

Senate committee adopts Sanders proposal on oil price speculation Tue Jun 9 2009

A Senate panel today adopted a proposal by Senator Bernie Sanders (I-Vermont) to make big oil traders divulge reserves held in offshore tankers to skirt reporting requirements, distort supply records and artificially drive up prices. As oil prices rose to \$69 a barrel, near the record high for the year, Sanders also announced that he will introduce legislation to require the Commodity Futures Trading Commission to use emergency powers to stem oil price manipulation.

The Senate Energy and Natural Resources Committee folded Sanders' proposal on offshore hoarding into legislation aimed at promoting oil and gas exploration. The amendment would require the 50 largest traders of oil contracts to report to federal regulators all of their oil reserves that are stored offshore.

Global diesel storage at sea has climbed to about 41 million barrels, Reuters reported today, citing traders and shipbrokers. Seven tankers with an estimated 14 million barrels of North Sea crude are anchored off Great Britain, Bloomberg reported. JP Morgan Chase recently hired a ship to store up to 2 million barrels of heating oil off the coast of Malta.

"These companies are hoarding heating oil right now, in the hope of selling it at a higher price this winter when senior citizens on fixed incomes and middle class Americans in cold-weather states need heating oil to stay warm," Sanders said.

Since the storage of oil in overseas tankers is not reported to the federal government, the practice already is distorting supplies and leading to unnecessarily high prices. "We cannot allow this to continue, especially when the firms that are taking advantage of this situation have received the largest taxpayer bailout in the history of the world," the senator said.

Sanders' proposal drew support from US and Vermont fuel dealers. "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," wrote Dan Gilligan of the Petroleum Marketers Association of America, Shane Sweet of the New England Fuel Institute, and Matt Cota of the Vermont Fuel Dealers Association.

With demand down and oil supplies up, Sanders also planned to introduce legislation directing federal regulators to stop speculators from artificially driving up prices. The bill introduction follows a letter Sanders sent to the Commodity Futures Trading Commission urging it to "seize this opportunity to redefine the CFTC as a strong regulator that will do everything within its power to benefit consumers."

Commissioner Bart Chilton reacted in a letter today. "I wholeheartedly agree with you that the time to act on these issues is now, and the CFTC should aggressively utilize all available authorities...to address these pressing issues," Chilton wrote to Sanders.