

March 28, 2011

The Honorable Gary Gensler
Chairman
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW, Room 9060,
Washington, DC 20581-0001

Dear Chairman Gensler and Commissioners Dunn, Sommers, Chilton and O'Malia:

I am writing to reiterate my support for the adoption of hard speculation limits to prevent excessive speculation and price distortion in commodities markets. Congress required these speculation limits in last year's Wall Street Reform bill to prevent speculators from causing volatility in the price of commodities such as oil that are critical to the bottom lines of American consumers and businesses.

Since I last wrote the Commission in advance of the proposed rule in January, we have seen a dramatic increase in the price of crude oil and gas at the pump. The price of a barrel of crude oil remains at over \$100 per barrel and the cost of a gallon of gas has risen over 38 cents in the last month. American businesses and consumers are once again faced with an alarming surge in the price of energy, including gasoline, diesel fuel and home heating oil. This translates to higher costs to travel to work or school, to heat their homes and to run their small businesses.

In recent months, there has also been a drastic increase in the amount of speculative trading of crude oil derivatives on Wall Street. The largest trading firms have engaged in what some observers have called a "speculative fervor." They have nearly twice as many long contracts open on oil as they did in 2008, when the price of oil hit its peak price of \$147 per barrel.

With both oil prices and speculation on the rise, it is essential that the Commission adopt hard speculation limits as Congress required in the Wall Street Reform legislation. While the price of gas is tied to many factors, many experts agree that excessive speculation has historically played a role in artificially driving up the price of gas at the pump. Congress required speculation limits to avoid the recent attempts by speculators to profit by artificially driving up the price of oil and, as a result, hurting the bottom lines of American households and threatening our still fragile economic recovery.

I understand that the Commission has a number of actions to take to bring transparency and begin regulating shadowy derivatives markets. However, I hope the Commission will

make adoption of hard speculation limits a priority. The Commission has already missed a deadline provided by Congress to establish these limits. Recent events have underscored the need for speculation limits as soon as possible.

I was pleased to see that the Commission published a proposed rule that would establish speculation limits. The final rule must ensure that the implementation of these limits is effective in meeting Congress' intent to eliminate excessive speculation that distorts prices for end-users and consumers. As you finalize the rule, I urge you to carefully consider the comments of end-users and consumers, who directly feel the effects of excessive speculation.

In the coming weeks, I also urge you to remain vigilant and take action when appropriate to prevent excessive speculation from contributing to uncertainty and unnecessarily high prices for essential items like gasoline and home heating oil.

Sincerely,

Jeanne Shaheen
United States Senator