STATEMENT BY SEN. BERNARD SANDERS ON OIL SPECULATION

I come from a rural state where people often travel long distances to their jobs. Many of these workers earn $10, $12, $14 an hour and are being hit very hard as gas prices edge up to $4 a gallon. Further, as our nation struggles to move ourselves out of this terrible recession, caused by the greed, recklessness, and illegal behavior on Wall Street, high oil prices are negatively impacting our entire economy.

There has been a major debate over the last several years as to whether spikes in oil prices are caused entirely by the fundamentals of supply and demand or whether excessive speculation in the oil futures market is playing a major role.

That debate should be put to rest. Let's look at the facts.

The supply of oil and gasoline is higher today than it was three years ago, when the national average price for a gallon of gasoline was just $1.94.

The demand for oil in the U.S. is at its lowest level since April of 1997.

Internationally, during the last quarter of 2011, world oil supply exceeded demand by nearly 2-1, while crude oil prices increased by over 12%.

There is now a growing consensus that excessive speculation on the oil futures market is driving oil prices up.

Exxon Mobil, Goldman Sachs, the International Monetary Fund, the St. Louis Federal Reserve, the Saudi Arabian government, the American Trucking Association, Delta Airlines, the Petroleum Marketers Association of America, the Consumer Federation of America, and many others have all agreed that excessive oil speculation significantly increases oil and gas prices.

Interestingly enough, Goldman Sachs, perhaps the largest speculator on Wall Street, recently came out with a report indicating that excessive oil speculation is costing Americans 56 cents a gallon at the pump. I personally think that is low, but that is Goldman Sachs's view.

Last year, the CEO of Exxon Mobil testified at a Senate hearing that excessive speculation contributed as much as 40% to a barrel of oil.

Gary Gensler, the Chairman of the CFTC has stated publically that oil speculators now control over 80 percent of the energy futures market, a figure that has more than doubled over the past decade.

In other words, the vast majority of oil on the futures market is not controlled by people who actually use the product – airlines, trucking companies, fuel dealers, etc. -- but people whose only function in life in being on the oil futures market is to make as much profit as possible.

Let me give you a list of just a few of the oil speculators and how much oil they were trading on June 30, 2008, when the price of oil was over $140 a barrel, and gas prices were over $4 a gallon:

1. Goldman Sachs bought and sold over 863 million barrels of oil;

2. Morgan Stanley bought and sold over 632 million barrels of oil.
3. Bank of America bought and sold over 112 million barrels of oil.
4. Lehman Brothers (now bankrupt) bought and sold over 300 million barrels of oil.
5. Merrill Lynch (bought by Bank of America) bought and sold over 240 million barrels of oil.

The only reason these firms were betting on the price of oil was to make money. They did not need a drop of this oil.

We have got to make sure that the price of oil and gas is based on the fundamentals of supply and demand -- not Wall Street greed.

The legislation that I am introducing today with Senators Blumenthal, Cardin, Franken, Klobuchar, and Bill Nelson requires the Commodity Futures Trading Commission (CFTC) to use all of its authority, including its emergency powers, to eliminate excessive oil speculation.

The emergency directive in our bill is identical to bi-partisan legislation that overwhelmingly passed the House of Representatives by a vote of 402-19 (including 170 Republicans) during a similar crisis on June 26, 2008.

The Dodd-Frank financial reform bill stipulated very clearly that the CFTC needed to eliminate, prevent, or diminish excessive oil speculation by January 17, 2011. Over a year has gone by and they still have not acted. That is simply unacceptable and must change.

Our bill requires the CFTC to invoke its emergency powers within 14 days to:

(1) curb immediately the role of excessive speculation in any contract market within the jurisdiction and control of the Commodity Futures Trading Commission, on or through which energy futures are traded; and

(2) eliminate excessive speculation, price distortion, sudden or unreasonable fluctuations or unwarranted changes in prices, or other unlawful activity that is causing major market disturbances that prevent the market from accurately reflecting the forces of supply and demand for energy commodities.

Millions of American consumers are hurting as a result of excessive speculation on the oil futures market and the future of our economy hangs in the balance. The time to act is now.