

Appendix A
Memorandum from the Secretary of Energy



The Secretary of Energy
Washington, DC 20585

February 8, 2002

MEMORANDUM FOR MARY HUTZLER
ACTING ADMINISTRATOR
ENERGY INFORMATION ADMINISTRATION

FROM: SPENCER ABRAHAM

SUBJECT: Energy Derivatives Review

Recently there has been significant policy focus on volatile energy markets and particularly on the role of energy derivatives in these markets. To assist policy makers and the public in better understanding these markets, I am requesting the Energy Information Administration to prepare a review to be completed no later than September 1, 2002, to include the following components:

1. A description of energy risk management tools;
2. A description of exchanges and mechanisms for trading energy contracts;
3. Exploration of the varied uses of energy risk management tools;
4. Discussion of any impediments to the development of energy risk management tools;
5. Analysis of energy price volatility relative to other commodities;
6. Review of current regulatory structure for energy derivatives markets;
and
7. A survey of literature on energy derivatives and trading.

I look forward to the opportunity to study the results of this review in light of the significant recent growth in energy derivatives markets.



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