Murphy Calls on Trade Commission to Crack Down on Excessive Oil Speculation

Urges immediate action on rules to put brakes on rising gas prices

WASHINGTON-Congressman Chris Murphy today called on the Commodity Futures Trading Commission (CFTC) to quickly implement rules to crack down on excessive oil speculation, a primary culprit behind rising gas prices.

"Let's be honest, there is a very limited number of things the government can do to control the international price of oil," said Murphy. "One thing we can control is the extra 56 cents per gallon premium caused by excessive speculation in our oil markets."

Murphy sent a letter to the chairman of the CFTC to urge the immediate adoption of new rules included in the Dodd-Frank Wall Street and Consumer Protection Act that would allow federal regulators to police derivatives markets, including trades in energy commodities like oil. Without this rulemaking in place, regulators won't be able to exercise all their abilities to police oil markets for excessive speculation and price manipulation.

"A further spike in gas prices could slow our economic recovery: the average retail price for regular gasoline in Connecticut has already reached $3.96 a gallon, a full 41 cents higher than at this time last year," added Murphy. "As gas prices rise in Connecticut and across the country, I'm concerned that the delay in implementing these regulations will limit the CFTC's ability to police excessive speculation in our energy markets."

Full text of Murphy's letter:

Chairman Gary Gensler

Commodity Futures Trading Commission

1155 21st Street, NW

Washington, D.C. 20581

Dear
Chairman Gensler,

I
was disappointed to learn last week that the consideration of the Commission's final rulemaking on swap dealers and major swap participants has been further delayed. As you know, this rulemaking would allow the Commission to exercise regulatory authorities over swaps and derivatives as provided by the Dodd-Frank Wall Street Reform and Consumer Protection Act, including those regarding margin requirements for commodity futures. As retail gas prices in the United States rise, I am concerned that the delay in implementation of the swap dealer rule will limit the CFTC's ability to police economically-damaging excessive speculation among noncommercial participants in our energy commodity markets.

By
creating a capital threshold for swaps, margin requirements in energy markets could help calm volatility and reduce the influence of purely-speculative (non-hedging) trading activity. Fears about further instability in the Middle East cannot fully account for the rapid increase in oil futures over the last several months: rampant speculation is helping to accelerate prices upward with ever-greater speed. As Commissioner Chilton wrote yesterday, "...the "speculative premium" on oil these days is around $23 a barrel - and that translates into about an extra 56 cents for a gallon of gas."

A
further spike in gas prices could slow our economic recovery: the average retail price for regular gasoline in my state has already reached $3.96 a gallon, a full 41 cents higher than at this time last year. I appreciate the work the Commission did last fall in approving position limits rules for futures trades, and I am hopeful that those authorities can be exercised as quickly as possible in energy trading markets. However, I am nonetheless concerned that the Commission is failing to employ all the weapons in its arsenal when it comes to regulating the market-distorting effects of excessive speculation. To again quote Commissioner Chilton, "There's nothing wrong with speculation. We need speculators to have fully functional financial markets. It's excessive speculation that becomes a problem."

I
appreciate your attention to this important issue, and I look forward to your prompt and prudent actions to address it.

Sincerely,

Christopher
S. Murphy

Member
of Congress

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