From: akoller@koller-craft.com
Sent: Thursday, April 22, 2010 11:48 AM
To: secretary <secretary@CFTC.gov>
Subject: CFTC Speculative Position Limits

April 22, 2010

David Stawick, Secretary
U.S. Commodity Futures Trading Commission Three Lafayette Centre
1155 21st Street, NW
Washington, D.C. 20581
Email: Secretary@cftc.gov
Fax: (202) 418-5521

Subject: Comments on Proposed Speculative Position Limits for Energy (File #10-002)

Dear Mr. Stawick:

I am writing today to endorse the comments of the Industrial Energy Consumers of America (IECA) on the proposed rule to implement speculative position limits for futures and options contracts for natural gas. I am also writing to add my own thoughts on this matter to the public record.

It is vitally important that the CFTC take action to stop excessive speculation and market manipulation. I support the adoption of speculative position limits for energy contracts. However, the proposed speculative position limits are too large and by themselves is not a solution to excessive speculation. Reducing the total volume of speculative positions relative to bonafide hedger positions is the only way to reduce excessive speculation. We urge the CFTC to take action to reduce total speculative volumes and bar speculative exemptions. As proposed, the speculative position limits will only help prevent market manipulation.

Natural gas is a vital fuel and feedstock and its price often determines whether manufacturing companies are globally competitive and whether we create or lose jobs. Natural gas is also important in determining the price of electricity because natural gas fired power generation often sets the marginal price for electricity in a growing portion of the country. This means that if the price of natural gas goes up, so will the price of electricity.

Futures markets were created to serve producers and consumers of consumable commodities to manage risk and for price discovery that reflect the underlying supply and demand fundamentals. They were not created to serve speculators, the banks, traders, hedge funds, sovereign funds or passive index fund speculators. Unfortunately, that is exactly what has happened.

To illustrate the problem, please consider the following information. In just a few short years, natural gas has become the second largest traded commodity in the world. On average, 226,000 natural gas contracts are traded daily, which is equivalent to the entire demand by the US per year! All the while, actual consumption in the US has only increased modestly. We have also experienced excessive speculation - when the price of natural gas doubled in the first half of 2008 even though inventories were normal and domestic production increased by 8 percent. And, we have experienced several cases of market manipulation - the Amaranth hedge fund comes to mind.

The Commission has a statutory obligation, if not a compelling moral obligation, to establish hard limits on the size of positions that speculators can take in these markets, and to bar them from any exemptions. The rule that has been proposed is not perfect, and again, I strongly urge the technical improvements suggested by the comments I have written to endorse.

In considering the rule, Commissioners must look past opposition by the Wall Street community and remember the affect that excessive speculation has on businesses like mine, my customers and the broader economy. It should establish restrictive speculative position limits, and implement them expeditiously, before we see a repeat of the 2008 energy bubble and another major shock to a country still recovering from recession.

Thank you for your consideration.

Sincerely,

Alois J. Koller Jr.
Chairman
Koller-Craft Plastic Products