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United States Senate

COMMITTEE ON
ENERGY AND NATURAL RESOURCES

WASHINGTON, DC 20510-6150

WWW.ENERGY.SENATE.GOV

May 17, 2013

The Honorable Eric Holder
Attorney General
U.S. Department of Justice
950 Pennsylvania Avenue, NW
Washington, DC 20530

Dear Attorney General Holder:

I am writing to you in your capacity as Chair of the Financial Fraud Enforcement Task Force, and the charge given to you by President Obama to monitor oil and gas markets for potential violations of criminal and civil laws.¹ On May 14, 2013, European Union antitrust authorities raided three major oil companies – BP PLC, Royal Dutch Shell PLC, and Statoil ASA – as part of an investigation of whether they manipulated oil prices by making false reports to Platts, a price-reporting organization owned by McGraw-Hill Financial.²

These companies engage in comparable activities in the United States and their oil activities include production from onshore and offshore Federal leases. I request that you coordinate with the appropriate European Union agencies and determine whether these or any other companies have engaged in improper reporting of oil pricing information in the United States. It is critically important to determine whether or not similar efforts have been made to manipulate U.S. oil indices by these firms or others.

While press reports of the European Commission investigation do not identify specific allegations related to U.S. markets, many domestic companies depend upon the London-based Brent oil indices and related contracts to purchase oil and hedge their exposure to world oil markets. Additionally, price discovery in physical commodity markets has been an area of abuse within the U.S. in the past. Following the Enron-era trading scandals, the U.S. Federal Energy Regulatory Commission (FERC) conducted an extensive investigation of how natural gas and electricity prices were reported and price indices for these products were established. FERC determined that a number of companies had deliberately reported false information to publishers of price indices to favor their own trading positions in both the physical and financial energy markets.³

Similarly, the U.S. Commodity Futures Trading Commission (CFTC) took action against several natural gas trading companies for submitting false information to price-reporting organizations in an effort to skew price indices. In 2008, for example, the CFTC convicted a former Shell energy trader who attempted to manipulate natural gas indices by reporting false information to price-reporting organizations, including Platts.⁴

¹ Eric Holder, "Memorandum to the Financial Fraud Enforcement Task Force: Oil and Gasoline Price Fraud," April 21, 2011, accessed May 16, 2013: http://www.justice.gov/ag/AG_Memo_to_FFETF-Gas_Prices.pdf

² Ajay Makan, Javier Blas and Peter Spiegel, "European Commission raids oil groups over price benchmarks," *Financial Times*, May 14, 2013.

³ Federal Energy Regulatory Commission, "Final Report on Price Manipulation in Western Markets," March, 2003, Docket No. PA02—2-000, and "Report on Natural Gas and Electricity Price Indices," May, 2005, Docket No. PL03-3-004.

⁴ Commodity Future Trading Commission, "CFTC Obtains Verdict Against Former Coral Energy Trader Anthony Dizona for Attempted Manipulation," January 15, 2008, accessed: May 16, 2013: <http://www.cftc.gov/PressRoom/PressReleases/pr5435-08>

Efforts to manipulate the European oil indices, if proven, may have already impacted U.S. consumers and businesses, because of the interrelationships among world oil markets and hedging practices. These effects on American business make it imperative that your task force investigate whether any firms that may be using false information to manipulate oil prices here or abroad.

I look forward to hearing from you on your efforts to work with the European Commission on this matter.

Sincerely,

A handwritten signature in blue ink that reads "Ron Wyden". The signature is written in a cursive, flowing style.

Ron Wyden
Chairman