

## Don't let speculators derail Oregon's economic recovery

Molly Brady

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Fall has arrived in Oregon and homeowners across the state who heat with oil are breathing a sigh of relief as prices cool down with the weather.

With oil prices less than half of what they were back in July 2008, staying warm this winter will be much more affordable. Yet as long as the fundamentals of our energy markets remain broken, consumers and business owners throughout the state and the rest of the country remain vulnerable to wildly fluctuating prices.

According to data from the Energy Information Administration, demand for petroleum products in the U.S. is lower today than it was 10 years ago while supply is higher than it was in 1982. So why are the principles of supply and demand not working? The answer is uncontrolled speculation.

Every time you buy gasoline or heating oil, you are impacted by an unregulated commodities market into which speculators pour billions of dollars. Speculators buy large amounts of oil and then sell it to each other with no intention of ever taking physical delivery. Thanks to weak regulations and loopholes, contracts for oil may trade more than 20 times with the price going up every time. So who picks up the final tab? Family-owned heating oil dealers, local gas station owners and the people who buy from them — consumers and businesses trying to make ends meet while paying artificially inflated prices.

Last summer, public outrage and the threat of congressional legislation helped bring prices back down to reasonable levels. Despite the attention, Congress failed to enact new regulations on commodities trading and left the door open to a new energy bubble. As we head into another winter heating season, it's time to tell Congress to restore fair and open energy markets by:

- Re-establishing strict position limits on energy commodities. Any trader not hedging with the intention of taking physical delivery of a related commodity should be subject to strict position limits.

- Closing loopholes. Thanks to the "London Loophole," for example, foreign markets are trading oil on American soil while claiming that our rules don't apply.

- Regulating "swap trades." As many as 90 percent of all commodity trades occur out of the traditional marketplace. In these so-called "swap trades," traders buy and sell commodities over-the-counter with little, if any, federal oversight.

Last year's energy bubble helped provoke the worst economic crisis since the Great Depression. Clearly, we have a responsibility to do everything possible to achieve a balanced energy policy, but we also need to stop excessive speculation. It's time for Congress to act — because the last thing anyone wants to see is speculators pocketing stimulus dollars intended to fund Oregon's economic recovery.

Molly Brady is the president of the Oregon Petroleum Association ([www.oregonpetroleum.org](http://www.oregonpetroleum.org)), a non-profit trade association whose members account for more than 65 percent of all petroleum products sold in Oregon.