02	5/7/02	Max	Min	Average
COB	29.67	27.13	23.90	n.q.	n.q.	28.88	26.13	29.67	23.90	26.52
Palo Verde	30.63	29.98	25.22	n.q.	n.q.	29.91	28.63	30.63	25.22	28.15
Mid-Columbia	22.11	22.44	21.15	n.q.	n.q.	27.23	24.39	27.23	21.15	20.84
Mead/Marketplace	31.33	30.56	25.98	n.q.	n.q.	31.29	29.13	31.33	25.98	28.87
4 Corners	29.38	30.85	24.50	n.q.	n.q.	30.00	28.50	30.85	24.50	27.48
NP 15	32.63	30.58	26.34	n.q.	n.q.	30.04	28.97	32.63	26.34	29.16
SP 15	32.54	30.94	26.58	n.q.	n.q.	30.70	29.56	32.54	26.58	29.46
PJM West	27.09	27.00	24.34	n.q.	n.q.	26.46	26.28	27.09	24.34	26.65
ISO New England	34.07	35.40	35.31	32.38	30.18	36.66	37.88	37.88	30.18	33.19
New York ISO	39.32	37.31	38.56	32.79	29.99	36.42	43.16	43.16	29.99	37.29
Cinergy	23.96	22.28	20.58	n.q.	n.q.	22.93	23.73	23.96	20.58	22.78
Average Price	30.25	29.50	26.59	32.58	30.08	30.05	29.67	32.58	26.59	28.22

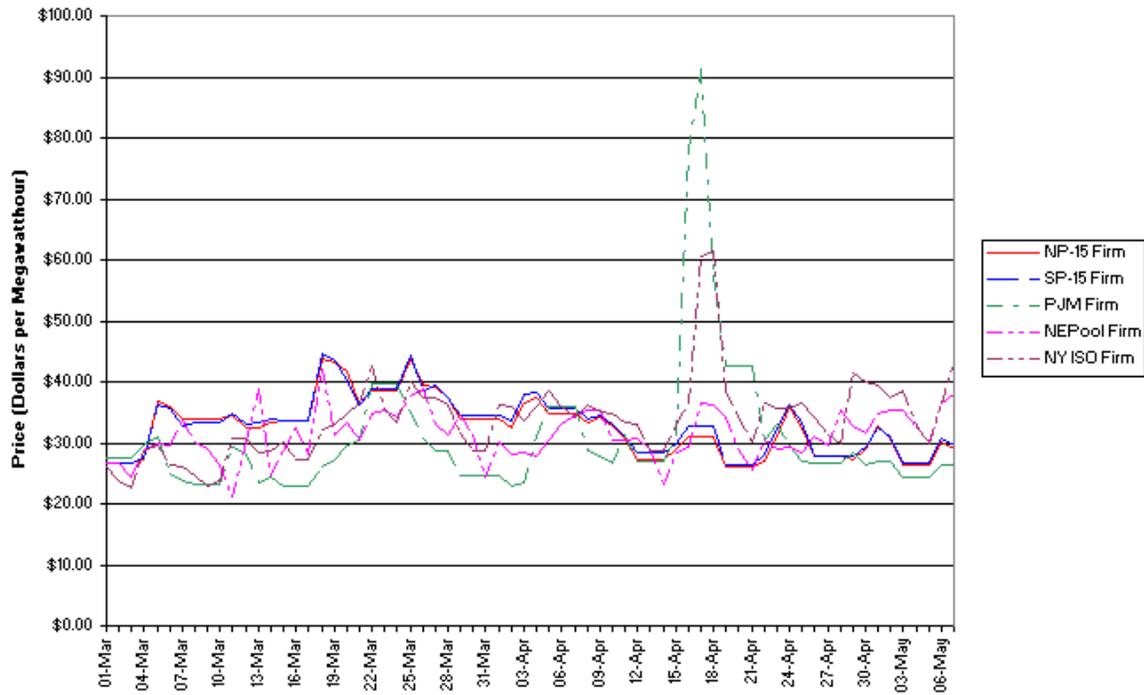
Source: COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West, and Cinergy trading centers, Used with Permission from Bloomberg L.P. (www.bloomberg.com), ISO New England (<http://www.iso-ne.com>), and New York ISO

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.



File last modified: May 8, 2002

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Contact:
 Lowell Feld and Tara Billingsley
lowell.feld@eia.doe.gov
tara.billingsley@eia.doe.gov

Phone: Lowell Feld: (202) 586-9502; Tara Billingsley: (202) 586-0172
 Fax: (202) 586-9753

URL: <http://www.eia.doe.gov/emeu/security/esar/esar.html>

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