



ENERGY SITUATION ANALYSIS REPORT



May 20, 2002

(next scheduled update: May 21, 2002 Note: updates will be twice per week beginning May 28)

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

Petroleum Natural Gas Coal Electricity

Latest Energy Market Developments

(updated May 20, 2002)

Crude oil prices rose modestly on Friday, May 17. Prices for near-month West Texas Intermediate (WTI) crude oil on the NYMEX rose 23 cents per barrel to settle at \$28.18 per barrel, after falling 20 cents per barrel on Thursday. Short covering late in the trading session Friday erased earlier losses. Oil prices were steady today, with near-month Brent crude oil on the International Petroleum Exchange (IPE) rising 2 cents per barrel to settle at \$26.38 per barrel. Relatively high oil prices are being supported by several months of OPEC and non-OPEC oil production cutbacks since January 1, 2002, plus the Iraqi unilateral embargo from April 8 to May 8, 2002, both of which have led to reductions in U.S. oil inventories and import levels. As of May 10, U.S. commercial crude oil inventories were nearly 10 million barrels below year-earlier levels, and are in the bottom half of the normal range for inventories at this time of year.

In addition, oil markets remain concerned over the Palestinian-Israeli situation, U.S.-Iraq tensions, and the potential for Middle East instability to result in an oil supply disruption from the region, though the price slide last Wednesday and Thursday may indicate some waning of the "risk premium" and a reaction to Iraq's acceptance of the May 28 roll-over of the "Oil-for-Food" program. Today, Iraqi Deputy Oil Minister Hussein Suleiman al-Khadisi said that, "Oil exports from Iraq in June are more likely to reach the level of 2.1 million barrels per day." Iraqi Vice-President Taha Yassin Ramadan complained today, however, that the new six-month roll-over with its goods review list was "...an additional complication and a bad thing that would worsen the already complicated procedures of the memorandum of understanding ["Oil-for-Food" program]." Iraqi exports had averaged about 1.7 million barrels per day in 2002 prior to the embargo.

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

- On Friday, a spokesperson for Mexico's Energy Ministry stated that Mexico will maintain its crude-oil export cuts through the end of June and will evaluate the oil market situation before deciding whether or not to extend its cuts at that time. State-petroleum monopoly PEMEX exported 50,000 barrels per day in excess of its agreement with OPEC in the first quarter of 2002. This indicates that the actual cut was half of its agreed-to cut of 100,000 barrels per day. Earlier in the day, Russia had announced that it would gradually phase out its agreed-to export cuts by the end of June.
- On Saturday, Iranian Oil Minister Bijan Zanganeh concurred with recent statements by other OPEC oil ministers that OPEC is unlikely to increase crude oil production quotas in June.

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

- As of May 20, the [U.S. Strategic Petroleum Reserve](#) (SPR) contained 568.2 million barrels of oil. The SPR has a maximum drawdown capability of 4.18 million barrels per day for 90 days, with oil beginning to arrive in the marketplace 15 days after a presidential decision to initiate a drawdown.
- U.S. gasoline prices have been stable over the past several weeks, roughly \$0.30 per gallon below last year's levels.
- Spot natural gas prices were mixed on Friday, as prices at some major market locations moved up less than 10 cents per MMBtu, although other locations saw declines. With a cold front moving into the eastern United States, natural gas prices in these areas gained between 1 and 9 cents per MMBtu, but prices in California and the Rocky Mountains fell by more than 10 cents per MMBtu, with especially steep declines in the Rocky Mountains.
- In the latest week, near-quarter, over-the-counter (OTC) coal prices mostly held steady or moved down by small percentages. On average, settled coal prices since early February 2002 have been relatively level, in the \$25 to \$28 per short ton range, with generally low daily volumes.
- U.S. wholesale electricity prices have been mixed over the past seven days (excluding weekend transactions), ranging between a high of \$32.47 and a low of \$27.98 per megawatthour, as electricity demand has fluctuated based on changes in the weather.

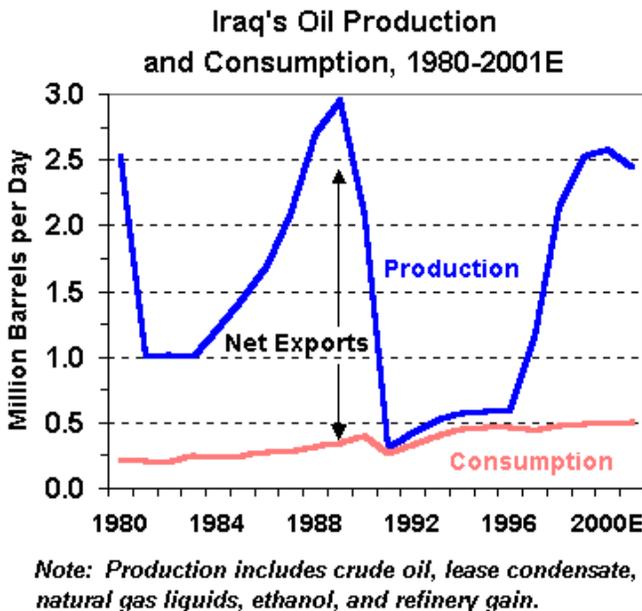
Special Topic -- Basic Facts on [Iraq](#)

(updated May 14, 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 the month-long embargo. The first tanker loaded at Mina al-Bakr left on May 11, while the first tanker for loading at Ceyhan arrived May 14.

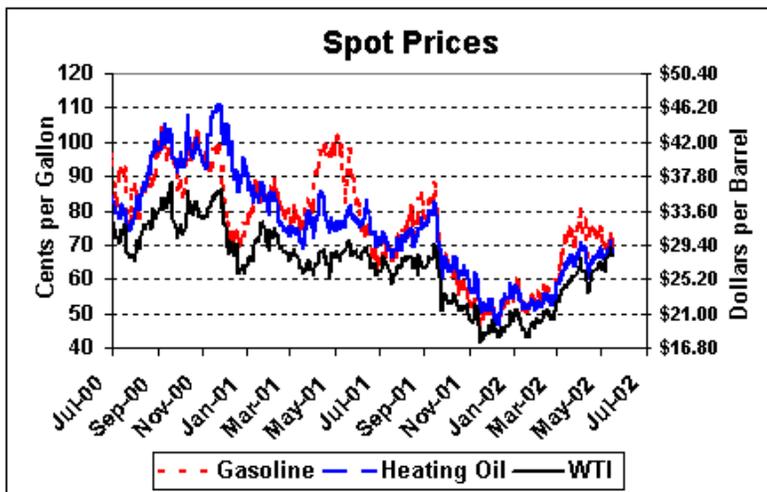
The United States is the largest single market for Iraqi oil, with almost half of Iraqi oil exports bound for the United States in 2001. Imports from Iraq accounted for an average 8% of total U.S. imports in 2001. In 2001, Iraq was the sixth-largest source of U.S. crude oil imports, behind Saudi Arabia, Mexico, Canada, Venezuela, and Nigeria.

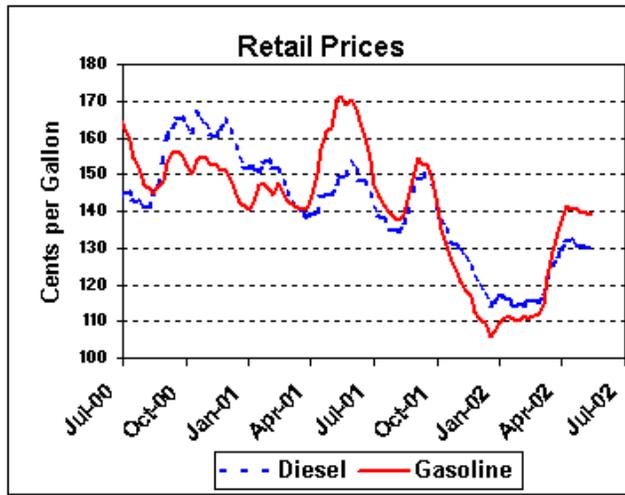
The current phase of the "Oil-for-Food" program expires at the end of May 2002. The UN Security Council approved an overhaul of sanctions against Iraq on May 14. The resolution establishes a "goods review list" for dual-use (i.e., civilian or military) items that require UN Security Council approval before Iraq can purchase them. Items on the list have to be evaluated separately within 30 days. Most goods not on the list can go to Iraq after a 10-day review by UN officials. The Security Council's resolution also renews until November 25 the UN's "Oil-for-Food" program. Temporary downturns in Iraqi exports in association with program rollovers are common.



U.S. Petroleum Prices

(updated May 20, 2002)





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	Belvieu	Conway	Gasoline Diesel	
	\$/bbl	\$/bbl	cents per gallon		cents per gallon		c/gal	cents per gallon		cents per gallon	
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		
5/13/2002	\$28.62	\$28.38	72.03	79.73	69.25	69.45	71.38	41.26	39.07	138.8	129.9
5/14/2002	\$29.17	\$29.36	72.93	82.63	70.90	71.68	73.00	42.75	39.69		
5/15/2002	\$28.17	\$28.15	69.49	78.82	67.67	67.79	69.77	41.82	37.88		
5/16/2002	\$28.00	\$27.95	70.38	79.53	68.12	68.16	70.22	41.13	39.00		
5/17/2002	\$28.19	\$28.18	71.35	80.38	68.40	68.60	70.60	41.13	39.00		

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 15, 2002)

“30”

The number 30 is on the lips of many oil traders, analysts, and industry executives these days. The price for West Texas Intermediate (WTI) crude oil, the benchmark crude oil for most of the Americas, rose above \$29 per barrel on May 14 for the first time since mid-September 2001, and has risen by more than \$3 per barrel since May 6. If prices continue to rise, as many market participants are beginning to expect may happen, the WTI price will rise above \$30 per barrel

for the first time since February 2001. This is a phenomenon that was not unexpected, as we have been highlighting how the crude oil market has been tightening of late, especially since March. As recently as April 5, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) were about 18 million barrels above year-ago levels, and even this was a large decline from the 40-million-barrel year-to-year surplus that existed on March 1. However, as of May 10, commercial crude oil inventories are now nearly 10 million barrels below year-earlier levels, and are in the bottom half of the normal range for inventories at this time of year.

With crude oil imports consistently running much lower than last spring, it was predictable that the crude oil surplus we had at the end of winter would melt away this spring. The production cutbacks from OPEC 10 countries (OPEC excluding Iraq) and some non-OPEC producers that went into effect beginning in January were bound to reduce imports. Even with reports that OPEC 10 crude oil production may have increased slightly in recent months, it is still much lower than it was a year ago. As the world's largest importer (and consumer) of petroleum, it was inevitable that lower production from OPEC 10 countries would ultimately lead to lower U.S. crude oil imports. Added into this mix is that Iraq ceased exporting oil under the United Nations program for 30 days beginning on April 8. While sources of crude oil imports on a weekly basis are very preliminary and thus not publishable, it does appear that Iraqi crude oil imports are beginning to have an effect on reducing imports into the United States. With product prices, particularly gasoline, not rising at the same pace crude oil prices have recently, it is likely that refiners may cut back on production, which would help slow the decline in crude oil inventories. And with product inventories much better off relative to crude oil (see the section below on the gasoline inventory situation), refiners could use inventories to supplement decreases in refinery production. However, if demand begins to pick up after Memorial Day, then product inventories may also begin to decline. If this occurs, then we may be looking at a repeat of 1999, when inventories fell over the second half of the year in a dramatic fashion, such that WTI prices rose well above \$30 per barrel in 2000.

Gasoline Supply More Than Ample For Now

One bright spot for consumers in the run-up to the summer driving season is the continued strong buildup of motor gasoline inventories over the past several weeks. Total motor gasoline inventories ended the week of May 10 at 217.2 million barrels, a level more than 13 million barrels above the same period last year. With inventories at the upper end of the normal range, gasoline prices are not expected to spike as high as the last two years, even if demand picks up over the summer as expected. The combination of strong refinery production and the flood of gasoline imports during the last four weeks in particular, explain the current motor gasoline inventory cushion. Over this period, motor gasoline refinery production was up by nearly 400,000 barrels per day over an average of the same four-week period in 2000 and 2001, while gasoline imports were up nearly 300,000 barrels per day above the average for 2000 and 2001. With this much additional gasoline supply, it is not surprising that gasoline inventories are currently much higher than they were in 2000 and 2001. Nevertheless, this surplus may also evaporate if refiners cut back production and imports fall off to more normal levels, just as demand begins to increase heading into the summer driving season. In this case, renewed gasoline market strength will reinforce crude oil price pressure stemming from ongoing tightening in the crude oil balance.

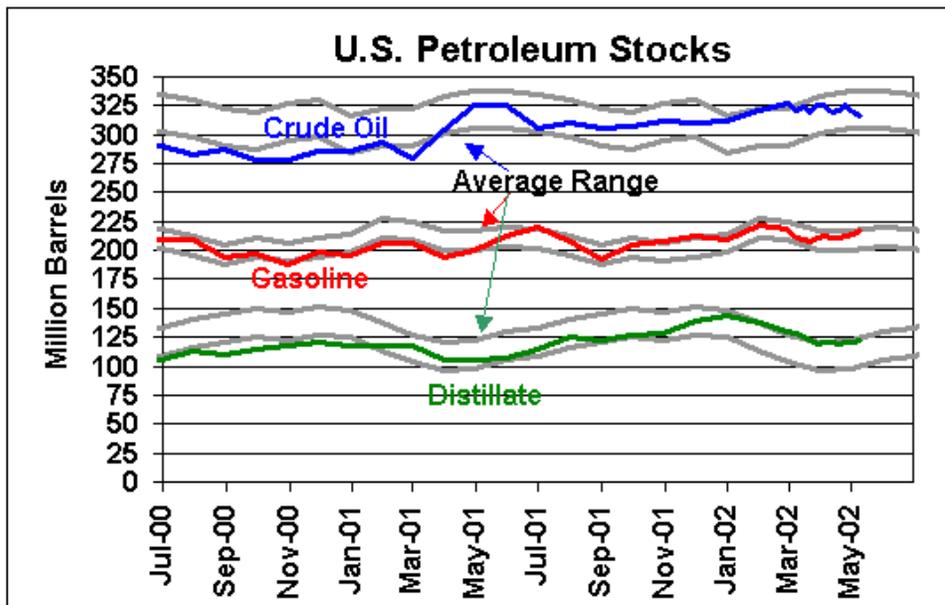
Retail Gasoline Prices See Little Action

The retail gasoline market was quiet, with the national average retail price for regular motor gasoline edging down 0.7 cent on May 13 to end at 138.8 cents per gallon. This price is 32.5 cents per gallon lower than last year. Prices have remained relatively flat over the past five weeks, with slight up and down changes. Prices were down throughout the country on May 13, with the largest decreases occurring on the West Coast. California retail gasoline prices fell 1.8 cents last week to end at 157.1 cents per gallon. With relatively little movement in spot gasoline prices over the last several weeks, it seems that the retail gasoline price has reached a new equilibrium for the very near-term and any price changes in the retail market can mostly be attributed to white noise. Again, this plateau may prove to be a brief pause, if recent crude oil price increases hold or grow further, or the gasoline balance tightens after Memorial Day.

Retail diesel fuel prices decreased by 0.6 cent per gallon to a national average of 129.9 cents per gallon as of May 13 after rising the previous week.

U.S. Petroleum Supply (updated May 15, 2002)

(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
	5/10/2002	5/10/2001	Diff.	% Diff.
Refinery Activity				
Crude Oil Input	15,332	15,611	-279	-1.8%
Operable Capacity	16,800	16,638	162	1.0%
Operable Capacity Utilization (%)	91.9%	95.3%	-3.4%	
Production				
Motor Gasoline	8,586	8,512	74	0.9%
Jet Fuel	1,487	1,570	-83	-5.3%
Distillate Fuel Oil	3,728	3,653	75	2.1%
Imports				
Crude Oil (incl. SPR)	9,117	9,768	-651	-6.7%
Motor Gasoline	906	777	129	16.7%
Jet Fuel	104	162	-58	-35.8%
Distillate Fuel Oil	231	311	-80	-25.7%
Total	11,514	12,289	-775	-6.3%
Exports				
Crude Oil	33	34	-1	-2.7%
Products	935	968	-33	-3.5%
Total	967	1,003	-36	-3.6%
Products Supplied				
Motor Gasoline	8,613	8,601	12	0.1%
Jet Fuel	1,537	1,676	-139	-8.3%
Distillate Fuel Oil	3,720	3,784	-64	-1.7%
Total	19,307	19,559	-252	-1.3%
Stocks (Million Barrels)				
	5/10/2002	5/10/2001	Diff.	% Diff.
Crude Oil (excl. SPR)	315.8	325.5	-9.7	-3.0%
Motor Gasoline	217.2	204.1	13.1	6.4%
Jet Fuel	40.5	41.2	-0.7	-1.7%
Distillate Fuel Oil	122.5	105.7	16.8	15.9%
Total (excl. SPR)	1,007.3	984.8	22.5	2.3%



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

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.

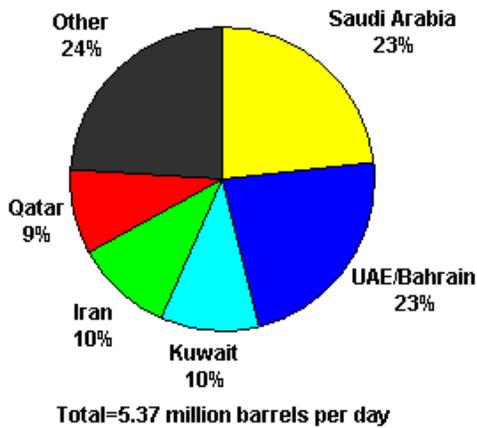
Top World Oil Net Exporters, 2001*		
	Country	Net Exports (million barrels per day)
1)	Saudi Arabia	7.38
2)	Russia	4.76
3)	Norway	3.22
4)	Iran	2.74
5)	Venezuela	2.60
6)	United Arab Emirates	2.09
7)	Nigeria	2.00
8)	Iraq	2.00
9)	Kuwait	1.80
10)	Mexico	1.65
11)	Libya	1.24
12)	Algeria	1.24

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

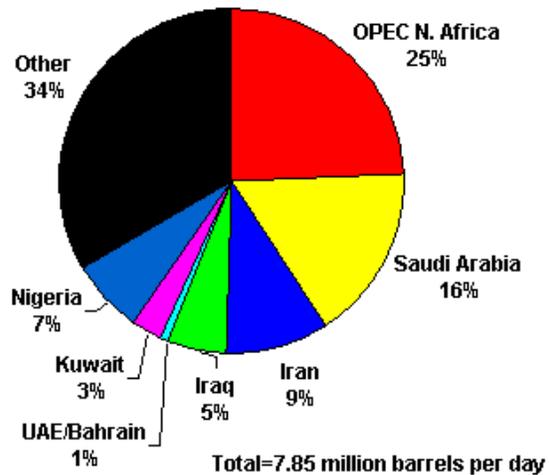
During 2001, about 48% of U.S. crude oil imports came from the Western Hemisphere (19% from South America, 15% from Mexico, 14% from Canada), while 30% came from the Persian Gulf region (18% from Saudi Arabia, 9% from Iraq, 3% from Kuwait).

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 20, 2002)

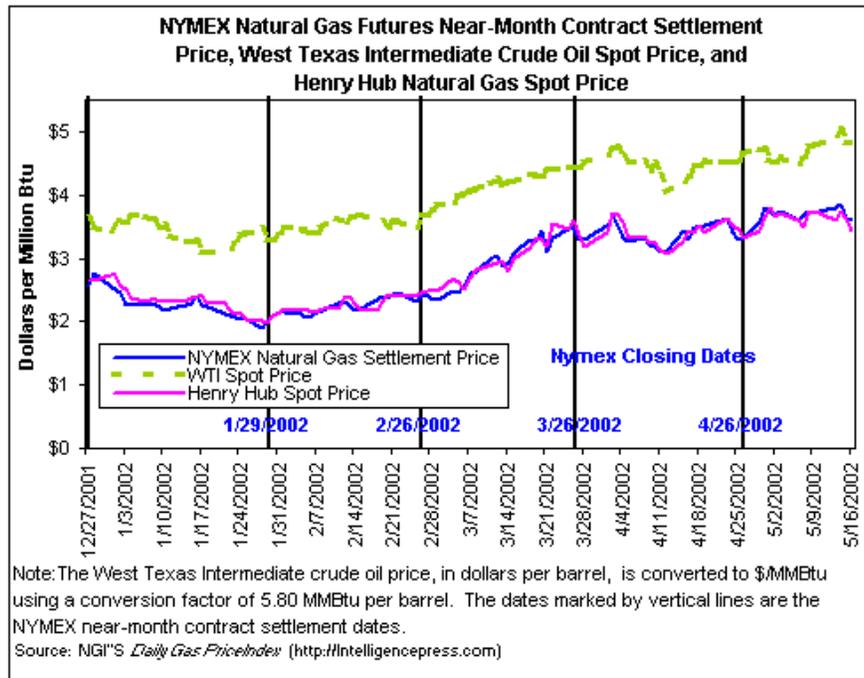
Industry/Market Developments

NYMEX to Launch OTC Energy Clearing Services: The New York Mercantile Exchange (NYMEX) announced that it will begin over-the-counter (OTC) energy clearing services for 25 of the most commonly traded OTC energy contracts on May 31. The new services will cover a variety of common location- and index-based OTC products. In addition to natural gas swaps contracts based at the Henry Hub in Louisiana, the OTC transactions will include natural gas basis swaps contracts for the AECO-C Hub in Alberta, Chicago Citygate, Houston Ship Channel, San Juan Basin, Southern California border, Transco Zone 6, Northwest Pipeline Rockies, and Panhandle Eastern Pipe Line Co. The transactions will not be displayed by NYMEX, but will remain confidential. The NYMEX will accept trades of the OTC contracts between the hours of 7:00 AM to 1:30 PM EST each business day. After two parties complete a transaction covering the common OTC products, the contracts will be posted with NYMEX, margin positions will be adjusted, and the contract cleared by the NYMEX. According to NYMEX, the new offering will give energy markets new products to trade, increased trading security, and new trading flexibility.

Prices

Spot natural gas prices were mixed in trading on Friday, May 17, with some markets registering gains of less than a dime per MMBtu, while other regions had declines. With a cold front from Canada expected to move into the eastern two-thirds of the country, prices climbed between 1 and 9 cents per MMBtu at most locations in Texas, the Midwest, the Midcontinent, and the Northeast regions. Prices fell about a nickel per MMBtu in Louisiana, with the spot price at the Henry Hub declining 2 cents per MMBtu to \$3.42 per MMBtu. Prices showed sharper declines in the western United States. A couple of locations in California registered declines of over 14 cents per MMBtu as the California composite average moved down 12 cents per MMBtu to \$2.88 per MMBtu. Prices in the Rocky Mountains region again had the sharpest declines in the nation, with prices at most locations falling more than 19 cents per MMBtu, with some locations falling as much as 49 cents per MMBtu.

At the NYMEX, the daily settlement price for the June futures contract edged down about a penny per MMBtu from Thursday's settlement price to end trading on Friday, May 17 at \$3.598 per MMBtu. Similarly, the contracts for delivery in the months following June 2002 also fell slightly, with most of the contracts declining by less than a penny 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		
4/22/2002	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
5/13/2002	3.25	3.61	3.91	3.64	3.783	3.831
5/14/2002	3.37	3.75	4.06	3.79	3.855	3.912
5/15/2002	3.21	3.44	3.73	3.49	3.609	3.689
5/16/2002	3.00	3.44	3.73	3.49	3.609	3.689
5/17/2002	2.88	3.42	3.76	3.50	3.598	3.681

* 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 20, 2002)

In a brief filed Monday, May 13, the Federal Government argued that a recent court order “casts a tremendous cloud of uncertainty over all future coal mining in Appalachia.” The near-term effects in the region predicted in the Department of Justice’s motion would include suspension of future coal mining projects, laying off existing workers, and suspending plans for hiring new ones. Reaction has been swift since May 8, when 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 mining companies consider it an important component of economical coal recovery 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 came just as the Government was taking steps 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 National Mining Association warned that Haden's ruling would threaten more than 15,000 jobs in the region. In its May 13 motion, pending appeal, the Justice Department contends that the ruling is broad and, if fully implemented, would stop all new surface coal mining (not just mountaintop removal) in steep terrain, because some valley filling is necessary even in less expansive operations. It also contemplates possible impacts on underground mining in steep terrain, which generally requires preparation plants, with waste impoundments in valleys, and may use valley fill for mine roads. Further, the motion questions whether the ruling might be applied to other mining besides coal. *Platts Coal Outlook* reported on May 20 that the Kentucky Coal Association filed a motion designed to stay Judge Haden's ruling and as a request for clarification on several points. For example, would the ruling in fact restrict surface coal slurry impoundments, and what geographic extent is implicated? If the ruling is interpreted broadly, said one Kentucky coal operator, "we are going to be losing a lot of coal."

In a separate issue affecting mostly Appalachian coal mining, on April 24 the National Mining Association filed a motion to stay a March 28 ruling restricting land subsidence associated with underground coal mining. On April 25, Secretary of the Interior and co-defendant Gale Norton filed for a stay of the same decision. The ruling by U.S. District Judge James Robertson of the federal district court in Washington, DC, would restrict underground coal mining beneath national parks, inhabited residences, and other protected areas. The court sided with the Citizens Coal Council, an environmental advocacy group, which challenged how the Department of the Interior permits underground coal mining-especially "longwall" mining that may cause ground subsidence in protected areas. The ruling would negate long-standing permit practices that have regularly been challenged almost since the inception of the Surface Mining Control and Reclamation Act of 1977.

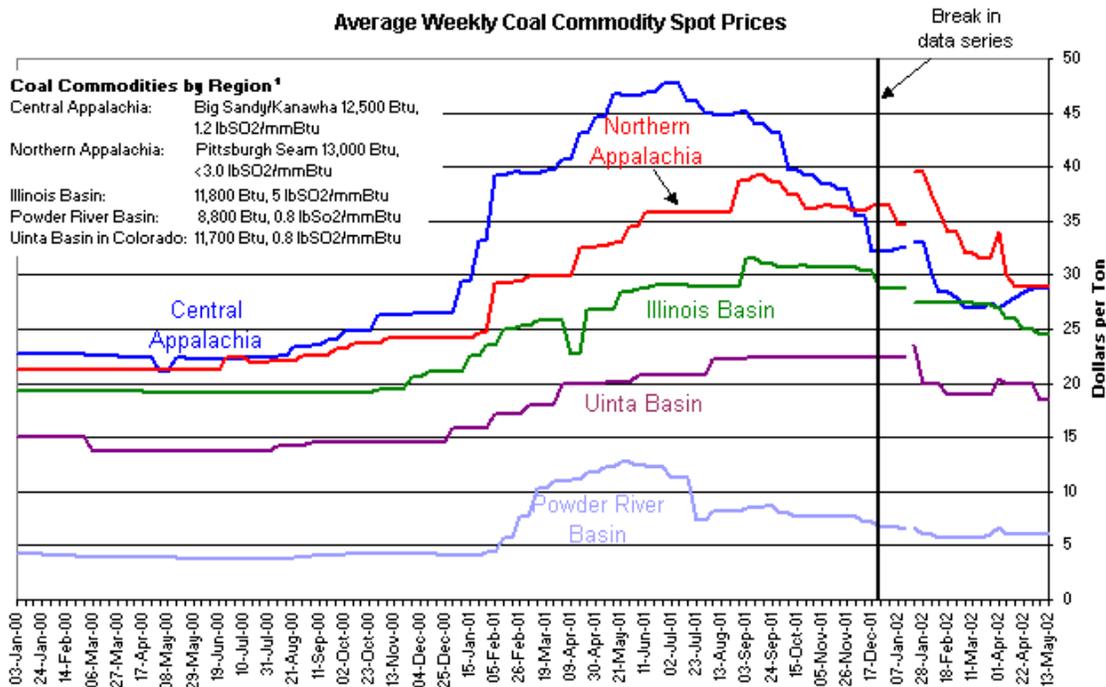
Coal Production

For the week ending May 11, EIA estimates U.S. coal production at 20.3 million short tons (mst). This was 8.1% lower than in the comparable week in 2001. Year-to-date as of May 11, rail car loadings of coal and national coal production have fallen by 4.7% and 5.4%, respectively, compared to their levels a year ago. Year-to-date, western U.S. coal production is 1.5% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 9.7% 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 a long spring period of low seasonal demand at electric power plants, as well as slowed economic activity.

Coal Prices

U.S. coal prices in recent months have either fallen or held relatively steady. Allowing for changes in the price indexes since last summer, Illinois, Uinta, and Powder River Basin coals continue the level-to-slowly-declining price profiles established under the 2001 spot data. Since peaking in summer 2001, Central and Northern Appalachian coal prices have fallen significantly (by about \$19.00 and \$10.00 per short ton, respectively). The latest indexed spot prices, \$28.75 per short ton for Central Appalachian and \$29.00 per short ton for Northern Appalachian coal, are respectively 29% 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, near-quarter over-the-counter (OTC) coal prices mostly held steady or moved down by small percentages (graphic below). Although [NYMEX](#) trade volumes are erratic, trading on Tuesday, May 14, reached a new high as 264 trades were settled. Prices for NYMEX trades for calendar year 2003 rose to \$28.95 per short ton, from \$28.50 per short ton, and some OTC trades for Appalachian bituminous broke above \$29 per short ton for calendar year 2003. On average, however, settled prices since early February 2002 have been relatively level, in the \$25 to \$28 per short ton 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.

In the long term, EIA expects domestic coal supplies to be 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 20, 2002)

Selected Wholesale Electricity Prices: Western U.S. wholesale electricity prices have been mixed over the past seven days (excluding weekend transactions) as electricity demand has fluctuated based on changes in the weather. Prices at the COB (California-Oregon border) have ranged between a high of \$32.50 per megawatthour on May 15 and a low of \$26.25 per megawatthour on May 17. Prices at the Palo Verde trading center have ranged between a high of \$35.67 per megawatthour on May 15 and a low of \$27.40 per megawatthour on May 17.

Similarly, prices in the Northeast have been mixed over the past seven days. Prices at the New York ISO ranged from a high of \$37.52 per megawatthour on May 10 to a low of \$33.93 per megawatthour on May 13. ISO New England prices ranged from a high of \$40.99 per megawatthour on May 13 to a low of \$34.09 per megawatthour on May 14.

The average electricity price at all trading centers has been mixed over the past seven days, ranging between a high of \$32.47 (May 15) and a low of \$27.98 per megawatthour (May 17).

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

Trading Centers	Date							Price Range		
	5/9/02	5/10/02	5/13/02	5/14/02	5/15/02	5/16/02	5/17/02	Max	Min	Average
COB	28.40	26.42	27.81	29.86	32.50	29.96	26.25	32.50	26.25	29.31
Palo Verde	30.63	27.48	30.35	32.43	35.67	30.86	27.40	35.67	27.40	31.36
Mid-Columbia	26.80	24.37	25.45	26.92	30.89	27.92	24.18	30.89	24.18	27.11
Mead/Marketplace	31.33	27.82	30.68	33.38	35.10	31.88	29.25	35.10	27.82	31.77
4 Corners	30.25	25.00	30.00	31.81	34.29	30.58	26.00	34.29	25.00	30.34
NP 15	30.72	28.42	30.93	32.28	35.23	32.06	27.92	35.23	27.92	31.78
SP 15	32.19	28.56	31.44	33.07	35.82	32.41	28.54	35.82	28.54	32.26
PJM West	29.33	27.27	26.00	26.18	26.00	28.51	28.60	29.33	26.00	27.19
ISO New England	35.30	34.62	40.99	34.09	35.65	35.81	36.95	40.99	34.09	36.24
New York ISO	35.26	37.52	33.93	35.39	37.09	34.87	34.41	37.52	33.93	35.75
Cinergy	28.92	22.23	18.81	17.60	18.96	17.78	18.30	28.92	17.60	19.08
Average Price	30.83	28.15	29.67	30.46	32.47	30.24	27.98	32.47	27.98	30.20

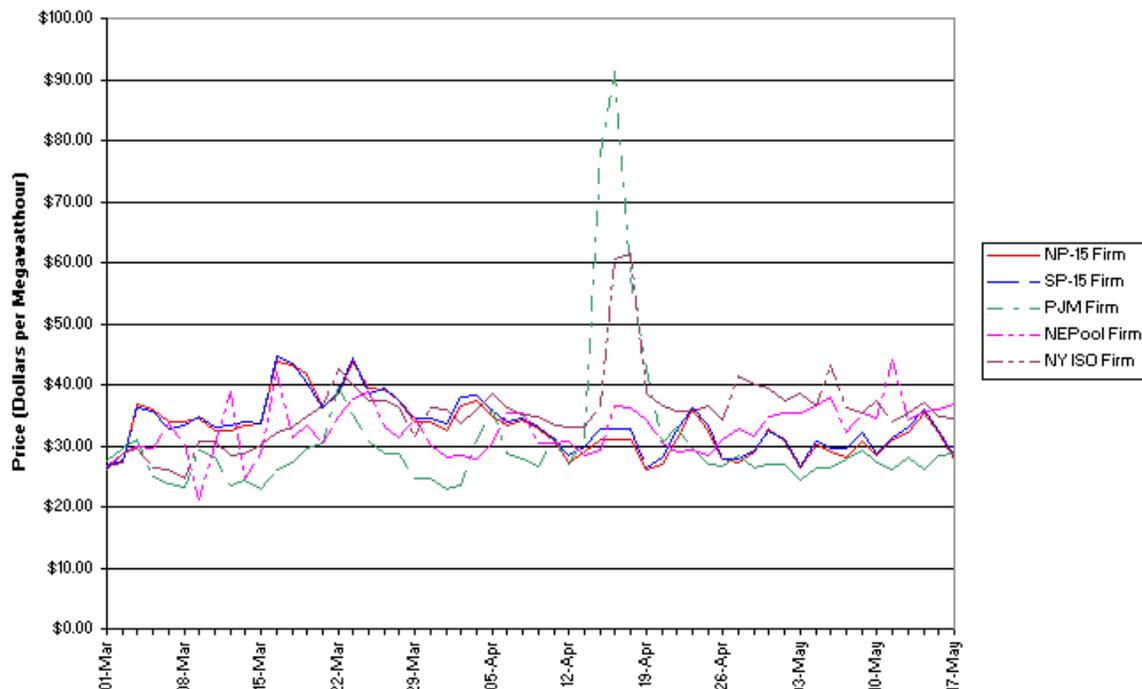
Source: COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West, and Cinergy trading centers. Used with permission from Bloomberg L.P (www.bloomberg.com), ISO New England (<http://www.iso-ne.com>), and New York ISO

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 20, 2002

[Archives of past Energy Situation Analysis Reports are now available.](#)

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>

If you are having technical problems with this site, please contact the EIA Webmaster at wmaster@eia.doe.gov