

## **\$100 Oil Here to Stay, Thanks to Enron Loophole**

*Prices May Retreat Today, But Dealers Say It's Time to Close Commodities Loopholes Once and for All*

February 20, 2008 (Boston, MA) — Although the price of oil has slipped back under \$100, it will be back, thanks to loopholes in federal commodities regulation that let speculators manipulate the market, home heating oil dealers said today.

"Speculators and profiteers are making record profits, which are coming directly out of the pockets of American families and small businesses, and they're using loopholes in federal law to do it," Shane Sweet, of the New England Fuel Institute, said. "Congress cannot afford to dither any longer on this. They have to close these loopholes now."

Sweet said that Congress has moved toward closing one of these loopholes, the Enron Loophole, but the current solution is not complete. A proposal to address the Enron Loophole was included in the 2007 Senate Farm bill, which is currently undergoing conference negotiations. It is not clear if the important measure will be included in the final bill.

A June 2007 U.S. Senate staff report, "The Role of Market Speculation in Rising Gas and Oil Prices: The Need to Put the Cop Back on the Beat," noted that as much as 40 percent of the cost of a barrel of oil is due to speculation, Sweet said. He estimates that could be nearly \$1.00 per gallon paid for any given petroleum product, including gasoline and heating oil.

"These numbers do not reflect supply and demand, they reflect fear and speculation," Sweet said. "It is irrational behavior on a global scale and it is ultimately at the expense of American consumers and small businesses."

The Enron Loophole is so called because it was put in place by lobbyists for Enron during a lame-duck session of Congress in December 2000. It exempts some specific electronic trading mechanisms, used to deal in energy commodities, from federal oversight requirements. These electronic mechanisms have now become the primary means by which energy commodities futures are bought and sold.

The New England Fuel Institute often cites another loophole, the "Foreign Markets Loophole," as a culprit. This loophole differs from the Enron Loophole as it is an administrative loophole within the Commodity Futures Trading Commission (CFTC), the federal agency responsible for monitoring and regulating the futures markets. It allows American financial interests to trade U.S. energy commodities overseas, thereby circumventing federal oversight.

"American families are paying record high prices for home heating oil so Wall Street traders can take home billions in bonus payments," Sweet said. "The policymakers in Washington need to finish the job and make sure that these loopholes are permanently and meaningfully closed once and for all."

Individuals can contact their Representatives and Senators about this issue via email at <http://www.closetheonronloophole.com/>

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