

Energy Situation Analysis Report

Last Updated: June 25, 2002

Next Update: June 27, 2002

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Latest Oil Market Developments

OPEC delegates are meeting in Vienna this week. Delegates have given early indications that the cartel will not raise production quotas in the third quarter. WTI prices are hovering in the \$25-\$26 per barrel range.

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Latest U.S. Weekly EIA Petroleum Information

The retail price for regular gasoline rose 0.6 cent last week, ending at 138.4 cents per gallon as of June 24. This price is 15.4 cents per gallon lower than last year. Prices could possibly rise in the next few weeks if gasoline demand increases but supplies do not keep up. [more...](#)

World Oil Market Highlights

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. [more...](#)

Latest U.S. Weekly Natural Gas Information

At the NYMEX on Monday (6/24/02), the futures contract for July delivery had its steepest one-day increase since becoming the near-month contract on May 30 as it gained over 19 cents to end the day at \$3.430 per MMBtu. [more...](#)

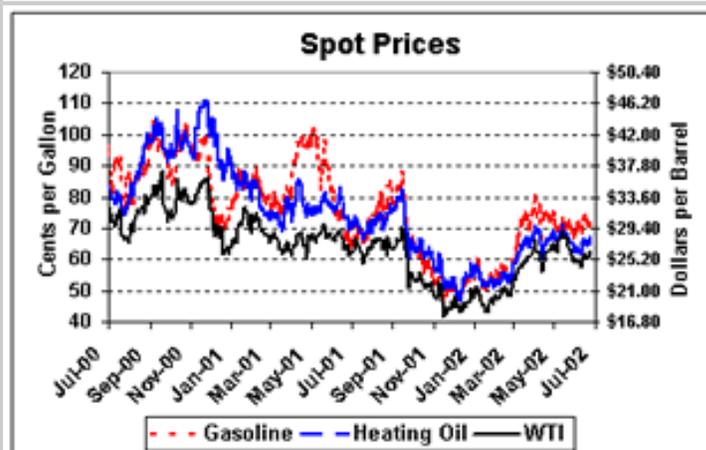
Latest U.S. Coal Information

U.S. spot coal prices in recent months have alternately fallen or held relatively steady. Allowing for changes in the price indexes since last summer, Illinois, Uinta, and Powder River Basin coals in 2002 have continued the level-to-slowly-declining price profiles established in mid- to late-2001, while spot prices for Central and Northern Appalachia have declined more steeply. [more...](#)

Energy Prices*

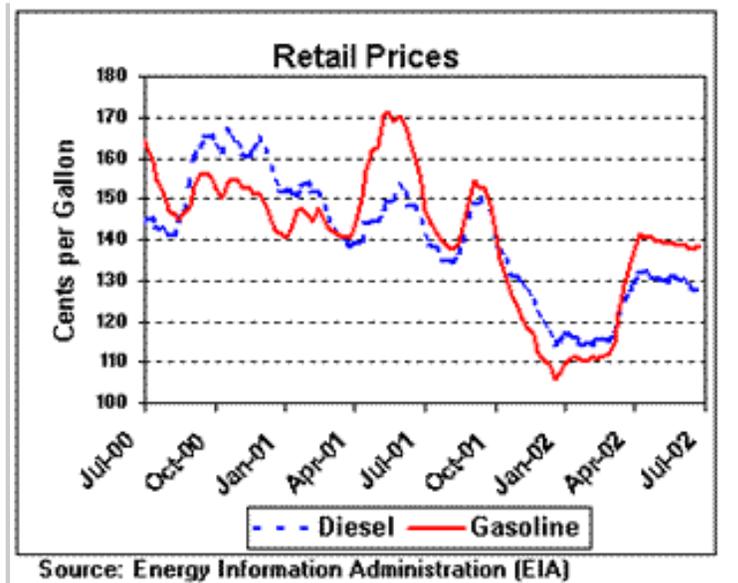
Petroleum Futures	6/24/02	6/21/02	Change
WTI (\$/Bbl)	26.47	25.82	+0.65
Gasoline (c/gallon)	77.77	75.57	+2.20
Heating Oil (c/gallon)	66.64	64.89	+1.75
Natural Gas (\$/MMBtu)			
Henry Hub	3.33	3.17	+0.16
California	2.99	2.72	+0.27
New York City	3.80	3.51	+0.29
Electricity (\$/Megawatthour)			
COB	19.50	19.92	-0.42
Palo Verde	41.12	35.11	+6.01
Average	37.83	31.91	+5.92

[*Definitions](#)



Latest U.S. Electricity Information

Wholesale electricity prices in the Northeast region have been increasing over the last seven-day period as warmer temperatures have increased electricity demand. Over the past seven days, the average price at all trading centers has ranged between \$27.28 per megawatthour and \$37.83 per megawatthour [more...](#)



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Latest Oil Market Developments

(updated June 25, 2002)

West Texas Intermediate (WTI) near month futures prices on the NYMEX closed down today after opening up slightly compared to Monday's closing price. OPEC delegates arriving in Vienna for their meeting tomorrow (Wednesday) indicated that the cartel does not intend to raise third quarter production quotas. Over roughly the past month, WTI prices have fallen from \$28-\$29 per barrel and settled in the \$24-\$25 per barrel range until this week. Weekly stock data is to be released by the American Petroleum Institute (API) this afternoon, and by the Energy Information Administration tomorrow morning.

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

- Preliminary statements by delegates to the OPEC meeting in Vienna have indicated that the cartel does not intend to raise production quotas in the third quarter. OPEC Secretary General Ali Rodriguez has stated, however, that if strong U.S. economic growth rates are achieved, a fourth quarter OPEC production increase could be on the horizon. Official deliberation begins Wednesday. In other news, delegates have indicated that Venezuelan Oil Minister Alvaro Silva will succeed Ali Rodriguez as OPEC Secretary General for the remainder of his three-year term.
- An agreement between OPEC and its largest competitors is reportedly expiring as both Russia and Norway, the world's second and third largest net oil exporters respectively, have declared their intentions to abandon agreed upon production cuts in the second half of the year. While Russia has apparently been exceeding the quotas that it agreed to in December since as early as March, Norway will wait until July 1 to increase its production. Another party to the December agreement, Mexico, has stated its preliminary intentions to maintain export curbs, but will wait until the end of this month to make an official decision.
- President Bush announced his Middle East peace plan late yesterday afternoon. For several months now violence in the Middle East has commanded the attention of world oil markets.
- As of June 25, the U.S. Strategic Petroleum Reserve (SPR) contained 574.3 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.

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Latest U.S. Weekly EIA Petroleum Information

(updated June 20, 2002)

Will Gasoline Demand Sizzle or Fizzle This Summer?

In the run-up to the July 4th holiday, many analysts are wondering if motor gasoline demand will sizzle like a backyard cookout or fizzle like a dud firecracker. Typically, the start of the summer drive season (Memorial Day holiday) ushers in rising gasoline demand and higher prices. Instead, what holiday travelers witnessed were falling gasoline prices, spurred in part by apparent lackluster demand and ample supplies. And some analysts feel that the sluggish start may be a prelude to continued weak motor gasoline demand for the remainder of the summer drive season. However, some of the supply-demand fundamentals behind the recent slide in motor gasoline prices are not expected to continue throughout this period. While falling gasoline prices leading up to the Memorial Day holiday could be attributed mostly to the combined effects of strong refinery production and record imports that provided for abundant gasoline inventories, the level of gasoline demand was far from lackluster as might be implied by weekly data during this same period. ([See text from the June 5, 2002 issue of "This Week In Petroleum."](#)) Gasoline demand for the most recent four-week period ending June 14, 2002, totaled 8.8 million barrels per day, 1.2% above the same period last year. Moreover, EIA models estimate gasoline demand may average more than 9 million barrels per day during the months of June and July, given expected growth in key economic indicators such as real disposable income and Gross Domestic Product (GDP) during this period. And with summer recess beginning, gasoline demand will inevitably show even more strength over the next several weeks as family vacations begin in earnest. Furthermore, historical data supports the view that peak gasoline demand occurs at a greater frequency during the latter months of summer than at any other time during the year. Thus, it can reasonably be expected that gasoline demand will continue to grow, with peak demand most likely occurring sometime during the July/August travel period, providing an extra sizzle to the summer season.

Jet Fuel Demand Remains Grounded

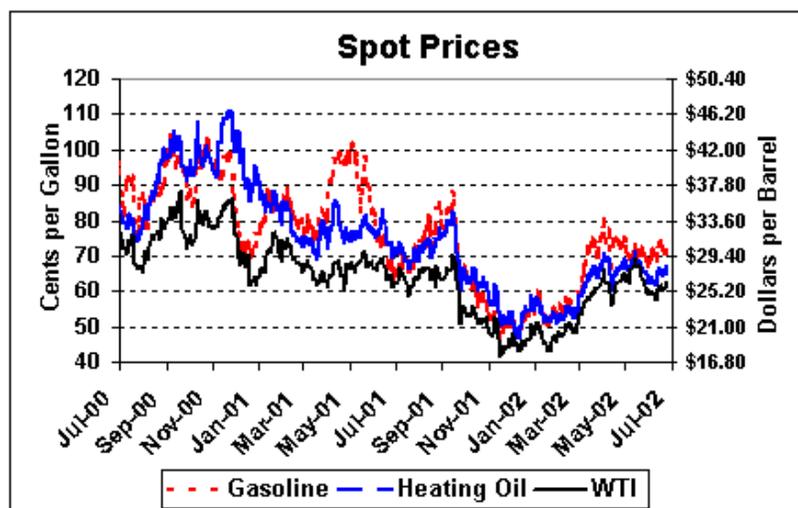
Just as gasoline demand soared to record levels this year, jet fuel demand appears stuck in a holding pattern during this same period. Demand for jet fuel over the most recent four-week period ending June 14, 2002 totaled 1.5 million barrels per day, about 12% below the same year-ago period. Although the picture looks a little different when compared with year-to-date demand that shows jet fuel trailing last year by a slightly less 9.2%, the fact remains that jet fuel demand has not yet fully recovered from the effects of September 11th. Except for a brief period this spring when jet fuel demand narrowed the year-over-year negative gap to only 1.4% for the four-week period ending April 26, 2002, demand has remained at a relatively flat between 1.5 and 1.6 million barrels per day during most of 2002. And expectations for a summer surge in air travel demand doesn't seem very promising as was recently witnessed by several air carriers' third failed attempt to raise fares since mid-April. Another factor impinging jet fuel demand has been the slow return of business travelers, a segment that fell sharply following the September 11th terror attacks. But the real weakness in jet fuel demand may lie in the ostensible preference for highway travel over air travel as indicated by the surge in gasoline demand seen so far this year.

U.S. Retail Gasoline Price Creeps Up 0.6 Cent (updated June 25, 2002)

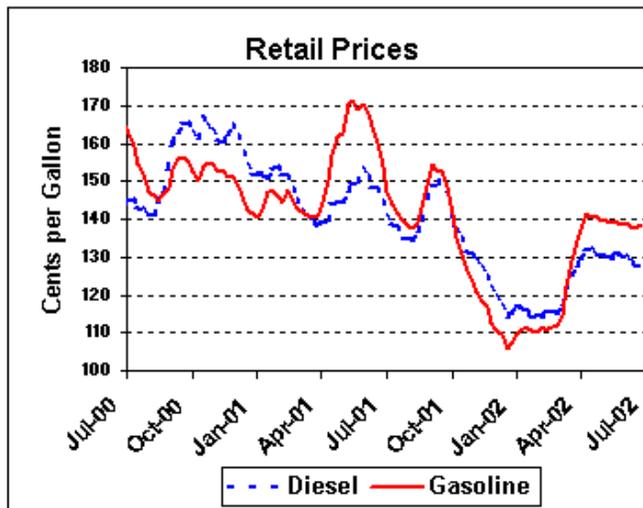
The retail price for regular gasoline rose 0.6 cent last week, ending at 138.4 cents per gallon as of June 24. This price is 15.4 cents per gallon lower than last year. Prices were mostly up throughout the country, with the largest increase occurring in the Rocky Mountain region. Price decreases were seen in New England, the Central Atlantic, and the Gulf Coast. Prices have remained relatively flat over the past eleven weeks, although prices have risen by almost a cent over the last 2 weeks. Prices could possibly rise in the next few weeks if gasoline demand increases but supplies do not keep up. OPEC has chosen not to increase its quota for the time being, and while U.S. crude oil inventories are currently comfortable, they will rely on crude oil imports to continue supplying the U.S. market. Retail diesel fuel prices increased by 0.6 cent per gallon to a national average of 128.1 cents per gallon as of June 24.

U.S. Petroleum Prices

(updated June 25, 2002)



Source: Closing quote as reported by Reuters News Service



Source: Energy Information Administration (EIA)

Crude Oil and Oil Products Price Table

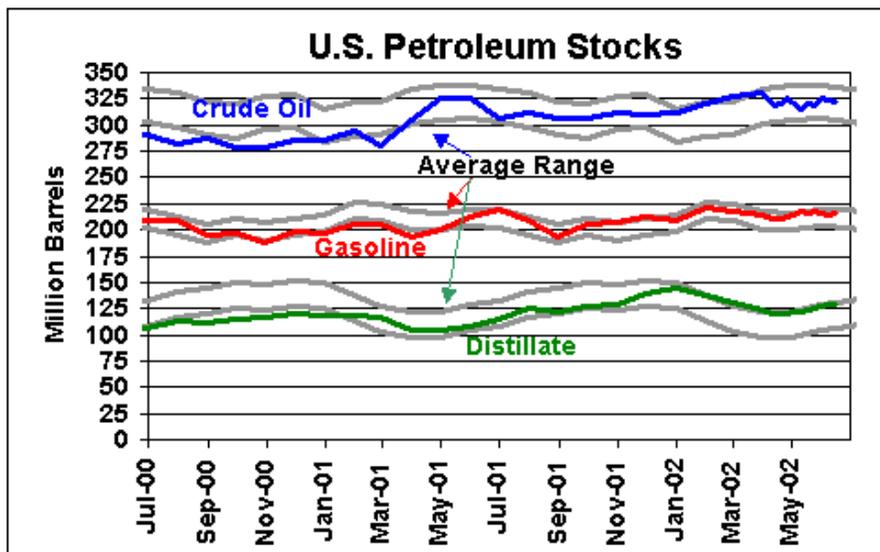
Date	WTI Crude Oil		Gasoline		Heating Oil		Kerojet	Propane		EIA Weekly Retail US Average	
	Spot	Futures	Spot	Futures	Spot	Futures	Spot	Spot	Spot	Gasoline	Diesel
	Cushing		NYH		NYH		NYH	Mt. Belvieu	Conway		
	\$/bbl	\$/bbl	cents per gallon		cents per gallon		c/gal	cents per gallon		cents per gallon	
5/7/2002	\$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		
5/20/2002	\$28.24	\$28.33	71.25	80.64	68.20	68.99	70.40	41.50	38.63	139.7	130.9
5/21/2002	\$27.35	\$27.33	69.90	78.44	66.35	66.77	69.10	40.82	37.76		
5/22/2002	\$27.01	\$26.37	72.70	79.68	66.80	66.95	69.80	40.44	37.07		
5/23/2002	\$26.60	\$26.15	71.38	78.83	65.90	66.50	69.30	40.57	36.57		
5/24/2002	\$26.69	\$25.88	70.80	79.01	65.45	65.95	69.03	39.57	36.75		
5/27/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA	138.7	130.8
5/28/2002	\$25.08	\$25.27	68.43	75.85	65.45	63.99	69.03	39.13	35.57		
5/29/2002	\$25.64	\$25.76	69.48	77.21	64.90	65.31	68.15	35.32	38.50		
5/30/2002	\$24.78	\$24.67	66.86	73.36	62.20	62.15	65.40	37.88	35.38		
5/31/2002	\$25.37	\$25.31	68.50	73.83	63.00	62.97	66.20	38.13	35.38		
6/3/2002	\$25.10	\$25.08	68.87	74.64	62.77	63.50	65.82	38.07	35.13	139.2	130.0
6/4/2002	\$25.32	\$25.33	70.50	75.34	63.25	64.28	66.15	38.01	35.00		
6/5/2002	\$25.02	\$24.89	71.57	75.13	63.03	63.60	65.58	37.26	34.32		
6/6/2002	\$24.89	\$24.79	71.40	75.70	62.70	63.48	65.43	36.94	34.32		
6/7/2002	\$24.72	\$24.75	70.82	75.09	62.65	63.17	65.38	37.07	34.25		
6/10/2002	\$24.24	\$24.29	68.78	73.79	61.65	62.33	64.15	36.38	33.57	137.5	128.6
6/11/2002	\$24.21	\$24.12	68.36	73.29	61.70	61.86	65.07	34.76	33.25		
6/12/2002	\$24.79	\$24.64	69.20	75.10	62.93	63.07	66.33	36.75	33.63		
6/13/2002	\$25.54	\$25.64	72.43	77.85	65.40	66.03	68.80	37.82	35.19		
6/14/2002	\$25.90	\$25.94	73.65	78.70	65.80	66.40	69.63	37.82	35.19		
6/17/2002	\$25.98	\$26.09	73.90	79.10	66.05	66.49	69.77	38.50	36.50	137.8	127.5
6/18/2002	\$25.36	\$25.43	73.15	77.66	65.18	65.49	68.50	37.57	36.50		
6/19/2002	\$25.57	\$25.31	72.05	76.84	65.03	65.24	68.23	37.75	36.13		
6/20/2002	\$25.62	\$25.53	71.60	76.96	65.75	66.03	69.48	37.44	35.63		
6/21/2002	\$25.51	\$25.82	70.30	75.57	64.80	64.89	68.53	37.38	35.94		
6/24/2002	\$26.31	\$26.47	73.50	77.77	66.75	66.64	70.80	37.88	36.00	138.4	128.1

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

Energy Situation Analysis Report

U.S. Petroleum Supply

(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
	6/14/2002	6/14/2001	Diff.	% Diff.
Refinery Activity				
Crude Oil Input	15,366	15,712	-346	-2.2%
Operable Capacity	16,800	16,622	178	1.1%
Operable Capacity Utilization (%)	92.7%	96.0%	-3.3%	
Production				
Motor Gasoline	8,446	8,644	-198	-2.3%
Jet Fuel	1,481	1,628	-147	-9.0%
Distillate Fuel Oil	3,705	3,675	30	0.8%
Imports				
Crude Oil (incl. SPR)	8,989	9,523	-534	-5.6%
Motor Gasoline	733	831	-98	-11.8%
Jet Fuel	107	169	-62	-36.5%
Distillate Fuel Oil	176	306	-130	-42.5%
Total	11,140	12,159	-1,019	-8.4%
Exports				
Crude Oil	31	41	-10	-24.8%
Products	930	985	-55	-5.5%
Total	961	1,026	-65	-6.3%
Products Supplied				
Motor Gasoline	8,810	8,705	105	1.2%
Jet Fuel	1,542	1,742	-200	-11.5%
Distillate Fuel Oil	3,525	3,696	-171	-4.6%
Total	19,308	19,524	-216	-1.1%
Stocks (Million Barrels)				
	6/14/2002	6/14/2001	Diff.	% Diff.
Crude Oil (excl. SPR)	323.0	319.6	3.4	1.1%
Motor Gasoline	215.2	216.2	-1.0	-0.5%
Jet Fuel	41.4	42.5	-1.1	-2.6%
Distillate Fuel Oil	129.5	110.1	19.4	17.6%
Total (excl. SPR)	1,031.3	1,015.4	15.9	1.6%



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

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World Oil Market Highlights

(updated June 18, 2002)

According to second quarter 2002 estimates, the world holds about 6.4 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	1.83	1.36	0.47
Saudi Arabia	1.66	1.61	0.05
Venezuela	1.55	1.29	0.26
Mexico	1.44	1.39	0.05
Nigeria	0.89	0.84	0.04
Iraq	0.80	0.80	0.00
Norway	0.34	0.28	0.06
Angola	0.33	0.32	0.01
United Kingdom	0.32	0.24	0.08
Total Imports	11.87	9.33	2.54

* 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

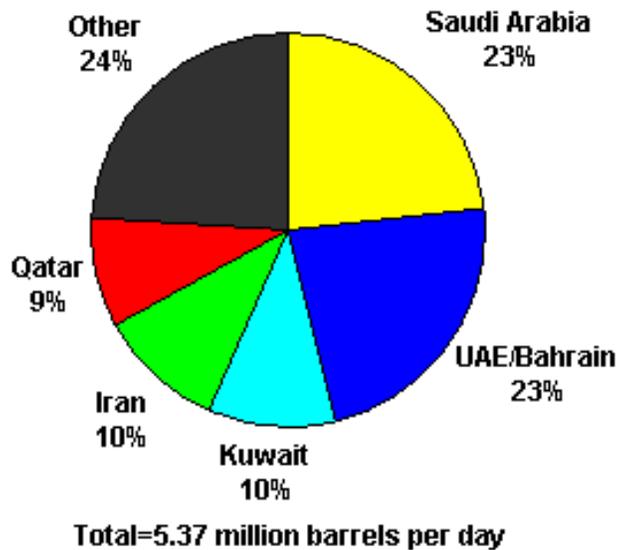
1.24

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

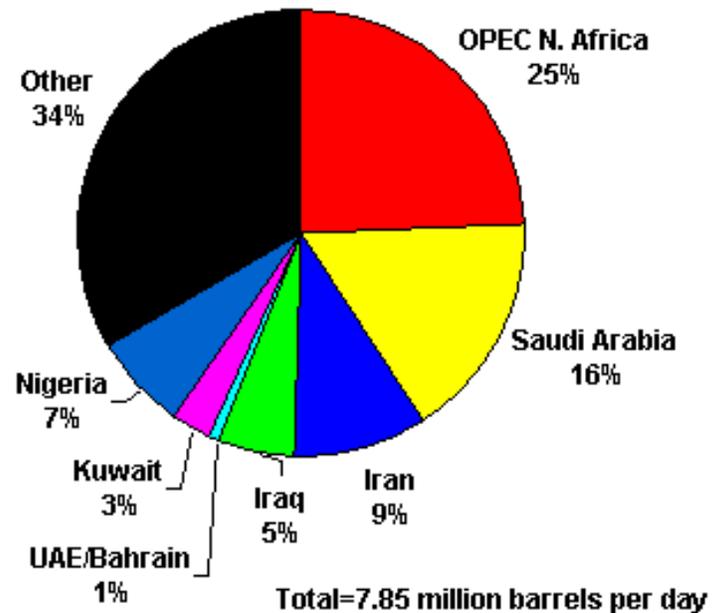
During 2001, about 48% of U.S. crude oil imports came from the Western Hemisphere (19% from South America, 15% from Mexico, 14% from Canada), while 30% came from the Persian Gulf region (18% from Saudi Arabia, 9% from Iraq, 3% from Kuwait).

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



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Latest U.S. Weekly Natural Gas Information

(updated June 25, 2002)

Industry/Market Developments

MMS Releases Report on Production Projections Through 2006: Projections in the Minerals and Management Service (MMS) report, Gulf of Mexico Outer Continental Shelf Daily Oil and Gas Production Rate Projections From 2002 Through 2006 (June 2002), show expected daily gas production rates in 2006 between 10.97 and 16.39 Bcf per day compared with an estimated 13.81 Bcf per day in 2001. Deepwater oil and gas production rates were at an all-time high in 2001. By year-end 2006, production from deepwater fields (greater than or equal to 1,000 feet) will account for 26 percent of the daily gas production in the low case scenario and 20 percent of the daily gas production in the high case scenario. Daily gas production rates include both associated and non-associated gas production.

Storage:

Working gas in storage was 2,096 Bcf for the week ended Friday, June 14, 2002, according to EIA's Weekly Natural Gas Storage Report. For the entire Lower 48, inventories are now an estimated 20.9 percent more than the 5-year average of 1,733 Bcf. Net injections of natural gas into storage implied by the weekly stock estimates were 81 Bcf.

All Volumes in Bcf	Current Stocks 6/14/2002	Estimated Prior 5-Year (1997-2001) Average	Percent Difference from 5 Year Average	Net Change from Last Week	One-Week Prior Stocks 6/07/2002
East Region	1,058	952	11%	58	1,003
West Region	303	246	23%	8	293
Producing Region	735	535	37%	15	719
Total Lower 48	2,096	1,733	21%	81	2,015

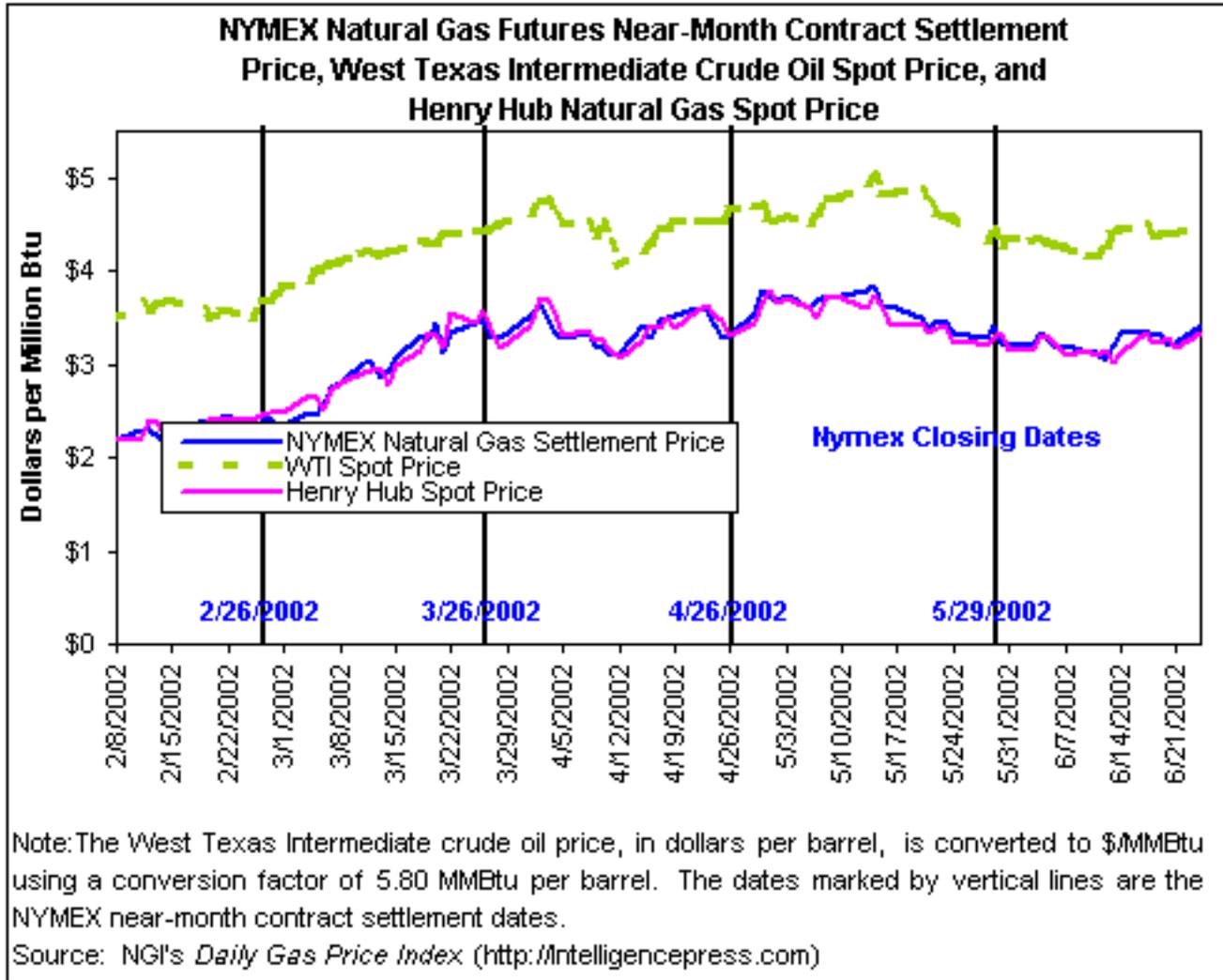
Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database.

Prices:

Hot humid weather in many parts of the East contributed to price increases between 15 to 25 cents per MMBtu on Monday (6/24/02) at most spot market locations in the eastern two-thirds of the country. At the Henry Hub the spot price gained 16 cents as the average price for the day was reported at \$3.33 per MMBtu. Meanwhile some eastern citygate prices rose close to 30 cents during Monday's trading with New York City at the highest level with a price of \$3.80 per MMBtu. In California, prices moved up 27 cents as the composite spot price for the state averaged \$2.99 per MMBtu.

At the NYMEX on Monday (6/24/02), the futures contract for July delivery had its steepest one-day

increase since becoming the near-month contract on May 30th as it gained over 19 cents to end the day at \$3.430 per MMBtu. The July contract will close on Wednesday (6/26/02) and barring any unforeseen events appears likely to close higher than last year's July contract price of \$3.182.



<i>Trade Date (All prices in \$ per MMBtu)</i>	California Composite Average Price*	Henry Hub	New York City	Chicago	NYMEX futures contract-July delivery	NYMEX futures contract-August delivery
5/28/2002	2.69	3.21	3.52	3.21	3.373	4.346
5/29/2002	2.73	3.29	3.64	3.32	3.505	3.557
5/30/2002	2.91	3.34	3.72	3.39	3.222	3.290
5/31/2002	2.59	3.15	3.44	3.13	3.217	3.280
6/3/2002	2.71	3.18	3.46	3.13	3.242	3.295
6/4/2002	2.78	3.30	3.66	3.26	3.328	3.370
6/5/2002	2.72	3.28	3.59	3.24	3.260	3.310
6/6/2002	2.74	3.20	3.49	3.19	3.182	3.242
6/7/2002	2.61	3.11	3.37	3.07	3.204	3.280
6/10/2002	2.71	3.14	3.51	3.15	3.135	3.203
6/11/2002	2.64	3.10	3.49	3.10	3.132	3.197
6/12/2002	2.76	3.14	3.46	3.14	3.057	3.124
6/13/2002	2.65	3.03	3.29	3.00	3.211	3.280
6/14/2002	2.61	3.12	3.36	3.10	3.342	3.408
6/17/2002	2.81	3.34	3.64	3.33	3.377	3.447
6/18/2002	2.69	3.23	3.52	3.19	3.312	3.385
6/19/2002	2.76	3.23	3.53	3.20	3.314	3.387
6/20/2002	2.91	3.29	3.66	3.29	3.216	3.276
6/21/2002	2.72	3.17	3.51	3.17	3.237	3.294
6/24/2002	2.99	3.33	3.80	3.34	3.430	3.480

* 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>)

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Latest U.S. Coal Information

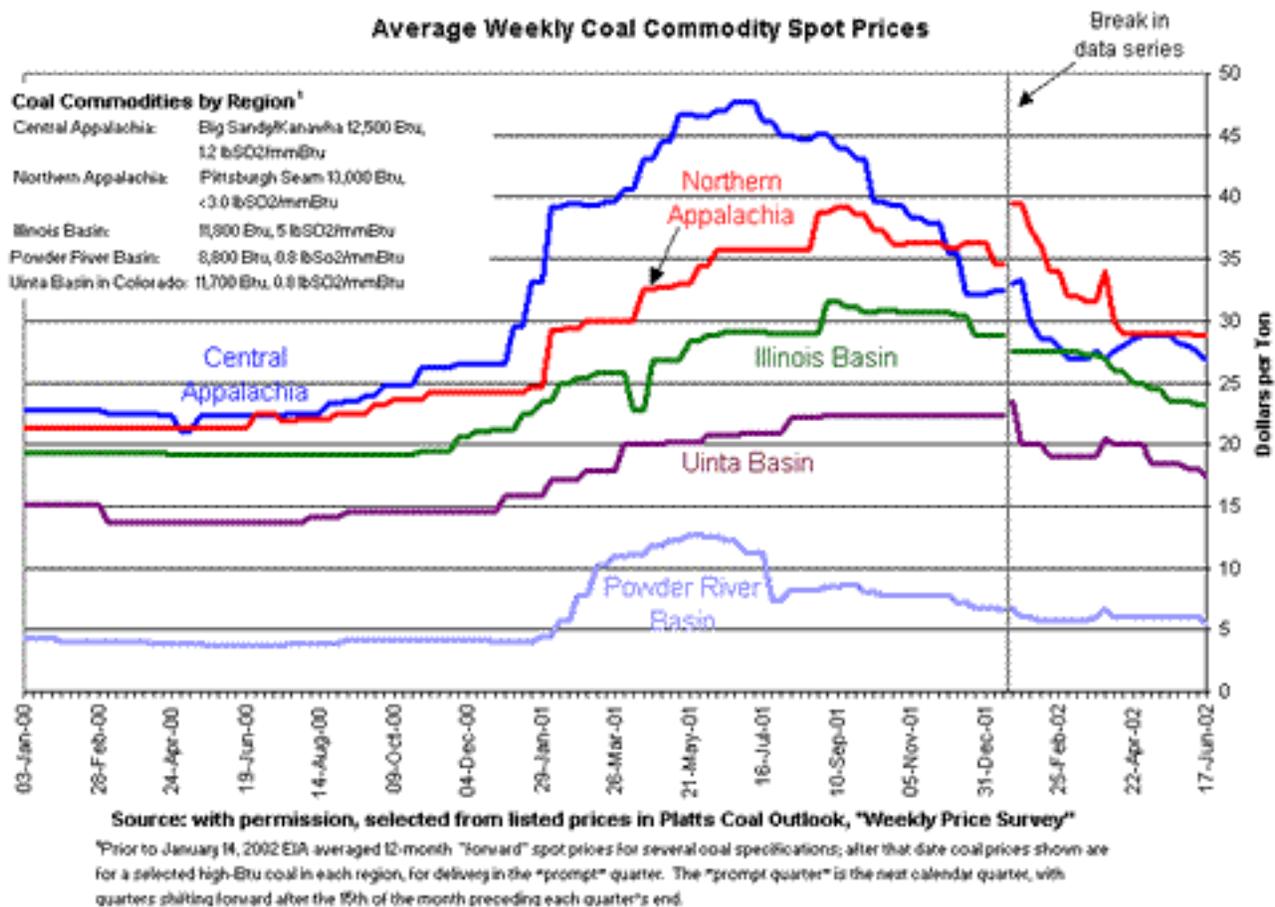
(updated June 20, 2002)

Coal Production

For the week ending June 15, rail car loadings of coal rose by 7.0% while national [coal production](#) rose by 1.3%, compared to their levels a year ago. Year-to-date, western U.S. coal production is 0.8% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 5.6% below last year's level. The estimated production for the first five months of 2002 was 445.1 million short tons (mst). Lower production at this time correlates with higher-than-usual coal stockpiles at consuming facilities due to slowed economic activity and a long spring period of low seasonal demand at electric power plants.

Coal Prices

U.S. spot coal prices in recent months have alternately fallen or held relatively steady. Allowing for changes in the price indexes since last summer, Illinois, Uinta, and Powder River Basin coals in 2002 have continued the level-to-slowly-declining price profiles established in mid- to late-2001, while spot prices for Central and Northern Appalachia have declined more steeply. Since peaking in summer 2001, Central and Northern Appalachian coal prices have fallen (by about \$21.00 and \$10.50 per short ton, respectively). The latest indexed spot prices, \$26.75 per short ton for Central Appalachian and \$28.75 per short ton for Northern Appalachian coal, are respectively 20% and 35% above prices in the summer of 2000, prior to escalation. Other prices are also running higher than the summer 2000 baseline: by 27% for the Uinta Basin, 22% for the Illinois Basin, and 47% 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 above). After a typical slow week on the [NYMEX](#), trade became active on Friday, June 14, as 180 trades were settled—the third highest daily volume in 2002. By June 19, prices for near-month NYMEX trades had risen slightly to \$26.70 per short ton, after more than a week at \$26.50

Coal Mining Legal Rulings

On June 5, U.S. District Judge James Robertson issued a stay of his March 28, 2002, order regarding subsidence associated with underground coal mining. While restating his ruling banning the surface impacts of underground mining, Judge Robertson issued the stay, pending the appeal filed at the appeals court for the D.C. Circuit.

One motion to stay the ruling was filed on April 24 by the National Mining Association and on April 25, Secretary of the Interior and co-defendant, Gale Norton, filed for a stay of the same decision. The ruling by Judge Robertson would restrict underground coal mining that may cause subsidence in national parks and beneath 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 in protected areas—especially "longwall" mining, which often causes ground subsidence. The ruling would negate long-standing permit practices that were repeatedly challenged almost since the inception of the Surface Mining Control and Reclamation Act of 1977

Coal Mining Legal Rulings – Valley Fills

In another ruling affecting coal mining, on May 13, the Federal Government filed to stay a recent court order on Valley Fills that it says “casts a tremendous cloud of uncertainty over all future coal mining in Appalachia.” The motion by the Department of Justice (DOJ) predicts that effects in the region would include suspension of future coal mining projects, laying off existing workers, and suspending plans for hiring new workers. The ruling ordered the U.S. Army Corps of Engineers to cease issuing permits to fill valleys and bury streambeds adjoining coal mining projects. Chief U.S. District Judge Charles H. Haden II issued the 44-page opinion on May 8, 2002, in Charleston, West Virginia, in a suit filed 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, as well as at many traditional contour surface mines in steep lands. 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 as the Government was taking steps to remove regulatory impediments to mountaintop mining and to shift all permitting to individual States. On May 9, the Corps had published a final rule in the *Federal Register* that would allow 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. Although the ruling was prompted by practices largely associated with mountaintop removal coal mining, the DOJ contends that it is broad and, if fully implemented, would stop all new surface coal mining in steep terrain, because some valley filling is necessary even in less expansive operations. The DOJ 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 DOJ motion questions whether the ruling might be applied to other mining besides coal. The West Virginia Department of Environmental Protection concluded recently that only seven surface mining permit applications (out of 69 with valley fills pending in the State) would meet Judge Charles Haden's condition for approval. Judge Haden ruled that under Section 404 of the Clean Water Act only those valley fills that lead to a higher and better land use can be permitted. The Army Corps of Engineers, however, is responsible for approving Section 404 applications and it has indicated that no action will be taken on new applications or those pending at the time of the ruling until it receives Department of Justice guidance (Platts “Coal Trader,” June 12 and 13, 2002).

On May 20, the Kentucky Coal Association also filed a motion to stay Judge Haden's ruling, and to seek clarification whether coal slurry ponds are in fact covered and as to the geographic area implicated. If the ruling is interpreted broadly, said one Kentucky coal operator, "we are going to be losing a lot of coal." In response to the several motions, Judge Haden on June 17 reaffirmed his injunction against new valley fill permits, but did modify his earlier decision in one part—to allow the Corps of Engineers to issue permits for dredged spoils disposal.

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Definitions

Petroleum

WTI – West Texas Intermediate (for the purposes of this table, prices provided are near month futures price) Cushing OK.

Bbl – Barrel (42 gallons).

C's – cents.

Natural Gas

Henry Hub – A pipeline hub on the Louisiana Gulf coast. It is the delivery point for the natural gas futures contract on the New York Mercantile Exchange (NYMEX).

Electricity

COB – average price of electricity traded at the California-Oregon and Nevada-Oregon border.

Palo Verde - average price of electricity traded at Palo Verde and West Wing Arizona.

Average - average price of electricity traded at all locations.

Latest U.S. Electricity Information

(updated June 25, 2002)

Selected Wholesale Electricity Prices: Western U.S. wholesale electricity prices have been mixed over the past seven-day period. Prices at COB have ranged from a high of \$26.88 per megawatthour on June 18 to a low of \$18.00 per megawatthour on June 20. Palo Verde prices have ranged between a high of \$41.12 per megawatthour on June 24 to a low of \$30.34 per megawatthour on June 14.

Prices at the Cinergy Trading Center have mostly been increasing over the past seven days, as warmer temperatures have increased demand. Prices at Cinergy have increased 90 percent from a low of \$17.59 per megawatthour on June 17 to \$33.43 per megawatthour on June 24.

Prices in the Northeast region have also been increasing over the last seven-day period as warmer temperatures have increased electricity demand. Prices at the New York Zone J, New York City have increased 54 percent from a low of \$47.92 per megawatthour on June 14 to a high of \$74.00 per megawatthour on June 24. Prices at the PJM West trading zone have increased 89 percent from a low of \$25.51 per megawatthour on June 14 to \$48.31 per megawatthour on June 24.

Over the past seven days, the average price at all trading centers has ranged between \$27.28 per megawatthour and \$37.83 per megawatthour.

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

Trading Centers	Date							Price Range		
	6/14/02	6/17/02	6/18/02	6/19/02	6/20/02	6/21/02	6/24/02	Max	Min	Average
COB	21.05	22.44	26.88	21.63	18.00	19.92	19.50	26.88	18.00	21.35
Palo Verde	30.34	34.15	38.36	36.31	35.69	35.11	41.12	41.12	30.34	35.87
Mid-Columbia	10.76	14.15	12.49	8.53	5.23	3.90	7.23	14.15	3.90	8.90
Mead/Marketplace	32.05	35.25	41.14	36.53	38.00	37.58	44.90	44.90	32.05	37.92
4 Corners	33.16	34.63	39.90	35.08	37.33	35.00	39.33	39.90	33.16	36.35
NP 15	24.74	27.25	31.75	28.85	27.48	27.88	30.91	31.75	24.74	28.41
SP 15	27.17	30.16	34.56	32.70	32.20	33.03	36.21	36.21	27.17	32.29
PJM West	25.51	25.59	25.94	27.85	36.00	34.55	48.31	48.31	25.51	31.96
NEPOOL	28.38	31.85	30.68	32.13	35.13	37.34	41.20	41.20	28.38	33.82
New York Zone J	47.92	51.50	51.50	54.25	60.67	57.25	74.00	74.00	47.92	56.73
Cinergy	18.98	17.59	18.12	24.48	31.78	29.41	33.43	33.43	17.59	24.83
Average Price	27.28	29.51	31.94	30.76	32.50	31.91	37.83	37.83	27.28	31.67

Sources: COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West, NEPOOL, New York Zone J, and Cinergy trading centers. Used with permission from Bloomberg L.P. (www.bloomberg.com).

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.

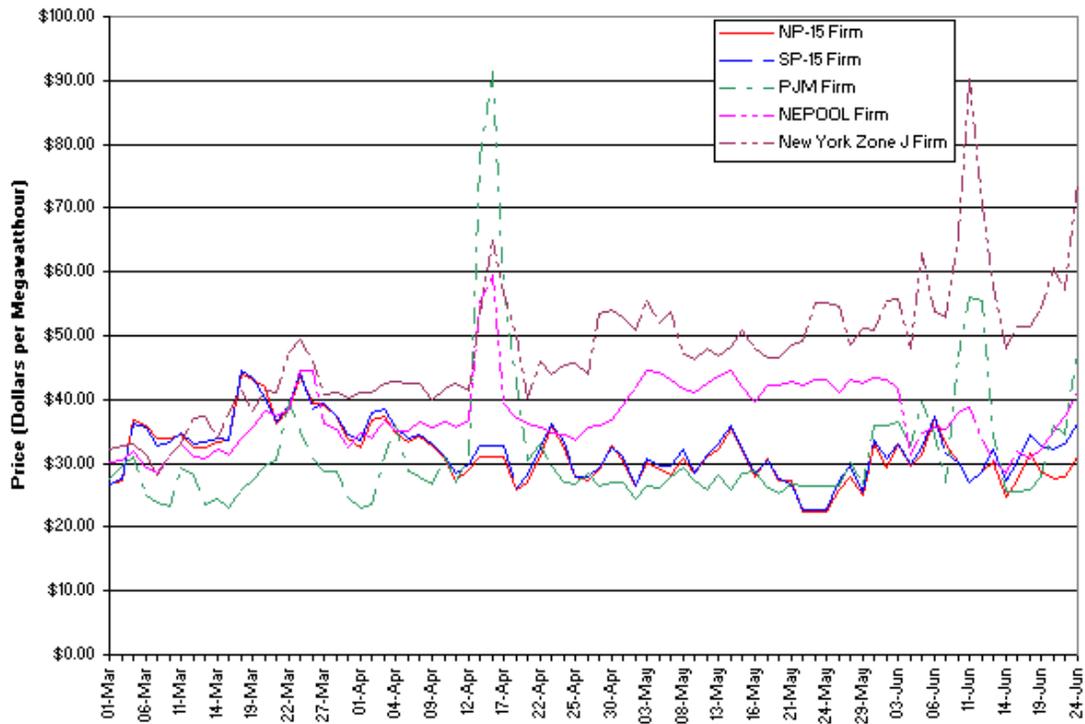
PJM-West: Average price of electricity traded at PJM Western hub.

NEPOOL Average price of electricity traded at Nepoch.

New York Zone J: Average price of electricity traded at the New York Zone J - New York City.

Cinergy: Average price of electricity traded into the Cinergy control area.

Average Wholesale Electricity Prices in the U.S.



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