



ENERGY SITUATION ANALYSIS REPORT



May 9, 2002

(next scheduled update: May 10, 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 9, 2002)

Prices for West Texas Intermediate crude oil futures for near-month (June) delivery on the NYMEX closed up sharply (4.6%) on Wednesday, May 8, at \$27.85 per barrel. This represents the highest closing price since September 17, 2001. Although the end of Iraq's 30-day oil embargo is expected to add additional oil supplies to world markets, renewed Middle East violence (especially a suicide bombing in Israel late Tuesday) and strong market fundamentals combined to push oil prices up.

The Energy Information Administration Wednesday morning reported that U.S. commercial crude oil inventories (i.e., excluding the Strategic Petroleum Reserve) fell by 5.5 million barrels for the week ending May 3, dipping below year-ago levels for the first time since the week ending March 16, 2001. The United States is feeling the impacts of reduced global production from both the OPEC/non-OPEC supply cutbacks over the past several months. In addition, effects of Iraq's 30-day oil embargo, which ended May 8, apparently have begun to be reflected in U.S. oil inventories.

Oil inventories are particularly low (down 5 million barrels from a year ago) in the U.S. Midwest, which has implications for U.S. oil prices since the Cushing, Oklahoma delivery point for the key West Texas Intermediate crude stream is located in that region. As a result, there has been a widening in recent days of the "spread" between WTI and Brent prices.

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

- According to a survey by Platts, the OPEC-10 (excluding Iraq, which maintained a unilateral oil embargo for much of the month) averaged production of 22.91 million barrels per day in April, which is 1.2 million barrels per day higher than OPEC's official output ceiling of 21.7 million barrels per day. In fact, the only country producing within its assigned OPEC quota during April, according to Platts, was Venezuela, whose output was reduced by several days of strikes and political unrest. Saudi Arabia reportedly increased its output in April by 60,000 barrels per day.
- Iraq began pumping crude oil to its export terminals (Ceyhan and Mina al-Bakr) on Wednesday after lifting a month-long embargo that began on April 8, the official Iraqi news agency said. Iraq had attempted to persuade other Arab and Islamic countries to halt their oil output as well, but with no success. Loadings at Mina al-Bakr are expected today; tankers reportedly are not yet available to receive oil at Ceyhan.
- The UN Security Council delayed a vote on extending the Iraq "Oil-for-Food" program until at least next week. The proposed resolution would extend the "Oil-for-Food" program for another six months, and in a significant change would establish a list of "dual-use" (i.e., civilian or military) items that require UN approval before Iraq can purchase them. Under this proposal, all humanitarian contracts would be forwarded to the UN Monitoring and Verification Committee, as well as the International Energy Agency, which would review the contracts for "dual-use" items and have 10 days to raise any objections.

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

- As of May 9, 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.
- Natural gas prices surged at nearly all market locations on Wednesday May 8, rising between 20 and 40 cents per MMBtu at most points in the country, offsetting at least partially the impact of pronounced price drops earlier in the week. Increased tensions in the Middle East contributed to increased uncertainty and rising crude oil prices, which drove increases in both the spot and futures markets.
- While crude oil prices have fluctuated, mostly upward, in recent weeks, U.S. coal prices have either fallen or held relatively steady.
- Since Monday May 6, the average electricity price at all trading centers has been relatively stable, ranging between a high of \$30.48 per megawatthour and a low of \$29.67 per megawatthour.

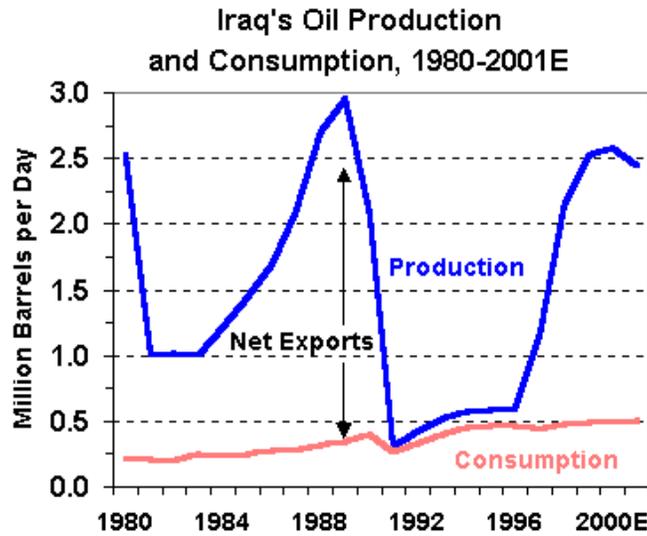
Special Topic -- Basic Facts on [Iraq](#)

(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.

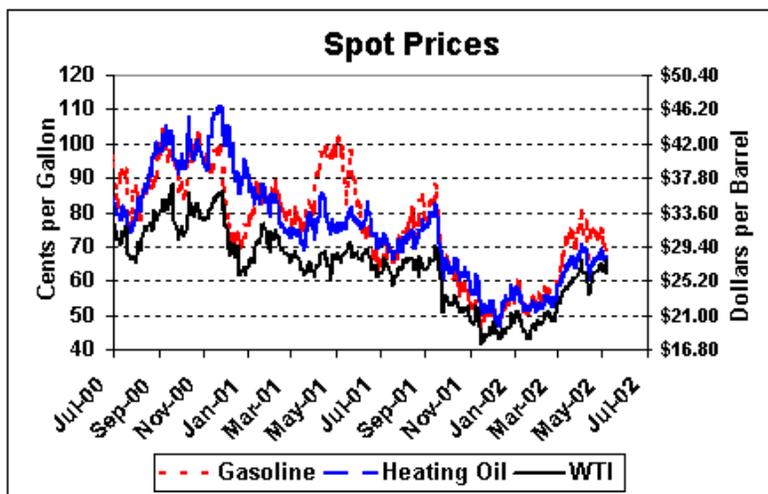
The current phase of the "Oil-for-Food" program expires at the end of May 2002. Temporary downturns in Iraqi exports in association with program rollovers are common.



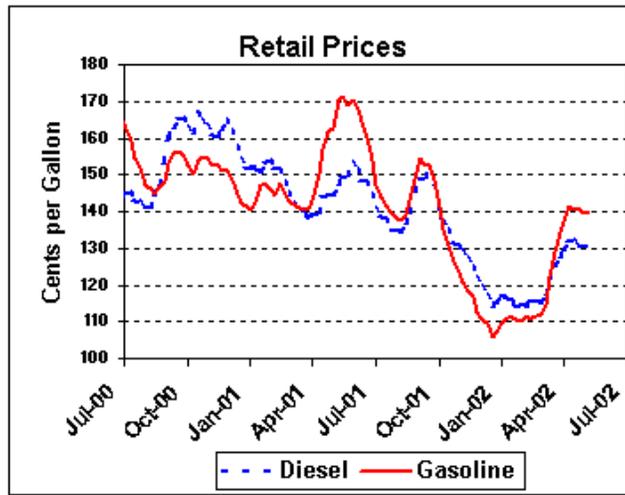
Note: Production includes crude oil, lease condensate, natural gas liquids, ethanol, and refinery gain.

U.S. Petroleum Prices

(updated May 9, 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	cents per gallon	cents per gallon	¢/gal	cents per gallon	cents per gallon	cents per gallon	
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		
5/8/2002	\$27.76	\$27.85	68.78	78.77	66.80	67.40	68.85	42.50	40.38		

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 and 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

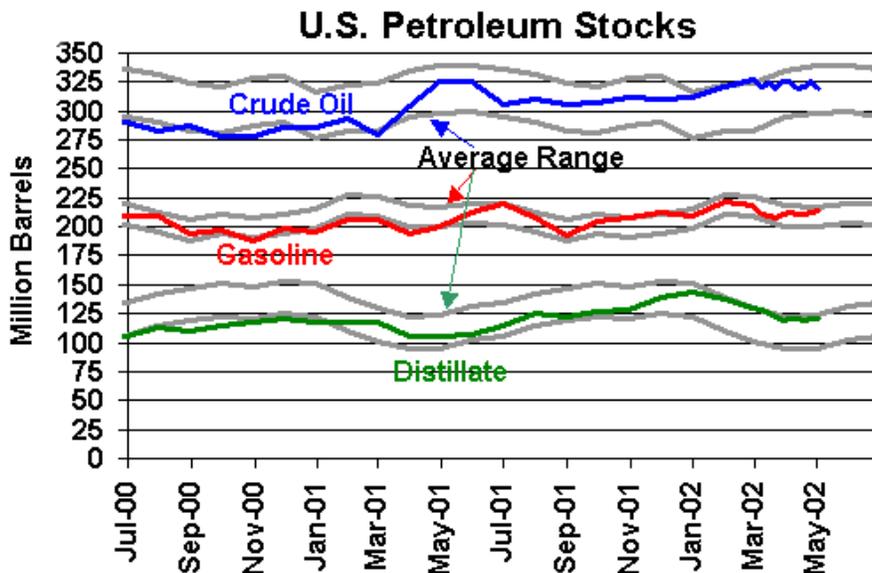
The monthly propane stockbuild totaled an above average 6.1 million barrels, boosting U.S. inventories of propane to an estimated 45.8 million barrels as of April 30, 2002. The average April stockbuild over the past five years was nearly 5.2 million barrels. Regional gains were evenly distributed at 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%
Stocks (Million Barrels)				
	5/3/2002	5/3/2001	Diff.	% Diff.
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.

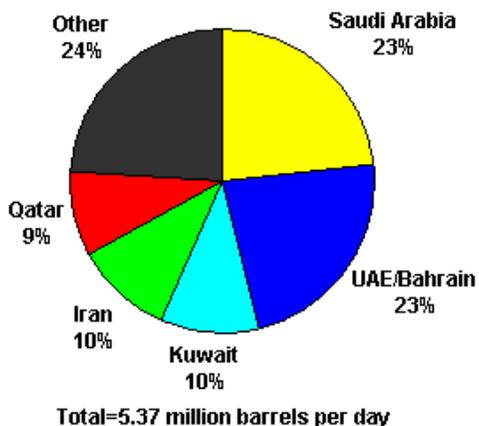
Top World Oil Net Exporters, 2001*		
	Country	Net Exports (million barrels per day)
1)	Saudi Arabia	7.38
2)	Russia	4.76
3)	Norway	3.22
4)	Iran	2.74
5)	Venezuela	2.60
6)	United Arab Emirates	2.09
7)	Nigeria	2.00
8)	Iraq	2.00
9)	Kuwait	1.80
10)	Mexico	1.65
11)	Libya	1.24
12)	Algeria	1.24

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

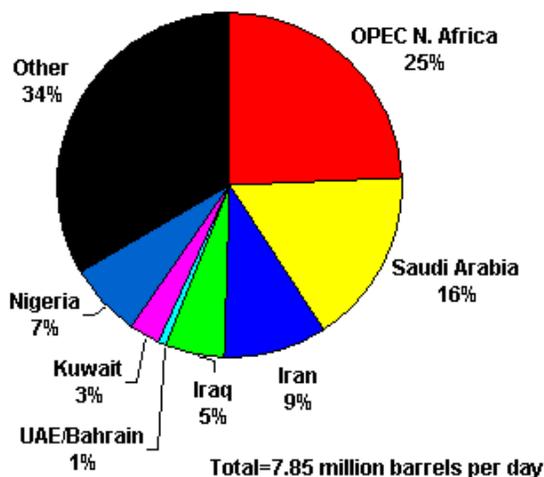
During 2001, about 48% of U.S. crude oil imports came from the Western Hemisphere (19% from South America, 15% from Mexico, 14% from Canada), while 30% came from the Persian Gulf region (18% from Saudi Arabia, 9% from Iraq, 3% from Kuwait).

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 9, 2002)

Industry/Market Developments

EIA begins the Weekly Gas Storage Report, releases comparison of AGA and EIA survey methods: EIA initiated its [Weekly Gas Storage Report](#) this morning (May 9) with the release of estimates of current underground storage stocks in the country. The *Weekly Gas Storage Report* continues the regional division of storage fields (Consuming Region East, Consuming Region West, and the Producing Region) established in the former storage report issued by the American Gas Association (AGA). As with the AGA report, EIA's weekly storage report provides comparisons with year-ago stocks, as well as statistics on 5-year average stocks. EIA yesterday (May 8) released a report, [Comparative Assessment of EIA and AGA Weekly Storage Estimates](#), on its web site comparing the AGA and EIA survey methods and providing estimates of natural gas in underground storage for the weeks between March 15 and April 26, 2002. Historical estimates of weekly stocks from 1994 forward are also available on the web site, along with a description of the methodology used in the calculations. Previously, EIA posted a report on the estimation methods for calculation of the weekly inventory levels published in the weekly storage survey. This report is available at the EIA Web site at <http://tonto.eia.doe.gov/oog/info/ngs/methodology.html>. Storage activity estimates will be released regularly on Thursdays, except for certain weeks with Federal holidays.

MMS issues report on Gulf of Mexico production : Oil and gas activity in the Deepwater Gulf of Mexico reached record levels in 2001 as 14 new projects began producing, according to the report [Deepwater Gulf of Mexico 2002: America's Expanding Frontier](#), released by the Minerals Management Service (MMS). As of the end of 2001, there were 51 projects on production, up from just 16 in 1997. An additional 13 projects will likely start producing in 2002, continuing the surge of activity that has increased gas production in the deepwater by 550% since 1995. After noting the emergence of extensive exploration and development activity in previous studies, the MMS now reports activity has "reached a level of maturity" that makes the deepwater (defined as greater than or equal to 1,000-foot depths) Gulf an expanding frontier. MMS notes that the depth of exploration sites in the Gulf of Mexico has steadily increased over the past 5 years, and that deepwater gas production has grown by more than 400 MMcf per day every year since 1997. Ultra-deepwater activity (defined as greater than or equal to 5,000-foot depths), which is also accelerating, included a significant discovery at a water depth of 9,727 feet. Since their last study on the subject in 2000, drilling rigs operating in the deepwater Gulf have increased from 28 to 43. Since 1992, the average shallow-water field increased proved and unproved reserves of natural gas by the equivalent of 6 million barrels of oil (BOE). The average deepwater field yielded over 10 times that amount of reserve additions, at an average of 64 million BOE.

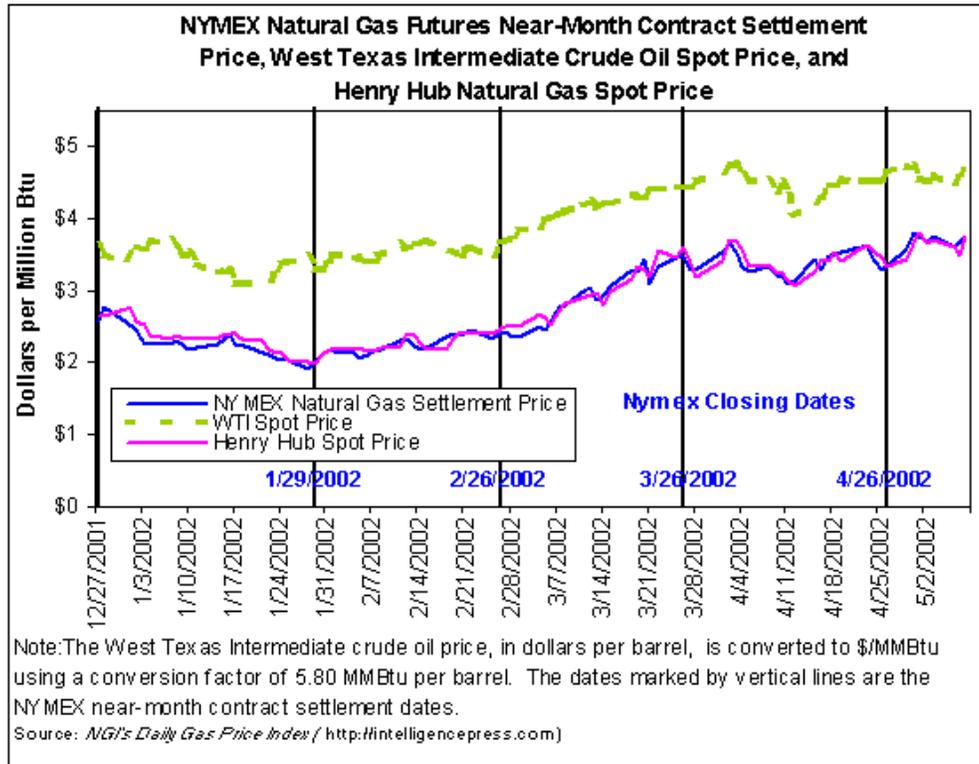
Storage

Net injections of natural gas into storage were 39 Bcf for the week ended Friday, May 3, 2002, according to EIA's first release of its *Weekly Gas Storage Report*. Stocks are 540 Bcf, or over 51%, above the level recorded last year at this time. Although the storage overhang that persisted throughout the heating season has diminished, working gas stocks continue to be robust relative to historical norms at almost 28% above the 5-year average.

Prices

Prices surged at nearly all market locations on Wednesday May 8, rising between 20 and 40 cents per MMBtu at most points in the country, offsetting at least partially the impact of pronounced price drops earlier in the week. Increased tensions in the Middle East contributed to increased uncertainty and rising crude oil prices, which drove increases in both the spot and futures markets. In Florida, prices have soared almost 39%, to \$7.43 per MMBtu, as high temperatures, an overage alert notification, and a *force majeure* combined to create a very tight market since last Wednesday, May 1.

At the NYMEX, the price of the futures contract for June delivery at the Henry Hub increased 7 cents per MMBtu, settling at \$3.746 per MMBtu on Wednesday, May 8. Prices of the futures contracts for delivery during each month remaining in 2002 also climbed between 7 and 8 cents per MMBtu yesterday (May 8). These increases were driven by both rising crude oil prices, which jumped almost 4% on Wednesday, and weather forecasts calling for hot temperatures across the country.



All prices in \$ per MMBtu	Southern California						NYMEX futures contract-	NYMEX futures contract-
	Bdr. Average	PG&E Citygate	Henry Hub	New York	Chicago	June delivery	July delivery	
4/9/2002	3.17	3.16	3.25	3.59	3.28	3.240	3.283	
4/10/2002	3.21	3.15	3.25	3.59	3.28	3.223	3.264	
4/11/2002	3.09	3.06	3.14	3.56	3.17	3.141	3.181	
4/12/2002	2.67	2.68	3.08	3.35	3.09	3.163	3.205	
4/15/2002	3.17	3.18	3.27	3.74	3.30	3.465	3.500	
4/16/2002	3.35	3.35	3.43	3.88	3.44	3.329	3.367	
4/17/2002	3.28	3.28	3.40	3.76	3.38	3.511	3.546	
4/18/2002	3.36	3.35	3.51	3.81	3.50	3.523	3.558	
4/19/2002	3.01	3.04	3.40	3.68	3.41	3.562	3.595	
4/22/2002	3.42	3.34	3.58	3.97	3.59	3.616	3.646	
4/23/2002	3.46	3.30	3.63	3.97	3.64	3.615	3.645	
4/24/2002	3.30	3.21	3.53	3.85	3.55	3.431	3.465	
4/25/2002	3.27	3.11	3.47	3.81	3.49	3.306	3.341	
4/26/2002	2.71	2.71	3.32	3.66	3.33	3.372	3.407	
4/29/2002	3.23	3.16	3.44	3.79	3.48	3.561	3.589	
4/30/2002	3.32	3.29	3.65	3.95	3.67	3.795	3.823	
5/1/2002	3.35	3.37	3.79	4.06	3.81	3.735	3.767	
5/2/2002	3.16	3.17	3.65	3.91	3.66	3.684	3.721	
5/3/2002	2.71	3.02	3.71	3.92	3.69	3.745	3.787	
5/6/2002	3.23	3.26	3.61	3.81	3.58	3.595	3.639	
5/7/2002	3.19	3.21	3.49	3.74	3.49	3.673	3.719	
5/8/2002	3.31	3.38	3.74	4.01	3.74	3.746	3.794	

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

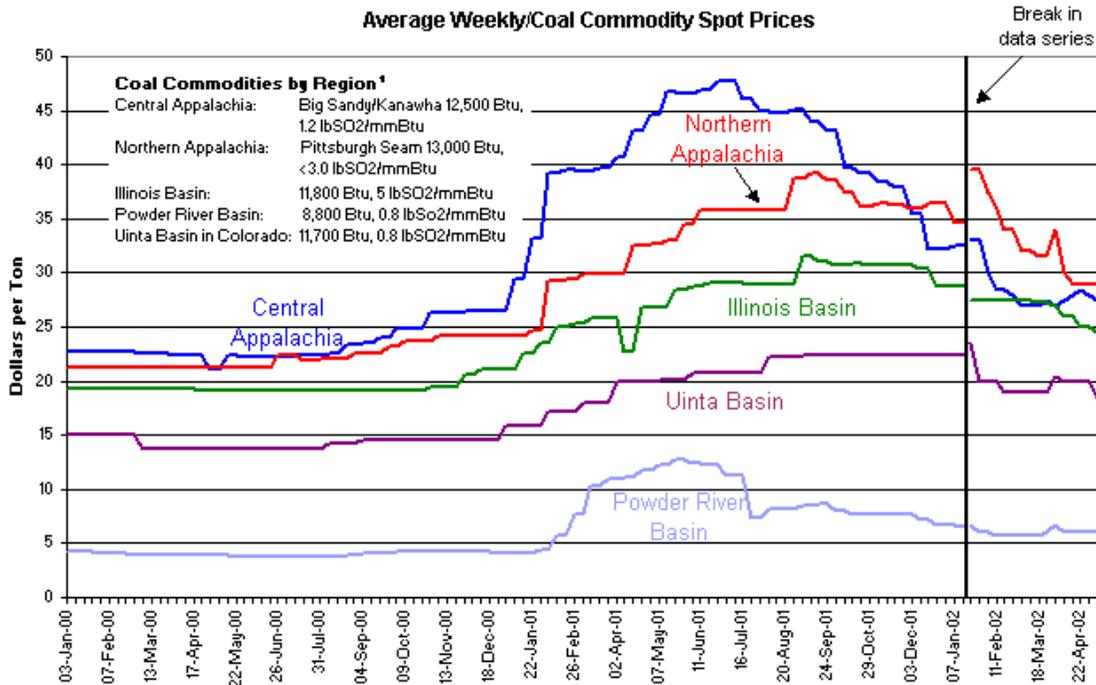
Latest U.S. Coal Information

(updated May 9, 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 May 4, EIA estimates U.S. [coal production](#) at 20.1 million short tons (mst). This was 5.7% lower than in the comparable week in 2001. Year-to-date as of May 4, 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 four months of 2002 was 356.2 mst. Lower production at this time correlates with higher-than-usual coal stockpiles at consuming facilities and with the spring period of low seasonal demand at electric power plants.

While crude oil prices have fluctuated, mostly upward, in recent weeks, U.S. coal prices have either fallen or held relatively steady. Although price indexes 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 peaking in summer 2001, Central and Northern Appalachian coal prices have fallen significantly (by about \$20.00 and 10.00 per short ton, respectively). The latest indexed spot prices, \$27.50 per short ton for Central Appalachian and \$29.00 per short ton for Northern Appalachian coal, are respectively 23% and 36% above prices in the summer of 2000, prior to escalation. Other prices are also running higher than the summer 2000 baseline: by about 35% for the Uinta Basin, 30% for the Illinois Basin, and 60% for the Powder River Basin. In the latest week, coal prices either did not change or moved down by small percentages. Although [NYMEX](#) trade volumes are nominal and erratic, settled prices since early February 2002 have been relatively level, in the \$25 to \$27 range with generally low daily volumes.



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

¹Prior 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.

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 9, 2002)

Selected Wholesale Electricity Prices (May 2 - May 8): Wholesale electricity prices at most trading centers in the Western U.S increased yesterday (May 8) as natural gas prices increased. Prices at the COB went from \$26.13 to \$28.40 per megawattour. Other factors influencing the increase in prices were transmission constraints, and forecasts for increased power demand due to higher cooling loads.

On the other hand, prices in the Northeast region decreased with cooler weather forecasted. Prices at the New York ISO declined from \$43.16 to \$36.20 per megawattour. ISO New England experienced a similar decrease in prices.

Since Monday May 6, the average price at all trading centers has been relatively stable ranging between a high of \$30.48 per megawattour and a low of \$29.67 per megawattour.

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

Trading Centers	Date							Price Range		
	5/2/02	5/3/02	5/4/02	5/5/02	5/6/02	5/7/02	5/8/02	Max	Min	Average
COB	27.13	23.90	n.q.	n.q.	28.88	26.13	28.40	29.67	23.90	26.52
Palo Verde	29.98	25.22	n.q.	n.q.	29.91	28.63	30.63	30.63	25.22	28.15
Mid-Columbia	22.44	21.15	n.q.	n.q.	27.23	24.39	26.80	27.23	21.15	20.84
Mead/Marketplace	30.56	25.98	n.q.	n.q.	31.29	29.13	31.33	31.33	25.98	28.87
4 Corners	30.85	24.50	n.q.	n.q.	30.00	28.50	30.25	30.85	24.50	27.48
NP 15	30.58	26.34	n.q.	n.q.	30.04	28.97	30.72	32.63	26.34	29.16
SP 15	30.94	26.58	n.q.	n.q.	30.70	29.56	32.19	32.54	26.58	29.46
PJM West	27.00	24.34	n.q.	n.q.	26.46	26.28	29.33	27.09	24.34	26.65
ISO New England	35.40	35.31	32.38	30.18	36.66	37.88	32.30	37.88	30.18	33.19
New York ISO	37.31	38.56	32.79	29.99	36.42	43.16	36.20	43.16	29.99	37.29
Cinergy	22.28	20.58	n.q.	n.q.	22.93	23.73	28.92	23.96	20.58	22.78
Average Price	29.50	26.59	32.58	30.08	30.05	29.67	30.48	32.58	26.59	28.22

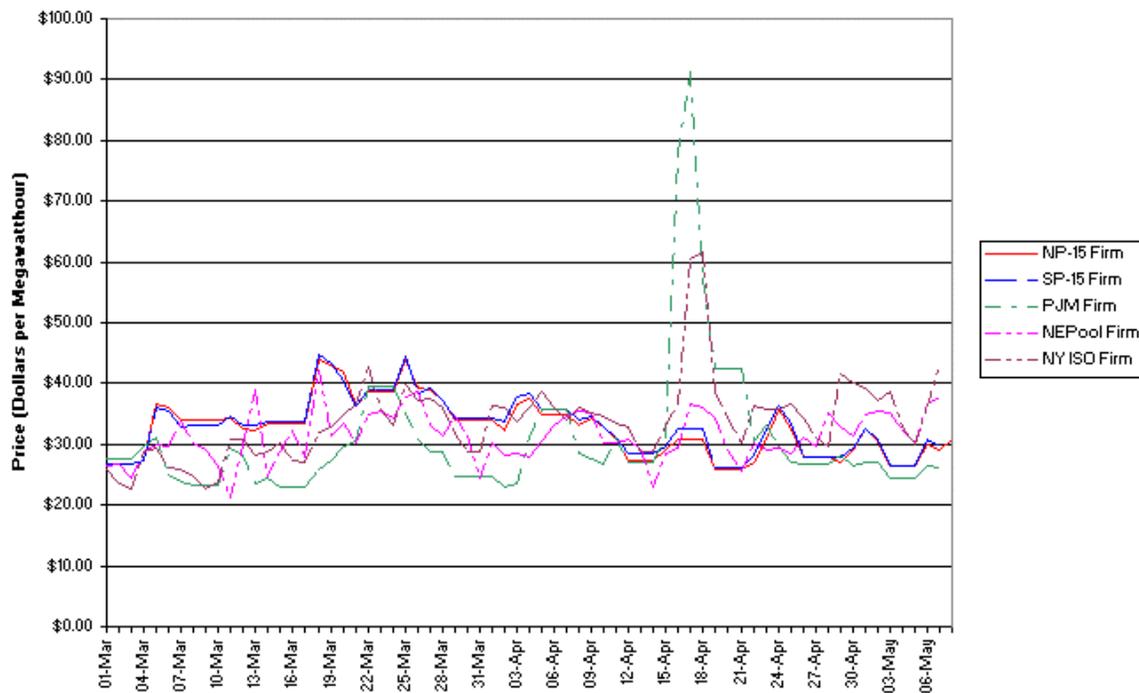
Source: COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West, and Cinergy trading centers, Used with Permission from Bloomberg L.P.(www.bloomberg.com), ISO New England (<http://www.iso-ne.com>), and New York ISO

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:** 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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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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