

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: August 22, 2022

TO: Honorable Members of the Rules, Elections, and Intergovernmental Relations Committee

FROM: Sharon M. Tso *Anak Keotahian - rg For* Council File: 22-0002-S90
Chief Legislative Analyst Assignment No. 22-07-0454

SUBJECT: Resolution to Support S. 4217 (Cantwell)

CLA RECOMMENDATION: Adopt Resolution (Koretz – Krekorian) to include in the City’s 2021-2022 Federal Legislative Program SUPPORT for S. 4217 (Cantwell), the Transportation Fuel Market Transparency Act, which would increase transparency to prevent fraud or manipulation of the wholesale fuel market.

SUMMARY

According to Resolution (Koretz – Krekorian), introduced on June 1, 2022, Americans are facing record-breaking gas prices while fossil fuel companies continue to post financial profits. S. 4217 (Cantwell) is intended to promote transparent and competitive transportation fuel markets by preventing fraud or manipulation that may be artificially inflating gas prices. The legislation would strengthen oversight by the Federal Trade Commission (FTC) to monitor fuel markets, with increased penalties for those companies that provide false information to manipulate the market. Specifically, the bill would:

- Expand the FTC’s authority to pursue false market information designed to artificially inflate retail prices;
- Establish a new Transportation Fuel Monitoring and Enforcement Unit at the FTC to analyze fuel markets for transparency and competitive market prices; and
- Identify any manipulation, reporting of false information, use of market power, or any other unfair method to distort transportation fuel markets to accrue illegal profits.

Currently, prohibitions against the manipulation of wholesale fuel markets or reporting false or misleading information only apply to crude oil, gasoline, and petroleum distillates. This bill would apply prohibitions to actions related to crude oil and transportation fuel, defined in the bill to include gasoline, distillate fuels, jet fuel, aviation gasoline, and biofuel.

S. 4217 further expands the prohibition on reporting false information to include information that concerns the supply of, operational actions related to, or output related to wholesale fuel markets; is not required to be reported by law; or affects the analyses or data compiled by a private sector price-reporting agency.

The bill also increases the maximum civil penalty for violating these prohibitions from \$1 million to \$2 million for each day of the violation.

Additionally, the bill establishes the new Transportation Fuel Monitoring and Enforcement Unit, which would be required to continuously and comprehensively collect and analyze fuel market data to support competitive market practices, identify market manipulation and other unfair methods of competition, and facilitate enforcement of competition-related statutes. Lastly, the bill requires the Energy Information Administration within the Department of Energy to collect data to facilitate transparent and competitive transportation fuel markets, determine adherence to sanctions, and protect consumers.

BILL STATUS

6/22/22 Committee on Banking, Housing, and Urban Affairs. Hearings held.
5/25/22 Committee on Commerce, Science, and Transportation. Failed to report favorably.
5/12/22 Read twice and referred to the Committee on Commerce, Science, and Transportation.

Mandana Khatibshahidi _____

Mandana Khatibshahidi
Analyst

SMT:mk

Attachment: S. 4217 Resolution (Koretz – Krekorian)

RESOLUTION RULES, ELECTIONS & INTERGOVERNMENTAL RELATIONS

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, Americans across the country are facing record breaking gas prices; and

WHEREAS, these price increases are made all the more frustrating given that fossil fuel companies are continually posting financial profits as inflation undermines Americans' buying power; and

WHEREAS, previous examples of energy market manipulations regulated by the federal government have involved the intentional sale of energy reserves at a loss to strengthen a company's overall position, making fraudulent trades to collect certain electricity market payments; and, manipulating the market by withholding or flooding the market with supply to benefit a company's position; and

WHEREAS, to protect consumers S. 4217, the Transportation Fuel Market Transparency Act (Cantwell) has been introduced in Congress and would significantly increase transportation fuel market transparency to prevent any fraud or manipulation that may be artificially inflating gas prices; and

WHEREAS, this legislation would strengthen oversight by the Federal Trade Commission (FTC) with increased penalties for those companies that provide false information to manipulate the market; and

WHEREAS, the bill enhances the FTC's authority to go after false market information designed to artificially inflate retail prices; establishes a new Transportation Fuel Monitoring and Enforcement Unit at the FTC to analyze fuel markets for transparency and competitive market practices; and, identifies any manipulation, reporting of false information, use of market power or any other unfair method to distort transportation fuel markets to accrue illegal profits; and

WHEREAS, the City should support this legislation to ensure transparent and competitive transportation fuel markets in order to protect consumers from unwarranted price increases;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles includes in its 2021 - 2022 Federal Legislative Program support for S. 4217 (Cantwell), the Transportation Fuel Market Transparency Act, which would significantly increase transportation fuel market transparency to prevent any fraud or manipulation that may be artificially inflating gas prices.

PRESENTED BY: Paul Koretz
PAUL KORETZ
Councilmember, 5th District

SECONDED BY: Paul Koretz

JUN 01 2022
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