

COMMODITY MARKETS OVERSIGHT COALITION

An Alliance of Commodity Derivatives End-Users and Consumers

May 9, 2012

House of Representatives
United States Congress
Washington, DC 20515

Dear Representative:

We are writing to request your support for the “Halt Index Trading of Energy Commodities Act” or “HITEC Act” which would prevent a harmful form of energy trading that drives up fuel prices for American businesses and consumers without regard for supply and demand fundamentals.

The HITEC Act (H.R.5186) was introduced on April 27, 2012 by Congressman Ed Markey of Massachusetts. Introductory co-sponsors include Reps. Frank of Massachusetts, Edwards of Maryland, Pascrell of New Jersey, DeLauro and Larson of Connecticut, and Moran and Scott of Virginia. It has been referred to the House Committee on Agriculture for consideration.

This long overdue and vital legislation would prohibit index funds from speculating in energy commodities, including crude oil, gasoline and home heating oil. In testimony before the House Committee on Natural Resources in March, Better Markets President Dennis Kelleher said that “commodity index funds do not trade on the basis of supply and demand fundamentals or in response to liquidity demands.” Unlike traditional speculators, index funds “trade on the basis of investment inflows and the need to perpetually roll contracts forward as they regularly expire.” Research by Better Markets finds that such trading practices have resulted in unwarranted price swings in oil and other commodities. These findings have been corroborated by scores of studies by other leading market experts, academics and governmental organizations in recent years.

Ten years ago, commercial hedgers comprised about 90% of the open interest for the WTI crude oil contract yet today comprise only 37%. The rest of the open interest represents speculative trading, much of which can be attributed to index fund activities. This level of speculation is excessive and undermines risk mitigation and the price discovery mechanisms, exacerbates market volatility and unhinges markets from supply and demand fundamentals. As a result, many businesses are faced with increased hedging costs and market uncertainty, and ultimately, struggling American families pay the price at the gas pump and in their heating and grocery bills.

Please cosponsor H.R.5186 and help bring stability and confidence back to the energy markets. Thank you in advance for your support.

Sincerely,

American Trucking Associations
Colorado Petroleum Marketers and Convenience Store Association
Consumer Watchdog
Florida Petroleum Marketers Association
(More)

Fuel Merchants Association of New Jersey
Gasoline and Automotive Service Dealers of America
Public Citizen
Independent Connecticut Petroleum Association
Institute for Agriculture and Trade Policy
Maine Energy Marketers Association
Massachusetts Oilheat Council
NAFA Fleet Management Association
National Association of Oil & Energy Service Professionals
National Association of Shell Marketers
National Farmers Union
National Grange
New England Fuel Institute
New York Oil Heating Association
Oil Heat Institute of Long Island
Oil Heat Institute of Rhode Island
Oilheat Council of New Hampshire
Organization for Competitive Markets
Petroleum marketers and Convenience Store Association of Kansas
Petroleum Marketers Association of America
Ranchers-Cattlemen Action Legal Fund (R-CALF) USA
Utah Petroleum Marketers and Retailers Association
Vermont Fuel Dealers Association
Wyoming Petroleum Marketers and Convenience Store Association