

Congress of the United States
House of Representatives
Washington, DC 20515-2106

May 5, 2011

The Honorable Darrell Issa
Chairman
Committee on Oversight and Government Reform
2157 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Issa:

As Americans continue to suffer from the effects of the worst economic downturn since the Great Depression, and as we begin the peak driving season, I believe it is important to examine the degree to which oil prices are being artificially inflated by traders and any possible illegal market manipulation. As such, I write to respectfully request that the Committee hold a hearing on the effect of speculative investors on the nation's high, and increasing, price of gasoline.

Congress has a responsibility to address high energy costs, and determine their root causes. You and your Republican colleagues on the Committee have made clear in the past that you agree that Congressional oversight in this matter is essential:

- During the 110th Congress, you were an original cosponsor of H.R. 6130, which sought to study the effects of speculation in the futures markets for natural gas, crude oil, and gasoline on cash market and retail prices for the commodities and on the choice of trading venue, and to require the Commodity Futures Trading Commission to issue a notice of proposed rulemaking regarding comparability of foreign regulation of futures and derivatives trading.
- Also during the 110th Congress, you voted for H.R. 6604, the Commodity Markets Transparency and Accountability Act of 2008, which passed the House on a near-unanimous vote. Among other things, the bill directed the Commodity Futures Trading Commission (CFTC) to study the efficacy, practicality, and consequences of establishing position limits, other than bona fide hedge positions, that may be held by any person with respect to certain agreements, contracts, or transactions involving an agricultural or energy commodity. The bill also directed CFTC to appoint at least 100 new full-time employees to increase agriculture and energy market transparency and improve enforcement.
- At a 2008 hearing, you stated that "whether or not there has been any manipulation in process, I think, those of us at the dais have to be part of the solution to make sure that there is surplus of opportunities and options to compete with real energy alternatives."¹

¹ *Retail Gas Prices (Part II): Competition in the Oil Industry*, Hearing before the Task Force on Competition Policy and Antitrust Laws of the Committee on the Judiciary, May 22, 2008 (available at: <http://www.gpo.gov/fdsys/pkg/CHRG-110hrg42511/pdf/CHRG-110hrg42511.pdf>).

It has been estimated that “[s]peculators today have about 70 percent of the open interest in commodity markets...Ten years ago – they controlled roughly 30 percent of the market.”² Unlike trading in stocks and bonds of traditional companies, commodities speculation has a real effect on all Americans, driving up the price of gas and creating undue hardship for those already struggling to make ends meet. Goldman Sachs recently estimated that that every million barrels of oil held by speculators contributed to an 8 to 10 cent per barrel rise in the oil price.³ This is simply unacceptable.

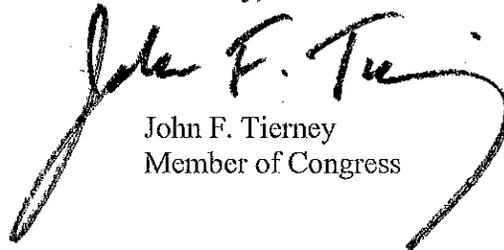
The Dodd-Frank Wall Street Reform and Consumer Protection Act required the Commodity Futures Trading Commission (CFTC) to set “position limits” on speculative trading positions with respect to commodities such as crude oil. However, this is an issue that Americans are facing now, and gas prices show no signs of abating anytime soon. In my home state of Massachusetts, gas is averaging \$3.95 per gallon, up 12 cents in just one week and 88 cents – nearly 30 percent – since the start of the year.

As you may know, the Obama Administration appears to be taking concrete oversight actions related to this critical issue. On April 21, the Department of Justice (DOJ) announced the formation of an Oil and Gas Price Fraud Working Group to address fraud in energy markets. It is my understanding that the working group will explore whether evidence exists of manipulation of oil and gas prices, collusion, fraud, or misrepresentations at the retail or wholesale levels in violation of state or federal laws.

Congress, and this Committee in particular, must fulfill its oversight obligations so that we may have a full accounting of the root causes of this issue. I urge you to move forward on this hearing as quickly as possible. There are many informative and bright potential witnesses who could testify to these issues, including representatives from the CFTC and DOJ working group, as well as industry officials and other policy experts.

Thank you for your consideration, and I look forward to your response.

Sincerely,



John F. Tierney
Member of Congress

² Faiz Shakir et. al., *The High Costs of Oil*, The Progress Report, Apr. 25, 2011.

³ See, David Sheppard, *Goldman Rocks Oil for Second Day, Sees \$105 Brent*, Reuters, Apr. 12, 2011 (available at: <http://www.reuters.com/article/2011/04/12/us-goldman-brent-recommendation-idUSTRE73B3EN20110412>).