

LoBiondo Leads Legislation to Curb Runaway Speculation in Oil Markets (The Cape May Herald)

By Herald Staff

WASHINGTON, D.C. — Concerned with the effects of the increasing price of fuels on South Jersey families and small businesses, U.S. Rep. Frank A. LoBiondo (R-2nd) has joined with Rep. John B. Larson (D-Conn-1st) on bipartisan legislation that would prohibit unregulated speculation in the energy futures market.

Currently, so-called "pen-and-paper" speculators, who have no association with energy-producing companies nor assume physical control over inventories of crude oil, heating oil or diesel fuel, are permitted to sell and resell energy contracts without ever taking delivery of the commodity (i.e. barrel of oil etc).

The "Consumer Price Protection Act" would limit participation in energy futures markets to those who either produce or take delivery of energy supplies. Corporations, such as the airline industry and utilities companies who seek to lock in the best price for energy supplies, would not be affected by this legislation.

"From our families to our businesses, everyone is feeling the financial strain from increasing fuel costs. When we see oil prices spike not because of the demand by consumers, but because of the mere speculation by energy traders, then every American should be outraged and Congress is required to act," stated LoBiondo, an original cosponsor of the legislation, in a release. "This legislation is critical to bringing fairness, stability and transparency to the energy futures market which will, in turn, provide relief to consumers from unjustified spikes in fuel costs."

"I recognize the role that speculators play in a functioning market. But with the volume of trades and amount of money in today's market, that role has been grossly distorted," said Larson, vice chair of the Democratic Caucus. "I know that this is a bold step. But, given the gravity of the current situation, bold action is exactly what's needed."

Since 2000, investment in oil futures has increased from \$9 billion to \$250 billion. Energy experts, including those at the Energy Information Administration, estimate that speculation is currently adding anywhere from 10 to 100 percent to the true cost of a barrel of oil. Current law exempts certain transactions, including energy futures speculation, from the Commodities Futures Trading Commission's (CFTC) oversight. The "Consumer Price Protection Act" would seek to remove that exemption, allowing the CFTC to remove excess speculation and increase transparency in the market. This, in turn, has the possibility to noticeably lower gas prices for consumers.

Fellow New Jersey Rep. Chris Smith (R-4th) is also a cosponsor of H.R. 6264, the "Consumer Price Protection Act."

Earlier this week, LoBiondo joined with fellow Rep. Mike Castle (Del.-At-large) in a letter to Environmental Protection Agency Administrator Steve Johnson urging that the agency accelerate the development of biofuels made from wood waste, crop waste, and other materials that do not divert food and feed from domestic and international supplies.

Joined by 56 of their colleagues in the letter, Castle and LoBiondo have been strong proponents of diversifying energy sources to include ethanol production based on vegetable byproducts and alternative energies such as solar and wind.