

but we still think it is unlikely that there will be any significant legislative changes enacted this year. In fact, it is entirely possible that Congress will adjourn for the year without enacting any further legislation focused on commodity speculation.

And then this is the interesting thing they say:

However, the debate itself could break the rise in energy prices for a brief period until there is greater certainty regarding the legislative and regulatory outcome.

In other words, what Goldman Sachs is saying is that even the debate on speculation in the oil industry could have an impact on slowing down oil prices, and it may well be that is the case. We have seen that in the last 2 weeks or so.

Let's talk a little bit about recent history and speculation and market manipulation in terms of the energy market.

In 2000 and 2001, our friends at Enron successfully manipulated the electricity market, and the results, of course, were that in California and on the west coast electric rates went up by 300 percent. It is interesting to remember—and I remember this—what Enron was saying at that time. They were saying don't blame us, it is a supply and demand issue.

I gather those Enron officials, who may be in jail today, are perhaps still saying that, but we know a little bit differently.

We also know that BP artificially increased prices on the propane gas market. They were fined for that over \$300 million. We also know Amaranth, a hedge fund, manipulated prices on the natural gas market. In fact, in 2006, Amaranth cornered the natural gas market by controlling 75 percent of all the natural gas futures contracts in a single month.

In other words, the idea of manipulation and speculation and control of a market is not a new idea. We have seen three instances in the last 8 years, with Enron, BP, and Amaranth doing just that.

Given that reality, why would we think it is so shocking that is taking place right now in terms of oil?

Let me conclude by saying it is imperative that we move now in terms of addressing the energy crisis. People all over this country are hurting. They want us to act, and we must act. To my mind, one of the things we have to do is to move this country aggressively forward in terms of energy efficiency and in terms of sustainable energy.

Our Republican friends talk about wanting to grow more energy, increase energy supplies. Let me inform them the Sun does that, the wind does that, geothermal does that, biomass does that. It is incomprehensible to me that time after time legislation has come before this body—including today—which will simply extend the tax credits that have been given for sustainable energy, and we cannot even do that.

There are huge economic gains, not to mention moving forward in terms of

global warming and reducing greenhouse gas emissions if we do that. Yet we cannot even get the votes to do that.

We can move forward in terms of a windfall profits tax. We can move forward in speculation. We can move forward in terms of energy efficiency. We can move forward in terms of encouraging the growth of sustainable energy. Those are the things that we can do now. I believe those are the things the American people want us to do.

I yield the floor.

The PRESIDING OFFICER (Mr. CASEY). The Senator from Idaho is recognized.

Mr. CRAPO. Mr. President, I would like to speak tonight on the issue of energy as well. We are very fortunate that the Senate is debating the issue of energy. It is the No. 1 issue to the people of this country. Frankly, I find myself very concerned about where this debate is going.

In early July, I asked my fellow Idahoans to contact me and tell me what the high prices of fuel mean in their lives. In fact, I asked them not only to tell me what it meant in their lives but what they thought we ought to do in this country—Congress as well as the rest of the country—what we ought to do about these high prices of fuel.

The stories that came in were remarkable. Overnight I had 400 to 600 e-mails, and we now have over 1,200 e-mails in our office from citizens of the State of Idaho who are feeling the impact of these high prices. It is not just a minor inconvenience in their lives. The stories they tell are poignant. They are disturbing.

One lady wrote in that at the end of the month she and her husband just had enough money left in their budget to either fill their gas tank or to buy their food. They made a choice to fill their gas tank because they had to have the fuel to get to work and keep their jobs. In her response she said she didn't know exactly how they were going to deal with the issue of food.

Others talked about the fact that they were not able to pay for needed medicines. The pressure of fuel versus food versus medicine gets down to the basics in our society. This is not a question of whether to call off a long-planned vacation. It is not a question of whether we have to adjust to some minor inconveniences. We have already done that in our society. This is an issue of changing the quality of life in America that will probably not be able to be fixed or reclaimed if we do not respond to it properly now.

As I said, I also asked my constituents to tell me what they thought we ought to do. The responses were remarkable. I think the people of Idaho have a tremendous amount of common sense. I brag on them all the time. They have come through with all kinds of suggestions about how we ought to deal with this problem, everything from the need to conserve more, to the need to use wind and solar and other

renewable and alternative fuels, to the need to get more production of oil. They get it. They understand the solution to this problem is not just one thing.

Another remarkable thing came across in their responses to me. They are angry. They are angry that Congress is not dealing with the issue because they blame Congress that we are in this problem. I said before, sometimes it is kind of a national pastime to blame Congress for whatever the problem of the day is, but in this case my constituents in Idaho and the rest of the public in this country are right. It is the responsibility of Congress to have established a rational, comprehensive, national energy policy for this country that can help us to be independent and strong in terms of our energy. Congress has failed to do so.

America now needs to move forward. America is too dependent on petroleum as our major source of energy. For that petroleum, we are too dependent on foreign sources. America needs to treat our energy policy like we would treat an investment portfolio. We need to diversify. We need to be as conservative and as careful in the utilization of our energy as possible. We need to be as efficient as we possibly can in terms of the utilization of that energy. And we need to have broad and diverse resources of energy.

At the same time that we are doing that and diversifying—and I hope we could diversify, we here in this Congress, help to establish a broad diversified energy policy—while we are doing that we can't simply say that petroleum is evil and we will no longer ever try to utilize production of oil in this country. It will take us a significant amount of time to transition to an economy that is less dependent and less held hostage to petroleum. While we are doing that, frankly, we need to recognize that we need more production of oil in the United States.

So where are we today in the Senate? We have before us a bill that does one thing: it addresses the futures market, the speculation that the Senator from Vermont, who spoke before me, just talked about. It does nothing else. It seeks to find a solution to our national energy problems in one way; that is, to establish a very aggressive new regulatory regime for the futures market in our country. It does not do so in a very good way. I will talk about that in a few minutes. In fact, it does so in a way that will actually harm our economy and harm our energy security.

The point is, it does only one thing. As it seeks to solve the problem, it tells the American people that we have a rifleshot solution, that we can simply pass this law and we will then fix the problems with energy prices because we will force those markets to have better prices. The solution? A new Government system of regulation that will, hopefully, control prices. Like I say, it is not going to do that, and I will talk about that in a minute.

We are trying to debate this issue and bring other issues forward, and we have been stopped so far. The process in the Senate is not working. Historically, the Senate has been a place of great debate where those with ideas about how to solve pressing problems in our country can bring them forward and those who have different and competing ideas can bring their ideas forward as amendments. And, as we move forward, we would have votes on the floor of the Senate where the majority could prevail and we could craft legislation and craft policy for this Nation in the way that those who established this great country—and those who live in this great country—thought it should be done.

But that is not how it is being done on this bill. We are being presented with a bill that we have now been on for, I think, 8 days. Yet we have had zero votes on any alternative ideas because the majority will not allow amendments to be brought forward in a fair and reasonable way.

This chart shows what was done in previous debates in the Senate on the energy issue. When the Energy Policy Act of 2005 was considered, we spent 10 days on the Senate floor. We had 19 rollcall votes on amendments, 23 total rollcall votes on the bill, there were 235 amendments that were proposed to that bill, and 57 of those amendments were agreed to either by vote or by unanimous consent. At that time the average price of gas was just \$2.26.

In 2007 when we debated the Energy Independence and Security Act, we spent 15 days on the Senate floor, 16 rollcall votes on amendments, and 22 rollcall votes on the bill. There were 331 total amendments proposed during debate on that bill, 49 total amendments agreed to in that debate, and the Senate acted its will.

Again, what are we doing today? For 8 days we have been trying to bring amendments forward to present some alternative ideas, additional ideas about how we should deal with energy policy in our country, and we are told no. We are told: We may allow you to have a few votes on a few selected amendments that we pick, but we will not allow a full, robust debate on amendments.

We must get beyond the parameters of this bill. It has been argued that the speculation in the futures market is controlling or is driving up the price of fuel. The fact is, that is simply not the case. The problem is one of supply and demand.

This chart shows what has happened to the supply of energy, of global crude from 2000 to 2008. You can see, starting in about 2004, primarily through decisions in the OPEC nations, the supply of crude oil has leveled out. Because of a decision to curtail supply, those nations that are engaging in producing the global crude are able to impact the supply and demand curves. Yet demand

at that same time has not leveled out. China and India in particular are increasing their demand for fuel dramatically.

The problem we face is, as the supply curve levels out and as the demand continues to grow, we see unbelievable pressures on the price of fuel. There are those who will say that is not really the way it is and really speculators in the market are driving up the price. It is possible to impact a market in a way that is abusive, and we have organizations that help us on that. But let's look what has happened so far in the speculation, the futures market, trading in NYMEX in the United States.

In the speculation in the derivative markets, in the futures market, every buy must be mirrored by a sell. The theory there has been this immense new pressure for speculation in the futures market creates the impression that there have been all of these purchases that have driven up the price. But as you see from this chart, every time there was someone who thought the price was going to go up, there was someone who had to believe the price was not, who had to be the buyer or seller in that transaction.

When you have the long sells and the short sells virtually mirroring each other, it indicates there is a reasonably effective functioning market.

It has been said on the floor of the Senate that the experts say that speculation is driving up the price of fuel by 20 to 50 percent.

The reality is the vast majority of experts are saying that simply is not the case; that we can evaluate what is happening in the futures markets and determine whether there is being manipulation.

And what is the determination that is being made? A recent report by our Government agencies, including the Commodity Futures Trading Commission, the Federal Reserve, the Treasury Department, and Energy Department, found that speculative trades in oil contracts had little to no effect on the rising prices over the last 5 years.

The Interagency Task Force on Commodity Markets' preliminary assessment is that current oil prices and the increase in oil prices between January 2003 and June 2008 are largely due to fundamental supply and demand factors.

During the same time period, activity on the crude oils futures market, as measured by the number of contracts outstanding, the trading activity and the number of traders, has increased significantly. The amount of trading in these markets has increased significantly. But while these increases broadly coincided with the runup in crude prices, the task force's analysis is that to this date there is no support for the proposition that speculative activity has systematically driven changes in those oil prices.

In fact, according to the report, if a group of market participants had sys-

tematically driven up prices, detailed daily position data should show the group's position changes preceded the price changes. But the task force data indicates the changes in futures markets participation by speculators have not preceded the price changes. In fact, on the contrary, most speculation traders typically alter their position following a price change, suggesting that they are responding to the supply and demand dynamics, just as one would see in an efficiently operating market.

Furthermore, the President's Working Group on Financial Markets has also weighed in on this debate. They state:

To date, the PWG has not found valid evidence to suggest that high crude oil prices over the long term are a direct result of speculation or systematic market manipulation by traders. Rather, the prices appear to be reflecting tight global supplies and the growing world demand for oil, particularly in emerging economies. As a result, Congress should proceed cautiously before drastically changing the regulation of energy markets.

Other experts are saying the same thing. In fact, the amount of experts who are weighing in on this today from all perspectives is overwhelming, to the point that there are very few now who are continuing this mantra that somehow we can solve all of our problems by controlling the futures markets better.

The International Energy Agency states:

There is little evidence that large investment flows into the futures markets are causing an imbalance between supply and demand.

They go on to state, and this is something I think Americans need to hear:

Blaming speculation is an easy solution which avoids taking the necessary steps to improve supply-side access and investment or to implement measures to improve energy efficiency.

Others are respected in market analysis. Warren Buffett recently said:

It is not speculation, it is supply and demand. We do not have an excess capacity of oil in the world any more, and that is what you are seeing in oil prices.

Frankly, one of the more critical aspects of this is that investors in these markets actually provide liquidity to our oil industry. Investors play a very valuable role in the futures market by transferring risks from commercial participants such as farmers and airlines, and providing liquidity, reducing volatility, and contributing to the price discovery process.

One example is Southwest Airlines. Southwest Airlines provides a powerful example of how investors can help companies mitigate their risk. It is called hedging, which is made possible by the participation of investors in trading oil futures. That has saved Southwest Airlines \$3.5 billion since 1999.

How does this work? Let's take an example of an oil producer, somebody who wants to go out and invest some money in a new oil rig or a new refinery, to engage in some production of some further resources, energy resources for the United States, and they want to get a loan for \$5 billion. There is probably no source in the world that would loan them \$5 billion to go out and engage in this new investment unless they were able to hedge that loan, meaning they need to go into the futures market and sell the first 3 to 5 years of production of this facility so they can show the bank or the financing institution that is going to loan them the money that they have a source of capital or cash to repay the loan.

If they are not able to go into a market and make that hedge, they will not be able to get that loan. They will then not make the investment and we will not then see the production. And if there are not those who are willing to invest in that futures market, on the other side of the transaction, those who are called speculators, then we do not have the liquidity in the market for that loan to be adequately hedged.

It is very important for the risk management in our economy that we do not impact our futures markets in ways that will disturb the proper functioning of a true market.

Congress has enacted various tax incentives for renewable energy which also can be impacted negatively by harmful regulation of the futures market. In the same way as the example I gave with regard to those who might want to invest in an oil facility, if there cannot be adequate hedging of investments in wind and solar and other facilities such as that for which we have enacted tax incentives to try to move into renewable energy, then those investments as well without a futures market will not be able to flourish as they should.

These kind of impacts, these kind of dynamics that could occur in our economy from improper regulation of the market are real. Again, some say: Well, you know, the oil companies or someone has been out there, speculators have been manipulating the futures market.

Commodity prices have shot up not just in oil but across the board. This chart shows a number of commodities, from wheat to corn, to steel, to iron ore, nickel, zinc, copper, platinum, all the way along, including oil. This is the line for the WTI oil, that is the futures market in oil right here.

As you will see, there are many commodities that have risen in price over the past few years, from 2006 to 2008, even more so than oil. The point there is, some of these commodities are regulated or traded on futures markets and some are not. The same dynamics of supply and demand are hitting us in other commodities as they are in oil.

According to Robert Samuelson, an economist and Washington Post col-

umnist, the price of corn has increased 70 percent from 2002 to 2007; copper has increased 300 percent during the same time; steel, 117 percent. And interestingly, steel is one of those that is not traded in the commodities market. Neither is iron ore, the cost of which has recently increased by 85 percent in Chinese markets.

The point here is that supply and demand, not investors, is what is driving up the prices in commodities. How else can you explain the fact that raw materials that are not traded on commodity exchanges are increasing at the same rapid pace?

Let's look specifically at the crude oil issue in the next chart. Those who say it is the futures market which is driving up the price of oil would tell you this market right here, the one in red, for West Texas Intermediate, where the futures in oil are traded, is where some not normal increases are being forced, where market speculation is manipulating the price.

Yet if we look at other physical crude oil grades, the West Texas Sour, Light Louisiana Sweet, the Mars, the Dated Brent, and the Dubai, they have all gone up actually higher than the West Texas Intermediate.

Now, I know this is getting down into the weeds a little bit, but the point here is, every one of those other types of oil is a physical crude oil that is not traded in futures markets. There are no speculators driving up these prices or causing these prices to occur. These prices are occurring at the spot where those who produce the oil are selling it to those who use the oil.

One more indication that in market after market after market, not just the futures market, but in every market, the price of oil is going up. And again the reason is because supply and demand is out of balance.

Let me give you another example. Onions. In 1958 Congress had a similar issue to the one we have today. They responded to a sharp increase in onion prices by passing legislation to ban all futures trading in onions. And that law, by the way, is still law today.

But there has been no stabilizing effect on the price of onions. In fact, the price of onions soared 400 percent in late 2006 and 2007, only to drop by 96 percent thereafter, and then increase another 300 percent a month later.

The point is that wide volatile swings in price occur in an unregulated market or in a market where there is not a futures system where speculators can invest and provide more stability. The onion market is a perfect example. Many of the experts who are now weighing in on the oil issue are stating that if we take the opportunity for speculation in the futures markets out of the equation, then we can expect to see wider fluctuations in the price of oil.

Now, is that to say there is nothing we should do in the Senate with regard to futures markets or that there can never be any manipulation or there is

no reason to pay attention to this issue? No. It is possible. It is not easy, but it is possible for very concerted efforts to be undertaken to manipulate markets.

That is why we have groups such as the Commodity Futures Trading Commission that are basically our cops on the beat to make sure they pay attention to what is happening in these markets and stop efforts to manipulate before they occur.

So what should we do? What should we be doing in the context of this piece of the equation with regard to our securities, our futures markets? We need to be strengthening the CFTC. The CFTC has not had a significant staffing increase level since—well, let's put it this way. Their staffing levels at the CFTC are at a 33-year low.

In one of the amendments we wish to bring forward, we would provide the resources for the CFTC to hire 100 new employees, enough staff so they can even more aggressively and effectively monitor what is happening in these markets, and make sure there is no effort to cause a manipulation in any significant way.

In addition, before this Senate, as we speak, we have nominations for three members of the Commodity Futures Trading Commission who still languish on our docket: Walt Lukken, Bart Chilton, and Scott O'Malia. They should have been confirmed by this Senate to the CFTC months and months ago, but they languish because of partisan politics. They need to be moved forward promptly. If we are serious about wanting to oversee these futures markets effectively, then we need to put those in place who are tasked to do so, and to make sure they have the staff to be able to do so effectively.

The CFTC has undertaken a number of steps recently to improve the oversight and transparency of energy futures markets, and we need to give them the resources to get the job done well.

The underlying legislation is based on the premise that we can simply reach our hand in, as the heavy hand of Government and change the price of oil. The reality is the opposite.

I said earlier we need a broad-based approach. Yes, let us strengthen the CFTC, but let's open the floor of this Senate, and let's allow the Senate to debate other ideas. What are some of the other ideas we need to be pursuing?

For one, we need an aggressive perspective on energy efficiency and conservation. With energy and gas prices spiraling upward, America can no longer consume energy as we have in the past. In fact, energy efficiency is often called the fifth fuel because every gallon of gas not consumed and every kilowatt hour not utilized is the equivalent of one produced. The numbers are stark. If you look at the amount we have saved since 1973 through efficiency and energy conservation efforts, it is the greatest source of energy we have. It outstrips petroleum, coal, natural gas, nuclear power, and all others.