



Lack of Supply Chief Reason for High Oil Prices, Barton Says

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WASHINGTON – U.S. Rep. Joe Barton, R-Texas, ranking member of the House Energy and Commerce Committee, released the following written statement as part of an Oversight and Investigations Subcommittee hearing entitled, “I Energy Speculation: Is Greater Regulation Necessary to Stop Price Manipulation? – Part II”:

“Thank you, Chairman Stupak and Mr. Whitfield, for this very timely and important hearing on the impact of speculation on energy prices. I very much support this continuing oversight. This hearing can help us find ways to ensure our futures markets are working correctly and not being impacted by excessive speculation.

“This Congress needs to face reality about our energy needs. We need more American-made energy, including energy from oil, coal, natural gas, and all the viable alternatives. Another reality is that our nation’s economic strength depends on affordable energy for turning on the lights, getting to work and cooking dinner without having to file bankruptcy papers.

“Oil prices have been subject to four to five years of negative expectations about the tightening of world oil supply and America’s own commitment to tap its ample supplies. A clear signal to world markets that America is waking up to these realities and finally seeking to use its own vast energy resources would help change expectations and help lower futures prices.

“Another economic reality is that our economy relies on well-functioning commodity markets to help energy producers and energy consumers to hedge their respective price risks, so that they can do their work efficiently. Well-functioning futures markets require transparency and clear rules to guard against manipulation, excessive speculation, and other problems that can harm consumers.

“Some of the recent rise in oil prices is believed to be linked to runaway speculation in the futures exchanges, particularly speculation by non-commercial players. This has raised concerns on both sides of the aisle about the rules that govern these exchanges – and whether there are loopholes and other inequities across the foreign and domestic trading venues which are causing problems.

“We don’t want our U.S. market at a competitive disadvantage to foreign markets. And we don’t want these foreign markets trading U.S. energy futures without being subject to the transparency requirements and trading limitations that our domestic markets have.

“I am encouraged to see that the Commodity Futures Trading Commission has announced modifications to its Foreign Board of Trade process to address the disparities between the United Kingdom and our regulatory structures. This action is something that would have been required in H.R. 6130—legislation that 19 Republicans and I introduced last month. I only wish CFTC had not waited until legislation was proposed to get started on a job that should have begun awhile ago.

“The CFTC says it will require other foreign exchanges to be comparably transparent and provide similar position

and accountability limits on speculators that are applied to the U.S. exchange. This is a solid first step to getting control of any runaway speculation.

“The CFTC will form a federal interagency task force to examine the issues we will discuss today. This is also a good thing, along the lines of our legislation. I look forward to discussing with our witnesses today some of the questions that should be addressed in this study. For example, how futures prices in the cash market, especially in the forward months, impact the price of energy and other decisions in the physical marketplace.

“I also look forward to discussing whether recent CFTC actions are sufficient to safeguard against manipulation. For example, the CFTC did not address exemptions from trading limits provided for so-called swaps transactions, involving commodity index funds, which have grown tremendously with the weakening U.S. dollar.

“We’ll hear today that these non-commercial speculators have come to dominate futures trading over traditional speculators. I would like to know what that means for the integrity of these markets.

“Many members of both the House and the Senate have introduced all kinds of legislation dealing with futures markets and the CFTC, requiring all sorts of things from energy futures studies to the raising of margin requirements for speculators. I am cosponsoring H.R. 6238, Chairman Dingell’s bill, to establish an interagency working group to study the factors that affect the pricing of crude oil and refined petroleum products, and make recommendations on appropriate regulation. I hope that part of what we learn today will be what kinds of further congressional action are appropriate and necessary.

“Finally, let me say that the straightforward transparency that’s necessary for the markets is equally necessary for these proceedings today. This subcommittee traditionally takes its testimony under oath because it puts a high premium on the absolute accuracy of the information it receives. Today’s subject deals with a matter that affects the lives of millions of our people, and I don’t think it is possible to understate the strength of our expectation that we will receive only verifiable facts here today.

“Mr. Chairman, there are many witnesses who have a lot to say today. I thank you again and yield back the remainder of my time.”

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