



*Formerly The Foundation for Taxpayer & Consumer Rights*

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President-elect Barack Obama  
Chicago Transition Office  
Kluczynski Federal Building, 38<sup>th</sup> floor  
230 S. Dearborn St.  
Chicago, IL, 60604

Energy Secretary-Designate Steven Chu  
Washington Transition Office  
451 6<sup>th</sup> St. NW  
Washington, DC 20001

December 18, 2008

Dear President-elect Obama and Energy Secretary-designate Chu,

Consumer Watchdog strongly supports your plans to stimulate the economy with green jobs and projects, with the aim of reducing our petroleum dependence. Keys to the success of this include not just getting petroleum consumption down, but controlling roller-coaster fuel prices that alternately encourage and kill investment in green energy.

We urge that you quickly put in place regulation of both energy trading markets and refinery operations that will help you achieve this goal.

A surprising new poll finds that Americans support Energy Department regulation of the refining industry by a nearly two to one margin. The national poll of 840 registered voters, conducted by Grove Insight, is a measure of citizen anger at government acquiescence to the oil business and readiness to see companies, as well as energy markets, better-regulated.

When asked whether the Department of Energy should be given the power to regulate oil producers and refineries, voters favor the idea by a wide double-digit margin.

- Nearly four in 10 (39%) approve of such regulation, while only one in five (20%) are opposed.
- The intensity of support is all on the “favor” side. “Strong” support outpaces “strong” opposition by 17 points (30% strong favor; 13% strong oppose).
- Around four in 10 (40%) remain undecided. More detailed results are below.

Consumer Watchdog is also among many industry and consumer groups urging regulation to curb speculative fevers in energy markets. We know you are familiar with proposals for market transparency, oversight and curbing noncommercial trades between

parties that neither sell nor take physical delivery of petroleum or natural gas products. Refinery regulation is a less familiar proposal, but an equally necessary one.

In 2006 and 2007, record spikes in the price of transportation fuels were caused not primarily by oil prices but by reduced refinery production. Both years saw a steep climb in refinery margins, in some cases to well over \$1 a gallon. While refiners blamed unforeseen outages, "routine" maintenance and lack of capacity, producers' reductions in output were also seen as the deliberate actions of a concentrated industry to support higher profits and prices.

Consumer Watchdog supports two key actions:

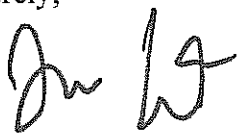
- Give the Energy Secretary the authority to require refineries to produce enough fuel to keep available a 30-day supply, which was the average on-hand supply as recently as the early 1990s, according to Energy Information Administration data. Such authority need be used only if there is evidence of supply restriction for price reasons, and prices are rising.
- Grant a similar authority to curb refiners' exports of refined fuels in times of rising demand or refinery outages.

Question as asked by polling and opinion research firm Grove Insight in Dec. 4-7 poll, and chief results:

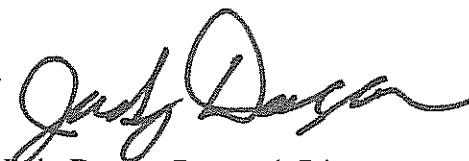
**There is a federal proposal to give the Department of Energy the power to regulate oil producers and refineries in order to protect against shortages that can lead to gasoline price spikes. The government could require oil refineries to make more gasoline if they are currently restricting production for profit reasons, or to stop exporting gasoline during peak periods of demand. Do you favor or oppose this legislation or are you undecided?**

Favor, strongly 30%  
Favor, not strongly 9%  
Undecided 40%  
Oppose, not strongly 7%  
Oppose, strongly 13%  
DK/NA 1%

Sincerely,



Jamie Court, President



Judy Dugan, Research Director