

United States Senate

WASHINGTON, DC 20510

March 22, 2011

The President
The White House
Washington, DC 20500

Dear Mr. President:

The price of gas at the pump weighs heavily on the budgets of American families. Gas currently averages \$3.56 per gallon in Rhode Island, up 37 cents over the past month, and a record high for March. The average gasoline price in Michigan is \$3.54 per gallon (up over 25% since a year ago). Given the recent increase in speculative activity in the oil futures markets and rising prices despite adequate supplies, and to prevent \$4 per gallon or higher gas from slowing the economic recovery now underway, we urge you to take immediate action to investigate excessive speculation and price manipulation in the oil markets.

The recent rapid price increases of crude oil and other commodities are a significant concern for middle class families and businesses. According to the Energy Information Administration, the average U.S. household will spend at least \$700 more for gasoline in 2011 than it spent last year. These rising energy costs also add concern over the continued growth of the economy, with some economists estimating that a 10% increase in price trims GDP by 0.2% after one year, and 0.4% after two. While the unrest in the Middle East has contributed to the recent rise in prices, it is important to understand how much of this rise can be attributed to the dynamics of a “fear premium” and how much may be due to excessive speculation, market manipulation, or other factors that have consistently hurt middle class families.

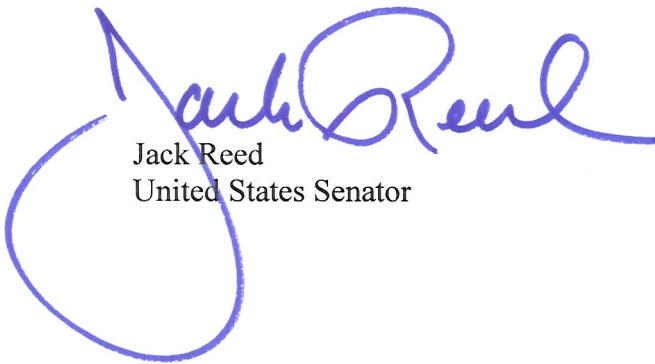
Currently, there is no shortage of domestic oil supplies. The Strategic Petroleum Reserve is filled to an all-time high, and domestic oil supplies show no signs of immediate constriction, which makes the recent gas price spikes of 30 cents or more per gallon raise serious concerns about possible excessive speculation or manipulation of the markets. Recent data indicate a growing position of speculative traders’ interest in crude oil. The last few weeks have seen contracts without a commercial interest in oil increase by 25%. In addition, Commodity Futures Trading Commissioner Bart Chilton noted on March 15th that there was an increase of 64% in energy futures equivalent contracts held by speculative investors from the middle of 2008 to January 2011. Accordingly, there is growing concern that prices in the commodity markets – most notably oil but also food – are being increasingly affected by speculative, manipulative, or deceptive practices. Many experts believe that the rise and fall of oil prices in 2008 was due to excessive speculation, and we should be sure to learn the lessons of the past so they are not repeated.

One useful step that should be undertaken immediately is convening an interagency task force to quickly examine and evaluate trading in the oil markets. The task force should be comprised of members of the highest levels of our government, including the Secretary of the Treasury, the Secretary of Energy, the Chairman of the Securities and Exchange Commission,

the Chairman of the Commodities Futures Trading Commission, the Chairman of the Federal Trade Commission, the Chairman of the Board of Governors of the Federal Reserve, and the Attorney General. This task force should promptly examine the rapid rise of gas prices in 2011, determine what aspects of this spike are due to excessive speculation or market manipulation, and suggest the implementation of appropriate policies, including new options afforded by the Dodd-Frank Act. The regulators have many tools at their disposal to restrain excessive speculation, including imposing energy commodity position limits and reasonable margin requirements. A coordinated and timely effort to investigate and report on the status of the oil markets, as well as recommending the use of appropriate tools to combat excessive speculation and manipulation, would send a strong message to both consumers and speculators.

As the summer driving season approaches, we respectfully request that the task force be convened immediately and report its findings within 60 days. It is important to assure the American public that energy costs are not the result of excessive speculation or market manipulation, and if they are to take the necessary steps to protect consumers. We look forward to working with you on this critical issue.

Sincerely,



Jack Reed
United States Senator



Carl Levin
United States Senator