Gas Prices

Sky-High
Gas Prices

Americans are facing record high gas prices. Even as many of us cut down on driving and demand for fuel goes down, prices continue to skyrocket. This trend can't be explained by supply-and-demand economics. So how did we get here? The more I investigate this energy crisis, the more convinced I become that the root of the problem lays in speculation in unregulated commodities futures markets.

Gas prices in America are being distorted and consumers are paying the price, at the pump and elsewhere. The petroleum market is so deeply intertwined with every other segment of our economy that rising oil prices have caused every American's cost of living to shoot up. One important example is how rising gas prices have influenced the price of staple foods like wheat and milk - when oil prices are high, it costs more to produce food and to ship it, and consumers get stuck with the bill once again. I truly believe out-of-control oil prices are a major destabilizing force in our economy, which is why it is time for Congress to step in. We have to protect America's economy.

The Cause

Traditional equity markets have become more and more unstable in recent years, leading many investors to put their money in commodity investments, which have stayed relatively stable. Oil futures have become one of the most lucrative types of commodity investments. To get a sense of how popular oil futures have become, just consider that in 2000, about $9 billion was invested in oil futures. Today that number has risen to about $250 billion.

Many investors buy oil future contracts in what are called over-the-counter or "dark" markets, meaning the markets that are exempt from government regulation. Because oil future contracts have become so popular, investors engage in bidding wars, driving up the selling prices for these contracts. These investors never actually receive the oil or distribute it to consumers - they just own contracts on the oil for the future. That's why we call it speculation. But by the time the oil is purchased by distributors, the artificially inflated costs of the oil are already built into the price tag, and American consumers pay the price for this at the pump.

Fixing
a Broken System: How the Consumer
Oil Price Protection Act Helps

My Consumer Oil Price Protection
Act (HR 6264) would require that anyone investing in oil futures or swaps on the unregulated market be able to take inventory of the product in which they are
investing. This takes pure speculation out of the equation, leaving oil to be bought by those who are going to use or distribute it themselves. This should help in restoring a supply-and-demand equilibrium to the petroleum market, bringing real relief to consumers.

Outside Support:
Who Else Recognizes the Need for Reform?

- On May 1, 2008, Senator Jeff Bingaman from New Mexico, who is the chairman of the Energy and Natural Resources Committee, gave a speech in which he cited the role of speculators as one of the primary forces driving up energy costs.

- In a statement he gave to Congress, Fadel Gheit, managing director and senior oil analyst with Oppenheimer & Co. Inc (a leading investment firm), said that he believes current oil prices are inflated by as much as 100% and that he feels that "industry fundamentals of supply and demand" do not justify the current prices. He stated that they are "driven by excessive speculation."

- Bart Chilton, the U.S. Commodity Futures Trading Commissioner, sent a letter to the Senate on May 19 of this year, expressing his support for the review they are conducting of speculative trading in commodity markets, specifying that the review "should not be limited to on-exchange activities of index traders and hedge funds."

- Stephen Simon of Exxon Mobil Corp said in a congressional hearing in April that speculation in futures markets is one of the major causes of exorbitant oil and gas prices.

- Back in 2005, Lee Raymond, then the chairman and CEO of Exxon Mobil, said "We are in the mode where the fundamentals of supply and demand really don't drive the price."

For

more information on the Consumer
Oil Price Protection (COPP) Act - HR6264, follow this link:

- Bill Text and Summary

Press Releases

6/13/08 - Congressman Larson Introduces Legislation to Fix Broken Energy Markets, Lower Gas Prices

5/29/08 - Larson Continues to Advocate for Regulating Speculators, Commends CFTC for Increases in Oversight, But Needs to go Farther

5/14/08 - Larson: The Farm Bill Takes Steps to Lower Gas Prices and Regulate the Oil Market

4/1/08 - Oil Executives Reaffirm Larson Position: Speculation is Driving Up Energy Prices

3/31/08 - Larson Proposes Legislation to Lower Energy Prices

Other
Legislation

I am also a co-sponsor of Congressman Bart Stupak's "Pump" (Prevent Unfair Manipulation of Prices) Act, HR594. This legislation would extend regulations and controls over markets that have been exempt. For more information about Congressman Stupak's legislation, please click here .

Earlier this year, I supported efforts in Congress to suspend filling of the Strategic Petroleum Reserve. The Strategic Petroleum Reserve was 97% full, yet President Bush refused to stop depositing thousands of barrels of oil a day into it. Congress voted overwhelmingly to force him to stop, returning the oil to markets in an effort to lower prices.

The
Real Record on Gas Prices

The New Direction Congress has passed a number of key bills to reduce the burden of rising gas prices on Americans and make America less dependent on foreign oil - Minority Leader John Boehner and most Congressional Republicans voted against each one. Here is a little information on those bills:

- The No Oil Producing and Exporting Cartels (NOPEC) Act - H.R. 2264 : This legislation enables the Department of Justice to take legal action against OPEC-controlled entities for participating in oil cartels that drive up oil prices globally and in the United States.
It does so by making clear that OPEC-controlled entities are not covered by the provisions of the Foreign Sovereign Immunities Act when acting in a commercial capacity; and it authorizes the Department of Justice to bring lawsuits in U.S. courts against cartel members.

Passed: May 22, 2007; 345-72 (Dem: 220-5, Rep: 125-67).

- The Energy Price Gouging Act - H.R. 1252 : This legislation will reduce the burden of rising gas prices on American families, providing immediate relief to consumers by giving the Federal Trade Commission (FTC) the authority to investigate and punish those who artificially inflate the price of energy. It ensures the federal government has the tools it needs to adequately respond to energy emergencies and prohibit price gouging - with a priority on refineries and big oil companies.

Passed: May 23, 2007; 284-141 (Dem: 228-1, Rep: 56-140).

- The Renewable Energy and Energy Conservation Tax Act of 2008 - H.R. 5351 : With Exxon Mobil ranked as the most profitable company in 2007, it is unnecessary for taxpayers to subsidize Big Oil. This bill will end unnecessary subsidies to Big Oil companies and invest in clean, renewable energy and energy efficiency. It will extend and expand tax incentives for renewable electricity, energy and fuel, as well as for plug-in hybrid cars, and energy efficient homes, buildings, and appliances. These provisions are critical to creating hundreds of thousands of jobs. And the preservation of existing jobs relies on them too: a recent study showed that allowing the renewable energy incentives to expire would lead to about 116,000 jobs being lost in the wind and solar industries through the end of 2009.

Passed: February 27, 2008; 236-182 (Dem: 219-8, Rep: 17-174).

- The Market Manipulation Provisions in the Energy Independence and Security Act of 2007: The Energy Independence and Security Act of 2007 - signed into law in December - made it unlawful for any person to report false information on the wholesale price of gasoline or petroleum and required the Federal Trade Commission (FTC) to enforce and punish those found guilty of market manipulation. It is imperative that the FTC act now to crack down on these abusive practices.

Drilling is Not the Answer

The Republican answer to our gas crisis is only "drill more." They say Congress needs to act to open up more land to the oil companies.

But that's really a solution in search of a problem. Here's why:

- There are 68 million acres onshore and offshore in the U.S. that are leased by oil companies-open to drilling and actually under lease-but not developed.

- 80 percent of the oil available on the Outer Continental Shelf is already open for leasing-but the oil companies haven't decided it's worth their money to drill there.

- Drilling in the Arctic Wildlife Refuge wouldn't yield any oil for 10 years-and then would only save the consumer 1.8 cents per gallon in 2030.

- All told, the U.S. has only 1.6 percent of world's known oil supply. But every day, Americans use a quarter of the world's daily oil consumption.

The fact is, we CAN'T drill our way out of this problem.

Press Releases

4/30/08 - The Blame for High Oil Prices Lies at the President's Feet

Additional Information

The
Bush Administration’s Energy Policy: A Five Year Review   (House
Government Reform Committee Democrats)

Price
Increases in the Aftermath of Hurricane Katrina: Authority to Limit Price
Gouging (Library of Congress)

- Short
Term Energy Outlook   (Energy Information Administration)

- Gasoline
and Diesel Fuel Update (Energy Information Administration)