



Industrial Energy Consumers of America
The Voice of the Industrial Energy Consumers

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NEWS RELEASE

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Headline: “Industrial Energy Consumers of America Applaud Senator Lincoln for Derivatives Reform Legislation”

(Washington D.C.) Today, the Industrial Energy Consumers of America (IECA) applauded Senate Agriculture Committee Chairwoman Blanche Lincoln (D-AR) for her introduction of the Wall Street Transparency and Accountability Act of 2010. IECA President Paul Cicio said, “I congratulate Senator Lincoln for her leadership in introducing comprehensive derivatives market reform legislation to help bring an end to excessive speculation that has caused increased costs and volatility to the commodity derivatives markets that we use to hedge our financial risk. We are also grateful that Senator Lincoln recognizes that end-users such as ourselves do not speculate, did not contribute to the financial collapse and thus are exempt from clearing and posting margin under this legislation.”

The commodity futures and options markets were created to serve the needs of producers and consumers to help manage financial risk. In 2000, that all changed when speculators from Wall Street (banks, hedge funds, sovereign and passive funds) began to overrun these markets and as a result, home owners, farmers and manufacturers have paid a huge price. As an example, natural gas prices doubled in the first half of 2008 causing consumers to pay over \$40 billion more than they should have. That was only one of several energy and agriculture commodities that saw its price double.

IECA has supported market reform for several years when it became apparent that Wall Street speculators were having a significant and undesirable impact on the price and volatility of energy commodities that we purchase, such as natural gas. The lack of transparency in the over-the-counter (OTC) market and a large number of exemptions from speculative position limits to speculators on Wall Street has made it impossible for the Commodity Futures Trading Commission (CFTC) to effectively regulate the market. As a result, we now have markets that serve speculators versus bonafide hedgers.

For illustration, in 1998, physical hedgers represented 77 percent of the market, traditional speculators were 16 percent and index speculators were 7 percent. In 2008, physical hedgers were only 31 percent, while traditional speculators rose to 28 percent and index speculators rose to 41 percent of the total. This trend is unsustainable.

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with \$800 billion in annual sales and with more than 750,000 employees nationwide. It is an organization created to promote the interests of manufacturing companies through research, advocacy, and collaboration for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets