



## With Gas Prices Soaring, Senators Feinstein, Snowe, Levin, and Cantwell Seek to Shine Light on Energy Markets

*-Bipartisan legislation would enable federal government to determine if fraud or manipulation is occurring -  
April 25, 2006*

**Washington, DC** – With gas prices nearing \$3 a gallon nationwide, U.S. Senators Dianne Feinstein (D-Calif.), Olympia Snowe (R-ME), Carl Levin (D-MI), and Maria Cantwell (D-WA) today introduced bipartisan legislation that would increase transparency and accountability in the energy markets. This would ensure that the federal government can determine if speculation, manipulation, or hoarding is occurring in the oil, gas, and electricity markets.

**“The President has ordered an investigation into gas prices. The problem with this is that part of the energy market provides transparency, part does not,”** Senator Feinstein said. **“If you make a trade on NYMEX, a record is kept, an audit trail is there. But if you make a trade on an electronic trading platform, no records are kept, and there is no audit trail. Therefore manipulation and fraud are more difficult to discover. In essence, the federal government is blind.”**

**This is what we found in the California energy crisis, and I think we’re going to find the same thing here. The time has come to plug this enormous loophole and see that across the board there is transparency, records are kept, and an audit trail is available. And then fraud and manipulation can be investigated by the CFTC.”**

**“The American people are rightly demanding answers explaining why the price of gas is over \$3 a gallon, a jump of almost 70 cents from this time last year,”** Senator Snowe said. **“Right now the federal government is in the dark as to whether the oil futures market is being manipulated, causing these sharp and devastating increases in the price of gas. Today, the President called for an investigation of price manipulation of gas prices, and this legislation that we introduce today shines a bright light on futures transactions so that we can determine whether fraud or speculation has occurred. It is only armed with this most essential information that we can rightly work to correct a problem that is threatening America’s families and businesses.”**

**“Americans are demanding that the Congress and the President take action to bring down oil prices,”** Senator Levin said. **“This legislation” will help Congress do its part by**

**ensuring that the federal government has the tools necessary to detect and prevent energy market manipulation by oil traders. Too often, this Administration's answer to high energy prices has been 'hear no evil, see no evil,' but prices are now so high that even their ways may change. Our bill would give regulators the information needed to expose oil traders engaging in market speculation or manipulation."**

**"Right now excuses from oil companies on why gas prices are so high are like smoke and mirrors," Senator Cantwell said. "We can't begin to understand the real reasons for sky-rocketing gas prices until we get transparency in the market. The days of Enron taught us the painful lesson that fierce market manipulation does happen and I don't want American consumers to have to experience that again. We can't protect consumers, business, farmers, anyone from price gouging without transparency."**

Currently, the vast majority of energy trades occur on two markets – the New York Mercantile Exchange (NYMEX) and on electronic exchanges such as the InterContinental Exchange (ICE). NYMEX is regulated by the Commodities Futures Trading Commission (CFTC). Traders must keep records for five years and report large trading positions to the CFTC. There is an audit trail. They are also subject to other federal regulations, including limits on how much of a given commodity can be traded over a single day.

By contrast, electronic exchanges such as ICE are largely unregulated. Traders are not required to keep records or report large trading positions. There is no audit trail. It is estimated that up to 80 percent of our energy commodities are traded on ICE. As a result, the federal government has little or no information on what is taking place in our energy markets, including whether there are illegal activities.

This legislation would close this loophole and increase transparency in the energy markets. It would:

- Require traders on exempt electronic trading facilities (e.g., InterContinental Exchange, Houston Street) to keep records and report large positions carried by their market participants in energy commodities for five years or longer. These are the same requirements that apply to traders that do business on NYMEX;
- Require traders to provide such records to the CFTC or the Justice Department upon request; and
- Require persons in the United States, who are trading energy commodities that are delivered in this country on foreign futures exchanges, to keep similar records and report large trades.

These provisions will give the CFTC the means to effectively exercise its existing anti-fraud and anti-manipulation authority over energy commodities traded on U.S. exchanges.

## **Soaring Gas Prices**

Gas prices are soaring nationally and in California (Monday's prices for regular unleaded):

- United States: \$2.89
- California: \$3.07
- Los Angeles: \$3.10
- San Francisco: \$3.10

## **Other Legislation to Increase Transparency in Energy Markets**

This legislation follows the passage of measures in the energy bill which give the Federal Energy Regulatory Commission more anti-fraud and anti-manipulation authority. The measures, signed into law last year, did the following:

- Banned market manipulation in both the regulated natural gas and electricity markets. These are the physical commodity markets, regulated by the Federal Energy Regulatory Commission (FERC) — rather than the financial markets, only a portion of which are overseen by the CFTC.
- Strengthened the civil and criminal penalties in both the Natural Gas Act and the Federal Power Act, which will provide stronger deterrents to anticompetitive behavior, market manipulation, and other violations of those two specific federal energy laws administered by FERC.
- Created additional transparency in both the natural gas and electricity cash markets.
- Gave FERC the authority to ban traders who manipulated the natural gas or the electricity markets under its jurisdiction, from ever trading in those markets again or from serving as an officer or a Director of a natural gas or electric company. These were additions to FERC's authority under the Federal Power and Natural Gas Acts—and were based on authorities the SEC already had under the Securities Exchange Act. No similar provision exists for the CFTC in unregulated energy markets under the Commodity Exchange Act.

## **Other Feinstein Actions regarding Gas Prices, Fuel Efficiency**

**Closing the SUV Loophole (S. 889)** - Senator Feinstein has sponsored legislation cosponsored by Senator Olympia Snowe (R-ME) that would close the SUV loophole and equalize fuel economy standards of SUVs and light trucks with those of passenger cars.

**Promoting Competition (S. 2557)** – Senator Feinstein has joined with Senator Arlen Specter (R-PA) and a bipartisan group of Senate Judiciary Committee members to sponsor legislation that seeks to promote competition in the oil and gas industries in order to reduce fuel costs. This

legislation would keep fuel prices low by preventing companies from withholding oil and gas in an effort to raise prices.

**Anti-Price Gouging (S. 1735)** – Senator Feinstein joined with Senator Cantwell to offer legislation that would ban price gouging at the gas pump in the wake of natural disasters like Hurricane Katrina.

**Hybrids (S. 553)** – Senator Feinstein introduced legislation that would permit states to let hybrid vehicles to use diamond or high-occupancy vehicle (HOV) lanes. This measure was approved as part of the 2005 Transportation Reauthorization bill.

**Royalty Relief (S.2314)** – Senator Feinstein has joined with Senators Charles Schumer (D-N.Y.), John Kerry (D-Mass.) and Barbara Boxer (D-Calif.) to introduce legislation that would halt royalty windfalls for oil companies who may get more than \$7 billion over the next five years as an incentive for oil exploration despite record profits.

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