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November 12, 2008

The Honorable Keith B. Hennessey  
Assistant to the President for Economic Policy and Director, National Economic Council  
The White House  
Washington, DC 20500

Dear Mr. Hennessey:

On behalf of the 8,000 members of our association, comprised mainly of small business men and women who distribute heating oil, gasoline, and diesel fuel across America, PMAA applauds your efforts to examine how global financial market regulation should be reformed and urges you to consider the need for international cooperation regarding the commodity futures market and rampant speculation in the energy industry.

The inexplicable oil price swings of the last 15 months (\$68 per barrel in August 2007, \$147 per barrel in July 2008, and \$58 per barrel today) coupled with the complete meltdown of the U.S. financial system are due to a willful disengagement by policymakers relative to oversight and transparency, and hubris shown by the financial services industry as a result of inadequate regulation.

Commodity markets were not designed as an investment class, they were created for physical hedgers to manage price risk by entering into a futures contract to lock in a price for future delivery. A traditional speculator would be on the other end of the contract to take on the risk for the physical hedger. Traditional speculators serve an important healthy role in the commodities market. They provide liquidity to the market without falsely altering price discovery. However, by buying large quantities of "paper oil," non-traditional speculators such as pension funds and endowment funds control a meaningful portion of the market which forces prices higher than what supply and demand fundamentals dictate. Such speculators never intend to take physical delivery of the product. This amounts to hoarding.

Futures markets have become disconnected from (*the actual physical commodities*) supply and demand fundamentals. To help ensure that all energy commodities are free from manipulation and excessive speculation, PMAA urges international cooperation in imposing transparency and position limits on non-commercial oil speculators and accountability levels on gasoline, heating oil and other petroleum distillates futures contracts.

PMAA has communicated about this issue for three years and has testified before Congress numerous times. We hope that you will consider commodity futures regulatory measures to ensure that consumers are paying what supply and demand fundamentals dictate.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dan Gilligan', written in a cursive style.

Dan Gilligan  
President