

110TH CONGRESS
2D SESSION

H. RES. 1278

Expressing the sense of the House of Representatives that the United States Government should lead an international diplomatic initiative to limit inefficient speculation on international energy exchanges through the adoption of international standards for energy futures trading margin requirements as an appropriate means of ensuring access to reliable and affordable supplies of crude oil.

IN THE HOUSE OF REPRESENTATIVES

JUNE 17, 2008

Mr. PETRI (for himself, Mr. WHITFIELD of Kentucky, Mr. LOBIONDO, and Mr. MARIO DIAZ-BALART of Florida) submitted the following resolution; which was referred to the Committee on Foreign Affairs

RESOLUTION

Expressing the sense of the House of Representatives that the United States Government should lead an international diplomatic initiative to limit inefficient speculation on international energy exchanges through the adoption of international standards for energy futures trading margin requirements as an appropriate means of ensuring access to reliable and affordable supplies of crude oil.

Whereas United States citizens have experienced a rapid increase in the price of gasoline due largely to the increase in the cost of crude oil on international markets;

Whereas, on June 10, 2008, gasoline prices averaged over \$4 per gallon, a price one-third more than reported in May 2007;

Whereas, on June 6, 2008, oil prices on international futures markets surged to a new high of nearly \$140 per barrel;

Whereas the price of oil increased by \$16 during a 2-day period ending on June 6, with no appreciable increase in world demand for oil;

Whereas, in June 2008, the International Energy Agency revised downward its estimate for world oil demand;

Whereas international investment capital has flowed into the futures markets for commodities of all types, resulting in rising prices without corresponding increases in demand;

Whereas returns in various investment vehicles have been flat or in decline, and international money managers have been active in seeking profitable uses of available capital;

Whereas demand for profitable investments is often substituted for demand for the actual product underlying futures contracts;

Whereas such demand for profitable short-term investments is a likely cause for the historic increase in oil and other commodity prices;

Whereas the international financial system has facilitated the efficient movement of capital, making it feasible for investors to seek gain over shorter and shorter time periods;

Whereas the short-term investment of capital in the hope of profiting from anomalies in typical demand patterns can be termed a speculative activity;

Whereas speculation can be facilitated by the efficiency of the international economic system, but by itself it is counterproductive to the efficient use of capital and resources;

Whereas speculative investments in futures contracts can often be made without the commitment of the full amount necessary to settle the contract at termination;

Whereas commodity exchanges engage in the requirement of margin payments for protection against various negative aspects of commodity speculation;

Whereas an increase in margin requirements reduces the opportunity for short-term speculative profits;

Whereas margin requirements on energy trading exchanges in the United States are minimal and are left to the discretion of the managers of regulated and unregulated energy futures exchanges alike;

Whereas United States Government regulation of margin requirements can affect only domestic markets resulting in a shift of trading activity to foreign energy exchanges; and

Whereas speculation in energy prices is inefficient, is encouraged by low margin requirements on worldwide energy exchanges, and is antithetical to the goal of reliable and affordable energy supplies: Now, therefore, be it

1 *Resolved*, That it is the sense of the House of Rep-
2 resentatives that the United States Government should
3 lead an international diplomatic initiative to limit ineffi-
4 cient speculation on international energy exchanges
5 through the adoption of international standards for energy
6 futures trading margin requirements as an appropriate

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- 1 means of ensuring access to reliable and affordable sup-
- 2 plies of crude oil.

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