



ENERGY SITUATION ANALYSIS REPORT



May 13, 2002

(next scheduled update: May 14, 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 13, 2002)

Near-month WTI crude oil on the NYMEX settled up 31 cents per barrel on Friday, May 10, at \$27.99 per barrel. Late-day profit taking trimmed part of earlier gains from bullish factors such as uncertainty going into the weekend over possible Israeli retaliatory measures in the Gaza Strip and information that cuts in Saudi exports to comply with their OPEC quota agreement have maintained their March levels. This indicates that additional Saudi oil to make up for Iraq's embargo is not forthcoming. The first tanker filled with Iraqi oil since the end of the country's embargo left Mina al-Bakr on Saturday. The WTI June contract was up \$1.28 for the week, on fairly strong market fundamentals and continued uncertainty over the Middle East. Last week, EIA reported that U.S. commercial crude inventories fell by 5.5 million barrels for the week ending May 3. The International Energy Agency's report (see below) seems likely to be a bullish factor on oil markets today. Near month WTI closed at \$28.35 per barrel at the NYMEX today.

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

- The International Energy Agency's (IEA) monthly oil market report released today states that OPEC's crude oil output fell to its lowest level since June, 1993 for last month (April 2002). Most of the output loss compared to March stemmed from Iraq, at about 1.2 million barrels per day. OPEC-10's (i.e. excluding Iraq) production fell by 20,000 barrels per day, such that overall OPEC output was 24 million barrels per day for April. Non-OPEC output declined 180,000 barrels per day for the month. The IEA's report also warned that, "If producer target reductions remain in place, OECD industry stocks will fall by 100 million barrels of oil per quarter more than the norm (in the second and third quarters)."
- Oil traders report that U.S. gasoline imports from Europe were about 700,000 barrels per day in April, one of the highest monthly volumes ever. On May 8, EIA reported that U.S. gasoline stocks were up 2.2 million barrels for the week ending May 3.
- The UN Security Council may further delay a vote on extending the Iraq "Oil-for-Food" program (see special topic). UN Security Council member Syria has proposed several amendment(s) to the proposed resolution. Syria does not have a veto, but a unanimous vote is seen as desirable by many Council members.

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

- As of May 13, the [U.S. Strategic Petroleum Reserve](#) (SPR) contained 567.7 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 were mostly steady on Friday, with the exception of Florida, where hot weather led to higher prices, and the West, where moderate weather led to lower prices. The near-month contract for June delivery at the Henry Hub ended last week at \$3.749 per MMBtu, virtually the same as the previous Friday.
- While crude oil prices have fluctuated, mostly upward, in recent weeks, U.S. coal prices have either fallen or held relatively steady.
- Wholesale electricity prices in the West and the Northeast have fallen over the past few days on moderate weather. Since Monday May 6, the average price at all trading centers (excluding the weekend) has been relatively stable ranging between a high of \$30.83 and a low of \$28.15 per megawatthour.

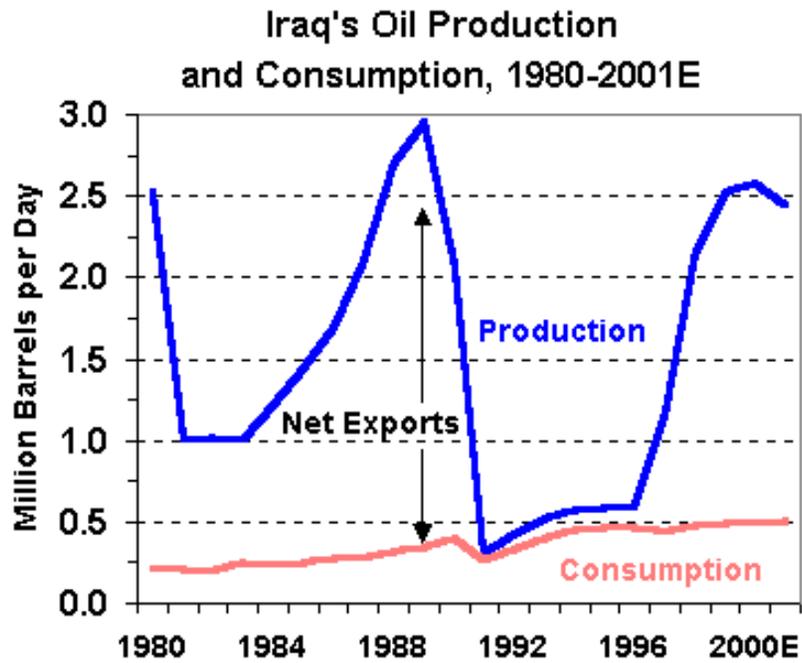
Special Topic -- Basic Facts on [Iraq](#)

(updated May 13, 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. Iraq began pumping crude oil to its export terminals on May 8 after lifting a month-long embargo, and the first tanker loaded at Mina al-Bakr left on May 11. According to Iraqi officials, the first tanker for loading at Ceyhan will arrive May 14.

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 Canada, Saudi Arabia, Venezuela, Mexico, and Nigeria.

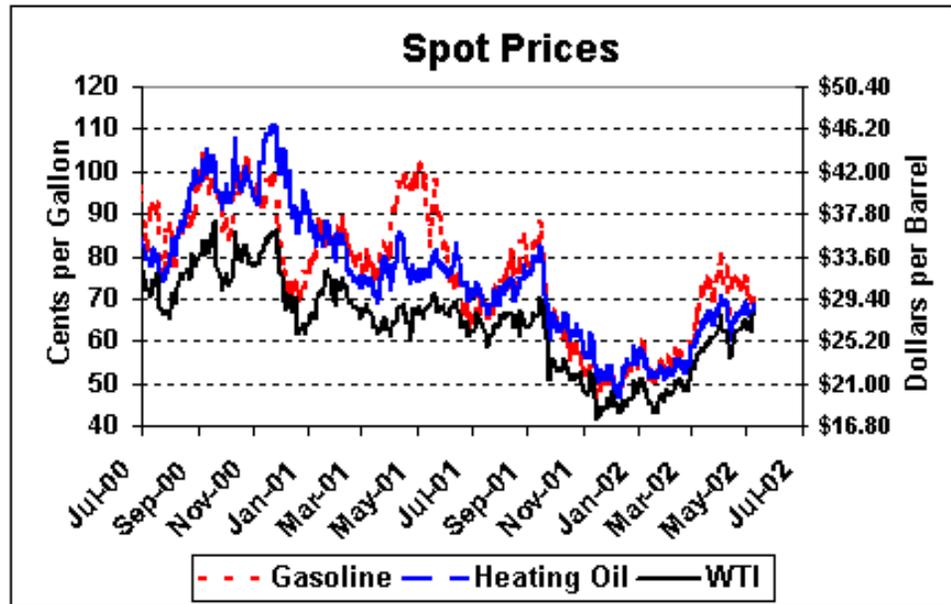
The current phase of the "Oil-for-Food" program expires at the end of May 2002. The proposed resolution still awaiting a vote at the UN Security Council would extend the "Oil-for-Food" program for another six months, and in a significant change would establish a list of "dual-use" (i.e., civilian or 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. Temporary downturns in Iraqi exports in association with program rollovers are common.



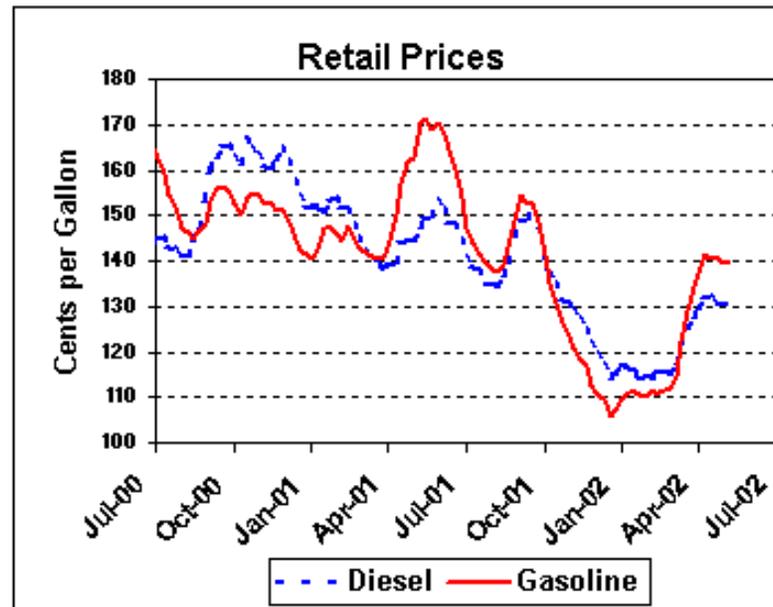
Note: Production includes crude oil, lease condensate, natural gas liquids, ethanol, and refinery gain.

U.S. Petroleum Prices

(updated May 13, 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		ct/gal	cents per gallon		cents per gallon	
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		
5/9/2002	\$27.78	\$27.68	68.79	77.46	67.35	67.79	69.38	41.38	39.25		
5/10/2002	\$27.92	\$27.99	70.33	79.05	68.25	68.92	70.13	41.38	39.25		

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. Iraq started 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

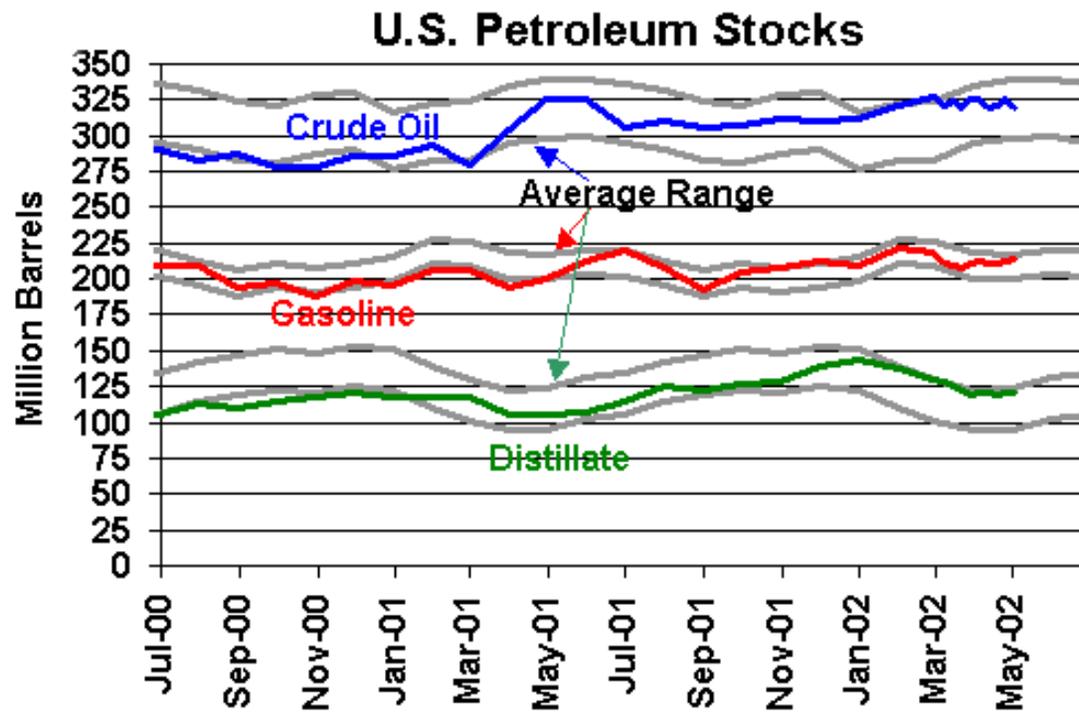
The monthly propane stockbuild totaled an above average 6.1 million barrels, boosting U.S. inventories of propane to an estimated 45.8 million barrels as of April 30, 2002. The average April stockbuild over the past five years was nearly 5.2 million barrels. Regional gains were evenly distributed at 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	vs. Year Ago	
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

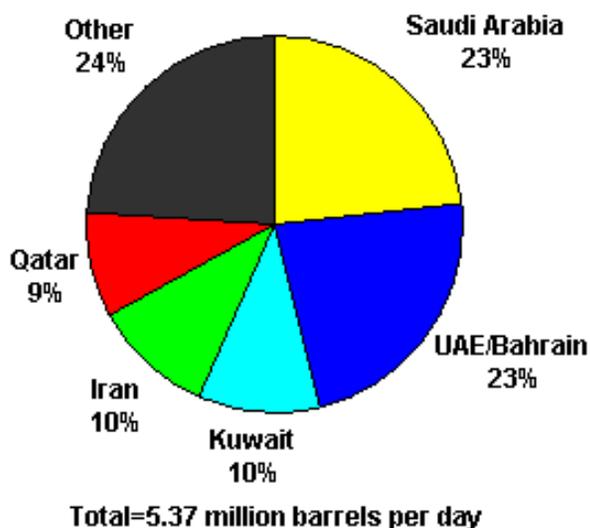
*Table includes all countries with net exports exceeding 1 million barrels per day in 2001.

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).

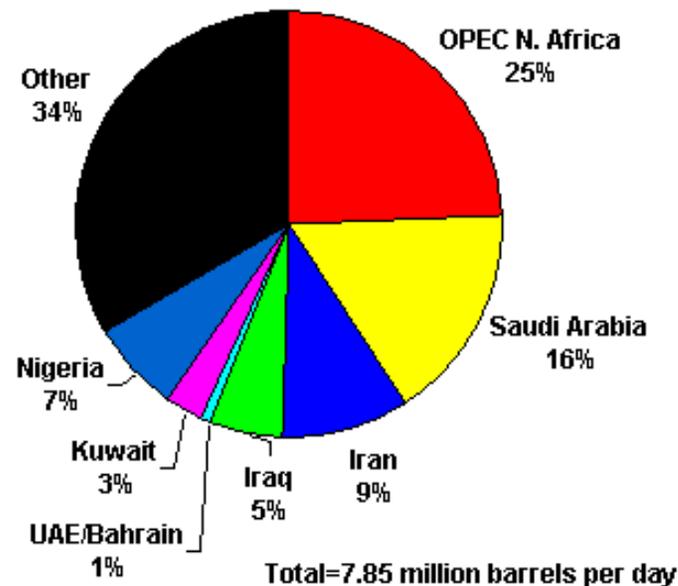
In general, OECD Europe depends far more heavily on the Persian Gulf and North Africa for oil imports than the United States. During 2001, about 35% of OECD Europe's net oil imports came from the Persian Gulf (mainly Saudi Arabia, Iran, Iraq, and Kuwait), around one-third from Africa (mainly Libya, <http://www.eia.doe.gov/security/esar/esar.html> (9 of 18) [5/14/2002 7:26:45 AM])

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 13, 2002)

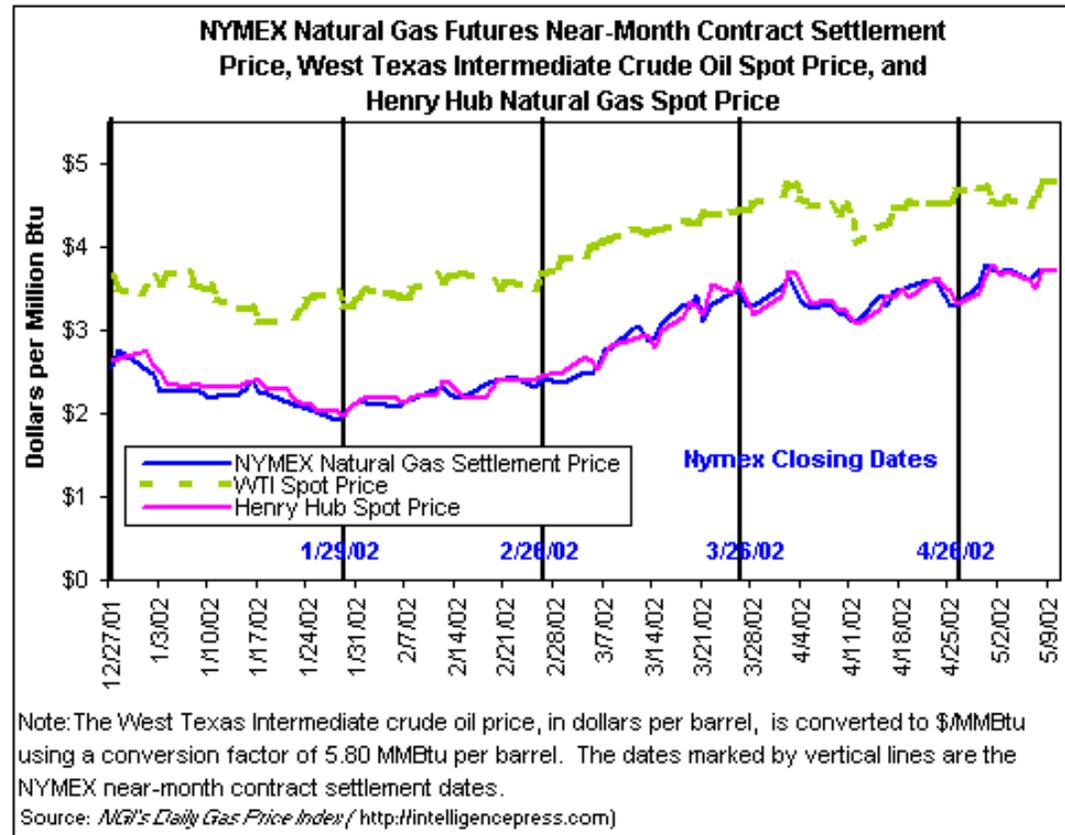
Industry/Market Developments

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 percent 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 million cubic feet 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.

Prices

Spot prices at most major market locations in the eastern two thirds of the country were unchanged or down slightly during Friday's (5/10/02) trading, with the Henry Hub price down 1 cent per MMBtu at \$3.71 per MMBtu. Major exceptions to the generally flat prices occurred in Florida and in the West. In Florida, where the hot weather continues to dominate most of the state, prices were reported to be above \$7.50 per MMBtu. Out West, the arrival of more spring-like temperatures contributed to price declines in California and the Rocky Mountain region of close to \$0.25 per MMBtu on Friday.

At the NYMEX, settlement prices for all months through the end of 2002 moved up about 3 cents per MMBtu on Friday. The near-month contract for June delivery at the Henry Hub ended last week at \$3.749 per MMBtu, virtually the same as the previous Friday.



<i>All prices in \$ per MMBtu</i>	California Composite				NYMEX futures contract- June delivery	NYMEX futures contract- July delivery
	Average Price*	Henry Hub	New York City	Chicago		
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
5/8/2002	3.30	3.74	4.01	3.74	3.746	3.794
5/9/2002	3.39	3.72	4.05	3.74	3.719	3.768
5/10/2002	3.16	3.71	4.00	3.73	3.749	3.800

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

Latest U.S. Coal Information

(updated May 10, 2002)

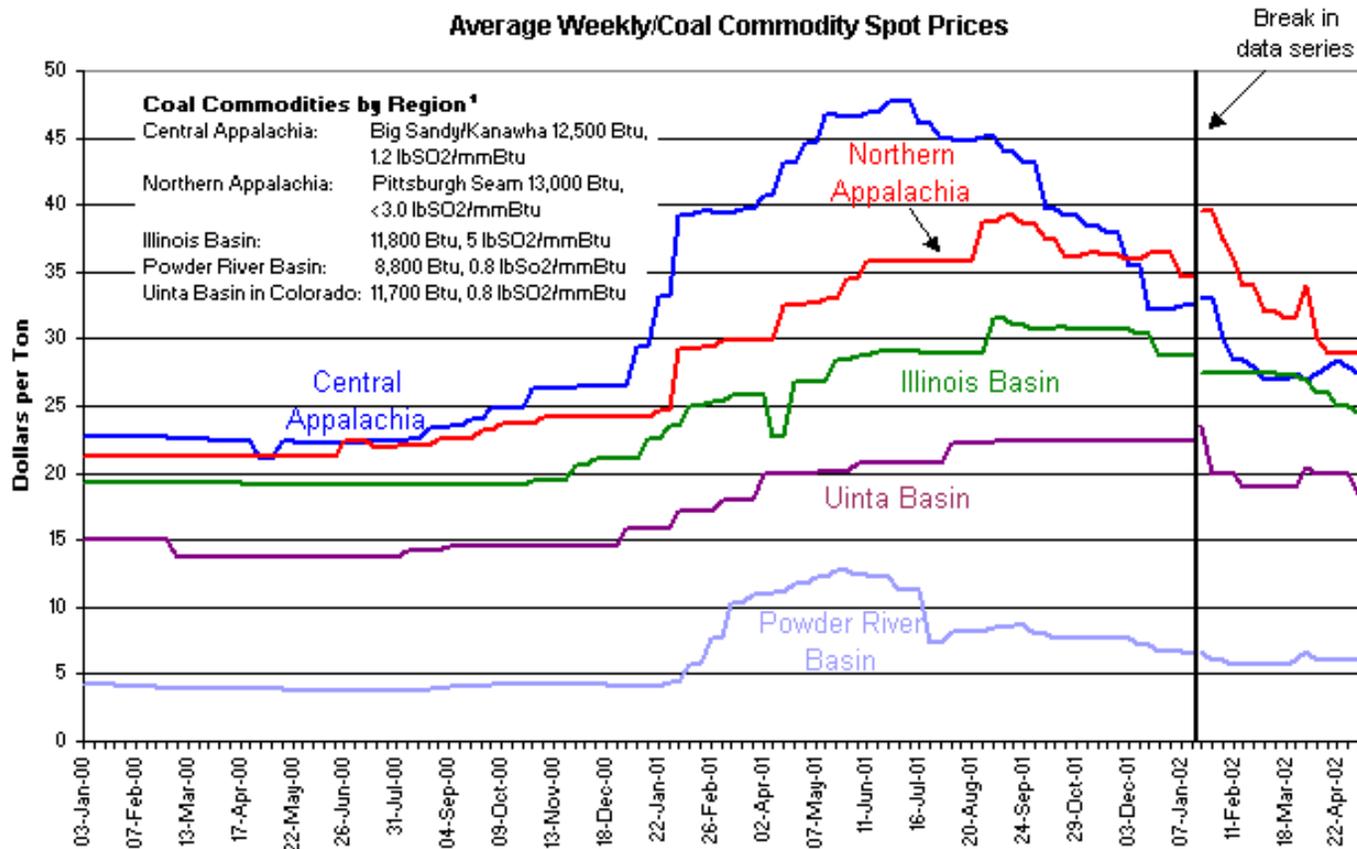
On May 8 the U.S. Army Corps of Engineers was ordered to cease issuing permits that allow filling of valleys and burial of streambeds adjoining mountaintop removal coal mining projects. Chief U.S. District Judge Charles H. Haden II issued the controversial 44-page ruling in Charleston, West Virginia, in a suit brought by Kentuckians for the Commonwealth, Inc., a citizens group, against the Corps' Huntington, West Virginia, District. The disputed practice, known as "valley fill," has been allowed for almost 20 years and proponents consider it an important component of mining coal economically at the mammoth mountaintop operations. Haden wrote that the Corps' "rule change was designed simply for the benefit of the mining industry and its employees" and that the "practice is illegal because it is contrary to the spirit and the letter of the Clean Water Act."

This ruling comes at a time when the Bush Administration has been moving to remove regulatory impediments to mountaintop mining, including plans to shift all permitting to individual States. On May 9, the Corps published a final rule in the *Federal Register* that allows mine overburden to be dumped in streams regulated under Section 404 of the Clean Water Act. The Washington Post (5/10/02) reports that the Justice Department will petition for a stay of Haden's ruling, pending an appeal. The National Mining Association warned that Haden's ruling would threaten more than 15,000 jobs in the region.

Meanwhile, on April 24, the National Mining Association filed a motion to stay a separate, March 28 ruling, restricting land subsidence associated with underground coal mining. The Interior Department filed for a stay of that ruling on April 25. That 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 a suit challenging the way the Department of the Interior allows permitting of underground coal mining that may cause ground subsidence in specified protected areas. 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 (a co-defendant in the suit, along with Gale Norton, Secretary of the Interior) claims that the ruling ignores long-standing interpretation of the 1977 statute and would devastate eastern U.S. coal production.

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.

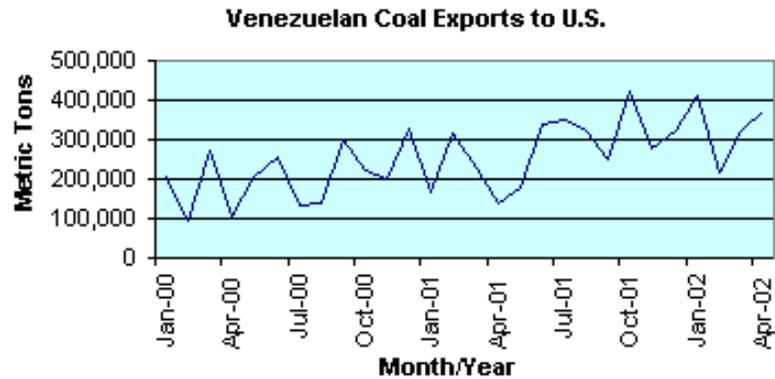


Source: with permission, selected from listed prices in Platts Coal Outlook, "Weekly Price Survey"

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.

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 -- in this case, State authorities 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 may not be detectable 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 traceable given the source data EIA uses for weekly estimates.

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.



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 13, 2002)

Selected Wholesale Electricity Prices (May 6 - May 12): Wholesale electricity prices have fallen at all the trading centers in the Western U.S over the past five-day period ending on May 10, as electricity demand has decreased with moderate weather and generating capacity has increased. Prices at the COB went from \$28.88 per megawatthour on May 6, to \$26.42 per megawatthour on May 10.

Prices in the Northeast have also decreased over the past seven-day period ending May 12 as electricity demand has fallen due to moderate weather across the region. Prices at the New York ISO declined from \$36.42 per megawatthour on May 6, to \$28.13 per megawatthour on May 12. ISO New England prices decreased from \$36.66 per megawatthour on May 6 to \$31.05 per megawatthour on May 12.

Since Monday May 6, the average price at all trading centers (excluding the weekend) has been relatively stable ranging between a high of \$30.93 per megawatthour and a low of \$28.15 per megawatthour.

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

Trading Centers	Date							Price Range		
	5/6/02	5/7/02	5/8/02	5/9/02	5/10/02	5/11/02	5/12/02	Max	Min	Average
COB	28.88	26.13	25.91	28.40	26.42	n.q.	n.q.	28.88	25.91	27.15
Palo Verde	29.91	28.63	27.72	30.63	27.48	n.q.	n.q.	30.63	27.48	28.87
Mid-Columbia	27.23	24.39	23.79	26.80	24.37	n.q.	n.q.	27.23	23.79	25.32
Mead/Marketplace	31.29	29.13	28.18	31.33	27.82	n.q.	n.q.	31.33	27.82	29.55
4 Corners	30.00	28.50	27.00	30.25	25.00	n.q.	n.q.	30.25	25.00	28.15
NP 15	30.04	28.97	28.05	30.72	28.42	n.q.	n.q.	30.72	28.05	29.24
SP 15	30.70	29.56	29.53	32.19	28.56	n.q.	n.q.	32.19	28.56	30.11
PJM West	26.46	26.28	27.93	29.33	27.27	n.q.	n.q.	29.33	26.28	27.45
ISO New England	36.66	37.88	32.30	35.30	34.62	31.39	31.05	37.88	31.05	34.31
New York ISO	36.42	43.16	36.20	35.26	37.52	30.47	28.13	43.16	28.13	35.55
Cinergy	22.93	23.73	28.23	28.92	22.23	n.q.	n.q.	28.92	22.23	25.21
Average Price	30.05	29.67	28.62	30.83	28.15	30.93	29.59	30.93	28.15	29.17

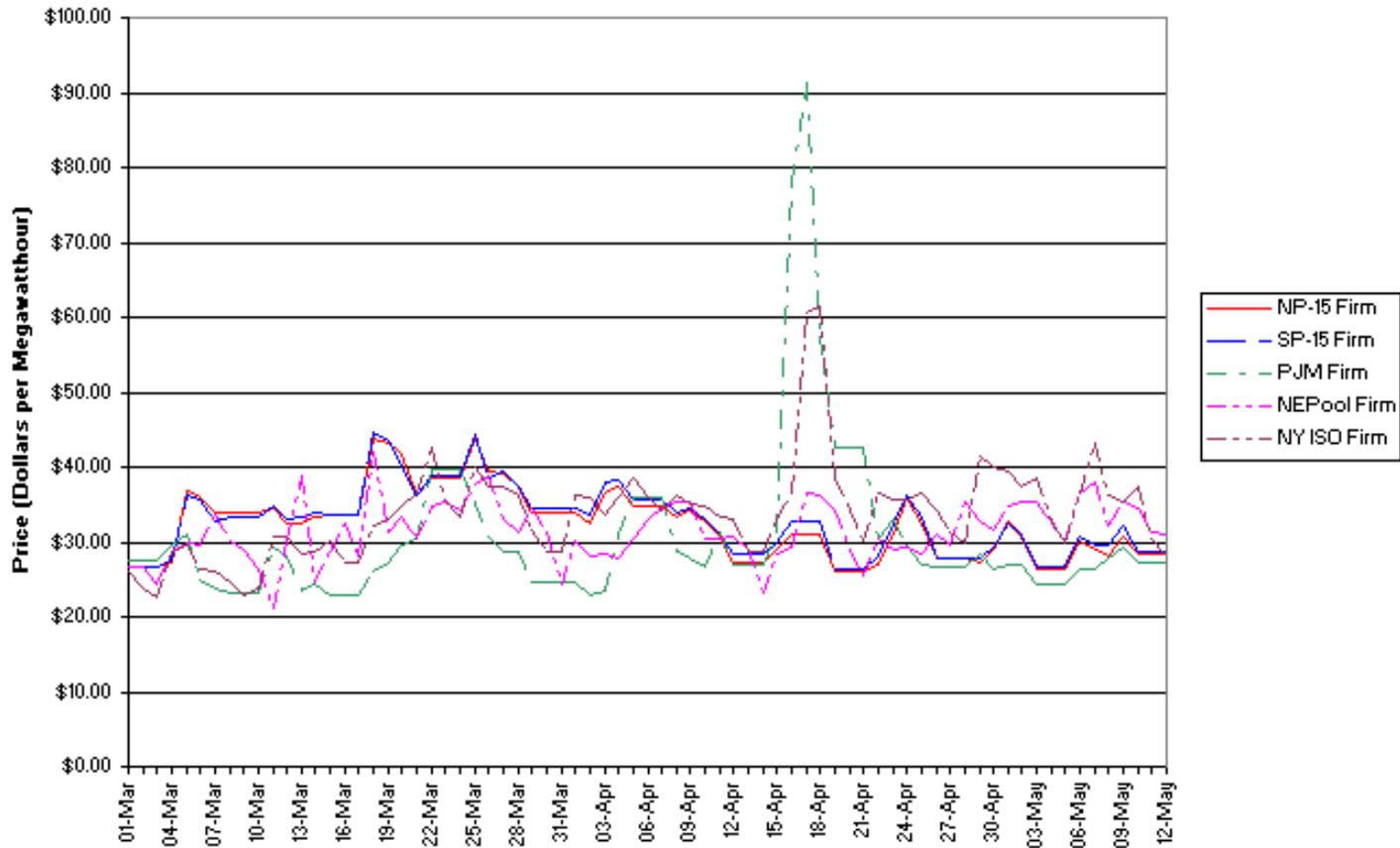
Source: COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West, and Cinergy trading centers, Used with Permission from Bloomberg L.P. (www.bloomberg.com), ISO New England (<http://www.iso-ne.com>), and New York ISO

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.



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