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United States Senate

COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION

WASHINGTON, DC 20510-6125

WEBSITE: <https://commerce.senate.gov>

April 5, 2022

The Honorable Lina Khan, Chair
Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20580

Dear Chair Khan:

We write to request that you conduct an investigation into the volatile and elevated gasoline, diesel, jet fuel, and other petroleum distillate prices burdening West Coast consumers. We are concerned that current prices borne by consumers at the pump are disproportionate to the rise and subsequent decline in the price of crude oil over the past month and cannot be fully explained by supply and demand fundamentals. In particular, we request that you investigate any trading practices involved in setting benchmark indices and any role those practices may have or had in artificially elevating wholesale petroleum prices in the states of California, Oregon, and Washington.

Elevated and volatile gasoline and diesel pump prices have exposed how little is known about how prices are set in the opaque petroleum markets, despite their profound impact on the U.S. economy and household budgets. According to the April 5, 2022, testimony of Robert F. McCullough, Jr. before the Senate Commerce Committee, certain benchmark indices are used to price petroleum contracts across the West Coast market. These indices are based on transactions that are not on an exchange, not public, and not well understood. Unfortunately, as we personally learned during the West Coast electricity crisis, markets that function in secrecy more easily fall victim to manipulation and can lead to millions of dollars of overcharges for our constituents.

As you know, Congress expressly authorized the Commission to conduct investigations in the wholesale petroleum markets in Section 811 of the Energy Independence and Security Act of 2007 (42 U.S.C. § 17301). Congress modeled the FTC's anti-manipulation authority on the same authority granted the Securities and Exchange Commission (SEC) and the Federal Energy Regulatory Commission (FERC) to combat manipulation in markets within their jurisdiction. Since the 2005 Energy Bill provided FERC with its anti-manipulation authority, FERC has approved 127 settlement agreements and has assessed more than \$790 million in civil penalties and ordered more than \$521 million in disgorgement. Consumers deserve the same proactive

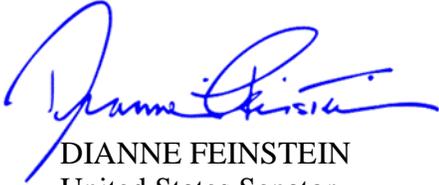
enforcement in the wholesale petroleum markets as FERC undertakes in the electricity and natural gas markets.

High and volatile fuel prices are hindering our economy and burdening families. Our constituents need to be confident that the markets are operating efficiently and fairly. To achieve this, we hope the Commission will fully utilize all of its tools and legal authority to monitor, analyze, investigate, and prosecute any market manipulation that could be contributing to today's record high West Coast petroleum prices.

Sincerely,



MARIA CANTWELL
Chair



DIANNE FEINSTEIN
United States Senator



RON WYDEN
United States Senator