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Remarks

Remarks of Commissioner Jill Sommers Before the Energy Markets Advisory Committee

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These are extraordinary times for U.S. energy and other commodity markets. Yesterday, the nearby futures contract for light sweet crude oil traded at the New York Mercantile Exchange (NYMEX) settled at $134.35 per barrel, down $4.19, from last Friday's all-time record of $138.54. Clearly, concerns about whether world oil production can keep up with rising world oil demand has led to sharply higher oil prices. The decline in the value of the dollar and, more recently, the return of geopolitical tensions which create uncertainty about the availability of future oil supplies, have combined to push oil prices faced by American consumers even higher. Finally, some, including several witnesses testifying at recent congressional hearings, believe that speculative trading in futures markets, particularly commodity index trading and trading taking place on foreign boards of trade, is driving the price of oil well above levels that can be explained by economic and geopolitical factors.

I believe that we need to have greater knowledge about what is happening in our energy markets before we make policy changes. On May 29 the Commodity Futures Trading Commission (CFTC) announced a number of initiatives to increase the transparency of the energy futures markets. Under a new agreement with the United Kingdom Financial Services Authority (FSA) and ICE Futures UK, our agency will receive expanded information for surveillance of the West Texas Intermediate (WTI) crude oil futures contracts that trade on both NYMEX and ICE Futures UK. In addition, the Commission will use its existing Special Call authorities to require traders in the energy markets to provide the agency with monthly reports of their index trading to help the Commission further identify the amount and impact of such trading in the markets.

The Congress recently enacted the Farm Bill, which includes legislation that reauthorizes the CFTC and provides the agency with increased oversight authority over contracts traded on Exempt Commercial Markets (ECMs) if such contracts are determined to play a significant role in price discovery. Significant price discovery contracts will now be subject to large trader position reporting and position limit or accountability rules. In addition, ECMs will have self-regulatory oversight responsibilities and emergency authority over such contracts, bringing the level of regulation over these contracts on par with contracts traded on designated contract markets. This new authority was the result of careful deliberations between the CFTC, our House and Senate oversight committees, as well as Senators Levin and Feinstein, and provides the Commission with important tools necessary to monitor the integrity of the energy markets.

I am very much looking forward to the discussion at today's initial meeting of the Commission's new Energy Markets Advisory Committee. The EMAC, I believe, will be an important source of input to the Commission on these issues. The Committee includes a wide range of representatives who possess a great deal of knowledge about and experience with our energy markets. I also want to welcome staff of congressional staff who are with us today and also staff from the Congressional Research Service, the Department of Energy, the Federal Regulatory Commission, and the Federal Trade Commission. Thank you all for being here.