

## Cantwell Says She's Working to 'Shed Light' on 'Dark' Oil Markets

By Christopher Dunagan  
Monday, September 15, 2008

U.S. Sen. Maria Cantwell, D-Washington, said she will continue to probe into the roller-coaster ride of oil prices during a hearing on Tuesday.

Cantwell began raising questions about the role of market speculators months ago. Now she says she is more certain than ever that a lack of regulatory control on futures markets has allowed prices to run wild.

"For the first time in months, oil is under \$100 a barrel," Cantwell said in a statement. "And while this will bring short-term relief for millions of Americans, the price spike this summer and continued unnecessary price volatility is exactly what happens when you don't have police on the beat."

On Monday, the spot price for crude oil dropped by \$5.47 to \$95.71. It was the first time the price had fallen below \$100 a barrel in six months. Over the past two months, the price has dropped precipitously, from \$147 a barrel.

Last week, Mike Masters, portfolio manager for Masters Capital Management, released an analysis suggesting that speculation by large investors played a major role in the rise and fall of gasoline prices this year. During the first five months of 2008, investors poured \$60 million into futures contracts during a race to buy oil as the price went up. Since July, some \$39 million has been withdrawn as investors try to escape a falling market, he said.

Historically, airlines and other large consumers of petroleum have purchased futures contracts as a hedge against rising prices. But increasing numbers of speculators, who have no intention of taking possession of oil products, have moved into the market hoping to make money on rapid price swings, he said.

Last week, the Commodity Futures Trading Commission, which regulates trading, recommended several regulatory changes to collect more detailed information about traders, report more frequently on trades and establish new requirements for certain kinds of traders.

CFTC Acting Chairman Walter Lukken said his staff could find no evidence that speculators were affecting the oil prices. In fact, the number of contracts declined by 11 percent from the beginning of the year to June 30 when prices oil prices were rising, he said.

Cantwell and several other senators called the CFTC report "flawed" and called for more research.

Robert McCullough, who had investigated Enron's market manipulation, said the CFTC failed to recognize that speculators were selling their positions as the market went up to avoid the precipitous decline that eventually occurred. Once the speculators were out of the market in mid-July, prices fell even more dramatically, he said.

"This is exactly the same pattern Enron's manipulations showed in 2000 to 2001," McCullough said in a statement. "The CFTC's report misses the fundamental issue by restricting their analysis to periods before the July 2008 price spike. When the bandit leaves the bank, the money leaves with him."

Masters and McCullough are among six witnesses scheduled to testify Tuesday before the Senate Energy and Natural Resources Committee, of which Cantwell is a member.

Cantwell and Sen. Olympia Snowe, R-Maine, have proposed a new law called the "Policing U.S. Oil Commodities Market Act of 2008." It is an attempt, Cantwell says, to "shed light on dark markets where some oil futures are traded."



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