Washington, DC - Congressman Maurice Hinchey (D-NY) today helped introduce legislation, the Consumer Oil Price Protection Act, to curb runaway speculation in oil markets that is artificially inflating the price of gas at the pump.

"The oil market is being abused by individuals who have no ability to produce oil and are speculating on oil solely for the purpose of driving up its cost and making a personal profit. This is a deplorable abuse of the market that must end," Hinchey said. "A staggering number of Americans are struggling to get by with soaring gas prices, which are in part due to the selfish abuses of the oil market by speculators. This bill gets at the heart of the issue by eliminating unfair speculation, which in turn will help bring down the cost of gas at the pump."

Speculation, in most cases by individuals who will never take a barrel of oil into inventory, is placing a distorted premium on the price of oil. It is inflating prices throughout the economy and resulting in current supply and demand conditions that simply do not add up to the current market price increases. On March 4, 2008, Guy Caruso, Administrator of the Energy Information Administration testified before the Senate that speculation was currently adding as much as 10 percent to the price of oil, while testimony from the private sector suggested prices could be inflated by as much as 100 percent. During questioning in April 2008 before the House Select Committee on Energy Independence and Global Warming, Stephen Simon of ExxonMobil cited speculation as one of the major causes behind exorbitant oil and gas prices, while executives from Shell, BP, Chevron, and ConocoPhillips agreed.

In properly functioning markets, speculators play an important role in managing financial risk. The danger of combining unregulated speculation with commodities that have a finite supply like oil is that it can become excessive, causing artificial price distortions and volatility in the market. Since 2000, investment in oil futures has increased more than 2,600 percent, from $9 billion in 2000 to $250 billion today. Both House and Senate committees have heard testimony about the impact excessive speculation is having on the oil markets. Much of this speculation is occurring without any of the regulatory safeguards present throughout the rest of our financial system because the Commodity Futures Modernization Act of 2000 specifically excluded or exempted certain transactions from CFTC oversight.

To curb excess and unregulated speculation, the Oil Price Protection Act, which is authored by Congressman John Larson (D-CT), would limit participation in these markets to those who can either produce the product or take the product into physical inventory. The bill would make it unlawful for a person to enter into or to execute any transaction in crude oil, heating oil, gasoline, or diesel fuel that is excluded under the Commodity Exchange Act unless the person has the ability to accept physical delivery of the product or is capable of producing or manufacturing the product. The bill would also require divestiture of all holdings by unqualified persons within 60 days of enactment of the bill.