

US Fed News

GAS PRICE GOUGING EVIDENCE DISCOVERED; SEN. CANTWELL SAYS FTC REPORT LEAVES MANY QUESTIONS UNANSWERED

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WASHINGTON, May 22 -- The office of Sen. Maria Cantwell, D-Wash., issued the following press release:

Following Monday morning's release of a Federal Trade Commission (FTC) report on post-Katrina gasoline price manipulation, Sen. Maria Cantwell (D-WA) renewed calls for increased oil industry transparency and swift approval of her legislation to enact a tough federal ban on gas price gouging. In a concurring statement included in the report, FTC Commissioner Jon Leibowitz said that, "using the Congressionally mandated definition [of price gouging], the Commission found price gouging at multiple levels of the petroleum industry."

"This government report show evidence of price gouging, yet far too many questions remain unanswered," said Cantwell, a member of the U.S. Senate's Energy and Commerce Committees. "To get to the bottom of these high, volatile energy prices, we need more transparency. Consumers deserve a clear picture, not more mixed messages.

"From the Western Energy crisis, we learned that you have to put safeguards in place before price manipulation drains millions from our economy--you have to act before it's too late," Cantwell added. "New congressional hearings will start on Tuesday and I hope they lead us to making gas price gouging a federal crime. I'll continue working to get protections on the books to give consumers confidence that they're paying a fair price at the pump."

According to Leibowitz's concurring statement, included in the FTC report, "a handful [of refiners] more than doubled their operating margins in ways not attributable to increased costs following the hurricanes." Overall, during the final quarter of 2005, "twelve of the U.S. oil companies that list on the S&P 500 reported an average of 48% increase in earnings... [and] industry profits for 2005 totaled almost \$140 billion. Moreover, the combined first-quarter of 2006 revenue of Exxon, Chevron and ConocoPhillips totaled \$191.5 billion."

In addition to evidence outlined in the FTC report, a recent report by Portland-based energy consultant **Robert McCullough** found oil and gas market anomalies

consistent with a practice known as "wash trading," where simultaneous transactions are executed in order to deliberately inflate volumes and revenues. This tactic was used by the unregulated Enron subsidiary, EnronOnline, to manipulate energy commodity markets. At a Democratic Policy Committee hearing earlier this month, Michael Greenberger, director of markets and trading at the Commodities Futures Trading Commission (CFTC) during the Clinton Administration, suggested that Congress must immediately pass transparency legislation and further urged a top to bottom review of industry trading practices.

At a Commerce Committee hearing on Tuesday, May 23, Cantwell will question FTC officials on Monday's report, and press for increased market transparency and a national price gouging ban. In a national radio address earlier this month, Cantwell called for Congress to make gas price gouging a federal crime before the Memorial Day break.

"The Energy Emergency Consumer Protection Act," introduced by Cantwell last September, would outlaw oil price-gouging during national emergencies, increase energy market transparency, impose tougher fines and criminal penalties on violators, and give the Federal Trade Commission and state attorneys general new powers to go after companies that manipulate oil and gas prices. Twenty-nine states and the District of Columbia already have similar laws on the books. Cantwell's legislation, which has 31 co-sponsors, would create the national standard we need given the interstate nature of American fuel markets. Last November, after receiving the full backing of eight governors and nine attorneys general, Cantwell's legislation got 57 votes on the Senate floor, just three votes short of the 60-vote supermajority needed for passage at that time. Thirteen Republicans voted in favor of Cantwell's legislation

Earlier this month, as part of an ongoing effort to ensure fair and functional energy markets, Cantwell joined Senator Dianne Feinstein (D-CA) in introducing bipartisan legislation to enhance the transparency of energy commodity trading. Currently, up to 80 percent of this trading takes place beyond the reach of federal regulators, thanks to the "Enron loophole" in U.S. commodity trading laws.

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