



# ENERGY MARKET OVERSIGHT COALITION

September 4, 2007

United States Senate  
United States House of Representatives  
Washington, DC

Dear Senators and Representatives:

We, the undersigned members of the Energy Market Oversight Coalition, urge your support for greater transparency and accountability in the unregulated over-the-counter energy commodity markets, or “dark markets.” Excessive speculation and alleged manipulation in such markets have held American consumers and small businesses – and the economy at-large – hostage to unprecedented price volatility and uncertainty for far too long.

Behavior in these markets has direct and profound impacts on consumers of traded commodities, including crude oil, motor vehicle fuels, and vital heating fuels including natural gas, home heating oil and propane. While well functioning and transparent commodity exchanges play an important economic role, as “dark markets” continue to become the trading platform of choice for energy profiteers, they distort the economy and exploit the energy consumer.

In recent months, both the House and Senate have conducted hearings on energy market activity that have put to rest the notion that energy commodity markets are too big and too complex to be manipulated. In hearings held by the Senate Permanent Subcommittee on Investigations and the House Agriculture Subcommittee on General Farm Commodities and Risk Management, members of Congress shed light on the severe lack of federal oversight of these “dark markets.”

Most notably, Congress highlighted the flagrant attempt at price manipulation carried out by Amaranth Advisors LLC in 2006. On June 25, 2007, the Senate Permanent Subcommittee on Investigations released the bipartisan Levin-Coleman report entitled *Excessive Speculation in the Natural Gas Market*. The report concluded that price distortions in the natural gas market resulting from Amaranth’s excessive speculation evidenced “a broken regulatory system that has left our energy markets vulnerable to any trader with sufficient resources to alter energy prices for all market participants.”

Shortly after the release of this report, the CFTC announced major enforcement actions against Amaranth Advisors and Energy Transfer Partners, L.P., for attempted manipulation, and the Federal Energy Regulatory Commission (FERC) proposed fines totaling nearly a half billion dollars. However, much more needs to be done. Congress must strengthen the CFTC and give it the statutory and financial resources it needs to carry out much needed oversight of the unregulated OTC markets to prevent such manipulation from occurring in the first place.

*Principally, Congress must:*

**(1) Fully fund the CFTC to the amount requested, \$116 million.** We strongly urge the Congress to send a fiscal year 2008 funding measure to the President providing \$116 million for the Commodity Futures Trading Commission.

**(2) Pass legislation to implement recommendations found in the Senate Permanent Subcommittee on Investigations’ report, *Excessive Speculation in the Natural Gas Market*, especially the recommendation to eliminate the “Enron Loophole.”** Added at the behest of Enron lobbyists to the Commodity Exchange Act during a lame duck session of Congress in December 2000, the “Enron loophole” allows trading on exchanges free from any federal oversight or regulation. Originally designed to deregulate energy futures trading on the now defunct trading facility “Enron Online,” the exemption has allowed the growth of unregulated energy exchanges, which have picked up where Enron left off. These “dark markets” encourage excessive speculation and manipulation, thereby substantially and unnecessarily driving up the cost of energy to American consumers. Congress must give the CFTC regulatory authority over all electronic trading mechanisms, and subject them to the same regulatory mandates as designated contract markets, such as the New York Mercantile Exchange.

**(3) Include small business and consumer representation on all CFTC advisory committees.** Furthermore, we urge the creation of an Advisory Committee on Energy Markets composed of relevant small business interests, consumer groups, energy distributors, storage companies, industry experts and academics. This panel would offer technical advice on issues relating to reporting and surveillance of the energy markets, as well as spot new trends and issues that the Commission should address. Congress has the authority to scrutinize federal advisory committees under the Federal Advisory Committee Act, and we believe it should do so.

**(4) Carefully review future nominations to the CFTC.** The Senate must ensure that CFTC nominees understand the importance of properly balancing free market principals with the interests of energy consumers and the need to maintain a sound, stable economy. This will be especially important when considering a successor to former Chairman Reuben Jeffrey III.

**(5) And finally, continue to hold energy market players and regulators accountable, and encourage rigorous enforcement and oversight of all commodity markets.**

The votes you will cast on key legislation in the coming days, weeks and months can signal to your constituency a commitment to change. We urge you to make the right choices and put an end to excessive speculation on the “dark markets.”

Sincerely,

*(National & Regional Groups)*

Agricultural Retailers Association  
American Public Gas Association  
American Public Power Association  
Consumer Federation of America  
Industrial Energy Consumers of America  
Independent Oil Marketers Association of New England  
Mid-Atlantic Petroleum Distributor’s Association  
National Association of Convenience Stores  
National Association of Truck Stop Operators  
National Association of Wheat Growers

*(National & Regional Groups, continued)*

National Barley Growers Association  
National Grange  
New England Fuel Institute  
Pacific Northwest Oilheat Council  
Petroleum Marketers Association of America  
Petroleum Transportation and Storage Association  
Public Citizen  
Society of Independent Gasoline Marketers of America  
Steel Manufacturers Association  
Western Petroleum Marketers Association

*(State Groups & Affiliates)*

ALABAMA

Petroleum & Convenience Marketers of Alabama

ARKANSAS

Arkansas Electric Energy Consumers, Inc.  
Arkansas Gas Consumers, Inc.  
Arkansas Oil Marketers Association  
West Central Arkansas Gas Consumers, Inc.

CALIFORNIA

California Independent Oil Marketers Association

CONNECTICUT

Independent Connecticut Petroleum Association

COLORADO

Colorado/Wyoming Petroleum Marketers Association

FLORIDA

Florida Petroleum Marketers & Convenience Store Association

INDIANA

Indiana Petroleum Marketers & Convenience Store Association

IOWA

Iowa Association of Municipal Utilities  
Petroleum Marketers & Convenience Stores of Iowa

ILLINOIS

Illinois Petroleum Marketers Association  
Illinois Association of Convenience Stores

KANSAS

Petroleum Marketers & Convenience Store Association of Kansas  
Kansas Municipal Utilities

*(State Groups & Affiliates, continued)*

KENTUCKY

Kentucky Petroleum Marketers Association

LOUISIANA

Louisiana Oil Marketers & Convenience Store Association

MASSACHUSETTS

Massachusetts Oilheat Council

MAINE

Maine Oil Dealers Association

MICHIGAN

Michigan Petroleum Association

Michigan Association of Convenience Stores

Michigan Agri-Business Association

MINNESOTA

Minnesota Crop Production Retailers Association

MONTANA

Montana Petroleum Marketers & Convenience Store Association

NEBRASKA

Nebraska Petroleum Marketers & Convenience Store Association

NEVADA

Nevada Petroleum Marketers & Convenience Store Association

NEW HAMPSHIRE

Oil Heat Council of New Hampshire

NEW JERSEY

Fuel Merchants Association of New Jersey

Public Power Association of New Jersey

NEW YORK

Empire State Petroleum Association

New York Oil Heating Association

Oil Heat Institute of Long Island

NEW MEXICO

New Mexico Petroleum Marketers Association

NORTH DAKOTA

North Dakota Petroleum Marketers Association

OHIO

Ohio Petroleum Marketers & Convenience Store Association

OKLAHOMA

Municipal Electric Systems of Oklahoma

*(State Groups & Affiliates, continued)*

OREGON

Oregon Petroleum Association

PENNSYLVANIA

Pennsylvania Petroleum Marketers & Convenience Store Association

RHODE ISLAND

Oil Heat Institute of Rhode Island

SOUTH DAKOTA

South Dakota Petroleum Marketers Association

South Dakota Association of Convenience Stores

TENNESSEE

Tennessee Oil Marketers Association

UTAH

Utah Petroleum Marketers & Retailers Association

VERMONT

Vermont Fuel Dealers Association

VIRGINIA

Virginia Petroleum, Convenience & Grocery Association

WASHINGTON STATE

Washington Oil Marketers Association

WEST VIRGINIA

West Virginia Oil Marketers and Grocers Association

WISCONSIN

Wisconsin Petroleum Marketers & Convenience Store Association

Wisconsin Crop Production Association

Municipal Electric Utilities of Wisconsin