U.S. Senator Maria Cantwell

Senate Committee on Commerce, Science, and Transportation Hearing on Ensuring Transparency in Petroleum Markets

Witnesses: Robert McCullough, Principal, McCullough Research
Kathleen Sgamma, President, Western Energy Alliance

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Cantwell Opening Statement

“The Senate Committee on Commerce, Science and Transportation today is having a full committee hearing on ensuring transparency in the petroleum markets. We will hear from Mr. Robert McCullough, Principal of McCullough Research from Portland, Oregon. And Ms. Kathleen Sgamma, President of Western Energy Alliance from Denver, Colorado. Welcome to you both.

“I want to welcome our witnesses because I think this issue of ensuring transparency in petroleum markets is of the utmost importance. Surging petroleum prices are wreaking havoc with American households’ budgets and threatening our nation's post pandemic recovery and global competitiveness.

“In the state of Washington, many of my constituents are still paying close to $5 a gallon at the pump and even though prices have fallen 11% last month.

“For some mysterious reasons, the sticker shock in California is even worse. Many drivers in the Golden State are shelling out $6 or more [a gallon] to fill up … their cars and trucks. Diesel fuel, the bedrock of our nation’s supply chain, is also having great impacts. A few weeks ago, we saw the highest diesel prices ever. Prices dropped a bit recently, but…this means it can cost a trucker over $1,000 to fill up their rig.

“As Senator Cruz knows from the Aviation subcommittee, jet fuels have also climbed to record levels, hitting air carriers and travelers with steep increases just as the industry is starting to recover from the pandemic shut down.

“I'd like to acknowledge up front that the world oil prices are at record levels. There are a lot of compounding reasons for that -- Russia's despicable attack on Ukraine, a post-pandemic demand surge and an atrophied supply chain, and OPEC’s cartel refusal to help boost production.

“Speaking of OPEC, I hope everyone on this dais knows that it has monopolies and that it will be able to dictate how much we continue to pay for oil. That is as long as we remain addicted to that oil. As President George W. Bush concluded back in 2006, cartel members like Saudi Arabia, Russia and Iran will continue to have America by the throat, no matter how much more we produce at home, even when we drill and every last inch of our country.
“But this hearing today is not about world oil prices; it is [not] about how much oil or how much oil we could have been producing; or canards about supposed impact of trans-continental pipelines never built; or red herrings about bypassing environmental laws. None of those are the issues of the hearing, or even really in our jurisdiction. And that's why we’re trying to focus on our committee's jurisdiction.

“What this hearing is about is the mysterious middle of the gas market. [Sen. Cantwell points to chart.] This is what is shown on the chart behind me. So we're not we're not talking about the world oil price, or, we're not talking about what happens at the individual retailers.

“This is not about the crude oil, that does account for about half of the cost of a gallon of gas. That is set at world markets. Nor are we talking about local gas stations because many of them are small businesses who are owners who take a lot of heat from the angry drivers. Because the reality is the gas stations are price takers and operate on thin margins, no matter what the retail price of petroleum is.

“This hearing is about this mysterious middle of the supply chain, how we can shine a light on the black box to expose any anti-competitive dark trading, making sure there aren't a bunch of 'smart guys in the room' hurting consumers because they think we can't figure out what is happening when there is a lack of transparency.

“We have seen this show before. Americans have the right to know why one of our most important commodities doesn't have the right amount of proper transparency and oversight. It doesn't seem right to me that we should have more transparency on a product like wheat or corn than we would on oil.

“There is of course nothing new about bad actors artificially impacting shortages or supplies. The Grain Futures prohibited manipulation of grain prices as early as 1922. And there are many schemes about this throughout our history. One of our witnesses, Robert McCullough, played a key role in blowing the whistle on Enron’s trading energy schemes during the West Coast energy crisis.

“Congress took action and after that crisis. In 2005, we empowered the Federal Energy Regulatory Commission (FERC) with the authority to make electricity and natural gas markets more transparent. And we continued to push that. We see today that there are still bad actors doing these activities – [FERC has enforced] a billion dollars in fines and discouragements from return of these ill-gotten gains to help consumers.

“My opinion is we now need to do the same thing on opaque petroleum markets. Congress in 2007 gave this identical authority to the FTC.

“So today, I hope to ask our witnesses about this. This is something that we would like to see -- the FTC [to] be the watchdog on this issue and be more aggressive in protecting consumers. I want to thank Ranking Member Wicker for pushing the FTC to try to find out what they've been doing on this issue.
“That is why today we are also sending a letter from my West Coast colleagues urging the commission to investigate abnormally high West Coast prices. And we’re working on legislation to give the FTC more authority and access to data so that we can properly police these markets.

“The bottom line is fair markets are not mysterious. Fair markets are transparent. And I hope that we can have these issues discussed today, as members of the Committee know how important these prices are to their consumers.”