Cantwell-Feinstein Legislation Would Prohibit Gasoline Price Gouging

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Washington, DC – U.S. Senators Maria Cantwell (D-WA) and Dianne Feinstein (D-Calif.) will introduce legislation today to ban price gouging at the gas pump in the wake of natural disasters like Hurricane Katrina.

The "Energy Emergency Consumer Protection Act" would give the President authority to declare national energy emergencies, when proven price gougers would be subject to new fines and criminal penalties. The legislation also empowers federal regulators to ensure greater market transparency and go after market manipulation of oil and gas prices on an every-day basis.

"Just yesterday, we saw oil set the new record for a one-day spike in prices," said Cantwell. **"The oil companies know we don't have a plan to protect American consumers. We need a federal law that's going to prohibit profiteering at the gas pump—especially during national emergencies."**

"This legislation helps balance the scales for consumers," Senator Feinstein said. **"It is simply wrong for the oil industry to profiteer in the wake of a natural disaster or other emergency. That's why I'm working with Senator Cantwell to put a stop to this practice. Americans should know that their government is on their side and that a basic commodity like gasoline will be available and affordable when they need it most."**

Oil prices rose $4.39 a barrel at the New York Mercantile Exchange yesterday, to close at $67.39—the largest one-day gain since 1983, when oil started trading on the exchange. Today, 28 states have anti-gouging laws on the books. This legislation is based on New York's law, where price gouging cases have been successfully prosecuted after natural disasters.

The legislation also:

- Creates new federal fines and criminal penalties for price gougers;
- Directs the Federal Trade Commission to focus its enforcement activities on big oil companies, with revenues of more than $500 million a year;
- Creates new authority for states to go after price gougers at the retail level; and
- Contains provisions to ban manipulation in the oil and gasoline markets, and new transparency, investigation and enforcement mechanisms.

Cosponsors of the Energy Emergency Consumer Protection Act include Senate Minority Leader Harry Reid (D-NV), Democratic Whip Dick Durbin (D-IL), and a number of other senators.

The "Federal Energy Emergency Consumer Protection Act"

Even before the devastation caused by Hurricane Katrina, skyrocketing oil and gasoline prices were taxing American families and burdening our nation's economy—with the notable exception of the oil industry which continued to rack up record profits. Following Katrina, gas prices in some areas reached almost $6 per gallon, deepening suspicions of gas pump profiteering. The legislation would put in place a number of measures to ensure that the President has the tools needed to adequately respond to energy emergencies and prohibit price gouging. Based on measures included in the energy bill, it would also put in place new consumer protections to prevent market manipulation and ensure greater transparency when it comes to oil and gas prices.

Federal Energy Emergency Response: Skyrocketing energy prices following Hurricane Katrina validated the warnings of many national security experts and renowned economists that America's absolute reliance on petroleum products left our nation susceptible to crippling economic shocks after even relatively small supply disruptions. Regardless of whether they are natural disasters or human-caused events--such as terrorist acts or political upheaval in oil-rich nations--the United States has neither a short- nor long-term plan to deal with the ramifications of our oil dependence. In order to begin tackling both these problems, the bill would:

- Give the President the authority to declare a temporary national energy emergency.

- Upon declaration of an emergency, trigger a federal prohibition on price gouging for the affected area. This provision is modeled after anti-price gouging legislation on the books in about 28 states. It specifically relies on a standard established in New York state law, related to "unconscionably excessive" prices. Price gouging cases have previously been successful under the New York law.

- Institute a new civil penalty of up to $3 million a day for violations of the price gouging prohibition, as well as a new criminal penalty of up to 5 years imprisonment.

- Require the federal government to develop a national response plan to prepare our nation against future domestic or global petroleum supply disruptions.

Fair Prices at the Gas Pump: While Hurricane Katrina exposed the underlying vulnerability of the American economy, even before the storm hit average U.S. gasoline prices were already 75 cents more than they were a year earlier—and many consumers had begun to ask why. In the wake of Enron, the energy bill contained a number of additional measures to ensure American consumers pay a fair price when they flip on their lights. The legislation would apply to the oil industry many of these same protections, including:

- A new statutory ban on manipulative practices in the wholesale petroleum markets;
- New measures to ensure transparent pricing for petroleum products;
- Civil penalties of up to $1 million for violations of anti-manipulation and market transparency rules.

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