



## IECA Calls for Strong Government Oversight of Energy Market, Voices Support for Senator Feinstein Initiative

September 26, 2006

**Washington, DC** – *A national organization representing individual and industrial energy consumers has written a letter to the Chairman and Ranking Member of the Senate Committee on Agriculture calling for strong government oversight of the energy market, and voicing its support for the Oil and Gas Traders Oversight Act of 2006, U.S. Senator Dianne Feinstein (D-Calif.) announced today.*

*The Industrial Energy Consumers of America (IECA) yesterday sent its letter to Agriculture Committee Chairman Saxby Chambliss (R-Ga.) and Ranking Member Tom Harkin (D-Iowa).*

*Senator Feinstein introduced the Oil and Gas Traders Oversight Act of 2006 in April with Senators Olympia Snowe (R-Maine), Carl Levin (D-Mich.), Maria Cantwell (D-Wash.), Barbara Mikulski (D-Md.), and Barbara Boxer (D-Calif.). The legislation seeks to increase transparency and accountability in the energy markets so that federal government can determine if speculation or manipulation is occurring in the oil, gas, and electricity markets.*

*The following is the text of the IECA's letter:*

**September 25, 2006**

**The Honorable Saxby Chambliss  
Chairman, Committee on Agriculture**

**The Honorable Tom Harkin  
Ranking Member, Committee on Agriculture**

**Dear Senators:**

**The Industrial Energy Consumers of America (IECA) strongly supports S. 2642, the Oil and Gas Traders Oversight Act of 2006. The energy market oversight gap that exists today makes every consumer in the country vulnerable to market power and manipulation that can result in higher prices and volatility. In fact, U.S. natural gas is the most volatile commodity in the world. This legislation closes a substantial part of the oversight gap by**

**giving the Commodity Futures Trading Commission (CFTC) market oversight of the over-the-counter energy electronic trading market. IECA will oppose CFTC Reauthorization without the addition of S. 2642.**

**IECA is a nonprofit organization of energy consumers created to promote the interests of manufacturing companies for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets. IECA company membership represents a diverse set of industries including: plastics, cement, paper, food processing, aluminum, brick, chemicals, fertilizer, insulation, steel, glass, industrial gases, pharmaceutical, and brewing.**

**We believe that markets work better when market participants know there is strong government oversight that has the ability to catch and severely penalize market manipulation. In the energy over-the-counter markets, there is neither sufficient government oversight nor sufficient penalties to deter manipulation. In the case of natural gas, we believe that less than one-third of all daily trades have CFTC oversight.**

**Even regulators responsible for overseeing the energy market know that huge oversight gaps exist that potentially expose consumers to fraud and manipulation. Below are the remarks of CFTC Commissioner Michael V. Dunn before the National Grain Trade Council on September 8, 2006. Commissioner Dunn's comments are consistent with concerns we communicated to you in our letter of April 5, 2006.**

*Quote: "However, a large portion of energy trading occurs in the over-the-counter market, mostly beyond the scrutiny of any federal agency. The Commission's enforcement actions continue to uncover repeated examples of people and companies trying to game the energy markets, often in the belief that no one is watching, or that if someone is, there is nothing that can be done to them."*

*"Because the CFTC is barred from regulating the OTC energy markets, it cannot collect large trader data from unregulated energy markets, or conducting regular surveillance of them. It is virtually impossible to know, therefore, the extent of fraud and manipulation that may be occurring in the over-the-counter markets." End quote.*

**IECA does not want to regulate energy markets in the sense of controlling the market or prices. IECA does support stronger government oversight, transparency and a level playing field. None of these attributes exist today for the energy trading complex other than NYMEX and they are a small portion of the total volume that is traded each day.**

**Asking only 'large traders' to report their position to the CFTC, just like the NYMEX does today, is not asking too much of these companies. These same companies do 'mark-to-market' position accounting at the end of each trading day for internal reasons anyway. This is not asking much when the public trust is at stake. Unlike, many other commodities such as currencies or gold, trading of natural gas have a direct impact on homeowners, farmers and manufacturers.**

**Every consumer in the country assumes that the government is protecting their interests and that markets are working with a level playing field. Neither is true. The CFTC, The President's Working Group on Financial Markets, and Congress know about the famous "Enron gap", the over-the-counter gap and have done nothing about it. It is time for the Senate to take action. S 2642 is an important step forward toward letting markets work with transparency and fairness. Thank for your help on this important matter.**

**Sincerely,**

**Paul N. Cicio  
President**

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