

Energy Situation Analysis Report

Last Updated: December 12, 2002

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Latest Oil Market Developments

West Texas Intermediate (WTI) front month (January) crude oil futures prices on the New York Mercantile Exchange (NYMEX) fell by 34 cents per barrel Wednesday, settling at \$27.40 per barrel, as reports indicated that loading of oil export cargos in [Venezuela](#) had resumed to a limited extent. Oil prices closed moderately higher today in both London (+62 cents per barrel) and New York (+61 cents per barrel), however, as the Venezuela situation remained volatile. In addition, OPEC ministers meeting today in Vienna reached a deal to raise members' oil production quotas (by 1.3 million barrels per day -- bbl/d) while pushing for improved compliance, which they hope will lead to a cut in OPEC oil output in coming months. [more...](#)

Latest U.S. Weekly EIA Petroleum Information

The average world crude oil price on December 6, 2002 was \$24.27 per barrel, up \$0.97 per barrel from the previous week and \$6.63 per barrel more than last year. U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) rose by 1.4 million barrels last week, the second consecutive weekly increase, but they remain 23.5 million barrels below the level last year at this time. [more...](#)

World Oil Market Highlights

According to fourth quarter 2002 estimates, the world (excluding Iraq) holds as much as 4.8 million barrels per day of excess oil production capacity that could be brought online. Nearly all of this "excess capacity" lies in OPEC member countries. [more...](#)

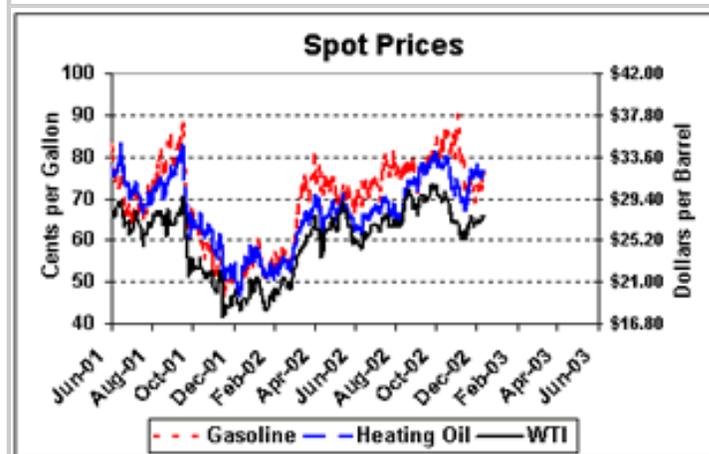
Latest U.S. Weekly Natural Gas Information

Spot natural gas price increases of under a dime per MMBtu on Tuesday, December 10 were followed by

Energy Prices*

Petroleum Futures	12/11/02	12/10/02	Change
WTI (\$/Bbl)	27.40	27.74	-0.34
Gasoline (c/gallon)	77.39	78.87	-1.48
Heating Oil (c/gallon)	76.87	77.19	-0.32
Natural Gas (\$/MMBtu)			
Henry Hub	4.64	4.39	+0.25
California	4.33	4.13	+0.20
New York City	5.39	5.23	+0.16
Electricity (\$/Megawatthour)			
COB	41.75	39.63	+2.12
PJM West	36.38	39.27	-2.89
NEPOOL	51.13	51.50	-0.37
Average	43.10	41.75	+1.35

[*Definitions](#)



Source: Closing quote as reported by Reuters News Service

increases of 12 to 29 cents per MMBtu yesterday (Wednesday, December 11), as a relatively severe ice storm struck parts of the southern and mid-Atlantic regions and southern New England. Northeast gas prices actually declined at most locations on Tuesday, as this market continued to recover from the unusually high prices of last week. [more...](#)

Latest U.S. Coal Information

Spot coal prices continue flat with no clear direction. Appalachian coal prices have been erratic in recent weeks. The Northern Appalachian prices we index were down 30 cents for the week ended December 6. Also down slightly were the Illinois Basin and Uinta Basin prices monitored by EIA, but no changes amount to a change in trend. Compared to peak prices in summer 2001, Central and Northern Appalachian coal prices are now about \$17.50 and \$13.00 lower per short ton, respectively, or 37% and 33% lower. [more...](#)

Latest U.S. Electricity Information

In the U.S. Southeast, electricity prices decreased between December 6 and December 10 as milder weather led to lower customer demand and utilities worked quickly to restore power to millions of customers affected by the previous week's severe ice storm. At its peak, the storm resulted in power outages to around 2 million homes throughout the Carolinas. [more...](#)

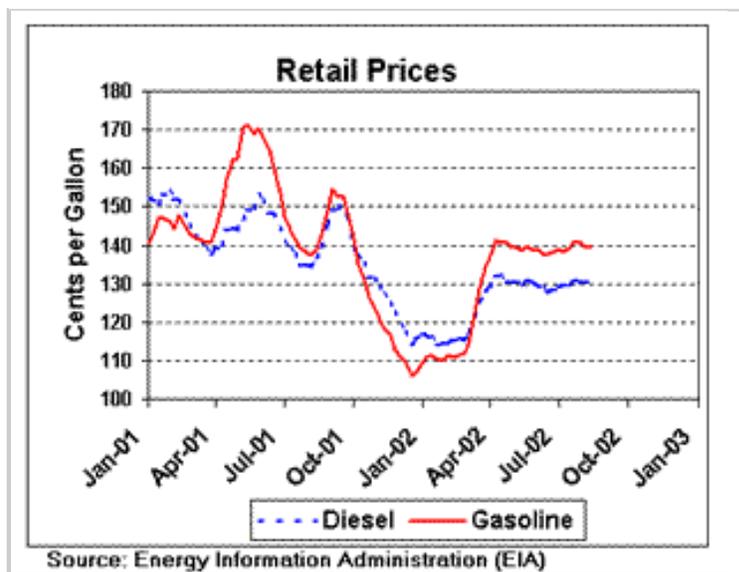
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Contact:

Lowell Feld

lowell.feld@eia.doe.gov

Phone: Lowell Feld: (202) 586-9502

Fax: (202) 586-9753

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

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Special Topic -- Basic Facts on Venezuela

(updated December 12, 2002)

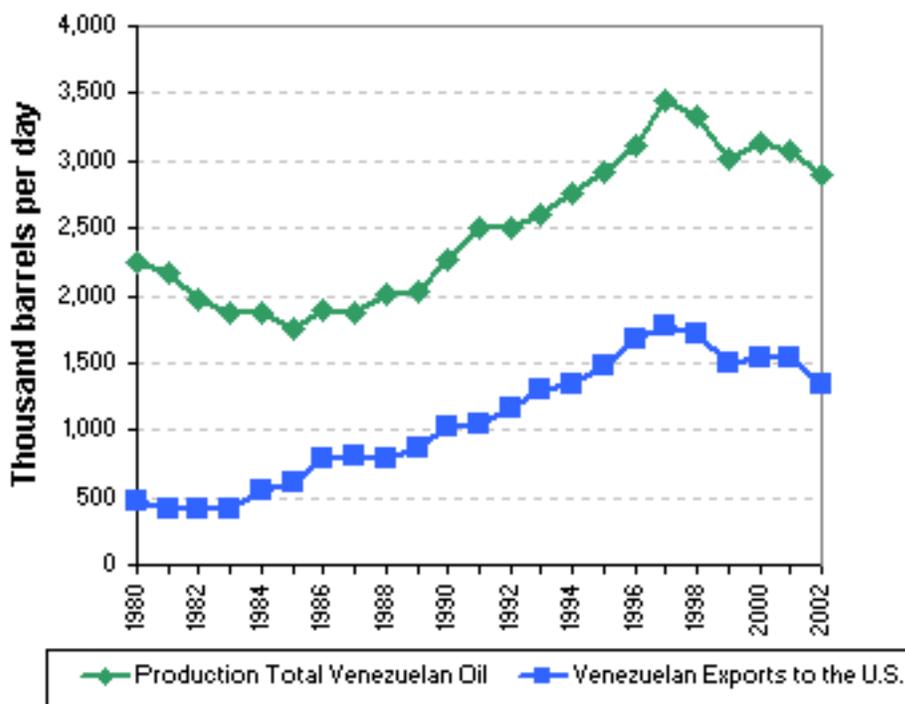
Venezuela, OPEC's only member located in the Western Hemisphere, produced about 2.9 million barrels per day of oil (total liquids) on average during the first nine months of 2002, representing almost 4% of total world oil production. By November, Venezuelan crude oil production was an estimated 400,000 barrels per day above its quota level of 2.5 million barrels per day.

Venezuela has also been one of the 5 largest oil exporters in the world, with net exports averaging 2.4 million barrels per day through the first 3 quarters of 2002. Venezuela's has ranked consistently as the last

several years as one of the four top sources of U.S. oil imports (along with Canada, Mexico, and Saudi Arabia). Venezuelan exports to the U.S. peaked in 1997 at about 1.8 million barrels per day. In 1997, Venezuelan imports accounted for over 17% of total U.S. imports, compared to 12% during the first nine months of 2002.

During the first nine months of 2002, oil from Venezuela supplied approximately 12% of U.S. net oil imports and ranked as the fourth largest source of U.S. oil imports (behind Canada, Saudi Arabia, and Mexico). The United States imported 1.5 million barrels per day of oil from Venezuela during this period. In addition to oil imported directly from Venezuela, the United States also imports oil products (i.e., motor gasoline, heating oil) refined in the Caribbean. The United States imports around 300,000 barrels per day of refined products from the Caribbean, of which roughly 200,000 barrels per day is refined from Venezuelan crude oil.

Venezuelan Oil Production and Exports, 1980-2002*



*Production and export data for 2002 are through September 2002. Production data includes both crude oil and other liquids. Export data include both crude oil and refined products.

Much of Venezuela's exports to the United States are destined for refineries operated by Citgo, a subsidiary of PdVSA, the Venezuelan national oil company. Over two-thirds of Venezuelan oil exports to the United States arrive at U.S. Gulf Coast facilities.

The U.S. East Coast region (Petroleum Administration for Defense District I, or PADD I) imported 238,000 barrels per day of oil from Venezuela. This represented approximately 8.5% of total PADD I net oil imports over that period. During the same nine months, U.S. PADD III (the Gulf Coast region) imported 1.1 million barrels per day of oil from Venezuela, making up approximately 19% of total PADD III net oil imports.

The U.S. Gulf Coast is particularly reliant on Venezuelan crude oil. During the first nine months of 2002, crude oil imports from Venezuela accounted for 21% of the Gulf Coast region's total crude oil imports. This compares to only 7% dependence on Venezuelan crude oil for the East Coast region. The reason for this difference is mainly that the Gulf Coast is a major crude oil refining center, while the East Coast is more of a consuming region.

For refined products, the East Coast receives 57% of its asphalt and road oil, 21% of its jet fuel, and 15% of its distillate supplies from Venezuela. Apart from crude oil, the Gulf Coast relies on Venezuela most heavily for "naphtha and petrochemical feedstock" (17%), "unfinished oils" (12%), and gasoline blending components (8%).

File last modified: December 13, 2002

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Contact:

Lowell Feld

lowell.feld@eia.doe.gov

Phone: Lowell Feld: (202) 586-9502

Fax: (202) 586-9753

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

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Latest Oil Market Developments

(updated December 12, 2002)

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The Energy Information Administration (EIA) reported yesterday that U.S. oil stocks were up for the week ending December 6 compared to the previous week. Crude oil stocks were up 1.4 million barrels, while gasoline was up 3.2 million barrels and distillate (including heating oil) inventories were 3.5 million barrels higher than the previous week. Even with these increases, however, stocks are down from the same time one year ago. Crude oil stocks, for instance, are down an estimated 23.5 million barrels year-on-year, while distillate stocks are down 16.5 million barrels.

Other issues related to **world oil markets** include:

- OPEC met today in Vienna, Austria, and adopted a plan to restrain members' oil production while simultaneously increasing oil output quotas by 1.3 million bbl/d, to 23.0 million bbl/d. Estimates of "OPEC-10" (OPEC not including Iraq) production above quota levels in recent months have ranged from 2.4 million bbl/d (according to the International Energy Agency) to 2.8 million bbl/d (according to the Energy Information Administration). The new OPEC quota is to be applied *pro rata* and will take effect on January 1, 2003.
- As OPEC met, it was faced with confusion and uncertainty as to the situation in Venezuela, where a general strike which began on December 2 continued to affect oil operations. Between 2 and 4 tankers reportedly loaded Venezuelan oil yesterday, but dozens more are anchored in ports. Normally, Venezuelan oil exports average around 2.4 million bbl/d, but these are down sharply (possibly by two-thirds), with no immediate end in sight to the country's crisis.
- The International Energy Agency (IEA), in its monthly report, estimated that the "call" on OPEC oil for next year would be 24.7 million bbl/d, compared to November OPEC production of 26.5 million bbl/d. The IEA concluded that a production cutback was necessary in order to avoid a sharp oil price decline in the second quarter of 2003.
- The industry newsletter *Energy Intelligence Briefing* reported today that Iraq had terminated a

huge, \$3.5 billion deal with Russia to develop the 11-15 billion-barrel West Qurna oilfield. Russia and Iraq signed the agreement on West Qurna in March 1997, but no work has been done since then due to U.N. sanctions.

- As of December 12, 2002, the [U.S. Strategic Petroleum Reserve \(SPR\)](#) contained 598.1 million barrels of oil. The SPR has a maximum drawdown capability of 4.3 million bbl/d for 90 days, with oil beginning to arrive in the marketplace 15 days after a presidential decision to initiate a drawdown. The SPR drawdown rate declines to 3.2 million bbl/d from days 91-120, to 2.2 million bbl/d for days 121-150, and to 1.3 million bbl/d for days 151-180.

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Contact:

Lowell Feld

lowell.feld@eia.doe.gov

Phone: Lowell Feld: (202) 586-9502

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Latest U.S. Weekly EIA Petroleum Information

(last complete update December 12, 2002)

Petroleum Inventories

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) rose by 1.4 million barrels last week, the second consecutive weekly increase, but they remain 23.5 million barrels below the level last year at this time. In PADD II (Midwest), crude oil inventories rose to 55.9 million barrels, continuing to increase from the historic low level seen two weeks earlier. Distillate fuel inventories increased by 3.5 million barrels, with increases in both low-sulfur distillate fuel (diesel fuel) and high-sulfur distillate fuel (heating oil). However, distillate fuel inventories remain below the lower limit of the normal range for this time of year. Motor gasoline inventories rose by 3.2 million barrels last week, and have increased a total of 9.7 million barrels over the last three weeks.

Responding to the frigid temperatures and winter storms that swept across many areas of the nation last week, U.S. inventories of propane resumed the recent slide with the largest weekly draw of the season that measured more than 2.8 million barrels. With last week's sharp stock draw, U.S. inventories of propane were pushed down to an estimated 58.3 million barrels as of week ending December 6, 2002. Nevertheless, U.S. inventories remain well positioned within the average range for this period. Regional inventories fell sharply across all regions last week with East Coast inventories down nearly 8% with a 0.4 million barrel draw, followed with a more than 5% decline in the Midwest that measured 1.2 million barrels. Gulf Coast inventories posted a decline of 1.0 million barrel draw that was 3.5% lower from the previous week level.

Petroleum Imports

U.S. crude oil imports (including imports going into the Strategic Petroleum Reserve) averaged 9.9 million barrels per day, up nearly 400,000 barrels per day from the average during the previous week. Crude oil imports have averaged over 9.6 million barrels per day over the last four weeks, or about 400,000 barrels per day more than averaged during the same four-week period last year. Total motor gasoline imports (including both finished gasoline and gasoline blending components) averaged 800,000 thousand barrels per day last week, a slight increase from the previous week. Distillate fuel imports were once again relatively high, averaging 400,000 barrels per day last week.

Monthly data on the sources of U.S. crude oil imports in September 2002 was released recently and it shows that four countries imported more than 1.3 million barrels per day of crude oil to the United States that month. The top sources of U.S. oil imports in September 2002 were Saudi Arabia (1.512 million barrels per day), Mexico (1.417 million barrels per day), Canada (1.412 million barrels per day), and Venezuela (1.302 million barrels per day). Rounding out the top ten sources, in order, were Nigeria (0.489 million barrels per day), Angola (0.329 million barrels per day), Norway (0.294 million barrels per day), Kuwait (0.286 million barrels per day), United Kingdom (0.278 million barrels per day), and Colombia (0.263 million barrels per day). Of the 8.796 million barrels per day of crude oil imported into the United States during the month of September 2002, the top four countries accounted for 65% of these imports, while the top ten sources accounted for nearly 87% of all U.S. crude oil imports. Iraqi crude oil imports, which averaged just 0.148 million barrels per day (ranking 12th amongst crude oil import sources) were the lowest monthly average since May 1998, while Russian crude oil imports averaged 0.104 million barrels per day, ranking 13th for the month, but the 2nd largest amount since June 1994 (only exceeded by the amount imported in May 2002).

Refinery Inputs and Production

U.S. crude oil refinery inputs averaged nearly 15.3 million barrels per day during the week ending December 6, a decrease of almost 100,000 barrels per day from the previous week. The only decrease was primarily concentrated in PADD II (Midwest), where it dropped to the lowest average over the last four weeks. However, despite the overall decrease in refinery inputs, motor gasoline and jet fuel refinery production was up slightly, while distillate fuel production averaged over 4 million barrels per day for only the second time ever.

Petroleum Demand

Total product supplied over the last four-week period averaged 20.1 million barrels per day, or about 3.9% more than the same period last year. Over the last four weeks, motor gasoline demand is up 0.7%, kerosene-jet fuel demand is up 16.3%, and distillate fuel demand is up 7.0% compared to the same four-week period last year.

Spot Prices (updated December 10)

The average world crude oil price on December 6, 2002 was \$24.27 per barrel, up \$0.97 per barrel from the previous week and \$6.63 per barrel more than last year. The spot price for conventional gasoline in the New York Harbor was 72.15 cents per gallon on Wednesday, December 4, up 2.97 cents per gallon from last week and 22.97 cents per gallon higher than a year ago. The spot price for No. 2 heating oil in the New York Harbor was 74.83 cents per gallon, 0.65 cent per gallon lower than last week but 25.70 cents per gallon more than last year.

Retail Gasoline and Diesel Fuel Prices Fall Back Last Week (updated December 10)

The U.S. average retail price for regular gasoline fell last week for the fifth week in a row, decreasing by 0.4 cent per gallon as of December 9 to end at 136.0 cents per gallon. Although this price is 26.5 cents per gallon higher than last year, it has dropped by 7.9 cents per gallon over the last four weeks.

The Rocky Mountain region saw the largest decrease in prices this week (1.9 cents per gallon), while the Midwest saw an increase of 1.4 cents per gallon over the last week.

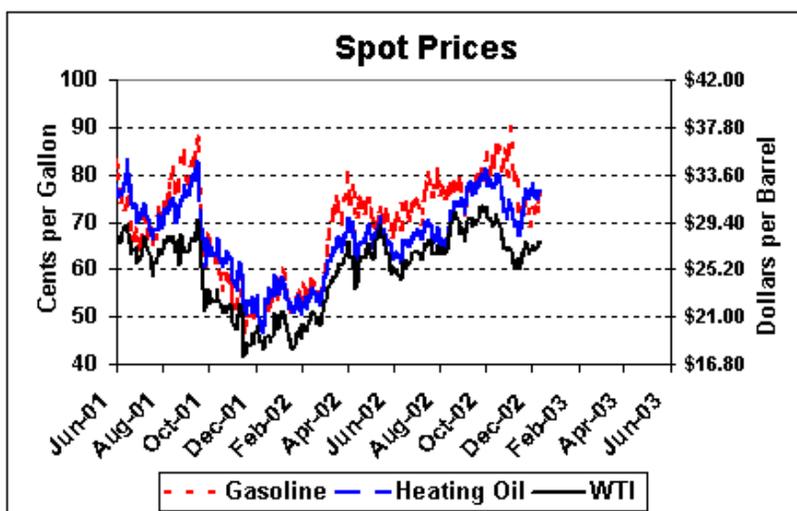
Retail diesel fuel prices decreased last week, falling to a national average of 140.5 cents per gallon as of December 9. Diesel fuel prices are not expected to soften significantly during the coming months, as distillate fuel inventories have dropped below the normal range this winter and are expected to remain low through 2003. Retail diesel prices were down throughout most of the country, with the largest price decrease occurring on the West Coast, which saw the price fall by 0.9 cent per gallon to end at 147.8 cents per gallon. Prices rose on the East Coast, gaining by 0.2 cent to end at 140.4 cents per gallon.

Cold Weather Drives Residential Heating Fuel Prices Higher

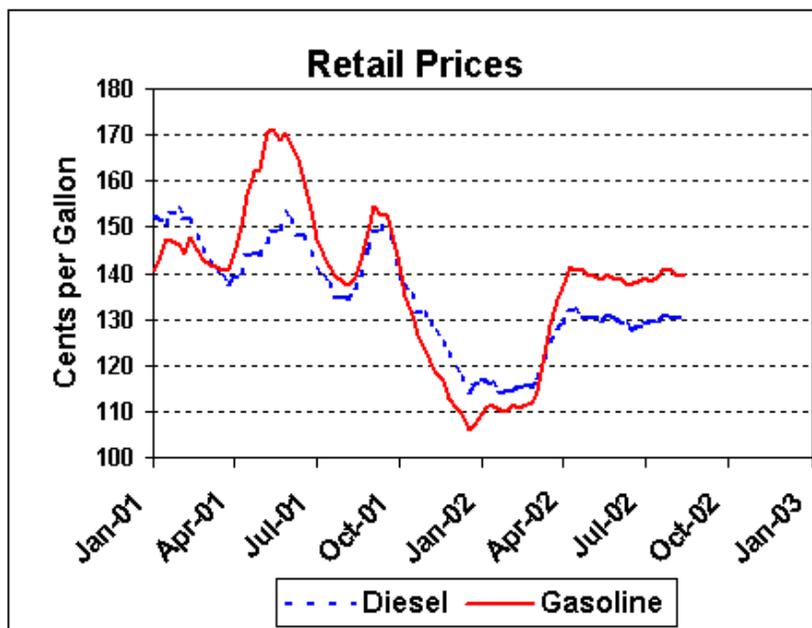
Residential heating oil prices increased for the week ending December 9, 2002. The average residential heating oil price was 129.9 cents per gallon, up 1.5 cent per gallon from the previous week. Residential propane prices also continued to move upward by 1.2 cents per gallon, from 117.5 to 118.7 cents per gallon. Heating oil prices are 14.0 cents per gallon higher than last year at this time while residential propane prices are 6.7 cents per gallon higher than one year ago. Wholesale heating oil prices decreased 3.8 cents per gallon this week, to 78.3 cents per gallon, while wholesale propane prices increased from 55.0 to 56.0 cents a gallon, up 1.0 cent per gallon.

U.S. Petroleum Prices

(updated December 12, 2002)



Source: Closing quote as reported by Reuters News Service



Source: Energy Information Administration (EIA)

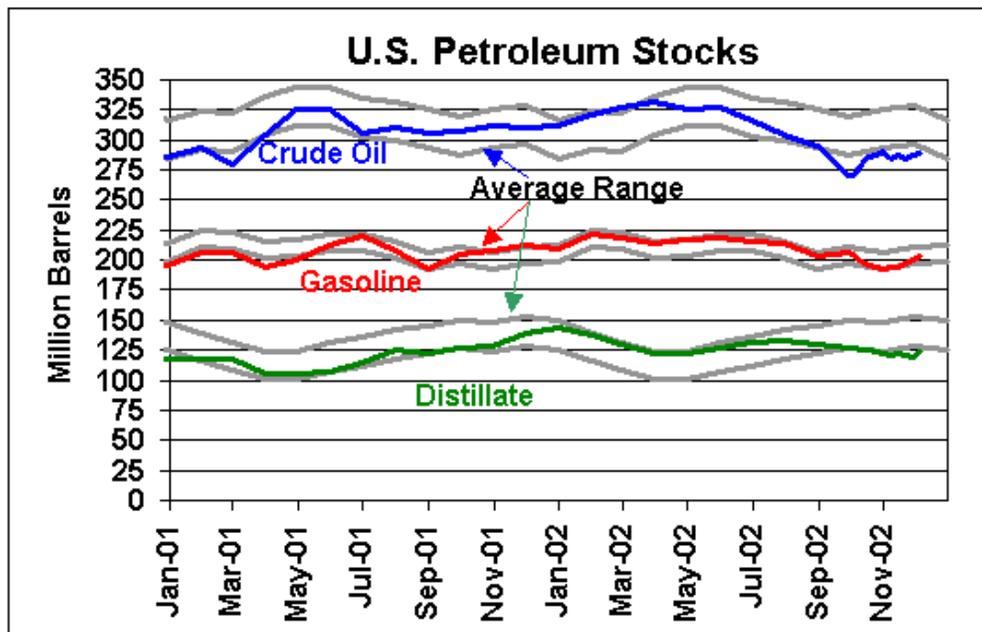
Crude Oil and Oil Products Price Table

Date	WTI Crude Oil		Gasoline		Heating Oil		Kerojet	Propane		EIA Weekly Retail	
	Spot	Futures	Spot	Futures	Spot	Futures	Spot	Spot	US Average		
	Cushing		NYH		NYH		NYH	Mt. Belvieu	Conway	Gasoline	Diesel
	\$/bbl	\$/bbl	cents per gallon		cents per gallon		c/gal	cents per gallon		cents per gallon	
10/24/2002	\$27.87	\$28.20	82.23	84.17	74.73	75.97	79.10	48.50	48.32		
10/25/2002	\$27.09	\$27.05	85.45	86.09	72.05	72.76	76.28	47.88	47.94		
10/28/2002	\$27.25	\$27.29	83.60	85.30	71.95	73.08	76.10	47.75	48.00	144.4	145.6
10/29/2002	\$26.81	\$26.86	80.05	82.27	70.55	71.55	74.90	47.75	48.00		
10/30/2002	\$26.85	\$26.81	80.80	82.83	72.55	72.77	76.05	47.88	47.94		
10/31/2002	\$27.18	\$27.22	79.65	86.35	74.50	74.38	77.85	48.25	48.69		
11/1/2002	\$27.04	\$27.13	85.25	76.45	73.90	74.16	76.60	48.38	49.63		
11/4/2002	\$26.89	\$26.95	89.93	77.43	73.08	73.33	75.53	47.88	49.07	144.8	144.2
11/5/2002	\$26.06	\$26.14	86.50	74.07	71.41	71.80	74.33	47.25	48.50		
11/6/2002	\$25.72	\$25.77	80.60	71.78	70.72	70.79	73.50	46.57	47.75		
11/7/2002	\$25.36	\$25.38	78.85	70.14	69.80	69.62	72.35	46.50	47.63		
11/8/2002	\$25.83	\$25.78	79.45	71.28	69.08	68.88	71.03	46.32	47.00		
11/11/2002	\$26.02	\$25.94	79.25	71.04	69.00	68.85	70.90	46.69	46.94	143.9	142.7
11/12/2002	\$26.19	\$25.90	78.20	69.84	69.75	69.01	71.73	46.57	46.82		
11/13/2002	\$25.28	\$25.19	72.00	68.54	67.30	67.25	69.55	45.75	46.00		
11/14/2002	\$25.40	\$25.29	72.23	69.76	67.90	67.69	70.15	45.25	45.57		
11/15/2002	\$25.50	\$25.51	72.10	69.73	68.80	68.85	70.90	46.38	45.82		
11/18/2002	\$26.71	\$26.71	74.20	71.94	72.30	72.28	74.68	47.25	47.75	140.9	140.5
11/19/2002	\$26.41	\$26.42	71.75	70.16	71.90	72.17	74.38	47.25	48.25		
11/20/2002	\$27.00	\$26.98	72.85	71.29	74.80	74.51	76.93	47.82	48.94		
11/21/2002	\$27.07	\$26.35	73.13	72.42	74.80	74.93	76.18	48.25	49.51		
11/22/2002	\$27.73	\$26.76	74.70	74.87	76.80	76.64	78.18	48.25	49.32		
11/25/2002	\$27.01	\$26.11	71.70	71.55	74.85	75.04	76.10	47.75	48.25	138.0	140.5
11/26/2002	\$26.60	\$26.40	72.60	72.53	76.08	75.75	76.33	47.88	48.38		
11/27/2002	\$26.87	\$26.89	69.18	73.43	75.48	75.71	75.98	48.26	48.75		
11/28/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA		
11/29/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA		
12/2/2002	\$27.27	\$27.24	72.77	74.39	77.80	77.39	78.20	48.57	49.19	136.4	140.7
12/3/2002	\$27.34	\$27.30	72.95	75.32	76.78	77.50	77.28	49.38	49.69		
12/4/2002	\$26.80	\$26.71	71.63	72.93	75.05	74.54	75.23	48.88	49.38		
12/5/2002	\$27.27	\$27.29	73.35	75.27	75.70	75.62	76.03	49.38	49.57		
12/6/2002	\$27.03	\$26.93	72.15	74.03	74.83	74.73	75.15	49.32	49.44		
12/9/2002	\$27.29	\$27.20	74.23	76.21	75.60	75.82	75.98	49.38	49.32	136.0	140.5
12/10/2002	\$27.73	\$27.74	76.25	78.87	76.35	77.19	76.70	49.38	49.32		
12/11/2002	\$27.49	\$27.40	74.83	77.39	76.45	76.87	77.20	49.94	50.38		

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

U.S. Petroleum Supply

(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
	12/6/2002	12/6/2001	Diff.	% Diff.
Refinery Activity				
Crude Oil Input	15,196	14,945	251	1.7%
Operable Capacity	16,800	16,512	288	1.7%
Operable Capacity Utilization (%)	91.3%	91.8%	-0.5%	
Production				
Motor Gasoline	8,593	8,354	239	2.9%
Jet Fuel	1,563	1,420	143	10.1%
Distillate Fuel Oil	3,835	3,928	-93	-2.4%
Imports				
Crude Oil (incl. SPR)	9,625	9,234	391	4.2%
Motor Gasoline	804	740	64	8.6%
Jet Fuel	158	102	56	54.6%
Distillate Fuel Oil	361	243	118	48.3%
Total	12,071	11,515	556	4.8%
Exports				
Crude Oil	10	10	0	4.9%
Products	973	977	-4	-0.4%
Total	983	987	-4	-0.4%
Products Supplied				
Motor Gasoline	8,721	8,661	60	0.7%
Jet Fuel	1,693	1,454	239	16.4%
Distillate Fuel Oil	3,980	3,721	259	7.0%
Total	20,075	19,326	749	3.9%
vs. Year Ago				
Stocks (Million Barrels)	12/6/2002	12/6/2001	Diff.	% Diff.
Crude Oil (excl. SPR)	288.7	312.2	-23.5	-7.5%
Motor Gasoline	203.2	211.9	-8.7	-4.1%
Jet Fuel	42.3	40.5	1.8	4.4%
Distillate Fuel Oil	123.3	139.8	-16.5	-11.8%
Total (excl. SPR)	981.5	1,039.7	-58.2	-5.6%



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

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Contact:

Doug MacIntyre

douglas.macintyre@eia.doe.gov

Phone: Doug MacIntyre : (202) 586-1831

Fax: (202) 586-9753

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

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World Oil Market Highlights

(updated December 12, 2002)

According to fourth quarter 2002 estimates, the world (excluding Iraq) holds as much as 4.8 million barrels per day of excess oil production capacity that could be brought online. Nearly all of this "excess capacity" is located in OPEC member countries.

OPEC Crude Oil Production ¹ (Thousand barrels per day)					
	4Q 2002 Production	1Q 2003 Production	1/01/02 Quota ²	2002 Production Capacity ³	4Q Surplus Capacity ³
Algeria	933	950	693	1,100	167
Indonesia	1,100	1,090	1,125	1,200	100
Iran	3,500	3,500	3,186	3,850	350
Kuwait ⁴	1,940	1,940	1,741	2,400	460
Libya	1,350	1,340	1,162	1,400	50
Nigeria	2,004	2,000	1,787	2,300	296
Qatar	690	690	562	850	160
Saudi Arabia ⁴	8,000	7,834	7,053	10,000-10,500 ⁵	2,000-2,500 ⁵
UAE ⁶	2,007	2,010	1,894	2,600	593
Venezuela ⁷	2,905	2,905	2,497	3,000	95
OPEC 10 Crude Oil Total	24,429	24,259	21,700	28,700-29,200⁵	4,271-4,771⁵
Iraq ⁸	2,364	2,400	N/A	2,900	536
OPEC Crude Oil Total	26,793	26,659	N/A	31,600-32,100⁵	4,807-5,307⁵
Other Liquids ⁹	2,761	2,761	N/A		
Total OPEC Production	29,554	29,420	N/A		

NA: Not Applicable

¹Crude oil does not include lease condensate or natural gas liquids.²Quotas are based on crude oil production only.³Maximum sustainable production capacity, defined as the maximum amount of production that: 1) could be brought online within a period of 30 days; and 2) sustained for at least 90 days.⁴Kuwaiti and Saudi Arabian figures each include half of the production from the Neutral Zone between the two countries. Saudi Arabian production also includes oil produced from its offshore Abu Safa field on behalf of Bahrain.

⁵ Saudi Arabia is the only country with the capability to further increase its capacity significantly within 90 days. Saudi Arabia can increase its sustainable production capacity to 10 million barrels per day within 30 days and to 10.5 million barrels per day within 90 days. As a result, the estimates for Saudi Arabia are as shown as a range, with the lower figure using the 30 days' definition and the upper end reflecting Saudi Arabia's 90 days' capability. OPEC's surplus capacity estimates are also shown as a range for this reason.

⁶The UAE is a federation of seven emirates. The quota applies only to the emirate of Abu Dhabi, which controls the vast majority of the UAE's economic and resource wealth.

⁷Venezuelan capacity and production numbers exclude extra heavy crude oil used to produce Orimulsion.

⁸Iraqi oil exports are approved by the United Nations under the oil-for-food program for Iraq established by Security Council Resolution 986 (April 1995) and subsequent resolutions. As a result, Iraqi production and exports have not been a part of any recent OPEC agreements. Resolution 986 limited the sale of Iraqi crude oil over six-month periods to specified dollar amounts. However, the Security Council voted to remove any limits on the amount of oil Iraq could export in December 1999.

⁹Other liquids include lease condensate, natural gas liquids, and other liquids including volume gains from refinery processing.

Major Sources of U.S. Petroleum Imports, Jan.-September 2002*			
(all volumes in million barrels per day)			
	Total Oil Imports	Crude Oil Imports	Petroleum Product Imports
Canada	1.89	1.40	0.49
Saudi Arabia	1.51	1.48	0.03
Mexico	1.50	1.45	0.05
Venezuela	1.40	1.20	0.20
Nigeria	0.59	0.56	0.03
Iraq	0.48	0.48	0.00
United Kingdom	0.45	0.38	0.07
Norway	0.40	0.35	0.05
Angola	0.33	0.32	0.01
Total Imports	11.27	8.99	2.28

* Table includes all countries from which the U.S. imported more than 300,000 barrels per day of total oil in Jan.-Sept. 2002.

Top World Oil Net Exporters, Jan.-Sep. 2002*		
	Country	Net Exports (million barrels per day)
1)	Saudi Arabia	6.80
2)	Russia	4.98
3)	Norway	3.11
4)	Iran	2.45

5)	Venezuela	2.40
6)	United Arab Emirates	1.93
7)	Nigeria	1.85
8)	Mexico	1.65
9)	Kuwait	1.62
10)	Iraq	1.46
11)	Algeria	1.23
12)	Libya	1.19

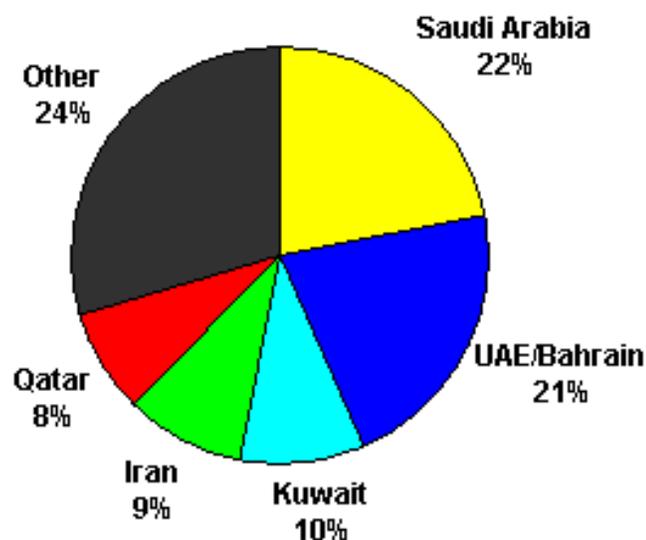
**Table includes all countries with net exports exceeding 1 million barrels per day in Jan.-Sep. 2002.*

During the first five months of 2002, about half of U.S. crude oil imports came from the Western Hemisphere (17% from South America, 16% from Mexico, 15% from Canada, 2% from the Caribbean), while 27% came from the Persian Gulf region (17% from Saudi Arabia, 8% from Iraq, 2% from Kuwait).

In general, OECD Europe depends far more heavily on the Persian Gulf and North Africa for oil imports than does the United States. 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.

Having provided this information, it is important to stress that oil is a "fungible" (interchangeable, traded on a world market) commodity, that a disruption of oil flows anywhere will affect the price of oil everywhere, and that the specific suppliers of oil to a particular country or region are not of enormous significance, at least from an economic point of view.

Japanese Gross Oil Imports by Country, 1H 2002



Total = 5.532 million barrels per day

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Contact:

Lowell Feld

lowell.feld@eia.doe.gov

Phone: Lowell Feld: (202) 586-9502

Fax: (202) 586-9753

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

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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.



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Latest U.S. Weekly Natural Gas Information

(updated December 12, 2002)

[Industry/Market Developments](#)

EIA Announces Holiday Release Schedule Through 2003: EIA disseminates weekly natural gas storage information in the *Weekly Natural Gas Storage Report (WNGSR)*. Working gas volumes are reported at a national level and for three regions: Consuming East, Consuming West, and Producing. The standard release time and day of the week for the *WNGSR* is between 10:30 a.m. and 10:40 a.m., Eastern Time (ET), on Thursdays, except for certain weeks with Federal holidays. A [new release schedule](#) for weeks through calendar year 2003 is available from the *WNGSR* web page. During the weeks with the upcoming Christmas and New Year's holidays, the *WNGSR* will be released between 10:30 a.m. and 10:40 a.m. (ET) on Friday.

U.S. Energy Firm Applies for License to Develop LNG Terminal in Gulf of Mexico. Chevron Texaco has submitted an application to the Department of Transportation, U. S. Coast Guard, to construct and operate a liquefied natural gas (LNG) terminal in the U.S. Gulf of Mexico. Named Port Pelican, the planned deepwater port will be located 60 miles off the Louisiana coast and if approved will be the first LNG import terminal constructed in the United States in over 20 years. As now envisioned, Port Pelican would be developed in two phases with the first offshore facility designed to process close to 800 million cubic feet of gas per day. The initial phase is expected to be completed and operational in 2006 with a second phase of equal size to follow.

[Storage](#)

Working gas in storage was 2,794 Bcf for the week ended December 6, according to the *WNGSR*. This is nearly 3 percent below the previous 5-year average, and is the first time since the middle of June 2001 that weekly inventories have fallen below the previous 5-year average. The implied net withdrawal of 162 Bcf is the largest for this week over the 9-year span of EIA weekly data, exceeding the previous record for this week, set during the extremely cold December of 2000, by 15 Bcf.

All Volumes in Bcf	Current Stocks 12/6/2002	Estimated Prior 5-Year (1997-2001) Average	Percent Difference from 5 Year Average	Implied Net Change from Last Week	One-Week Prior Stocks 11/29/2002
East Region	1,640	1,755	-6.6%	-111	1,751
West Region	403	349	15.5%	-8	411
Producing Region	751	772	-2.7%	-43	794
Total Lower 48	2,794	2,876	-2.9%	-162	2,956

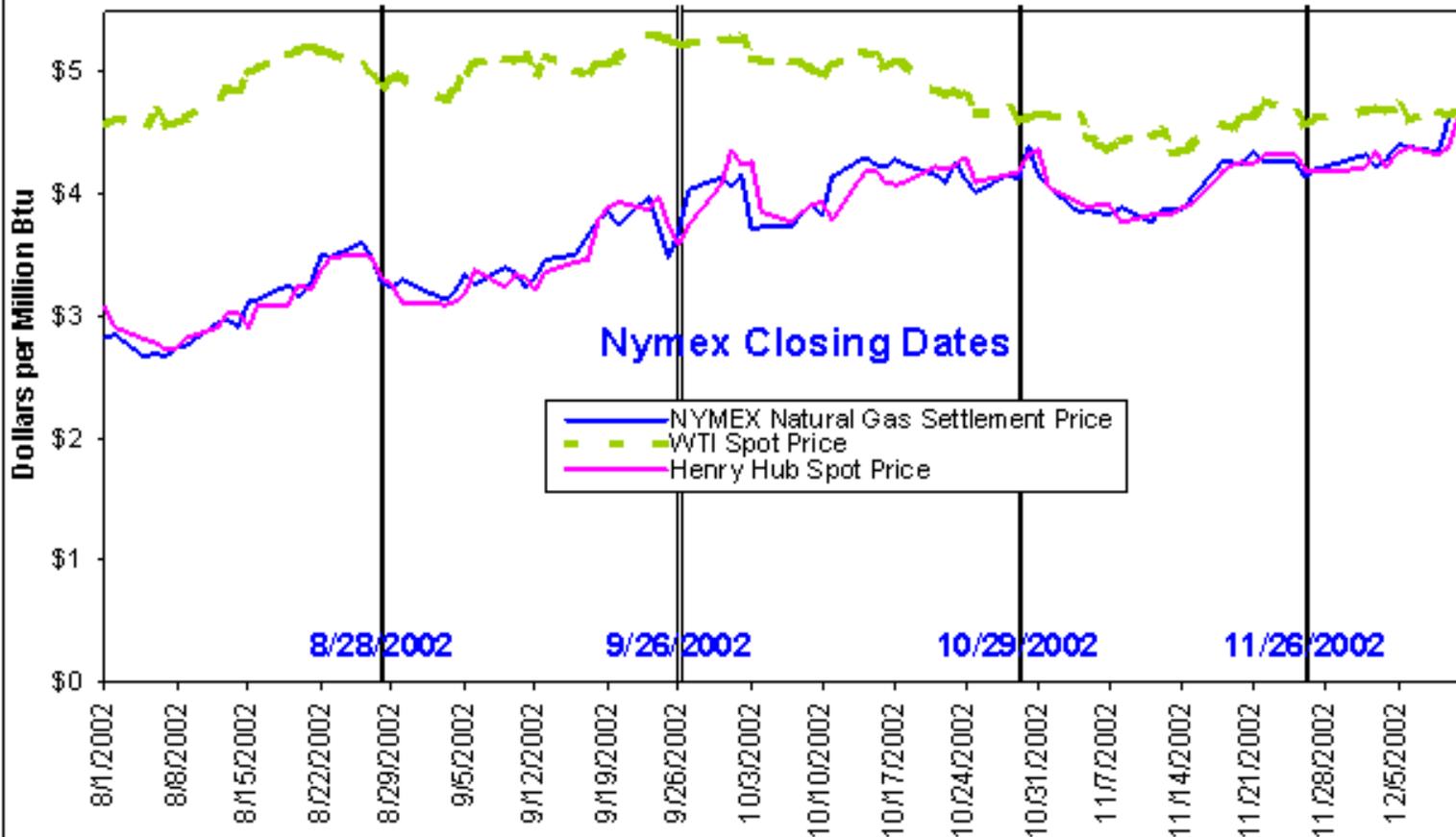
Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database. Column and/or row sums may not equal totals due to independent rounding.

Prices:

Spot price increases of under a dime on Tuesday, December 10 were followed by increases of 12 to 29 cents per MMBtu yesterday (Wednesday, December 11), as a relatively severe ice storm struck parts of the southern and mid-Atlantic regions and southern New England. At the Henry Hub, gains of 7 and 25 cents per MMBtu over the past two days left the average spot price there at \$4.64 per MMBtu on Wednesday, December 11. Northeast prices actually declined at most locations on Tuesday, as this market continued to recover from the unusually high prices of last week, driven by a combination of colder-than-normal temperatures and flow restrictions on Algonquin pipeline affecting New York and New England supply. These restrictions were eliminated over the weekend. Northeast prices did rise yesterday, with the New York citygate price increasing \$0.16 to \$5.39 per MMBtu.

On the NYMEX, futures prices surged upward on Tuesday as a noted private weather forecasting team called for a return to colder-than-normal weather at the end of December after a brief warming trend. The prompt month contract (for January 2003 delivery) jumped \$0.277 per MMBtu to settle at \$4.636 on Tuesday, followed by a gain of just over 7 cents on Wednesday to \$4.709 per MMBtu. This is the highest settlement price for a near-month contract since April 27, 2001, when the June 2001 contract initiated its near-month position at \$4.867 per MMBtu.

NYMEX Natural Gas Futures Near-Month Contract Settlement Price, West Texas Intermediate Crude Oil Spot Price, and Henry Hub Natural Gas Spot Price



Note: The West Texas Intermediate crude oil price, in dollars per barrel, is converted to \$/MMBtu using a conversion factor of 5.80 MMBtu per barrel. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.
 Source: NGI's *Daily Gas Price Index* (<http://Intelligencepress.com>)

<i>Trade Date (All prices in \$ per MMBtu)</i>	California Composite			NYMEX futures contract- January delivery	NYMEX futures contract- February delivery	
	Average Price*	Henry Hub	New York City Chicago			
11/12/2002	3.72	3.83	4.20	3.85	3.991	3.948
11/13/2002	3.70	3.83	4.21	3.86	3.982	3.936
11/14/2002	3.74	3.90	4.25	3.96	3.984	3.939
11/15/2002	3.63	3.91	4.30	3.92	4.093	4.043
11/18/2002	3.87	4.18	4.60	4.20	4.356	4.271
11/19/2002	3.93	4.25	4.56	4.25	4.352	4.262
11/20/2002	3.92	4.27	4.61	4.26	4.352	4.262
11/21/2002	3.85	4.24	4.59	4.22	4.439	4.342
11/22/2002	3.88	4.32	4.77	4.33	4.357	4.285
11/25/2002	3.99	4.33	4.87	4.42	4.323	4.258
11/26/2002	3.94	4.21	4.90	4.28	4.236	4.186
11/27/2002	4.00	4.19	4.95	4.09	4.200	4.145
12/2/2002	4.01	4.23	6.14	4.17	4.320	4.259
12/3/2002	4.09	4.35	6.34	4.28	4.226	4.175
12/4/2002	4.01	4.23	5.91	4.20	4.298	4.243
12/5/2002	4.09	4.35	6.16	4.31	4.406	4.359
12/6/2002	4.09	4.39	5.92	4.30	4.383	4.351
12/9/2002	4.09	4.32	5.49	4.19	4.359	4.332
12/10/2002	4.13	4.39	5.23	4.26	4.636	4.594
12/11/2002	4.33	4.64	5.39	4.43	4.709	4.675

* 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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Contact:

Jim Thompson

james.thompson@eia.doe.gov

Phone: Jim Thompson : (202) 586-6201

Fax: (202) 586-4420

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

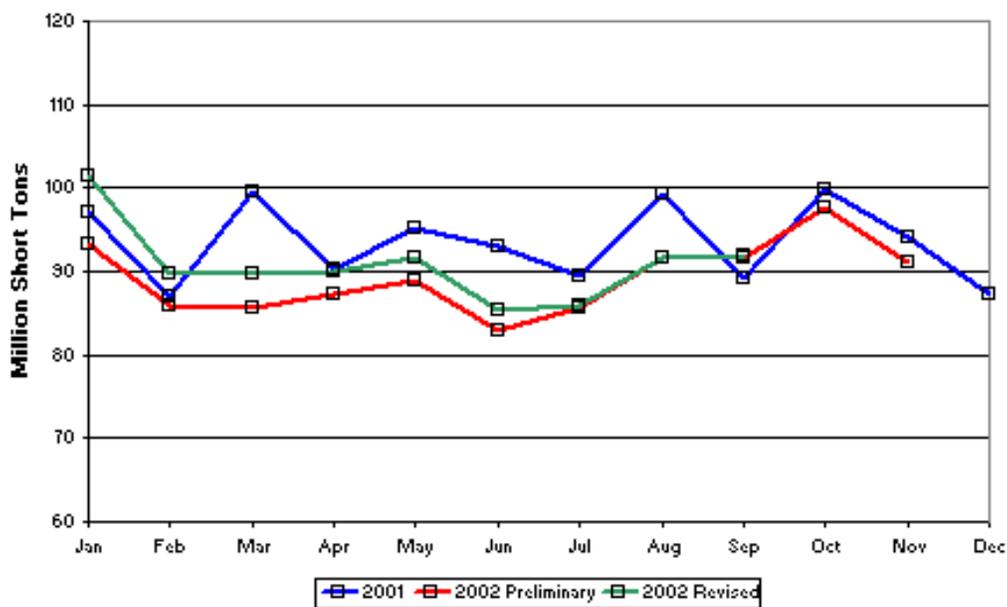
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Latest U.S. Coal Information

Coal Production (Updated December 12, 2002)

For the week ended November 30, coal-related statistics were widely divergent compared to the same week in 2001 because the Thanksgiving holiday occurred in this 48th week of the year in 2002 whereas it occurred in the 47th week last year. Railcar loadings of coal were 15.3% lower than year-ago levels while estimated national coal production was 7.2% lower. Year-to-date, estimated western U.S. coal production is only 0.3% below the levels of a year ago; eastern U.S. coal production is estimated now to be 5.4% below last year's level. The estimated production for the first 11 months of 2002 is 1,005.9 million short tons (mmst), 2.7% lower than the 1,034.0 mmst in the first 11 months of 2001. This estimate incorporates Mine Safety and Health Administration coal production survey data through the third quarter 2002.

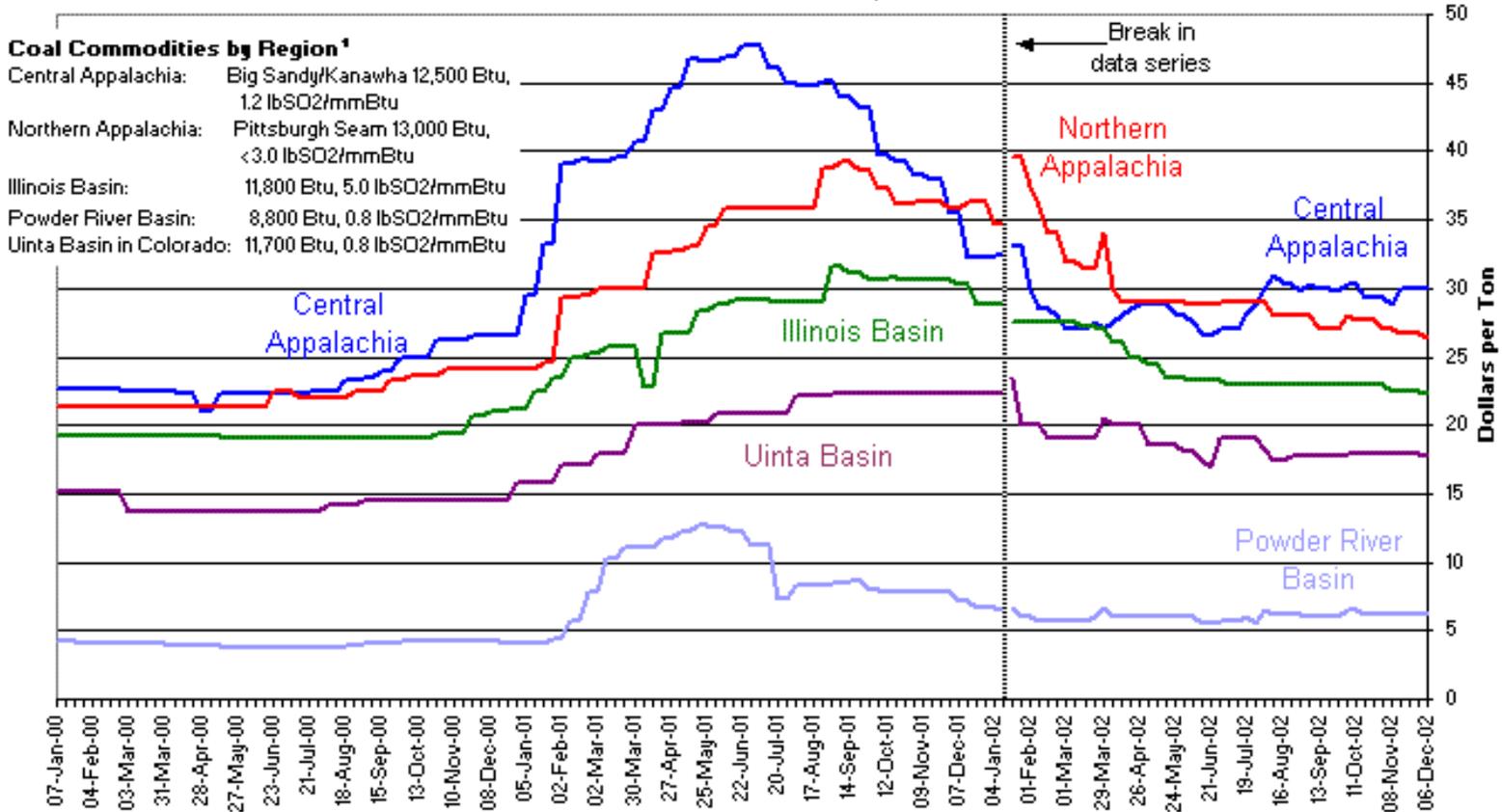
U.S. Monthly Coal Production



Coal Prices

Spot coal prices continue flat with no clear direction. Appalachian coal prices have been erratic in recent weeks. The Northern Appalachian prices we index were down 30 cents for the week ended December 6. Also down slightly were the Illinois Basin and Uinta Basin prices monitored by EIA, but no changes amount to a change in trend. Compared to peak prices in summer 2001, Central and Northern Appalachian coal prices are now about \$17.50 and \$13.00 lower per short ton, respectively, or 37% and 33% lower. The largest change in percentage is for the Powder River Basin coal prices, now settling at half of the late Spring 2001 peak (down by \$6.50 per ton, or 51%). Compared to previous price floors in the summer of 2000, the latest EIA-indexed spot prices of \$30.00 per short ton for Central Appalachian and \$26.35 per short ton for Northern Appalachian coal are higher by 35% and 24% respectively. Other prices also remain higher than the summer 2000 base: by 29% for the Uinta Basin, 16% for the Illinois Basin, and 67% for the Powder River Basin.

Average Weekly Coal Commodity Spot Prices Week Ended December 6, 2002



¹Prior to January 11, 2002, EIA averaged 12-month "forward" spot prices for several coal specifications; after that date, coal prices shown are for a relatively high-Btu coal selected in each region, for delivery in the "prompt" quarter. The "prompt quarter" is the next calendar quarter, with quarters shifting forward after the 15th of the month preceding each quarter's end.

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

Over-the-counter (OTC) trading volumes on the [NYMEX](#) throughout the months of September to November were the lowest since trade was initiated in coal in July 2001. The settled prices for near-month deliveries during the week ended December 6 rose from around \$28 per ton to \$29.10, prices for Central Appalachian coal that are still below the \$30 mark that major producers say they need. NYMEX prices for early 2003 are at \$29.10, with offers rising above \$30 starting in July 2003. Prevailing tepid trade volumes, however, render OTC and NYMEX prices only barely relevant.

Market Trends

One reason that markets persist for medium- and high-sulfur coals is the low cost of emission allowances. The bottom-line costs for combustion and emissions using the higher-sulfur products can be less than burning compliance coal. According to Energy Argus' Coal Daily (December 9, p.7), for compliance coal, emitting 1.2 lbs of sulfur dioxide/mmBtu, for a \$28.35/ton spot price, 12,500 Btu/lb coal, the cost adjusted for purchased allowances would be \$30.32. For the same heating value, a coal emitting 1.5 lbs of sulfur dioxide/mmBtu, spot priced at \$26.50, the adjusted cost would be \$28.96/ton, while for the analogous coal emitting 2.0 lbs of sulfur dioxide/mmBtu, spot priced at \$24.75, the bottom-line cost would be \$28.03/ton. Despite the forward-costs savings, not every coal-fired generator is in a position to use this strategy.

At the American Coal Council's 20th annual Coal Market Strategies Conference in October, analysts emphasized the continuing impact of a host of negative factors on coal markets. It was generally agreed that the above normal coal stockpiles at power plants and a number of economic concerns will keep coal prices and purchases low for the rest of

2002, even if the weather becomes colder than normal. A few weeks later, according to comments on third quarter performance by Peabody CEO, Irl Engelhardt, many customers were believed to be bringing stockpiles down to levels lower than historical norms. Arch Energy president and CEO, Steven Leer, voiced similar observations. Arch estimates that utility coal stocks are already in line with the same point in 1999, 2000, and 2001. "It is possible . . . that power producers are planning to operate with stockpiles at levels lower than the historical range," he said. If so, "the long run impact is likely to be a positive one for coal producers, as the market moves toward better overall supply-demand balance" (Coal Transportation Report, November 4).

Meanwhile, broad problems are currently depressing the coal industry, such as: the overall economy; failure or bankruptcies among last year's ebullient independent power producers (IPPs) and online energy traders; low electricity prices and post-Enron credit problems for electric power producers; relatively low gas prices; operational expediencies of combined-cycle natural gas generators, which sometimes keep them online even when coal-fired dispatch would be cheaper; and reluctance of investors to finance new or innovative coal-based generation, with longer lead-times, greater capital requirements, and uncertain eventual environmental compliance costs.

In addition, the rush by IPPs to build new natural gas-fired units resulted in a glut of shelved gas-fired generating equipment available at bargain prices. This will make new coal-fired plants - normally larger, more capital-intensive, and requiring more lead time than gas-fired plants to permit and build - less attractive for the next year or more and even harder to finance. In the wings, preliminary estimates of probable costs of mercury abatement regulations being considered by the Environmental Protection Agency are projected to be high for coal. Since final standards have not been promulgated, estimates are speculative, but could add \$2.6 million per year on the low end to \$10.6 million per year on the high end to annualized costs for a 250-megawatt coal-fired power plant. Because of the nature of the mercury and other minerals typically associated with western coal deposits, the higher-end costs are expected for plants burning western subbituminous coals (presentation by Michael Durham, ADA Environmental Solutions, October 16).

Would-be buyers have found coal producers generally unwilling to commit beyond existing contracts at current prices. With some eastern mines still off line, supplies of eastern compliance coal have reportedly been tight and many buyers, either with a stockpile cushion or credit problems, have delayed buys. Citing the high capital costs of opening new coal mines, Consol Energy disclosed on September 24 that the company does not intend to invest in new mines until contract coal prices in Appalachia go above \$30 per short ton and buyers are willing to commit to contracts longer than 2 or 3 years (Energy Argus Coal Daily, September 26). Meanwhile, stock market prices for energy trading companies and some utilities have taken heavy losses recently due to bankruptcy announcements and credit downgrades. One effect of these trends is a tightening of new capital, credit, and short-term cash for expansions as well as coal purchases and operating expenses. Concurrently, power plant operators are generally planning for continuing slack demand. The outlook for delayed growth in electricity demand is reflected in EIA's figures for electricity generation capacity additions: 37.0 gigawatts delayed past 2002 and 5.5 gigawatts canceled (<http://www.eia.doe.gov/cneaf/electricity/page/capacity/capacity.html>). Most of that planned capacity was natural gas-fired. Coal-fired plants are similarly affected but not reflected in 2002 capacity changes because they are longer-term projects.

Coal Producer Issues

Energy Argus' Coal Daily (December 9) reports that some coal producers in the Colorado Plateau have broken with suppliers trying to put a floor beneath coal prices. Citing continued lack of demand from Western utilities the report identifies RAG Coal in Colorado and Andalex Resources in Utah as the rumored sources of low-priced coal. Energy Argus reports Green River Basin (Colorado) spot coal with 11,100 nominal Btu/lb dropping to \$12.00 per ton, while the Uinta Basin 11,700 Btu product declined to \$15.00 per ton. In Utah, the Uinta Basin coal dropped to \$17.00. Energy Argus uses a different pricing index for spot coal than does EIA (EIA does not track Green River, lower-Btu coal). EIA's indexed spot Uinta coal in Colorado averaged \$17.80 per ton for the week ended December 6.

Peabody Energy COO Richard Whiting commented at the Coal Market Strategies Conference that his company has moved away from the philosophy of producing as much coal as possible at all times to tailoring production to meet demand. That is, they will be return-on-investment-driven rather than cash-flow driven. In the past few years, companies like Peabody and Consol used IPOs to raise money needed to pay down debt; now they are more focused on profitability. Mr. Whiting noted that productivity gains will inevitably flatten out. Peabody continues to push mining equipment vendors for better technology, but he is concerned about a lack of capital investment in the industry and about low rates of return. Meanwhile, some eastern coal producers grouse that some of their fellow producers are not being disciplined, and that they continue to produce unwanted coal at a time when the market is virtually nonexistent. The major problem for producers, however, is that there is too much "coal on the ground," (in consumers' stockpiles). Unless and until colder weather takes hold in the East, with significant consumption of those stocks, buyers simply cannot justify contracting for more coal, even at bargain prices. If consumer stocks are drawn down rapidly, however, producers hope to get the \$30+ per ton they are seeking (Coal Outlook, November 18).

John Dean of JD Consulting displayed a graph at the Conference showing that productivity at Powder River Basin (PRB) high-Btu mines (8800 Btu/lb) peaked in 1998 and has declined since. This would reverse the general trend, as PRB productivity had been increasing for many years. An Arch coal speaker was pessimistic about the productivity outlook in both the East and West. Key factors are higher stripping ratios in the PRB as mines progress, thinner seams in the East, tighter environmental restrictions in the East, and the introduction of inexperienced new miners in the PRB. The one area he was optimistic about was northern Appalachia, where he believes there is significant opportunity to increase output at the longwall mines by upgrading the conveyor systems that move coal out of the mines.

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Contact:

Bill Watson and Rich Bonskowski

william.watson@eia.doe.gov

richard.bonskowski@eia.doe.gov

Phone: Bill Watson: 202-287-1971; Rich Bonskowski: 202-287-1725

Fax: 202-287-1934

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

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Latest U.S. Electricity Information

(updated December 12, 2002)

Selected Wholesale Electricity Prices: Spot electricity prices fluctuated across the Western United States over the past two trading days. For the most part, prices declined on December 9 and December 10 because moderate weather decreased customer demand, and more hydroelectric suppliers were available. However, prices increased on December 11 as the cost of natural gas went up, one of the primary fuels used for producing electricity in the region. At Mid-Columbia, a benchmark for the Northwest, prices increased \$1.84 per megawatthour between December 10 and December 11. In California, prices jumped \$3.15 and \$3.38 per megawatthour during the same period at NP-15 and SP-15, respectively.

In the Midwest, electricity prices continued to decrease as milder weather caused a reduction in customer demand and production from nuclear power plants increased. Quad Cities Unit 1, a large nuclear unit located in Cordova, Illinois was running at almost full capacity. At the Cinergy Trading Center, prices were 31 percent lower on December 11 at \$26.02 per megawatthour after reaching a high of \$37.57 per megawatthour on December 4.

In the Southeast, electricity prices decreased between December 6 and December 10 as milder weather led to lower customer demand and utilities worked quickly to restore power to millions of customers affected by the previous week's severe ice storm. At its peak, the storm resulted in power outages to around 2 million homes throughout the Carolinas. Higher natural gas prices caused a slight increase in electricity prices on December 11. Within SERC, prices went up only \$0.85 per megawatthour between December 10 and December 11.

In the Northeast, prices were generally lower than last week as warmer temperatures decreased customer demand. Electricity prices at PJM West decreased \$10.56 per megawatthour between December 4 and December 11. In New England, prices fluctuated slightly over the past three trading days. After falling to a seven-day low of \$50 per megawatthour on December 9, electricity prices increased \$1.50 per megawatthour on December 10 and then decreased \$0.37 per megawatthour on December 11. In New York City, prices remained at \$69.75 per megawatthour for the past three trading days because the warmer weather stabilized customer demand.

Over the past seven days, average prices at all trading centers ranged between \$41.75 and \$46.80 per megawatthour with an overall weekly average of \$44.31 per megawatthour.

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

Trading Centers	Date							Price Range		
	12/3/02	12/4/02	12/5/02*	12/6/02	12/9/02	12/10/02	12/11/02	Max	Min	Average
COB	41.38	43.00	n.a.	41.75	39.94	39.63	41.75	43.00	39.63	41.24
Palo Verde	39.48	39.73	n.a.	38.90	37.34	37.73	41.18	41.18	37.34	39.06
Mid-Columbia	39.51	40.76	n.a.	39.70	38.11	37.18	39.02	40.76	37.18	39.05
Mead/Marketplace	40.63	42.17	n.a.	42.05	40.38	40.33	42.63	42.63	40.33	41.37
4 Corners	40.50	41.50	n.a.	39.50	38.25	38.17	42.00	42.00	38.17	39.99
NP 15	44.30	45.08	n.a.	44.67	42.71	42.50	45.65	45.65	42.50	44.15
SP 15	44.15	44.65	n.a.	44.74	42.78	42.56	45.94	45.94	42.56	44.14
PJM West	44.20	46.94	n.a.	45.05	40.74	39.27	36.38	46.94	36.38	42.10
NEPOOL	56.75	61.75	n.a.	60.00	50.00	51.50	51.13	61.75	50.00	55.19
New York Zone J	79.75	79.13	n.a.	80.00	69.75	69.75	69.75	80.00	69.75	74.69
Cinergy	37.23	37.57	n.a.	37.37	32.61	27.51	26.02	37.57	26.02	33.05
SERC	39.15	39.33	n.a.	39.21	37.88	34.88	35.73	39.33	34.88	37.70
Average Price	45.59	46.80	n.a.	46.08	42.54	41.75	43.10	46.80	41.75	44.31

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

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.

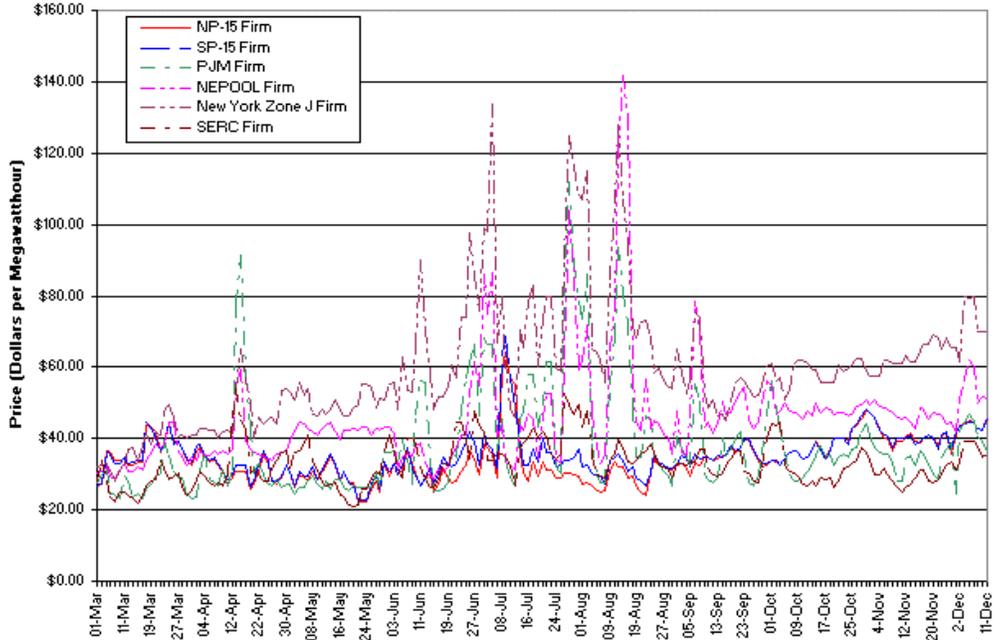
Mid-Columbia: Average price of electricity traded at Mid-Columbia.

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.

- 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 Nepool.
- 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.
- SERC:** Average price of electricity traded into the Southeastern Electric Reliability Council.

Average Wholesale Electricity Prices in the U.S.



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Contact:
 William Liggett
william.liggett@eia.doe.gov
 Phone: William Liggett: (202) 287-1727
 Fax: (202) 287-1934

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

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