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Will Obama's Plan to Enforce Oil Market Regulations Lower Gas Prices? >

Calming Tensions With Iran Is the Real Solution on Oil

By **ANDREW HOLLAND**, Senior Fellow for Energy and Climate at the American Security Project

33 18
April 20, 2012



About Andrew Holland:

Andrew Holland is the senior fellow for energy and climate at the American Security Project, which recently published Cause and Effect: U.S. Gasoline Prices.

The president is right; speculation does impact the price of gasoline. Unfortunately, he is wrong to think that there is anything that the government can do about it, or that his plan would lower the price of gasoline.

[See a collection of political cartoons on the economy.]

Efforts to reduce the price of oil by targeting "speculators" or "market manipulation" are doomed to fail because oil is a global market set by global changes in supply and demand. Speculation is a natural part of that price because of the uncertainties of future swings in the market. Speculators drive up the price of oil when there is fear of a tight market in the future, but can also push the price down when it looks like supply will exceed demand.

To ban all speculation would not only be counterproductive, it would be futile. Increased enforcement and action here in the U.S. is only likely to drive more trading overseas to major banking centers like London, Hong Kong, and Dubai. Americans would then be stuck paying a high price for oil without the additional transparency that Securities and Exchange Commission and Commodity Futures Trading Commission rules require.

[Read Obama Pushes Crackdown on Oil Speculation.]

Ultimately, the root cause of today's upward pressure on oil prices is not any sort of desire to manipulate markets or make unfair profits—it is the threat of another war in the Middle East. A conflict between Israel and Iran, possibly including the U.S.,

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would put the 15 million barrels of oil per day that sails through the Strait of Hormuz at risk. Oil speculators are rightly placing a "risk premium" on world oil supplies because a closure of the Strait of Hormuz would catastrophically drive up the oil price.

If the president and his Republican opponents, both in Congress and on the campaign trail, really want to bring down the price of gasoline at the pump, we need to diplomatically resolve issues with Iran, not further ratchet up tensions. Other efforts, whether its President Obama's proposal to enforce oil market regulations or Republican efforts to promote greater U.S. oil production, will be irrelevant to gas prices.

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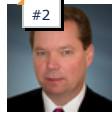


#1

NO — [We cannot allow politics to destroy the most transparent oil market in the history of the world](#)

PHIL FLYNN, Vice President, Energy Analyst and General Market Analyst with PFGBEST

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#2

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Iran will not close the Straits of Hormuz, because the closing will block Iran's export trade, including oil shipments to China, India and Japan. Iran will not strangle itself. The Iranian oil price does not effect the US oil price because Iranian oil is not exported to the US and because Iran and the US do not have diplomatic relations. Iranian oil is traded on the Iran Oil Bourse and on the Singapore spot market and Iranian oil has no effect on the oil markets of western Europe and North America. The closing of the Straits is being used as a phony excuse by Big Oil, Wall Street and their media pundits to increase the price of oil.

EARL RICHARDS | 2:45PM April 20, 2012

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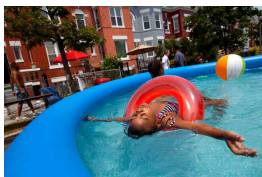
Google the "\$2.5 Trillion Oil Scam - slideshare."
Purchase solar panels and electric cars. The price of oil and gasoline is determined by those who manipulate and control the crude oil futures markets, namely, the IntercontinentalExchange (ICE), ICE Futures Europe and the NYMEX, and the oil price is not determined by Obama, OPEC, Saudi Aramco, Inc, and the laws of supply and demand.

EARL RICHARDS | 2:35PM April 20, 2012

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