

Oil dealers seek to curb speculators
By HOWARD WEISS-TISMAN
Brattleboro Reformer, Brattleboro, Vermont
July 29, 2009

BELLOWS FALLS -- After banging on Washington's door for almost four years, demanding that federal regulators stop speculators from driving up heating oil prices, Vermont oil dealers might finally be getting somewhere.

Commodity Futures Trading Commission Chairman Gary Gensler said at a special hearing in Washington, D.C., Tuesday that his agency planned to look into the claim that investment bankers and hedge fund managers are partly to blame for driving up the price of oil.

"I believe we must seriously consider setting strict position limits in the energy markets," Gensler said in his opening remarks, which were published on CFTC Web site. "This morning's hearing and the two to follow will help inform this commission of the merits of possible new rules to set limits to protect the American public."

The CFTC also said it would issue a report next month showing that the spike in oil prices last year was largely caused by investment bankers, reversing the Bush administration's assertion that Wall Street was not behind the wild swing in oil prices last year.

Crude oil peaked at \$147 a barrel last summer before dropping to \$33 a barrel by the end of the year.

Bellows Falls fuel dealer Sean Cota was in Washington, Tuesday, asking the CFTC to "do everything in your power to fix these broken markets."

Cota, and other fuel dealers from the Northeast, have said for years that fluctuations in oil prices are driven by large investment banks that buy up large supplies of oil and hold on to them until prices spike.

Families in Vermont who are forced to pay more than \$3 a gallon for oil in the winter are the ones who pay in the end, Cota said.

Cota spoke at the hearing, Tuesday.

In his statement, Gensler recognized the impact high oil prices have on working people.

"The work we do and the policies we implement have meaningful implications on the day-to-day lives of the American people," he said. "Gasoline prices, for example, can determine whether a family takes a summer vacation. It is our job to make certain that futures markets work for the American people."

Sen. Bernard Sanders, I -Vt., delayed Gensler's confirmation earlier this year because Gensler had previously said that he did not think there should be increased limits on energy trading.

Sanders also testified at the hearing Tuesday, and he said later in the day that Gensler's comments marked an important new direction for the agency.

"The Commodity Futures Trading Commission is a very important agency of the government," Sanders said. "When (Gensler) and I talked, he convinced me that he was looking at the world in a different way than he had previously. I

believe he is going to move the agency in a different direction than it had been moving under the Republican leadership. He is raising the right issues."

Sanders has introduced legislation that would require the commission to exercise emergency powers to limit speculation.

At a time when the supply of oil is at an all time high, and the global recession has caused a downturn in demand, Sanders said it makes no sense that the price of oil continues to climb.

"We live in a rural state where people drive a lot and people heat with oil. Vermonters are affected by high oil prices," said Sanders. "People want to know why the price of gas is increasing and the answer is increasingly clear that it has nothing to do with supply and demand and everything to do with speculation in the oil market."

Rep. Peter Welch, D-Vt., who met Sean Cota on the streets of Bellows Falls a few years ago and heard about the effects Wall Street bankers have on oil prices, said the hearings are an important first step in reigning in the speculators.

"Vermonters are fed up with energy speculators who are driving up the price of gas and home heating oil in order to make a quick buck on the backs of the middle class," Welch said. "Chairman Gensler's comments today indicate that the commission is finally recognizing the depth of this problem. I hope his words are backed up with prompt action."

Vermont Fuel Dealers Association Executive Director Matt Cota, said that while the movement by the CFTC is encouraging, there is still a long way to go.

The New England Fuel Institute has been trying to show for years that while investment houses like Goldman Sachs and Citi Group are recording billions in quarterly profits, small oil dealers and Vermont families are paying the price.

"People are finally starting to listen," he said. "The tide has turned and people realize that the investment bankers were responsible for the price swings. Congress should not let it happen again. I'm optimistic, but regardless of the success we had today, we have to take the long view and keep moving. We have a long way to go.'

Howard Weiss-Tisman can be reached at hwtisman@reform-er.com or 802-254-2311, ext. 279.