

## ENERGY AND SPECULATION

Mr. DORGAN. Mr. President, since the Congress left in early August, much more has been written and much more explored with respect to the role of speculation in the oil futures market and what it has done to this country. The price of oil has come down some, which is good—from \$147 a barrel to \$106 a barrel yesterday. It is still very high. Clearly, the role of speculators in running this price up in a year needs more investigation.

There are some who say: Well, there is no speculation. We have people who come to the floor of the Senate and say there is no speculation here. Well, of course, what has happened from July to July, last year to this year, is the price of oil and gasoline doubled in this country. And there is nothing that has happened with respect to the supply and demand for oil and gas that justifies the doubling of the price.

A Washington Post story by David Cho says: Financial firms speculating for their clients or for themselves account for about 81 percent of all the oil contracts on NYMEX. A few speculators are dominating the vast market for oil trading.

Wall Street Journal: Speculator in oil market is key player in real sector.

We are now beginning to understand what has been happening in that market. The Commodity Futures Trading Commission, which is supposed to be the regulatory body on behalf of the public interest, has been steadfastly proclaiming now for over a year that there is no speculation here, or at least speculation is minimal. Nothing is happening that is outward. Don't worry, be happy. In my judgment, this is the work of a regulatory body that has decided it doesn't wish to regulate. Regulators are supposed to be referees. Let the market work, but when there is a foul, call the foul. The Commodity Futures Trading Commission not only doesn't wear a striped shirt, it doesn't have a whistle and it is not even at the game. It isn't even interested. They say: Well, there is no problem. Yet the evidence is all around us that there is a problem.

The investigative reports by the Washington Post and the Wall Street Journal confirm that a vast majority of the trading in the oil futures market is done by profiteering speculators with the market power to drive up oil and gas prices. These aren't people who want to ever have any oil. They don't want to buy a quart of oil or a 30-gallon drum of oil. All they want to do is trade paper and make money on oil futures contracts. As a result, I believe intense speculation has driven up the price of oil, double in a year, in a manner that was not at all justified.

In July, the Commodity Futures Trading Commission reclassified a very large trading firm from commercial to non-commercial. This fact was hidden deep inside the bowels of the Commodity Futures Trading Commission Web site. But for a couple of enter-

prising reporters, the American public would still be unaware of that. They reclassified a very large trader. My understanding is that trader, I believe, had somewhere in the neighborhood of 300 million barrels of oil in its contracts. The same trader on June 6 reportedly held oil futures contracts that were triple the amount of oil that consumers in this country use every day. By the end of July, 4 swaps dealers held one-third of the speculative oil futures contracts traded on NYMEX.

This information confirms what many of us already knew—that the CFTC was dead wrong—has been repeatedly dead wrong—when it was telling Congress this past year that supply and demand, not excess speculation in the oil futures market, was driving up oil and gasoline prices to record highs.

Now, in light of this, I believe Congress has a responsibility to address speculation. I know there are various groups forming around here to bring forth certain kinds of energy proposals, and I commend them all. I think they make a lot of sense. I think we ought to do all of or most of that which is being discussed—drill more, conserve more, produce much more in renewables, and address speculation. But there are some who are putting together proposals that decidedly leave out the issue of speculation. They leave it out. Why? Because they are getting pressure from the same special interests that have been speculating. The same big interests that helped drive up the price of oil and gas double in a year have prevailed upon some in this Congress not to touch them. Don't do anything.

We have a responsibility when we consider energy policy next week and beyond to talk about position limits that would wring the excess speculation out of these markets. The oil futures market is an important market. It is important for legitimate hedging of a physical product between producers and consumers. I fully understand that. But it is a broken market. It has been broken by excess, relentless speculation by those who are not hedging risk of a physical product. And we have a responsibility, I believe, to understand that the regulators, the Commodity Futures Trading Commission, and the assurances by these regulators have been discredited.

I think the conclusions trumpeted by the head of the CFTC, Mr. Lukken, that the wild increases in energy prices we have seen this past year are solely based on supply and demand is not the case. A study by an MIT economist this summer rebuts the claims of the CFTC that it is world demand, including demand by China and India, driving up prices. That is not true.

Since 2005, the rates of growth in world demand and Chinese demand have dropped some. Richard Eckaus, MIT Professor of Economics Emeritus, found in his study, which was published in June of this year, that the growth rate for world demand is less than 2

percent annually. He suggests the assertion by some that the drop in value of the U.S. dollar has played a big role in skyrocketing price is simply wrong. I believe the drop in the value of the dollar has played a role, but it is not a big role, and the MIT study demonstrates that.

Another study to be released this week looks at the flow of money into and out of the S&P Goldman Sachs commodity index in recent months, and that study has interesting conclusions. It finds that WTI crude oil future prices have risen and fallen almost directly related to the flow of investment money in and out of the energy futures market. When institutional investors poured more than \$60 billion into the commodities market in January to May, the WTI price, West Texas Intermediate crude price, increased by \$33 a barrel. When \$39 billion was taken out by these investors, starting on July 15 through the end of August, the price began to drop. When speculators invest, the WTI price goes up; when they take money out, the price goes down.

One of the interesting things I wish to understand is where are the substantial losses from these speculators? Mr. Lukken, the head of the CFTC, suggests speculation isn't happening, against all the evidence that has now been published. But we know there is a dramatic amount of speculation. This chart shows the oil futures market taken over by speculators. In 2000, speculators accounted for just thirty-seven percent of the trades in the oil futures market, and now we are told it is 81 percent today 2008. The CFTC still says oil excess speculation isn't a problem.

My point this morning is simple: We should have, and will have, a debate on energy. The debate can be about yesterday or tomorrow. Those who say you can drill your way out of this, well, I think we ought to drill. I am all for drilling. But I think that is yesterday forever. If every 10 or 15 or 20 years we have folks around here in their loafers and suspenders bloviating about where we drill next, there is not much of a future in that, in my judgment.

What we need to do is change the whole game on energy and make us far less dependent on foreign sources of energy. Why should this country, with the strongest and best economy in the world, have its economic opportunity in the future dependent on whether Saudi Arabia, Kuwait, Iraq, Venezuela, or others will give us, or sell us oil? Sixty-five percent of the oil we need to run this economy comes from off our shores. That makes us unbelievably dependent. So, yes, let's drill here, but we are not going to drill our way out of this. T. Boone Pickens, who has been in the oil business for 40 years, says we are not going to drill our way out of this problem. I agree with that. But let me end where I started. He talks about solar and wind. I think we ought to do all those things. I think solar and wind have the capability to provide a substantial amount of additional energy

for this country. In order to do that we have to continue with the tax incentives for solar and wind. But we have had eight votes on it, and eight times the other side has blocked us in providing the incentives to provide dramatic new approaches for renewable energy. It makes no sense to me.

We said in 1916 that we want you to go looking for oil, and in fact we want you to look for oil and gas sufficiently that we will give you big tax breaks as you look and find oil and gas. So we put tax incentives in place. I wasn't here, of course, but we put tax policies in place nearly a century ago to say look for oil and gas and we will give you big tax breaks. Now, let's look at what we did for renewable energy. We put in place in 1992, 16 years ago, tax incentives for wind and solar and other renewable energy. They were short-term, fairly shallow tax incentives. They have been extended, short term, five times, and they have been allowed to expire three times. It is a pathetic response.

Even now, the current incentives die at the end of this year. They expire. We tried eight times to renew them and so far we have been blocked. Why? Because some of our colleagues are upset that one of the ways we pay for those is to shut down the tax scam being used by hedge fund managers to move their income through tax haven countries in something called deferred compensation to avoid paying even the minimal compensation to the Federal Government in taxes that they now pay. They get to pay already some of the lowest tax rates in America, at 15 percent, which I think makes no sense. But even so, many of them are trying to avoid U.S. taxes by using deferred compensation techniques to run it through offshore tax havens.

Our colleagues on the other side are so protective of that and believe, apparently, they should be able to continue doing that. They appear willing to shut down our ability to extend the tax credits for renewable energy in the long term for this country.

The plea for a little cooperation runs both ways around here. When I took the floor this morning, we had several colleagues talking about an interest in cooperation. I think there ought to be a lot of cooperation on everything. Let's start first with something that is going to shut down on December 31 of this year, and that is the incentives to continue and be more aggressive on developing renewable, homegrown energy, which reduces our need for foreign oil. Let us at least start to do that.

Mr. President, I believe my colleague is here to take the remaining portion of our time, so let me at this point yield the floor.

The PRESIDING OFFICER. The Senator from California.

Mrs. BOXER. Mr. President, as I understand it, we are about to run out of time for morning business; is that correct?

The PRESIDING OFFICER. We have 6 minutes 40 seconds.

Mrs. BOXER. Mr. President, I ask unanimous consent that I be allowed to speak as in morning business until 11:15 a.m.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### ENERGY AND THE HIGHWAY TRUST FUND

Mrs. BOXER. Mr. President, I note that Senator MURRAY will be coming, and I am hopeful she will arrive shortly and then I will yield, after 5 minutes, my remaining time.

Senator DORGAN is very eloquent on the issue of energy and the issue of renewables. We have no more excuses. How many filibusters do we have to have around this place before we get the other side to relent?

In my State, we are on the cutting edge of alternative energies. We have part of our coastline that is drilled upon, but part of it is preserved because it supports a very robust tourist and recreation industry. So we have found a balance in our State. But we are going to lose a lot of momentum if we don't get on with at least going after the speculators and renewing these important tax breaks to alternative energies, and also, if I might say, tell the oil companies they need to drill.

Mr. President, I note Senator MURRAY has come to the floor, and I want to inform her that I took 15 minutes and I am going to take 5 and leave her 10, if that is all right with her, unless she needs more time.

All right. So, Mr. President, if you will tell me when 5 minutes has expired from this point.

I am so pleased Senator MURRAY has come to the floor. She works so hard to fund the transportation priorities of our Nation over in the Appropriations Committee, and my work is at the Environment and Public Works Committee, where we authorize the highway bill every 5 years.

We know today, because we have been informed by Secretary of Transportation Peters, that there is a dangerous shortfall in the Federal fund that helps our States pay for critical highway construction. We have tried to fix this problem many times—unfortunately, without the help of the Bush administration. Now we get an SOS: Thursday they are going to start reducing the funds to the States.

Happily, they have awakened to the reality, but, unhappily, they have not talked to Republican Senators because last night, when Senator REID tried to solve this problem so we can keep our construction going, keep our funds flowing to the States, there was an objection from the Republican side. Mind you, we are talking about an \$8 billion sum of money that was taken from the fund years ago—in 1992, I believe it was; is that right? Or later than that? I am sorry, 1998. We borrowed \$8 billion

from the trust fund. Now all we are saying is we need to pay it back so we can make sure we can continue to build these important highways, fix our bridges, and help our transit systems. The fact is, if we do not do this, we are looking at tens of thousands, if not millions, of jobs lost.

Mr. President, I know you come from a State that is struggling economically, desperately needing change. I come from a State that is in a recession. We have horrible problems. The housing bust has affected us, and what is keeping us going, frankly, are solar energy projects, the wind energy projects, the highway projects. If, in fact, the Republicans continue to stand in the way of replenishing the highway trust fund, my State will be in big trouble. What will happen is that funds that were set aside for my State for important projects will not be forthcoming. My State of California, with more than 35 million people, receives more than \$3 billion for Federal funding for highways per year. According to the California Department of Transportation, if no action is taken to avert the shortfall, California would experience a potential revenue reduction of \$930 million. We are talking almost \$1 billion to my State.

California is not alone. My Republican colleagues who come here and say: No, don't worry, forget it, who cares—I don't hear one word about any trouble spending American taxpayer dollars overseas. I never heard one of them say: We are spending \$5,000 a second in Iraq on the war, let's bring some of that home—oh, no. But they are willing to make our people suffer here at home.

Enough is enough is enough. The other day, the President announced he is sending \$1 billion to Georgia. For a minute, I thought: Gee, Atlanta is in need of some help. Oh, no, it is the country of Georgia. Why? They had a war, as we all know, and we are compassionate toward them. But the war cost them \$1 billion. I ask rhetorically, are there countries in Europe that can help the country of Georgia? I don't mind doing our part. We say we had nothing to do with the war that started there. We are certainly angry at Russia for the way it responded to the incursion of Georgian troops. We believe it was overkill. We all agree on that. We all want to help. But \$1 billion to the country of Georgia while Atlanta, GA, and Los Angeles, CA, and all our other cities and towns and States are struggling and suffering and losing jobs? Enough is enough.

I am going to work with my colleague and my dear friend, Senator MURRAY, who is such a leader on the funding of these programs we painstakingly authorize every 5 years. We are going to be on this floor as often as we can to move this, to ask unanimous consent. We will let our Republican friends know. This is not a sneak attack. We are not going to do it when they are not aware of it. We are going