

## **A New Direction for Energy Independence: Curbing Excessive Energy Speculation that is Driving Up Gas Prices**

### **Key Points:**

- **The Democratic-led Congress is moving America in a New Direction for Energy Independence—working for consumers to lower gas prices, make America more secure, and launch a cleaner, smarter, more cost-effective energy future that creates hundreds of thousands of new jobs.**
- **Yesterday, the Speaker sent a letter to President Bush calling on him to direct the Commodity Futures Trading Commission (CFTC) to use its emergency powers to take immediate action to curb excessive speculation in energy markets. They must act to investigate all energy contracts. Despite growing reports of excessive speculation in energy markets, the CFTC has refused to take actions they have taken in the past.**
- **Today, we are passing the Energy Markets Emergency Act to direct through legislation the CFTC to use its full authority and most potent emergency tools to curtail excessive speculation and other practices distorting the energy market.**
- **It is critical for the American people paying a record \$4 per gallon and the integrity of the oil futures market to curb the excessive speculation, which experts testified this week may be responsible for inflating prices by as much as \$20 to \$60 more per barrel. The International Monetary Fund recently concluded that, “speculation has played a significant role in the run-up of oil prices.”** [Regional Economic Outlook, Middle East and Central America, 5/08, p. 28]
- **In 2000, Senator Phil Gramm – now chairman of Senator McCain’s presidential campaign – slipped in the Enron loophole that exempted all energy futures trading from oversight by the Commodity Futures Trading Commission (CFTC).**
- **Before the Enron loophole law, an estimated 70 percent of the energy futures market trades were made by energy producing and using industries—only 30 percent by speculators. Today, those numbers are reversed—and trading volume has increased six-fold.**
- **It is time to stop excessive speculation to help American consumers at the pump here and now.**
- **Congress took a good first step in addressing the Enron loophole with the just enacted Farm Bill -- a measure opposed by President Bush and Senator McCain.**
- **And we are developing calibrated legislation for July to further tighten the law and to prevent Enron-like behavior.**

Today, the House will take up the Energy Markets Emergency Act. The bill would take crucial steps to curb excessive speculation in the energy futures markets by directing the CFTC to:

- Use all its authority, including its emergency powers, immediately to curb the role of excessive speculation in any contract market trading energy futures or swaps, and
- Use its most potent emergency tools -- including the immediate powers to set new position limits (size of the stake that each speculative investor can hold in a given market), increase margin requirements (the money needed to trade), and impose other corrective actions as necessary -- to eliminate excessive speculation, price distortion, sudden or unreasonable fluctuations, or unwarranted changes in the price of energy commodities or other unlawful activity causing major market disturbances that prevent the market from accurately reflecting the forces of supply and demand for energy commodities.