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Keeping the heat on

Remember last summer when gasoline was selling for \$4 a gallon and oil was at \$144 a barrel?

Theories for why it was happening abounded. There was increased demand from China, India and other parts of the developing world. Refinery capacity was limited. Supply had passed its peak, and oil producers couldn't keep up with demand. People also wondered if speculators were manipulating the market.

Over the next few months, prices plummeted with record speed. Prices of gasoline fell to \$1.75 or so. The price of a barrel was down around \$40. It raises some questions, such as: What happened to the insatiable demand from China and India? Where were those structural problems in the market that had forced prices up? The recession decreased demand, but not by two thirds. These wild fluctuations suggest that speculators may well have been at the root of the problem.

Sen. Bernard Sanders has not forgotten these events, and on Tuesday the Senate Energy and Natural Resources Committee adopted a Sanders proposal to require oil traders to reveal oil reserves they are holding in offshore tankers as a way to keep oil off the market, distorting supply records and driving up prices. Sanders also plans to introduce a measure requiring the Commodity Futures Trading Commission to curb oil price manipulation.

Sanders cited news reports that described offshore storage of oil. There are 41 million barrels of diesel now stored at sea, and 14 million barrels of North Sea crude in ships off of Great Britain. According to Sanders, JP Morgan Chase has hired a ship to store up to 2 million barrels of heating oil off of Malta.

Sanders says the companies are hoarding supplies in order to drive up prices of home heating oil, and they can get away with it because they are not required to report their offshore supplies to the federal government.

Matt Cota of Plainfield is a Vermont fuel dealer who has been outspoken on the manipulation of fuel markets. He and two other spokesmen for the fuel industry issued a statement, saying, "Giving federal regulators the necessary authority to

bring greater transparency to these markets is a top priority to ensure that these markets are stable and reliable."

It is heartening that the Senate continues to pay attention to this issue. Outrage is easy when a crisis is happening, but the job of putting in place regulations usually occurs after the fact, when the crisis may have eased and the outrage has cooled. Manipulation of fuel supplies does nothing but enrich a few oil traders at the expense of the American public, indeed, at the expense of the entire economy. It is important to the commonweal that the market be regulated so that traders tempted to hoard supplies are not allowed to skew the market.

In the same vein, it is important that Congress and the Obama administration continue with efforts to put in place tough regulations of the financial industry. The sense of panic and outrage that prevailed last fall during the financial meltdown has diminished, but the financial crisis is not over and the lax regulatory regime that allowed the crisis to occur has not been reformed. Sanders must keep the heat on so that the swindlers and the cheats are not allowed to regain the upper hand.
