

TRANSCRIPT

Senator Maria Cantwell

U.S. Senate Floor Speech The Transportation Fuel Market Transparency Act

May 26, 2022

[VIDEO](#)

CANTWELL: Mr. President, I come to the floor to talk about developments this week in trying to fight to make sure American consumers aren't paying artificially more for gas to fill up their cars and trucks and take a vacation for the holiday than they should be paying.

This is an important issue for everybody in the United States, but particularly my constituents who all throughout the state of Washington are paying, well Seattle definitely over \$5, many other parts of the state over \$5. And if you're not paying more than \$5 a gallon you're paying very close to \$5 a gallon.

So it's important that Members of Congress do their job in oversight and policing of these markets to make sure that there's transparency. That there is a bright light to make sure that no one's taking advantage during this tight supply and artificially driving up that price for their benefit.

That is why we introduced the Transportation Fuel Market Transparency Act that asks the Federal Trade Commission to expand on authority Congress already gave to them to police transportation petroleum markets and make sure that the trading that is done on indexes that have very little oversight, that those indexes have a brighter light shone on them so consumers aren't being gouged because of the kinds of practices that happen.

Well, lo and behold, just this Tuesday the federal government and the Department of Justice and the CFTC, the Commodities Futures Trading Commission, basically gave a statement on the largest settlement in history, a civil and monetary penalty and disgorgement exceeding \$1.1 billion on Glencore, one of the largest commodity trading firms.

It's a major participant in the global physical oil and oil derivatives market and for more than a decade it engaged in a wide-ranging scheme to manipulate oil markets.

Schemes to defraud other market participants by manipulating the information going to financial markets. Schemes that created artificially high benchmarks so that Glencore's derivatives and physical positions would settle or prices at levels more favorable to the company.

These were some of the same practices that were uncovered during the Enron scheme. I know the presiding officer knows because she comes from the state of Nevada, and two of the areas hardest hit by the electricity crisis were the state of Washington and the state of Nevada. Why? Because people wanted us to continue to pay on fraudulent electricity pricing.

That's why we fought along with her predecessor and others to make sure electricity markets were properly policed for any kind of manipulative practices. Very proud that we authored legislation after that scandal that really has given the federal energy regulatory commission the tools it needed on electricity and natural gas.

They, to this day, since 2007, have used that authority to police electricity and natural gas and have had over \$1 billion of fines and settlements against companies and their bad practices.

These are the same sort of practices that we're uncovering now in the commodities market and on oil market manipulation.

I know my colleagues on the other side of the aisle would like to pretend that this issue doesn't exist. I ask them, go home and face your constituents and tell them you voted to do nothing. Nothing to bring more transparency into the gas markets that are affecting them today and see what their reaction is. I guarantee you they are paying too much at the pump and they want to know that we are properly policing these markets.

They get the dilemma that we're in, particularly given Russia and Ukraine. They get the issues of a changing economy coming out of COVID. But they're madder than heck when they read about some company that has been doing this practice for a decade and basically making money off of the back of their hard earnings.

Consumers could pay as much as \$1,000 more for gas this year. They want to know why this company raked in over \$320 million in improper gains. And while some of the record settlement involved penalties for bribes and kickbacks to foreign countries, the company agreed to pay \$480 million in settlements for criminal and civil investigation for various fuel oil prices.

So, various fuel oil products that were manipulated and impacted, including Los Angeles bunker fuel oil. New York harbor low sulfur fuel oil. New York harbor high sulfur fuel oil. U.S. Gulf Coast high sulfur fuel oil.

Now, not sure how much consumers ended up getting fleeced, but it is clear that its at least hundreds of millions of dollars that impacted these markets. And as the presiding officer knows, because she's been the chief law enforcement for her state, if you don't have a policeman on the beat policing these markets, more of these fraudulent activities will exist.

After the derivative crisis, I also made sure that anti-manipulation authority went to the Commodity Futures Trading Commission. When we called recently to ask about their use of this authority, they told us they had put fines and penalties against companies of over \$4.5 billion. That was before Tuesday's announcement of clear oil market manipulation.

Now some of my colleagues as we pushed this transparency bill through the Commerce Committee said, why if they caught some people on Tuesday, do we need to mark something up on Wednesday? Well, the issue is that we were talking about the futures market. As I just read, these companies are very adept at manipulating the futures market and the physical market to get their best gain. We are asking our colleagues to vote for transparency in the physical market of indexes traded after the product is refined.

We know that there is a world oil price. We know that it's refined. But what we can't figure out is after it's refined why, particularly on the West Coast, is it at exorbitant rates? Well over the national average and paying well over what we think market fundamentals determine.

We saw at a hearing that we had before the Commerce Committee energy experts testify that some of these fundamentals do not make sense, that something else is going on in the market. So why turn down the opportunity for us, as a federal government, to get more

transparency in these energy markets? Why would anybody want to say that more transparency over these indexes is not a good idea?

Well, some of our colleagues, I'm not sure, because they offered no substantive amendments to the legislation before us. In fact, those that were what I would say some improvements around the edges to the bill, we actually accepted in Committee. The rest of the amendments offered were all about the issues and discussions of more supply which were out of the jurisdiction of our Committee, and I encourage my colleagues to take them up on the Senate floor.

So no substantive changes were offered to this legislation. Nobody objected on the basis of the ideas that transparency is a bad idea. And yet people are holding on to an idea that they don't want to answer about this issue of manipulation.

Trust me, I was shocked when I was elected to the United States Senate, before I was even sworn in, to find out that we were in an energy crisis. That somehow the price of electricity had gone from some of the cheapest in the United States to the most exorbitant price ever, 3,000 times the rate. I thought this couldn't possibly be a scheme. This couldn't possibly be something perpetrated because obviously we would catch that. Obviously we have a policeman on the beat.

Well, it turned out that the California market, what is called the ISO, really wasn't catching it, and there really was manipulation by Enron. Enron manipulated the supply of electricity by cooking up various schemes to move supply out of California to create artificial shortages and then drive up the price of electricity.

They had traders who lied on the phone to people buying long-term contracts, selling them, buy the long-term contract because the price is going up. And an analyst saying to a trader and the trader responding back, that's not true. And the analyst saying tell them anyway.

And that is the kind of thing that we need to police.

So I was shocked to find that one of my first tasks being a United States Senator was going to spend two years policing electricity just so my state and the state of Nevada would not pay on fraudulent contracts for more than a decade. I guarantee you not only would the lights in Vegas have gone out, but much of the Washington economy would have been affected.

This is so important now because these high gas prices are affecting every sector of transportation. It's affecting our airline economy. It's affecting our trucking economy. I've heard from our railroads, on the diesel engine prices. It's affecting every part of our economy while we have to pay more.

Even if it is 50 cents, as one of the witnesses testified, it may be as much as 50 cents a gallon that is artificially being put on to the consumers. Why would you not want to know the answer and simply give the Federal Trade Commission the authority to make sure that these markets are properly policed for unfair and deceptive practices?

I know my colleague who's presiding knows because we've even had suggestions from the Federal Energy Regulatory commission that the practice is so bad among energy traders that we should consider legislation to ban energy traders who continue to perpetrate these schemes. That's right, they go from one company to another company. They know how

the schemes work. They think it's just the price of doing business. Even if they get caught, they'll just pay the fine like Glencore is paying now.

If you think about it, it's \$1.1 billion, one of the largest oil market manipulation cases ever. People probably aren't hearing about it this week because of other stories that are in the news. But trust me, this kind of behavior needs to be rooted out.

So, Madam President, I hope that when my colleagues return, I hope that they will spend the recess asking their constituents whether they think there needs to be more transparency in oil markets. I will be very surprised if they don't say that something's going on and we want to know what it is. That is because consumers have felt for a long time a disconnection between market fundamentals of supply and demand. And yes, there have been some changes in supply as it relates to what we're facing on an international basis. My constituents understand that. But we have always been an isolated market in the Pacific Northwest. Four refineries in my state, most of the supply coming from Alaska, and yet we pay the highest prices in the nation.

So, our constituents want to know why. So, my colleagues, Senator Wyden, Senator Feinstein, and I have prosecuted these issues. We have asked for more information transparency. In both instances when we were successful with electricity and natural gas, we did find behavior that needed to be rooted out and here we have proof now in this Glencore case that there is manipulation in oil markets.

We're simply asking that just don't leave it to the futures market because if you want to give law enforcement, the Department of Justice, our Attorneys General, others the tools to root out bad behavior, even if it's 5 cents a gallon, Madam President, it's worth fighting for. Even if it's a few cents more to uncover and drive down the costs, it is worth it to our constituents who are paying exorbitant prices.

Let's make sure everybody understands in a tight supply it's a lot easier to do manipulation, and that is why we need to get this done now. I wish, Madam President, that the authority we had given to the Federal Trade Commission on this issue in 2007 would have been used, but the point is you actually have to have people and the information to prosecute these cases. My colleagues at the Federal Energy Regulatory Commission built such a unit. That unit, as I said, has been successful in monitoring electricity and natural gas. I hope that they will emulate what the Federal Energy Regulatory Commission has done.

I'm proud that the CFTC and our Attorney General Merrick Garland made this announcement on Tuesday of this unbelievable manipulation of bribery, of schemes, of all of the work that goes behind the scenes for people to make billions of dollars of profits when we and our consumers are being gouged at extra prices.

Let's find the answers. Let's do something as basic as passing a law about transparency, on a product, petroleum, that is so critical to our economy.