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# United States Senate

WASHINGTON, DC 20510-1903

October 8, 2008

Jamie Py  
25 Greenwood Road  
Post Office Box 249  
Brunswick, ME 04011-0249

Dear Jamie:

Thank you for contacting me regarding energy policy, specifically the topic of energy futures speculation, and the price of home heating oil. I appreciate hearing your thoughts on this issue and your leadership on behalf of Maine's Oil Dealers as we enter into an exceedingly difficult winter.

Like you, I believe that the extraordinary price of home heating oil is unacceptable to American consumers as well as the small businesses that deliver this product to thousands of Americans. I firmly believe that Congress must act swiftly and decisively to address this crisis, which is why I have been on the forefront of unregulated speculation in our energy markets. Clearly, events of the last two week have only further demonstrated that our current regulations must be advanced to reflect the financial circumstances of the last few years. I have long advocated that we must address regulation of our energy futures markets, which is intrinsically linked to the health of our financial markets and our economy.

The recent volatility in prices has been intensified by massive speculation in energy trading markets, and it is absolutely essential the federal government provides strict oversight of this market that has a tremendous impact on the price for oil and gas paid by consumers, to ensure transparency in the marketplace and prevent price manipulation. For the past two years I worked to close the so-called "Enron Loophole," an egregious loophole that exempted electronic trading of energy commodities from oversight by the Commodity Futures Trading Commission (CFTC). Specifically, Senators Dianne Feinstein, Carl Levin, and I introduced legislation requiring stringent oversight of electronic exchanges engaging in contracts that are significant in determining commodity market prices. After we secured its inclusion as an amendment to the 2007 Farm Bill, this amendment, which I co-authored, has now become public law.

You expressed support for the Stop Excessive Speculation Act (S. 3268), which was introduced by Senator Harry Reid on July 15, 2008. As you are aware, this bill seeks to provide the Commodity Futures Trading Commission (CFTC) with specific guidelines regarding foreign trading, international reporting and regulatory standards, and market oversight. On July 23rd I voted to move to proceed to the bill, which passed with my support in a vote of 94 to 0. As you may know, on Tuesday, July 22, 2008, I spoke on the Senate Floor regarding this proposed legislation, and expressed that I believe this bill will move the process forward to improve the transparency of our energy futures markets. In particular, I am pleased the legislation includes a provision based on a bill I authored along with Senator Maria Cantwell (D-WA) that was introduced on June 12, 2008 – that would improve the regulation of foreign oil markets.

Currently, energy traders may operate in foreign markets with relaxed regulations that do not employ the 18 Core Principles for futures markets in the United States -- including a vital limitation on how much supply of one commodity a single individual trader can control at one time. As you note, this has been referred to as the "London Loophole." It is essential that foreign markets that trade American oil be subject to the same regulations as U.S. markets. Although my legislation went

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further than S.3268 and required the regulation of these foreign markets to be exactly like American markets, I do believe that S.3268 would be a vast improvement from the status quo. I also continue to believe it is imperative that Congress make a commitment to develop and agree to a bipartisan, comprehensive energy legislation. I strongly believe that elements of the S.3268, including the regulation of foreign oil markets should be immediately passed into law.

You also expressed support for full funding for the Low Income Home Energy Assistance Program (LIHEAP). The LIHEAP program is a critical program for the State of Maine every year to help Maine's most in need, but with the recent rise of energy costs full funding of this program this year has become all the more essential. As a result, I personally worked with the Chairman of the Senate Budget Committee to ensure that the Congressional Budget Resolution included \$5.1 billion for LIHEAP. Furthermore, I spearheaded a letter to the Senate Appropriations Committee requesting that this figure be retained in any appropriations bill that Congress considered.

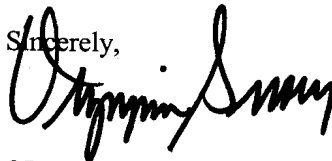
With my full support, on September 27th, the Senate passed the Continuing Resolution Appropriations Act that funds the LIHEAP program at \$5.1 billion through Fiscal Year 2009. Based on allocations to individual states, Maine will receive roughly \$49 million in guaranteed funding and additional funds through the discretion of the President. To put this figure in context, last year Maine received \$28.8 million in formula funds and an additional \$19 million in funding at the discretion of the President. Upon passage by the Senate on September 27th, the legislation was sent to the President and signed into law on September 30<sup>th</sup>, 2008.

Furthermore, as you note in your letter, it is critical that our nation achieve energy self-sufficiency and, as a result, one of my priorities as a member of the Senate Finance Committee is to provide tax incentives for greater energy efficiencies. Toward that end, I have also introduced legislation, the EXTEND Act (S.822), which would create a tax incentive of up to \$4,000 for a complete retrofit of a residential home through an energy audit based upon the Residential Energy Services Network (RESNET) Technical Guidelines. Furthermore, I appreciate the fact that Representative Paul Kanjorski has introduced the Home Heating Loan Guarantee Act of 2008 (H.R. 6920), which certainly reflects an understanding that energy efficiency of residential homes must be improved.

At a time when Americans are struggling with heating their homes it is essential that we do not waste finite energy resources. As a result, I have worked to pass landmark tax credits for energy efficient new homes, new commercial buildings, as well as tax credits for energy efficient upgrades in residential homes. For example, a taxpayer could use a tax credit, which I included in the Energy Policy Act of 2005, to purchase a high efficiency oil furnace, which would save over \$180 in annual savings according to calculations based on Department of Energy data and recent home heating prices. This tax credit is essential to save home heating oil and reduce our reliance on foreign oil and I fully support additional funding to improve the efficiency of Maine homes.

It is my strong belief that the ability to meaningfully address our nation's energy crisis is within our grasp through solutions readily available to us today. Please be assured that I will continue to focus on our national energy policy and will not cease my work until energy prices return to a reasonable level.

Sincerely,



OLYMPIA J. SNOWE  
United States Senator