2012 PRESIDENTIAL DEBATE BRIEFLY TOUCHES ENERGY AND FINANCIAL REFORM ISSUES

On Wednesday night, President Obama and Republican nominee Mitt Romney squared off in a debate where energy policy and financial reform were contested topics. Romney touted his support for the Keystone XL pipeline and how he would double the number of permits and licenses on government land for oil drilling. On the campaign trail, Romney has attacked President Obama for not approving the job creating pipeline which Romney says will bring much needed Canadian oil sands to American refineries in the Gulf. Romney also went after the President for allowing gasoline prices to double during his administration, an often sought GOP talking point. While the President didn't address the issue directly, he has noted before that there isn't much an administration can do to lower the price of oil since it's set on a world market especially given that the highest price for a barrel of oil took place during the Bush Administration. President Obama also argued that oil and gas drilling on both private and federal lands is at its highest in years. Romney fired back arguing that the oil drilling permits were approved during the Bush Administration and Obama shouldn't take credit for something his administration had no control over.

On the financial reform front, Romney said that he would repeal and replace the Dodd-Frank Wall Street Reform Act while Obama defended his administration's highly touted law arguing that it will bring transparency and fairness. While PMAA doesn't have an opinion on many of the titles within Dodd-Frank, PMAA does care about implementation of Title VII which will address the overly-leveraged oil derivatives markets. Additionally, Dodd-Frank includes the Durbin amendment which addresses the monopolistic practices of Visa, MasterCard and the largest banks that issue debit cards. Although, Romney didn't give specifics on how he would replace Dodd-Frank, PMAA is concerned that repealing the entire law or even portions of the law may undo some of the positives that have brought some relief to marketers.

FEDERAL JUDGE ISSUES SET BACK ON POSITION LIMITS

Late last Friday, the Federal District Court for the District of Columbia issued its decision in the case of the International Swaps and Derivatives Association (ISDA) v. the Commodity Futures Trading Commission (CFTC) regarding the CFTC's position limits rule. Unfortunately, the court tossed the position limits rule, sending the rule back to the CFTC for further development.

The case brought by associations representing Wall Street asserts that the position limits rule was not sufficiently justified under the statute as "necessary and appropriate." PMAA, NEFI and the Commodity Markets Oversight Coalition (CMOC) believe this regulation is not only necessary and appropriate, we believe this regulation is long overdue.

In October 2011, PMAA achieved a significant step forward in the futures market reform front when the Commodity Futures Trading Commission (CFTC) voted to impose speculative position limits on oil traders as well as rules governing commodity exchanges such as the Chicago Mercantile Exchange (CME) and the Intercontinental Exchange (ICE). The four covered energy contracts include: NYMEX Sweet Light Crude, NYMEX Gasoline Blend stock, NYMEX Heating Oil, and NYMEX Hub Natural Gas.

Position limits were divided into two types: spot-month and all-months combined. The spot-month position limits would have been set at 25 percent of deliverable supply and set to go into effect on October 12, 2012. The all-months combined position limit regime would not be implemented until the CFTC had collected a year's worth of swaps data. This process is likely to be completed later this year.

The court's decision is a major setback to bringing greater transparency and fairness to the overly-leveraged commodity futures and swaps markets. The CFTC now must quickly determine whether to undertake the further work of justifying the "necessary and appropriate" basis of the position limits rule and then re-issue the rule, or appeal the District Court's decision to the U.S. Court of Appeals. PMAA and NEFI will continue working with CMOC on next steps to fight for this critical rule.

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Petro Pete: ***"It's not enough to have every intelligent person in the country voting for me. I need a majority.***
-Adlai Stevenson."

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