

Fuel dealers want speculator curbs

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With the peak summer driving season more than a month away, gasoline prices in the state are more than 40 percent higher than a year ago.

The average April price for regular gas was \$2.86 a gallon, 8 cents higher than March and 83 cents, or 41 percent higher, than last April, according to the state's monthly fuel price report.

The run-up in gasoline and other fuel prices is coming at the same time Congress is considering sweeping financial regulatory reform. It's also coming less than a week after the government charged Goldman Sachs in a civil suit with securities fraud. On Tuesday, Goldman Sachs reported a first quarter \$3.46 billion profit.

Wall Street critics have long asserted that speculators and not market forces are to blame for the roller coaster ride in crude and fuel prices.

Sean Cota, a Bellows Falls fuel oil dealer and vice chairman of the Petroleum Marketers Association of America, addressed a Washington press conference Tuesday regarding the Senate Agriculture Committee hearing on a bill that would rein in commodity derivatives trading.

"The speculative premium caused by unregulated derivatives today is over \$1 a gallon for heating oil, gasoline and diesel," Cota said during a telephone interview.

He put the value of the global market for all types of unregulated derivatives at \$600 trillion with half that generated in the United States.

A derivative is a financial instrument or agreement between two parties for which the value is determined by the future price of something else, such as the price of oil, corn, soybeans or any other commodity.

The bill before the committee, chaired by Sen. Blanche Lincoln, a Democrat from Arkansas, would give the Commodities Futures Trading Commission more regulatory clout. According to the Petroleum Marketers Association and the New England Fuel Institute, the bill requires transparency in derivatives transactions and ends excessive risk-taking by Wall Street.

The bill makes investment banks responsible for speculative trading, by prohibiting banks from receiving Federal Deposit Insurance Corp. funds if their derivatives trades go bad because of excessive risk taking.

Cota said the way the system works now, investment banks engage in derivatives trading because the trades are highly leveraged with the big banks having little of their own money at risk.

As an example, he said someone buying a \$180,000 home would usually be required to make a 20 percent down payment. However, he said, the big investment banks operate under a different set of rules.

"If you're one of the investment banks like Goldman Sachs, their leverage power in these derivatives, for their down payment to buy that \$180,000 house," Cota said, "they would have to put down five bucks."

While the 150-member Vermont Fuel Dealers Association has come down hard on Wall Street speculators, the Vermont spokesman for the American Petroleum Institute said market forces rather than Wall Street speculators are responsible for higher fuel prices.

"The main cost driver, from our perspective, is the cost of the raw material," Joe Choquette, external affairs manager for the Burlington law firm of Downs Rachlin Martin, wrote in an e-mail. "Crude oil rose to nearly \$87 per barrel in early April before easing to \$83 this week. Gasoline is up about 25 cents per gallon more than February's recent low while crude oil is up about 29 cents per gallon. The changes appear to reflect an increase in demand for gasoline in the U.S. and increased demand for crude oil worldwide."

But, Cota said, based strictly on market conditions, the price of crude would be at the high end no more than \$45 a barrel, not \$80. He said the only explanation for the higher price is the role of commodities derivatives traders.

Cota, who spoke with Lincoln and Minority Leader Sen. Mitch McConnell's staff, said there's a good reason why the investment banks and others don't want financial reform to succeed.

"As Willy Sutton said when he was robbing banks, that's where the money is," he said.

Cota, whose cousin Matt Cota heads the Vermont Fuel Dealers Association, said he's hopeful a tough bill will emerge from Lincoln's committee by Memorial Day. That bill will eventually have to merge with a financial reform bill now in the Senate Banking Committee and one in the House.

Meanwhile, the federal Energy Information Administration forecasts that regular gas prices will average \$2.92 per gallon during the summer driving season (between April 1 and Sept. 30), up from \$2.44 a gallon last summer.

The annual average price of regular gas is expected to increase from \$2.35 per gallon last year to \$2.84 this year and to \$2.96 in 2011, "primarily because of projected rising crude oil prices."

The EIA noted that average "pump prices for regular gasoline are likely to exceed \$3 per gallon at times during the driving season, and already exceed \$3 per gallon in some areas."

Projected annual average diesel prices are forecast at \$2.95 and \$3.12 per gallon this year and 2011, respectively.

According to VermontGasPrices.com, at \$2.65 a gallon, the Exxon station at 250 North St., in Burlington had the cheapest gas in the state in the past 48 hours.

Of the 15 stations listed with the best gas prices, six gas outlets were in Lyndonville and five were in Morrisville. The Citgo station in East Dorset made the list at \$2.86 a gallon.

The most expensive gas was \$2.99 a gallon at Kaigel's Citgo, 510 Shelburne Road, Burlington.

VermontgasPrices.com relies on public input to update its price list.