



ICPA, 10 Alcap Ridge, Cromwell, Connecticut 06416 Tel 860-613-2041 Toll Free 866-521-ICPA Fax 860-632-1122 website [www.icpa.org](http://www.icpa.org)

Contact: Gene Guilford [gene@icpa.org](mailto:gene@icpa.org)

For Immediate Release November 27, 2007

---

**CONGRESS NEEDS TO ACT ON ENERGY** *"From the well documented manipulation of California's electricity market by Enron, to the multi-billion dollar melt down of the hedge fund Amaranth that was manipulating natural gas pricing, or or the recent settlement of BP for having manipulated the propane markets, the manipulation of the oil market outlined by Senators Levin and Coleman, it is glaringly obvious that there is something nefarious going on.."* [Cromwell, CT] Many reasons have been given recently for the record price of oil: increased worldwide demand, lagging production, instability in producing regions, and the weakness of the US dollar. All of these are true. However, the one reason that many believe is the driving factor is the one that has received the least amount of coverage- the role played by speculative interests, such as hedge funds and investment banks.

According to the US Department of Energy, the price for benchmark US crude oil on September 7, 2007 was \$68.93 per barrel. Sixty days later it was flirting with \$100 per barrel. Had world demand suddenly sky-rocketed during the course of two months? Had a major producing country halted production without anyone knowing? While the value of the US dollar did continue its slide against foreign currencies it had been weak previously.

Take the results of two recent trading days as an example of the role that speculators play in energy pricing. On Tuesday November 13, 2007 oil prices fell \$3.45 per barrel, attributed by many to the International Energy Agency stating that worldwide demand was predicted to fall due to high prices. What was barely reported, if mentioned at all, was November 13 was the expiration for buying crude oil options for the December 2007 contract. Which of these rationales is correct? While no one can say for sure, oil closed on November 14, 2007 up \$2.92 per barrel. Since the IEA did not reverse their forecast of a day earlier, it appears the previous day's actions were more the result of the options expiration. How is it that speculation, which has been a staple of our modern financial system since the days of Alexander Hamilton, caused so much havoc in the price we pay for energy?

In the lame duck legislative session in December 2000 Congress passed the "Enron Loophole" as part of the Commodity Futures Modernization Act. The loophole allows electronic exchanges set up for large traders to operate without 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 and opaque "dark markets." Some experts estimate as much as 75 percent of trading is conducted on these "dark markets," encouraging excessive speculation and opening wide the door to manipulation.

Senators Carl Levin (D-Michigan) and Norm Coleman (R-Minnesota) Chairman and Ranking Member of the United States Senate Permanent Subcommittee of Investigations issued a report in June 2006 that indicated some experts felt that as much as \$20-\$25 per barrel of the (then) \$70 per barrel crude oil price was the result of speculative forces and unsupported by the fundamentals of worldwide supply and demand. Some have recently opined that the "fundamental" price of crude oil, including the relative weakness of the US dollar, should be in the \$55 per barrel range.

From the well documented manipulation of California's electricity market by Enron, to the multi-billion dollar melt down of the hedge fund Amaranth that was manipulating natural gas pricing, or or the recent settlement of BP for having manipulated the propane markets, the manipulation of the oil market outlined by Senators Levin and Coleman, it is glaringly obvious that there is something nefarious going on. That this activity is going on just outside of the reach of the Commodity Futures Trading Commission (CFTC), the federal agency charged with ensuring the free and fair trade of commodities, is nothing less than a travesty, and a very expensive travesty for consumers and businesses alike.

At the end of 2006 it was widely reported that Wall Street paid in excess of \$23 Billion in bonuses to traders. In the next few weeks you will hear of this year's astronomical bonuses being paid on Wall Street. Remember that while we are not receiving those bonuses, we are paying for them.

United States Secretary of Energy Samuel Bodman succinctly stated last month, "(Oil) prices are now set in trading rooms of New York and London and Frankfurt and Tokyo" Its long past time for Congress to require the transparency, accountability, and disclosure necessary to the proper functioning of all markets, including the energy market.

It's time for Congress to pass S.2058/H.R.4066, and finally Close the Enron Loophole. On behalf of the electricity, natural gas, propane and petroleum consumers of our state we believe every member of the Connecticut Congressional delegation needs to co-sponsor this legislation, as Congressman John Larson has, and seek its immediate passage by Congress.

For More Information See: <http://www.closetheonronloophole.com/>

ICPA represents more than 500 Connecticut based independent businesses. These businesses employ 13,000 Connecticut citizens and supply the majority of our state's 1,600 motor fuels outlets and 350 heating fuels dealers. ICPA's offices are at 10 Alcap Ridge, Cromwell, CT 06416.

More than 80 groups from around the country are involved in this effort - see [www.closetheonronloophole.com](http://www.closetheonronloophole.com).

Take action! Contact your state's Senators and Representatives and ask for their support for S.2058 & H.R. 4066 today.