



## AMERICAN PUBLIC GAS ASSOCIATION

September 27, 2022

Ms. Lauren Fulks  
Secretary, Energy and Environmental Markets  
Advisory Committee Meeting  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street NW  
Washington, DC 20581

Submitted via CFTC Comments Portal at <https://comments.cftc.gov/>

### **Re: Energy and Environmental Markets Advisory Committee**

Dear Ms. Fulks:

The American Public Gas Association (“APGA”) appreciates the opportunity to provide comments in connection with the Commodity Futures Trading Commission’s (“CFTC” or “Commission”) September 27, 2022, Energy and Environmental Markets Advisory Committee (“EEMAC” or “Committee”) meeting.<sup>1</sup> APGA thanks Commissioner Mersinger for sponsoring this important committee and offers these comments in response to the EEMAC’s discussion of investment in physical energy infrastructure and the effect on price volatility in the commodities market.

APGA is the trade association for more than 730 communities across the U.S. that own and operate their retail natural gas distribution entities. They include not-for-profit gas distribution systems owned by municipalities and other local government entities, all locally accountable to the citizens they serve. Public gas systems focus on providing safe, reliable, and affordable energy to their customers and support their communities by delivering fuel to be used for cooking, clothes drying, and space and water heating, as well as for various commercial and industrial applications, including electricity generation.<sup>2</sup>

As stewards of their communities, APGA members strive to maintain affordable energy prices for their customers and are accordingly active participants in the natural gas futures markets regulated by CFTC. Due to a number of recent domestic and global events and policies, many APGA members are facing significantly higher natural gas prices, both on the spot and futures markets. These costs are ultimately borne by the American consumer, both in the form of higher prices for energy and other goods.

APGA applauds the EEMAC for initiating a discussion of investment in physical energy infrastructure and the effect on price volatility in the commodities market. Our members are pleased that the Committee voted in favor of establishing a subcommittee that will study the issue further. As the subcommittee works to develop its report, APGA offers the following comments for its consideration.

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<sup>1</sup> <https://www.cftc.gov/PressRoom/Events/opaeventeemac092022>.

<sup>2</sup> For more information, please visit [www.apga.org](http://www.apga.org).

Investment in physical natural gas infrastructure can have significant impacts on natural gas prices. In many areas with the highest demand for natural gas, pipeline capacity is nearly, if not completely, subscribed by end users, including APGA members who purchase firm to ensure delivery to their customers on the highest demand days. Natural gas demand continues to grow for a number of reasons; however, corresponding investments in necessary infrastructure has not. The lack of investment has been driven in large part by a change of policies. No matter, this lack of investment means more end users are competing for the limited amount of natural gas that can be transported via existing infrastructure. This in turn drives up the price of the commodity. Such price increases are only magnified by policy changes and global events that push others to an already physically constrained market. Accordingly, the subcommittee's examination of this issue is of utmost importance to understanding such price increases and volatility, as well as developing a path forward to remedy them.

APGA echoes Commissioner Goldsmith Romero's request for "a series of deep-dive studies in key commodities markets, starting with those that have been experiencing the most recent stress—natural gas, crude oil, and wheat."<sup>3</sup> Accordingly, APGA encourages the new subcommittee to include in its report "an examination of the market presence of passive investment vehicles and other speculators, as well as dealers, to ensure they are providing useful liquidity or serving other useful functions and not distorting markets or otherwise undermining the price discovery process."<sup>4</sup>

APGA also encourages the subcommittee to concurrently explore a related topic, which APGA recommended in response to the Commission's request for topics on which the EEMAC should focus<sup>5</sup>:

As interest and liquidity in financially settled gas futures contracts has grown, volatility during the settlement period for the deliverable contract has seemingly also grown. The lack of liquidity during the settlement period of the prompt contract has resulted in large moves on the last day for several months and the final 30 minutes of trading for the February 2022 contract. We are asking the EEMAC to explore potential solutions to this concern, such as examining the current effectiveness of the physical delivery mechanism of natural gas futures contracts on NYMEX. We believe this is an important topic for the EEMAC to consider, as the deliverable contract and physical indices are closely linked, and many entities, including not-for-profit public gas utilities, utilize the indices in gas purchasing for their customers.<sup>6</sup>

APGA believes concurrent review of this issue is justified, as the volatility recently seen in commodity markets, particularly natural gas markets, is likely the collective result of several issues. Addressing this additional issue can help the subcommittee gain a better understanding of the volatility impacting the natural gas futures markets, which will in turn help with the development of more effective solutions.

Finally, APGA asks that the subcommittee prioritize its examination of commodity markets to the extent possible, beginning with natural gas. Not only have U.S. natural gas prices been significantly impacted by global events, but natural gas is also a foundational commodity. For our members, it is critical in its use at the burner-tip to heat homes, warm water, and cook food. Moreover, it is also a prominent fuel source for

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<sup>3</sup> Opening Statement of Commissioner Christy Goldsmith Romero before the EEMAC (Sept. 20, 2022), <https://www.cftc.gov/PressRoom/SpeechesTestimony/romerostatement092022>. Commissioner Goldsmith Romero's statement continued on to say, "The CFTC has a significant amount of data and expertise at our disposal, and the objective of these reports would be supportive of our core mission: To study whether prices are being determined by market fundamentals." *Id.* APGA agrees that such studies are both supportive of CFTC's mission and critical to better understanding the current commodity futures markets, especially natural gas. Such an understanding is necessary for the Commission to craft appropriate regulations to ensure effective markets that minimize unwarranted volatility.

<sup>4</sup> *Id.*

<sup>5</sup> 87 Fed. Reg. 38715 (Jun. 29, 2022).

<sup>6</sup> Email from APGA to CFTC on July 13, 2022.

electric generation and a building block for important items in commerce such as fertilizers and chemicals that are upgraded into higher value goods.

Because of its universal role, quickly understanding how physical infrastructure investments and other market mechanisms are impacting natural gas futures volatility is crucial- it may even provide insights for other commodities as the subcommittee further develops its report. Accordingly, APGA encourages the subcommittee to release analyses per commodity as they are developed, even if only preliminary in nature. This will ensure the subcommittee's investigation is done as expediently as possible, allowing the information to be quickly made available to both the Commission and the public.

Thank you for the review and consideration of these comments. If you have any questions regarding this submission, please do not hesitate to contact me.

Respectfully submitted,



Dave Schryver  
President & CEO  
American Public Gas Association