



ENERGY MARKET OVERSIGHT COALITION

February 15, 2008

The Honorable Tom Harkin, Chairman
Senate Committee on Agriculture,
Nutrition and Forestry
United States Senate
Washington, DC 20510

The Honorable Saxby Chambliss, Ranking
Senate Committee on Agriculture,
Nutrition and Forestry
United States Senate
Washington, DC 20510

The Honorable Collin Peterson, Chairman
House Committee on Agriculture
U.S. House of Representatives
Washington, DC 20515

The Honorable Bob Goodlatte, Ranking
House Committee on Agriculture
U.S. House of Representatives
Washington, DC 20515

SUBJECT: INCLUDE SENATE-PASSED “CFTC REAUTHORIZATION ACT” IN FARM BILL CONFERENCE NEGOTIATIONS

Dear Chairman Harkin, Chairman Peterson, Ranking Members Chambliss and Goodlatte:

We, the undersigned members of the Energy Market Oversight Coalition, represent an array of agricultural, motor vehicle and home heating fuel, small business, public gas and public power systems, and consumer interests. As you engage in conference negotiations for the Farm Bill (H.R. 2419), we urge you to include in the final bill the U.S. Senate-passed “Commodity Futures Trading Commission (CFTC) Reauthorization Act of 2007.”

The legislation, found in Sections 13201-13204 of the Senate Farm Bill, is vital to our economic security. In recent years, American families and small businesses have faced an unprecedented increase in the price of energy, including crude oil, heating oil, natural gas, propane, and other commodities. Our coalition believes that excessive speculation and abusive trading practices on unregulated energy exchanges is playing a role. As evidenced by the \$6.5 billion collapse of natural gas hedge fund giant Amaranth Advisors in 2006, trading by one market player can distort the price of energy. It is time to put an end to this type of abuse by bringing full transparency and accountability to all energy exchanges.

The Senate CFTC Reauthorization Act would be a huge leap in the right direction. Like the version of the Act approved by the House Agriculture Committee, the Senate recommended improvements to the Commodity Exchange Act designed to restore CFTC authority over energy futures trading on electronic exchanges. However, the Senate included several additional provisions essential to comprehensive oversight of these markets, including:

- Giving the CFTC clear authority to determine whether or not a contract trading on an exchange is performing a price discovery function, and applying all CFTC enforcement authorities to the trading of these contracts. Such a determination would not be subject to formal administrative proceedings.

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- A requirement that the CFTC to conduct an annual review of contracts on electronic exchanges to determine if they are price discovery contracts. Electronic exchanges would have to report to the CFTC if it believes that one of its contracts is price discovery.
- A requirement that electronic exchanges apply vital position limits to contracts traded in order to keep traders from buying up too many contracts and “cornering the market.” It would also apply position limits to Derivatives Transaction Execution Facilities (DTEFs).
- A core principle requiring electronic exchanges to avoid antitrust violations (already applicable to other regulated entities).

In light of unprecedented speculation and volatility in the energy commodity markets, it is time to close these gaps in federal law and start down the path of real transparency in all energy trading environments.

Thank you for your consideration.

Sincerely,

Agricultural Retailers Association	www.aradc.org
American Public Gas Association	www.apga.org
American Public Power Association	www.appanet.org
Consumer Federation of America	www.consumerfed.org
Gasoline & Automotive Service Dealers of America, Inc	www.gasda.org
Industrial Energy Consumers of America	www.ieca-us.com
Independent Oil Marketers Association of New England	www.iomane.com
National Association of Truck Stop Operators	www.natso.com
National Association of Wheat Growers	www.wheatworld.org
National Barley Growers Association	www.nationalbarley.org
New England Fuel Institute	www.nefi.com
Pacific Northwest Oilheat Council	www.pnwoilheat.com
Petroleum Marketers Association of America	www.pmaa.org
Petroleum Transportation and Storage Association	mmorganpts@cox.net
Public Citizen	www.citizen.org
Society of Independent Gasoline Marketers of America	www.sigma.org
Western Petroleum Marketers Association	www.wpma.com

cc: The Honorable Nancy Pelosi, Speaker of the House
The Honorable Steny Hoyer, Majority Leader
The Honorable John Boehner, Republican Leader
The Honorable Harry Reid, Majority Leader
The Honorable Mitch McConnell, Republican Leader
Senate Farm Bill Conferees
House Farm Bill Conferees