

Alaska Wilderness League * Defenders of Wildlife * Earthjustice * Environment America * Gulf Coast Environmental Defense * Friends of the Earth * League of Conservation Voters * National Audubon Society * LegaSea * Sierra Club * The Wilderness Society * Pacific Environment * Public Citizen * Planning and Conservation League

It's Time for Congress to Rein in Oil Speculation

July 17, 2008

Dear Senator:

We are writing to urge Congress to lower gas prices by focusing on the real problem of energy market speculation instead of the distractions of oil drilling gimmicks that will do nothing to help consumers. Congress should adopt policies that will reduce the use of fossil fuels, give Americans better choices, reduce energy costs, make our air cleaner and fight global warming. Drilling in protected areas off our coasts, in the Arctic National Wildlife Refuge and in special places within the NPR-A, the Rocky Mountain West and elsewhere won't reduce the pain of high gasoline prices today, tomorrow, or even a decade from now. It's time for *real* relief, not recycled rhetoric and gimmicks. One thing Congress can and should do immediately is address the issue of rampant oil price speculation, which appears to be driving up oil prices beyond the dictates of supply and demand.

As Gerry Ramm, an Inland Oil Company senior executive testified before the Senate Committee on Commerce, Science and Transportation on June 3, 2008, "Excessive speculation on energy trading facilities is the fuel that is driving this runaway train in crude oil prices." The number of speculators who trade oil on paper with no intention of ever taking delivery has tripled over the past twenty years. These speculators buy up large amounts of oil and sell it back to each other over and over again. A single barrel of oil may be traded over 20 times before it is actually used. As a consequence, the driving public is paying a "speculative premium."

It is time for Congress to rein in speculators and to restore accountability in the commodity futures markets. According to leading experts, this can be done through measures such as establishing position limits, better defining differences between real commercial oil users and speculators and closing loopholes, including the so-called "London" and "Enron" loopholes that were created in the Commodity Futures Modernization Act of 2000. These loopholes allow trades in energy commodities that are beyond regulatory oversight. These adjustments would curtail speculation but still allow commercial users of oil to hedge on their purchases to manage their risk and save money.

There are no easy answers to the gas price increases that are causing economic hardship for so many Americans today. But reforms to address oil price speculation represent practical solutions that, in contrast to the false hope of drilling along our coasts and in the

Arctic National Wildlife Refuge, could yield prompt relief at the pump, something which no drilling platform built ten years from now can provide.

Over the past week alone, well over one million Americans have contacted Congress to request action on price speculation. We now add our collective voice to the call for action. Congress should take immediate action to rein in oil speculators.

Sincerely,

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