



September 29, 2006

The Honorable Bill Frist
Majority Leader
United States Senate
Washington, DC 20015

The Honorable Harry Reid
Minority Leader
United States Senate
Washington, DC 20015

Dear Senators Frist and Reid:

We are writing to express our strong support for S. 2642, the Oil and Gas Traders Oversight Act of 2006, offered by Senator Diane Feinstein, in an effort to address some of the root problems contributing to prices swings in the oil and gas markets, and to urge you take up this must-pass legislation before Congress adjourns.

We support efforts by Senator Feinstein to offer S. 2642 as an amendment to S. 1566 - the Commodity Exchange Reauthorization Act - a bill to reauthorize the Commodity Futures Trading Commission, the oversight agency tasked with the mission to protect market users and the public from fraud, manipulation, and abusive practices related to the sale of commodity and financial futures and options.

The Feinstein proposal would grant the Commodity Futures Trading Commission (CFTC) oversight authority over unregulated futures markets by requiring U.S. energy traders to keep records and report large trades to the CFTC. The CFTC currently has no authority to oversee the trading of energy futures on over-the-counter exchanges, a large and growing market. Legislation bringing transparency and surveillance to the trading of these commodities is critical to the integrity of our price discovery markets.

A 2006 report - *"The Role of Market Speculation in Rising Oil and Gas Prices: A Need to Put the Cop Back on the Beat"* - released by Senator Coleman and Levin, Chairman and Ranking Member of the Senate Permanent Subcommittee on Investigations, concluded that the billions of dollars pouring into energy commodities through electronic trading of energy futures, including gasoline, crude oil and natural gas, could have a significant impact on the rise in energy prices. This report reaches conclusions similar to two reports commissioned by Attorneys General from Illinois, Iowa, Missouri and Wisconsin, which reviewed the natural gas and oil industries (*"The Role of Supply, Demand and Financial Markets in the Natural Gas Price Spiral."*)

The reports make clear that there is substantial evidence pointing to the large and growing amount of speculation in the current market and its impact on prices and that large quantities of speculative buying or selling of futures contracts can distort market signals that in theory are indicators of true supply and demand.

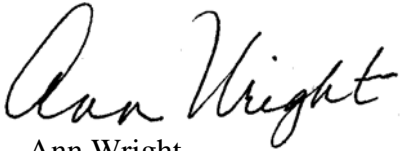
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Congress should take action now on this important legislation, and address one of the factors influencing higher energy costs that have resulted in billions of dollars paid by consumers.

Thank you in advance for your time and consideration of this important issue.

Sincerely,



Ann Wright
Senior Policy Analyst
Consumers Union



Mark Cooper
Research Director
Consumer Federation of America

cc: Senator Chambliss
Senator Harkin
Senator Feinstein