

How does this work? Let's take an example of an oil producer, somebody who wants to go out and invest some money in a new oil rig or a new refinery, to engage in some production of some further resources, energy resources for the United States, and they want to get a loan for \$5 billion. There is probably no source in the world that would loan them \$5 billion to go out and engage in this new investment unless they were able to hedge that loan, meaning they need to go into the futures market and sell the first 3 to 5 years of production of this facility so they can show the bank or the financing institution that is going to loan them the money that they have a source of capital or cash to repay the loan.

If they are not able to go into a market and make that hedge, they will not be able to get that loan. They will then not make the investment and we will not then see the production. And if there are not those who are willing to invest in that futures market, on the other side of the transaction, those who are called speculators, then we do not have the liquidity in the market for that loan to be adequately hedged.

It is very important for the risk management in our economy that we do not impact our futures markets in ways that will disturb the proper functioning of a true market.

Congress has enacted various tax incentives for renewable energy which also can be impacted negatively by harmful regulation of the futures market. In the same way as the example I gave with regard to those who might want to invest in an oil facility, if there cannot be adequate hedging of investments in wind and solar and other facilities such as that for which we have enacted tax incentives to try to move into renewable energy, then those investments as well without a futures market will not be able to flourish as they should.

These kind of impacts, these kind of dynamics that could occur in our economy from improper regulation of the market are real. Again, some say: Well, you know, the oil companies or someone has been out there, speculators have been manipulating the futures market.

Commodity prices have shot up not just in oil but across the board. This chart shows a number of commodities, from wheat to corn, to steel, to iron ore, nickel, zinc, copper, platinum, all the way along, including oil. This is the line for the WTI oil, that is the futures market in oil right here.

As you will see, there are many commodities that have risen in price over the past few years, from 2006 to 2008, even more so than oil. The point there is, some of these commodities are regulated or traded on futures markets and some are not. The same dynamics of supply and demand are hitting us in other commodities as they are in oil.

According to Robert Samuelson, an economist and Washington Post col-

umnist, the price of corn has increased 70 percent from 2002 to 2007; copper has increased 300 percent during the same time; steel, 117 percent. And interestingly, steel is one of those that is not traded in the commodities market. Neither is iron ore, the cost of which has recently increased by 85 percent in Chinese markets.

The point here is that supply and demand, not investors, is what is driving up the prices in commodities. How else can you explain the fact that raw materials that are not traded on commodity exchanges are increasing at the same rapid pace?

Let's look specifically at the crude oil issue in the next chart. Those who say it is the futures market which is driving up the price of oil would tell you this market right here, the one in red, for West Texas Intermediate, where the futures in oil are traded, is where some not normal increases are being forced, where market speculation is manipulating the price.

Yet if we look at other physical crude oil grades, the West Texas Sour, Light Louisiana Sweet, the Mars, the Dated Brent, and the Dubai, they have all gone up actually higher than the West Texas Intermediate.

Now, I know this is getting down into the weeds a little bit, but the point here is, every one of those other types of oil is a physical crude oil that is not traded in futures markets. There are no speculators driving up these prices or causing these prices to occur. These prices are occurring at the spot where those who produce the oil are selling it to those who use the oil.

One more indication that in market after market after market, not just the futures market, but in every market, the price of oil is going up. And again the reason is because supply and demand is out of balance.

Let me give you another example. Onions. In 1958 Congress had a similar issue to the one we have today. They responded to a sharp increase in onion prices by passing legislation to ban all futures trading in onions. And that law, by the way, is still law today.

But there has been no stabilizing effect on the price of onions. In fact, the price of onions soared 400 percent in late 2006 and 2007, only to drop by 96 percent thereafter, and then increase another 300 percent a month later.

The point is that wide volatile swings in price occur in an unregulated market or in a market where there is not a futures system where speculators can invest and provide more stability. The onion market is a perfect example. Many of the experts who are now weighing in on the oil issue are stating that if we take the opportunity for speculation in the futures markets out of the equation, then we can expect to see wider fluctuations in the price of oil.

Now, is that to say there is nothing we should do in the Senate with regard to futures markets or that there can never be any manipulation or there is

no reason to pay attention to this issue? No. It is possible. It is not easy, but it is possible for very concerted efforts to be undertaken to manipulate markets.

That is why we have groups such as the Commodity Futures Trading Commission that are basically our cops on the beat to make sure they pay attention to what is happening in these markets and stop efforts to manipulate before they occur.

So what should we do? What should we be doing in the context of this piece of the equation with regard to our securities, our futures markets? We need to be strengthening the CFTC. The CFTC has not had a significant staffing increase level since—well, let's put it this way. Their staffing levels at the CFTC are at a 33-year low.

In one of the amendments we wish to bring forward, we would provide the resources for the CFTC to hire 100 new employees, enough staff so they can even more aggressively and effectively monitor what is happening in these markets, and make sure there is no effort to cause a manipulation in any significant way.

In addition, before this Senate, as we speak, we have nominations for three members of the Commodities Futures Trading Commission who still languish on our docket: Walt Lukken, Bart Chilton, and Scott O'Malia. They should have been confirmed by this Senate to the CFTC months and months ago, but they languish because of partisan politics. They need to be moved forward promptly. If we are serious about wanting to oversee these futures markets effectively, then we need to put those in place who are tasked to do so, and to make sure they have the staff to be able to do so effectively.

The CFTC has undertaken a number of steps recently to improve the oversight and transparency of energy futures markets, and we need to give them the resources to get the job done well.

The underlying legislation is based on the premise that we can simply reach our hand in, as the heavy hand of Government and change the price of oil. The reality is the opposite.

I said earlier we need a broad-based approach. Yes, let us strengthen the CFTC, but let's open the floor of this Senate, and let's allow the Senate to debate other ideas. What are some of the other ideas we need to be pursuing?

For one, we need an aggressive perspective on energy efficiency and conservation. With energy and gas prices spiraling upward, America can no longer consume energy as we have in the past. In fact, energy efficiency is often called the fifth fuel because every gallon of gas not consumed and every kilowatt hour not utilized is the equivalent of one produced. The numbers are stark. If you look at the amount we have saved since 1973 through efficiency and energy conservation efforts, it is the greatest source of energy we have. It outstrips petroleum, coal, natural gas, nuclear power, and all others.