



ENERGY MARKET OVERSIGHT COALITION

July 3, 2008

The Honorable George W. Bush
President of the United States
The White House
Washington, DC 20500

SUBJECT: EXCESSIVE SPECULATION IS A DRIVING FORCE IN ENERGY PRICES

Dear Mr. President:

As the undersigned members of the Energy Market Oversight Coalition, we urge you to address the subject of excessive energy speculation that threatens the U.S. and other economies at the G8 Summit in Japan on July 7-9, 2008. Swift action by G8 governments and leaders is necessary to stem the cost increases in energy that threaten the stability of global energy markets.

Our groups represent the most vital sectors of the U.S. economy, including agriculture, air travel, energy distribution and storage, gasoline and diesel fuel retail, heating fuel retail and service, trucking, manufacturing, small businesses and household consumers. The huge spike in energy costs is drastically affecting our industries, trades, and consumers. We rely on the futures markets in order to provide stability and risk management, and we count on these markets to determine a fair price for energy commodities based on basic economic fundamentals. We believe these markets do not fully reflect essential supply and demand forces. Irrational and excessive speculation is now a driving force behind the pricing of energy commodities.

The extent to which these markets have become “disconnected” from economic fundamentals and the degree to which runaway speculation is driving the markets are matters of some contention. This has become a vigorously debated subject in several hearings in recent weeks on Capitol Hill and is now a major issue in the national press. Numerous market experts have testified before lawmakers and regulators and published studies showing the effect that pure speculation has had on the rising price of energy. The common message is clear. Speculators are now the dominant force in the energy futures markets, eclipsing the presence of physical hedgers in these critical markets.

Our groups believe in open, stable, and vibrant free markets. Properly functioning commodities markets are essential to our economic well-being; however such markets are only healthy if they are also transparent, accountable and subject to the rule of law. Not all energy commodities trades and trading environments are subject to the transparency and anti-manipulation rules of the Commodity Exchange Act and to the oversight of federal regulators, and in fact, some trading is completely opaque and is afforded blanket regulatory exemptions. How are we to have confidence in markets that operate in the dark and without oversight?

(more)

Mr. President, we believe that the time for debate and studies has ended and we urge you to take action. Specifically, we urge you to:

- 1. Raise the issue of speculation and global commodities trading when you meet with world leaders at the G8 summit next week.** We are hopeful that G8 leaders will consider new inter-governmental cooperation in the oversight of global energy trading. An international monitoring regime will help to ensure full transparency, accountability, and anti-manipulation measures across all energy futures trading environments and mechanisms.
- 2. Require Chairman Walt Lukken and the Commissioners of the Commodity Futures Trading Commission (CFTC)** to address speculation in the U.S. energy markets by increasing regulatory oversight and enforcement, and implementing new and aggressive speculative trading limits and margin requirements on non-physical market participants.
- 3. Sign into law legislation to be sent to you by Congress** designed to strengthen the CFTC's authority and resources and close all trading loopholes, including the "Enron," "Foreign Markets," and "Swaps Trading" loopholes.

Mr. President, we are looking to you for action. Americans rely on affordable energy to get to work and heat and cool their homes. Affordable energy is needed for America's farmers, builders, contractors, transporters, manufacturers, retailers, airlines and other businesses to provide the quality goods and services that fuel our economy. Please see to it that the cost of energy – the lifeblood of the American economy – is reconnected to economic realities, and that the artificial demand created by "paper traders" be limited to ensure rational behavior in the futures markets.

By seeing through the recommendations above, you will help restore confidence in the energy markets.

Thank you for your consideration.

Sincerely,

Agricultural Retailers Association	www.aradc.org
American Trucking Associations	www.truckline.com
Air Transport Association	www.airlines.org
Consumer Federation of America	www.consumerfed.org
Gasoline and Automotive Service Dealers of America	www.gasda.org
Independent Oil Marketers Association of New England	www.iomane.com
Industrial Energy Consumers of America	www.ieca-us.com
Mid-Atlantic Petroleum Distributor's Association	www.mapda.org
National Association of Truck Stop Operators	www.natso.com
National Association of Oilheating Service Managers	www.naohsm.org
National Consumer Law Center <i>*on behalf of its low-income consumers</i>	www.consumerlaw.org

(more)

National Farmers Union	www.nfuonline.com
New England Fuel Institute	www.nefi.com
Pacific Northwest Oilheat Council	www.pnwoilheat.com
Petroleum Marketers Association of America	www.pmaa.org
Petroleum Transportation & Storage Association	mmorganptsa@cox.net
Public Citizen	www.citizen.org
Renewable Fuels Association	www.ethanolrfa.org
Western Petroleum Marketers Association	www.wpma.com

cc: The Hon. Richard B. Cheney, Vice President of the United States of America
The Hon. Harry Reid, United State Senate Majority Leader
The Hon. Nancy Pelosi, Speaker of the U.S. House of Representatives
The Hon. Steny H. Hoyer, U.S. House of Representatives Majority Leader
The Hon. Mitch McConnell, United States Senate Minority Leader
The Hon. John A. Boehner, U.S. House of Representatives Minority Leader
The Hon. Ed Schafer, Secretary of Agriculture
The Hon. Michael Mukasey, Attorney General
The Hon. Samuel Bodman, Secretary of Energy
The Hon. Henry Paulson, Jr., Secretary of the Treasury
The Hon. Ben Bernanke, Chairman of the Board of Governors of the Federal Reserve
The Hon. Walt Lukken, Acting Chairman, Commodity Futures Trading Commission
The Hon. Michael Dunn, Commissioner, Commodity Futures Trading Commission
The Hon. Jill Sommers, Commissioner, Commodity Futures Trading Commission
The Hon. Bart Chilton, Commissioner, Commodity Futures Trading Commission
The Hon. Christopher Cox, Chairman of the Securities and Exchange Commission
The Hon. Joseph T. Kelliher, Chairman of the Federal Energy Regulatory Commission
The Hon. William Kovacic, Chairman of the Federal Trade Commission
