

Opening Statement of Chairman Bob Goodlatte
House Committee on Agriculture
Hearing to review the futures markets and gasoline prices
April 27, 2006

Good Morning. Let me begin by welcoming the distinguished witnesses who have agreed to appear before our Committee to offer their insight and comments about the futures market and gasoline prices. Thank you for your willingness to participate in today's hearing.

The airwaves and print media are awash in stories about increased gasoline prices. In fact I think it's safe to say that this is one of the primary topics of conversation in the nation's coffee shops and places of business. People are concerned, and rightly so, about the growing cost and availability of a commodity that is so essential to the American way of life. This of course extends to rural America where long car trips are part of the daily routine and farmers and ranchers rely on large amounts of gasoline and diesel fuel to run their equipment. Higher input costs do place a significant burden on our producers and I want to ensure that no one is bearing the burden unwarrantedly.

There are a number of factors contributing to the high price of gasoline; therefore, it is virtually impossible to point the blame at any one factor, but it is important to recognize some of the primary causes. The increased energy consumption of the burgeoning economies of countries such as China and India has increased global competition for the shrinking supplies of oil. Simple economics dictates that an increase in demand without a change in supply leads to higher prices. Then there are geopolitical considerations such as the instability in Nigeria (currently the fifth biggest source of oil for the U.S.), the overall instability in the Middle East and the threat of an increasingly militant Iran. In the wake of Hurricane Katrina, many U.S. refineries are still operating below pre-storm levels. Overall, increased refining capacity has failed to keep up with demand for a product.

While several of these factors are well beyond our immediate control, we must also look at the factors that we do have control of: our own energy policy. While there are consequences for every action, there are also consequences for inaction. Over the years, Congress has considered multiple legislative packages aimed at increasing domestic production and streamlining regulations. After many years of delay, a comprehensive energy package encouraging an increased production of many conventional and new sources of energy was passed by Congress. This energy package included a bipartisan contribution from this Committee supporting increased production of energy from our nation's renewable agricultural resources. However, that delay is palpable today as the needed increases in energy sources have not kept up with demand. Other practical, feasible plans have not garnered the bipartisan support needed to create a sound domestic energy plan. Many proposals aimed at increasing domestic energy production have been consistently stymied by environmental extremists and their friends in Congress. The

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opportunities have been there, but we have not been able to capitalize on them due this lack of support.

For example, the Artic National Wildlife Refuge (ANWR) holds the nation's single largest deposit of untapped oil and if explored, could increase U.S. reserves by 50 percent; however, despite repeated attempts, ANWR remains untapped and we are forced to continue our reliance on foreign oil.

Despite the growth in energy technology and innovation, we are no closer to a reliable, domestic energy source than we were 20 years ago. We are now realizing the severe consequences of inaction: an insatiable dependency on unstable foreign oil sources and insufficient progress on reliable, sustainable domestic energy.

Reports indicate that this problem is far from being over and I am sure it will continue to generate much discussion throughout the nation as well as the halls of Congress. Regardless of perspective, I am hopeful there will be a healthy and bipartisan debate on what we as a nation can do to limit our dependence on unstable foreign sources of energy, while increasing our options at home. It goes without saying that energy is critical to fueling our industries, heating our homes, and facilitating travel and commerce in this great land.

Today, will look into the role the futures markets play in determining gasoline prices. As the Committee has oversight responsibility over the futures market, I want to ensure that activity on the futures market is not allowed in any way to unduly influence the high price of gasoline. There have been many theories generated about the causes of our current energy dilemma including the impact of the futures market and speculators on the gasoline market. The goal of today's hearing is to determine if there is indeed reason to believe there are problems in the futures market, what type of surveillance is being conducted to prevent and detect manipulation, and if the regulators are equipped with the appropriate authority and enforcement mechanisms they need.

I would like to note that this Committee passed bipartisan legislation last year directing the Commodity Futures Trading Commission (CFTC) to find and stop manipulation in natural gas pricing and increase transparency through the surveillance of natural gas trading. The reauthorization also included several other provisions that clarified and/or strengthened the CFTC's overall regulatory authority. The House passed H.R. 4473, the Commodity Futures Trading Commission CFTC Reauthorization Act of 2005, in December.

There has been considerable debate and conjecture about the role of the futures market with regard to the current prices we are paying for oil and gas, and I look forward to any light that today's witnesses can shed on this timely subject.

I would now like to recognize the Ranking Minority Member, Collin Peterson.