



U.S. Commodity Futures Trading Commission
Energy and Environmental Markets Advisory Committee

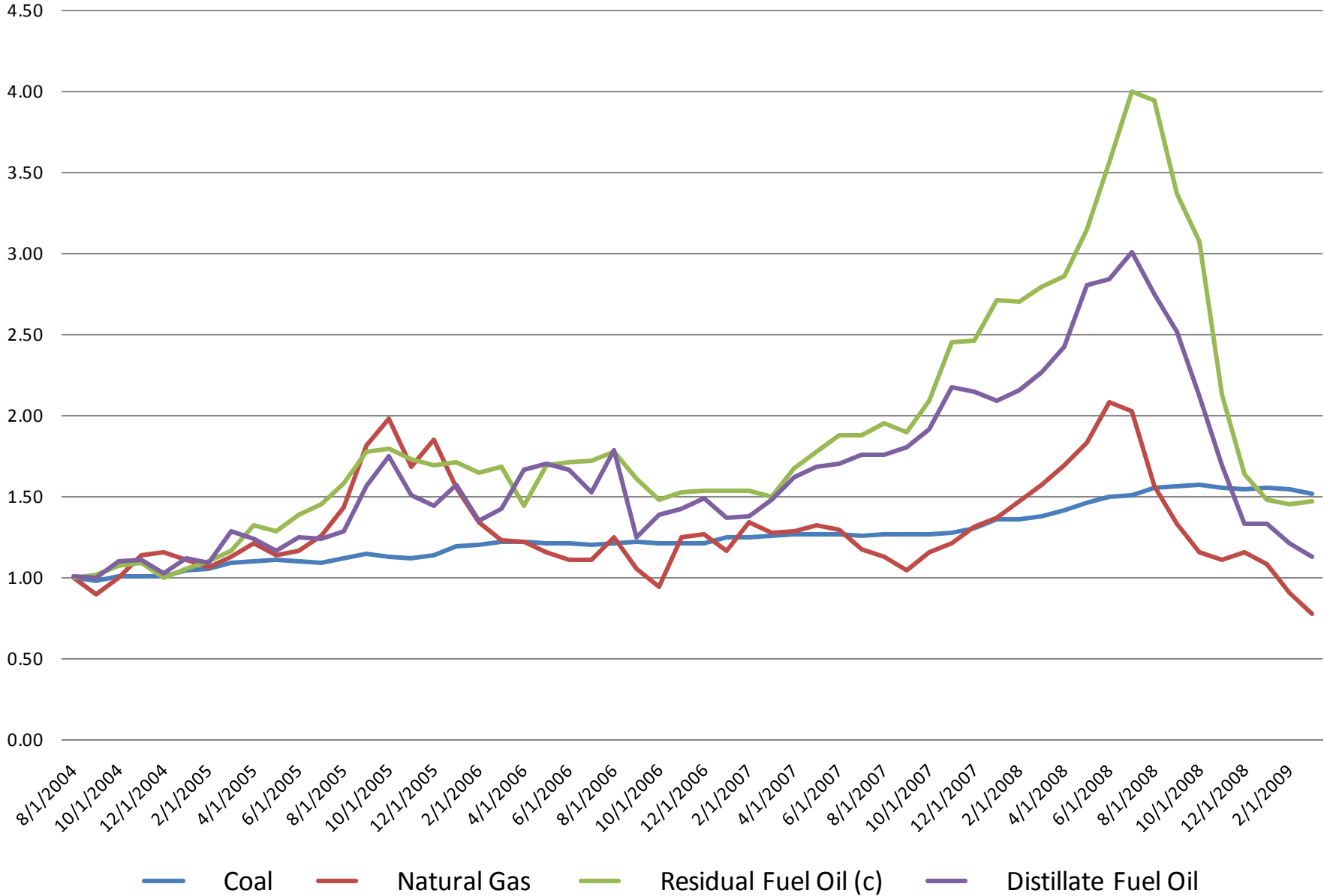
Energy and Environmental Markets

Talking past each other

Rafael Martinez
Division of Market Oversight
Market Surveillance

Wednesday, May 13, 2009

Power Generation Fuel Costs (performance since Aug04)

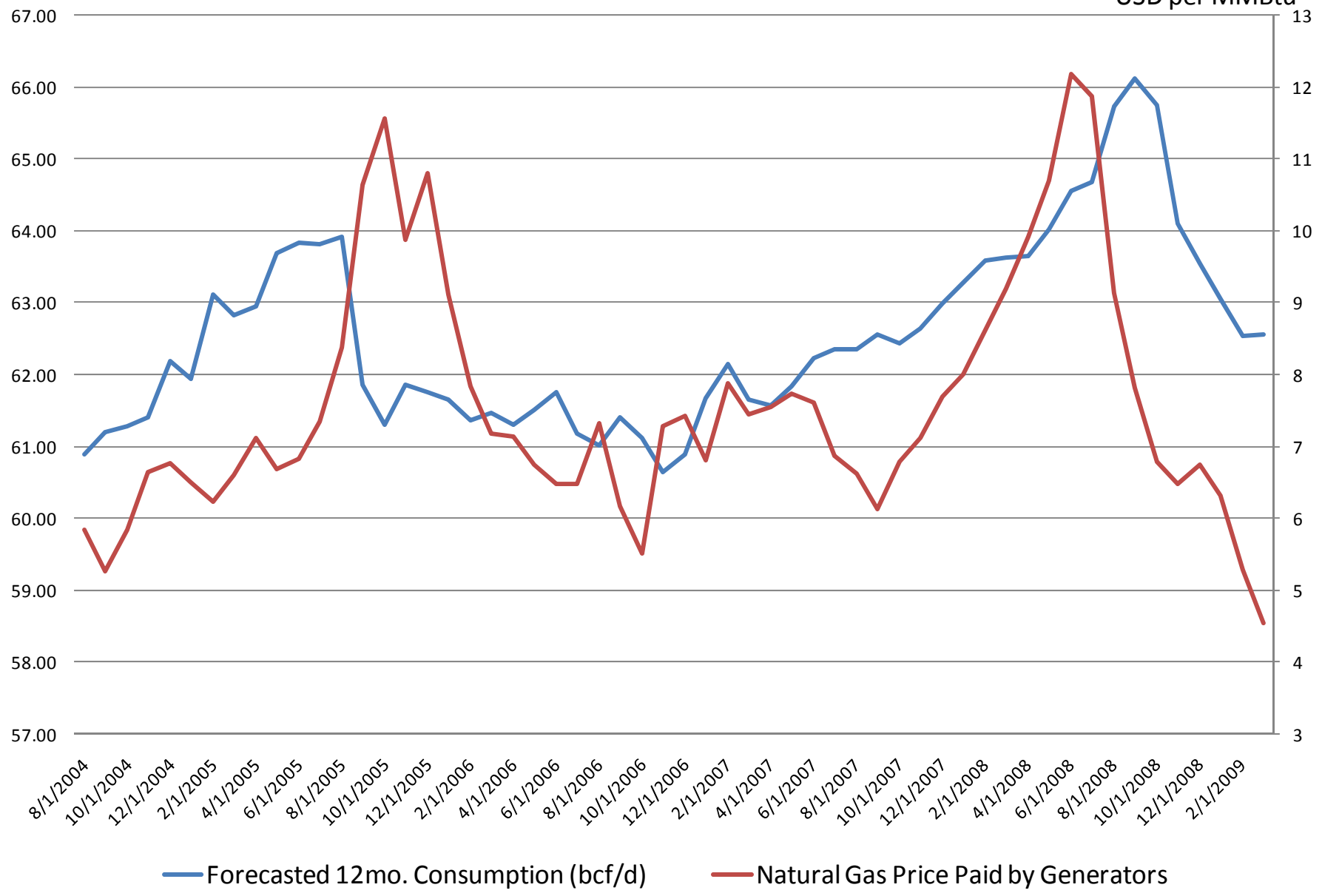


Source: Department of Energy's Energy Information Administration.

Prices and Consumption Expectations

12 mo. Average Bcf-day

USD per MMBtu



Source: Department of Energy's Energy Information Administration.

What caused the “rollover”



[Times photo: James Borchuck]
This 1991 Explorer overturned on I-275 in St. Petersburg
after another car slid into a barrier in front of it.

By ANITA KUMAR

© St. Petersburg Times,
published June 17, 2001

SYSTEMIC VIEW

- | | |
|--|---|
| <ul style="list-style-type: none">•Tire<ul style="list-style-type: none">• Design•Condition•Use•Driver<ul style="list-style-type: none">• Speed•Habits | <ul style="list-style-type: none">•Road Conditions<ul style="list-style-type: none">• Surface• Weather•Car<ul style="list-style-type: none">• Design• Condition•Use |
|--|---|

A better question:

How did it become
catastrophic?

Markets are in constant reinvention...

- Markets are human constructs of awesome complexity.
- Energy markets operate within a larger system.
- Propensity to periodic bursts might be unavoidable
- However, we need to keep trying to identify weaknesses, review practices, improve discovery and information flows.

The best way to avoid repeating ...

- Policies around the world are being thought based on misperceptions of what happened.
- Interventions risk making things worse, but we cannot continue from boom to bust.
- We need to engage more productively with industry and academia to understand what happened
- Need to keep in mind we operate under a public license. Engage the public.