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CHANGE IN CONGRESS TO IMPACT MARKETERS

Unprecedented change occurred in the makeup of the U.S. House of Representatives following Tuesday's 2010 mid-term elections. Significant change also occurred in the U.S. Senate and petroleum marketers will certainly be impacted by the changes in Congress. The GOP advances in the House and Senate likely means the end of cap-and-trade legislation for the next two years.

Republicans picked up 60 seats in the House (greater than the 52 Republican seats netted in 1994) leaving a new breakdown of 239 Republicans vs. 187 Democrats with nine seats still undecided. House Majority Leader John Boehner (R-OH) will likely become Speaker. Several Republicans officially declared runs for House leadership jobs including: Rep. Eric Cantor (VA) for majority leader, Rep. Kevin McCarthy (CA) for majority whip, Rep. Jeb Hensarling (TX) for conference chairman and Rep. Tom Price (GA) for Policy Committee chairmanship. Rep. Mike Pence (R-IN), the current Republican Conference chairman, announced he was resigning from House leadership and is expected to run for governor. The new Republican House majority triggered races for committee chairmanships leaving some committees with new leadership as some full committee chairmen and subcommittee chairmen were defeated.

House Energy and Commerce Committee member Rick Boucher (D-VA) lost his reelection bid to state House Majority Leader H. Morgan Griffith (R). Boucher's vote for the controversial cap-and-trade bill (H.R. 2454) is said to have cost him the election. House Transportation and Infrastructure Committee Chairman James Oberstar (D-MN) lost his reelection bid to Navy veteran and Northwest Airlines pilot, Chip Cravaack (R-MN). Oberstar pursued an amendment to the Hazardous Materials Transportation Safety Act to prevent the transportation of motor fuel and heating fuel in the wetlines. However, Oberstar did support PMAA on the issue of commercialization of rest stop areas.

Rep. Dave Camp (R-MI) will likely chair the House Ways and Means Committee while the ranking member position will not be decided for weeks with Reps. Sander Levin (D-MI), Richard Neal (D-MA) and Charlie Rangel (D-NY) all in the running. The Blue Dog Coalition, a conservative spending group within the Democratic Party, suffered major losses to Republicans. Two of the three Blue Dog co-chairmen, Reps. Baron Hill (D-IN) and Stephanie Herseth Sandlin (D-SD), lost their reelection bids.

House Energy and Commerce Committee ranking member Rep. Joe Barton is term-limited under GOP rules and will have to get a waiver from party leaders to become chairman. Nonetheless, he is aggressively pursuing it reaching out to freshmen members. Rep. Fred Upton (R-MI), who is ranking member of the Energy and Environment Subcommittee, is also seeking to lead the full committee.

Congressman Darrell Issa (R-CA) is expected to become chairman of the House Government Reform and Oversight Committee. He has said that as chairman, he will investigate Federal agencies including the EPA and its efforts to use the Clean Air Act to impose strict carbon emission standards. Following the significant gains the Republicans made in the House and Senate, it is expected the EPA will move more aggressively to regulate carbon emissions bypassing Congress.

The Republican takeover of Congress could spell trouble for the extension of the 45 cent-per-gallon ethanol tax credit. Senior Democratic lawmakers have already introduced legislation to reduce the ethanol tax credit to 36 cents-per-gallon. House and Senate leadership will be meeting with President Obama November 18 to discuss tax extension proposals.

Senate Republicans picked up six seats with the Alaska Senate race still undecided, leaving the current breakdown of 53 Democrats, 46 Republicans and two independents who caucus with the Democrats. Senate Majority Leader Harry Reid (D-NV) was able to hold on to his seat from tea party backed challenger Sharron Angle (R-NV). Senate Agriculture Committee Chairwoman Blanche Lincoln (D-AR), who was very influential in the development of the derivatives overhaul legislation within the Dodd-Frank Wall Street Reform Act (P.L. 111-203) and voted for interchange fee reform, lost her reelection bid to Republican John Boozman.

Sen. Charles Grassley (R-IA) is prevented from serving as the ranking member of the Finance Committee due to GOP rules to limit terms of chairman and ranking members. Grassley, who served as chairman/ranking member of the committee for a decade, will switch jobs with Sen. Orrin Hatch (R-UT) to become ranking member of the Judiciary Committee while Hatch takes over ranking member of Finance. Senator Max Baucus (D-MT) will remain chairman of the Finance Committee. As a member of the Agriculture Committee, Grassley was the lone Republican to support oil futures market reform legislation.

California voters did not revoke their strict rules on cap-and-trade legislation. California's Proposition 23, the ballot initiative to stall California's landmark climate change law, did not get a majority of votes to pass. PMAA supported California Independent Oil Marketers Association's (CIOMA) efforts to stop California's jobs killing cap-and-trade legislation which will ultimately raise prices at the pump. California Democrat and Environment and Public Works Committee Chairwoman Senator Barbara Boxer, who introduced the Senate's version of cap-and-trade legislation, won reelection defeating Republican challenger Carly Fiorina.

The President's party normally loses seats in mid-term elections. All eyes will now be on 2012 which it is important to note that the last three presidents who had similar midterm election losses (Eisenhower, Truman and Clinton) all won reelection.

PMAA URGES REGULATORS TO ENFORCE OIL FUTURES MARKET REFORMS

On Monday, PMAA and the Commodity Markets Oversight Coalition (CMOC) submitted general [comments](#) to the CFTC urging Chairman Gary Gensler and Commissioners Jill Sommers, Bart Chilton, Michael Dunn and Scott O'Malia to take a stand against excessive trading practices in commodity futures markets.

Formed in 2007, the Commodity Markets Oversight Coalition (CMOC) represents an array of interests, including commodity producers, processors, distributors, retailers, commercial and industrial end-users, and American consumers. Title VII of the Dodd-Frank Wall Street Reform legislation aimed to curtail excessive speculation and manipulation in our nation's commodity futures exchanges. The CFTC has identified 30 areas where rules will be necessary. Specific areas of concern for petroleum marketers in the upcoming proposed rulemakings include: definition for commercial risk; governance and possible limits on ownership and control; end-user exemptions from clearing; foreign boards of trade registration and aggregate position limits. Proposed rulemakings on aggregate position limits will be issued in the near future which PMAA believes will help mitigate oil price volatility and prevent another oil price spike.

Given the Federal Reserve's announcement that it would buy approximately \$75 billion per month in long term government bonds through the middle of 2011, it may force the CFTC to move faster with its position limits rulemaking. By printing more money to boost the economy, economists believe this could drive inflation over the long term and unleash speculative buys in the oil futures market. Oil futures prices were up over two dollars per barrel on Thursday closing at \$86.71 as investors flocked to commodities as a hedge against inflation. Due to the Fed's decision, PMAA is concerned that the massive influx of long-term only speculative buying may lead to an artificial spike for prices at the pump and prices for home heating oil which will cause headaches for petroleum marketers, retailers and consumers. While a weak dollar does lead to higher energy commodity prices, the CFTC needs to impose aggregate position limits to reduce excessively-leveraged speculators, index investors and hedge funds from overwhelming a finite supply of product. While crude oil inventories rose to its highest levels this year (increased two million barrels this week), it wasn't enough to offset the massive influx money flowing into oil. Furthermore, the gasoline surplus now stands at 5.7 percent above the five year averagewhile distillate inventories are 19.5 percent above the five year average. Over the last month, total petroleum demand was up a meager 0.3 percent and gasoline demand remained flat.

The CFTC can and should intervene by enforcing aggregate position limits to support commercial end-users in the marketplace such as petroleum marketers, airlines, farmers and consumers, so that they are not forced to pay excessively high energy prices.

EPA GREENHOUSE GAS REGULATIONS TOP TARGET FOR REPUBLICANS

The EPA's effort to develop comprehensive greenhouse gas (GHG) regulations will likely be hindered significantly now that the Republicans have swept to power in the U.S. House of Representatives. Many Republicans promised during the midterm election campaign to delay or even kill the controversial EPA GHG agenda by attaching language to the agency's annual appropriations bill prohibiting expenditures for cap and trade rulemakings.

President Obama defended EPA's regulatory efforts at a post election news conference arguing that the agency was given the authority to regulate GHG as a pollutant under a 2007 U.S. Supreme Court ruling. However, the president said he is less focused on being protective of the EPA's GHG authority than he is of working with Congress to find compromises on clean energy and emissions reductions. While Democrats continue to hold a slim majority in the Senate, the addition of at least six more Republicans will only increase pressures on that chamber to delay the GHG rules as well. Republicans will have help in their efforts from Senator John D. Rockefeller IV (D-WV) who already has the support of a dozen Democrats for a bill (S. 3072) to delay the EPA regulations for two years. Rockefeller plans to bring the bill to the Senate floor during the upcoming lame-duck session.

The GOP control of the House also means more oversight and investigations into the EPA's GHG regulatory activities, including the underlying science supporting the agency's justification for GHG limits, the opportunity given to other agencies and stakeholders to shape the regulatory process and how GHG rules would affect jobs and the economy. Also targeted are EPA rulemakings to tighten air quality standard for ozone and a proposal for more stringent emissions limits on hazardous air pollutants from industrial boilers. Despite the overwhelming Republican victory this week, environmentalists see no public mandate to derail GHG regulations. Instead, they point to a survey of 1,000 voters who cast votes for Republicans in 83 battleground states that showed only seven percent of them said their top concern with Democrats was GHG regulation.

In the same survey, 55 percent of the same voters said they would support a bill to encourage clean energy by charging companies for carbon pollution compared with 38 percent who were opposed.

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DAYLIGHT SAVINGS TIME ENDS AT 2AM SUNDAY.**

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Petro Pete: "Never be afraid to try something new. Remember, amateurs built the ark and professionals built the Titanic"

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