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August 22, 2011

The Honorable Gary Gensler
Chairman
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Dear Chairman Gensler:

There has been a major debate over the last several years as to whether spikes in oil prices are caused by the fundamentals of supply and demand or whether excessive speculation in the oil futures market is playing a major role. In fact, CEOs of some of the largest oil companies in America argue that up to 40 percent of the price of a barrel of oil is due to excessive speculation. It seems to me that that debate has finally ended. We now know that excessive oil speculation is a major reason why oil prices have risen so sharply.

As you know, my office recently released, for the first time, the names and aggregate position levels of more than 200 large crude oil, heating oil, and gasoline traders from December of 2007 through June of 2008.

While making this confidential information public may have upset Wall Street oil speculators, the American people have a right to know exactly what caused gasoline prices to skyrocket to more than $4 a gallon back in the summer of 2008. Further, there is little doubt that the same speculators who caused gasoline and heating oil prices to unnecessarily spike in 2008 are playing the same games again in 2011. This is simply unacceptable and must not be allowed to continue.

It has been reported that some of these Wall Street speculators may stop oil trading altogether out of fear that their trading information may later be revealed to the public. This is a good thing. Rampant oil speculation is causing severe damage to the economy and it has got to stop.

The national average for a gallon of gasoline is now $3.57. While average prices have been going down nationally since reaching $3.90 last May, the American people are still paying 87 cents more for a gallon of gas today than they did two years ago when oil supplies were lower and demand for gasoline was higher.

In the midst of this severe recession, what is most disturbing is that artificially high oil prices not only caused severe damage to our economy, but were entirely avoidable.

As you well know, the Wall Street Reform and Consumer Protection Act (Dodd-Frank) required the Commodity Futures Trading Commission (CFTC) to impose strict limits on the amount of oil that speculators could trade in the energy futures market no later than January 17th of this year. Over seven months later, your agency still has not imposed those speculation limits required by law. In other words, the CFTC is breaking the law.

I sincerely hope that the public release of this oil trading information will spur the CFTC to eliminate excessive oil speculation as required by statute so that prices accurately reflect the fundamentals of supply and demand.

It is my understanding that the CFTC is still claiming that it cannot impose strict speculation limits on oil trading because it does not have enough information. Quite frankly, that is laughable. As this confidential data clearly shows, the CFTC has been collecting this data for over three years.

Therefore, I urge you to hold an emergency meeting of the CFTC to impose strong position limits that would eliminate excessive oil speculation as soon as possible.

Imposing strong speculation limits would not only provide needed relief to Americans filling up their gas tanks this summer, it will also help Americans in cold-weather states this winter who heat their homes with heating oil.

The Energy Information Administration is predicting that the price of heating oil in the northeast will be about 33 percent higher this winter than last. If this prediction is true, seniors on fixed incomes, working families with children, and the disabled, will be in danger of going cold this winter. We cannot let that happen.

We have a responsibility to ensure that the price of oil is no longer allowed to be driven up by the same Wall Street speculators who are responsible for causing the devastating recession that working families are now experiencing. That means that the CFTC must finally do what the law mandates and end excessive oil speculation.

Thank you for your attention to this important matter. I look forward to receiving your response.

Sincerely,

Bernard Sanders
United States Senator