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CFTC Should Discount Skewed Panel's Report on Energy Market Speculation

Today the CFTC's Energy and Environmental Markets Advisory Committee (EEMAC) issued an end-of-year report highly critical of mandated position limits in the energy markets. The CFTC and the public should discount this badly slanted report, and the CFTC should re-examine advisory committee membership to ensure that the public interest is properly represented.

The commodity position limits mandated in the Dodd-Frank Act are a key reform designed to address increasing speculation in commodity markets. Over the past 15 years many commodity markets have transformed from relatively orderly venues to ensure stable prices for commodity suppliers and end users to highly speculative markets dominated by financial interests. This change has been associated with a major increase in price volatility, particularly in energy markets which have shown wild price swings over the past decade.

The voting membership of the EEMAC is dominated by representatives of financial interests, energy producers, and commodity exchanges that benefit from price volatility. Despite the mandate in the Dodd-Frank Act that EEMAC membership represent a wide diversity of interests, including consumers, only one of nine voting members represents the public interest or the interests of ordinary energy consumers. The only public interest member of the voting body, Tyson Slocum of Public Citizen, has issued a blistering dissent to the report.

The report itself is a one-sided and slanted effort to undermine commodity position limits that makes no effort to engage with the extensive body of research showing that speculation has heavily impacted energy prices. The CFTC must not delay finalizing its long overdue position limits rule because of the claims in this one-sided report written by representatives of financial and energy interests. The Commission should also examine the process for selecting EEMAC members to ensure that the statutory mandate for a diverse range of views is satisfied, and the interests of the public and energy consumers are properly represented.

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