FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

THE CHAIRMAN

June 20, 2011

The Honorable Claire McCaskill
United States Senate
Washington, D.C. 20510

Dear Senator McCaskill:

Thank you for your recent correspondence to the Federal Trade Commission concerning the petroleum industry. As you know, crude oil and refined petroleum product prices and profit margins increased substantially earlier this year. The Energy Information Administration reported that as of early May, U.S. refiners' refining margins had increased more than 90 percent since the beginning of 2011, and U.S. refiners at that time were using only 81.7 percent of their capacity, representing a seven percent reduction from the same period in 2010. In light of these and other developments, the Commission has opened an investigation and has authorized the use of compulsory process to determine whether certain oil producers, refiners, transporters, marketers, physical or financial traders, or others (1) have engaged or are engaging in practices that have lessened or may lessen competition – or have engaged or are engaging in manipulation – in the production, refining, transportation, distribution, or wholesale supply of crude oil or petroleum products; or (2) have provided false or misleading information related to the wholesale price of crude oil or petroleum products to a federal department or agency. The Commission seeks to determine through this investigation whether there is a reason to believe that the foregoing practices are in violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, as amended; the Commission's Prohibition of Energy Market Manipulation Rule, 16 C.F.R. Part 317; or Section 811 or Section 812 of the Energy Independence and Security Act of 2007, 42 U.S.C. §§ 17301, 17302.

The information to be secured through this investigation may include, but is not limited to, utilization and maintenance decisions, inventory holding decisions, product supply decisions, product import and export strategies and volumes, product output decisions, capital planning decisions, product margins and profitability, and any other information which may be relevant to determining whether there is a reason to believe that there have been violations of any of the foregoing statutes or of the Rule. Let me assure you that the Commission will conduct this investigation as efficiently and effectively as possible.

We recognize that recent increases in crude oil and petroleum product prices place a tremendous strain on individual American consumers and harm the economy as a whole, and we remain committed to preventing and prosecuting any anticompetitive, fraudulent, or otherwise illegal activity which we identify through the foregoing investigation. The Commission will also continue to assist the Oil and Gas Price Fraud Working Group, established by the Attorney General and composed of state and federal law enforcement agencies, to help identify civil or criminal violations in the oil and gasoline markets, and to ensure that American consumers are not harmed by any unlawful conduct. The Commission appreciates and shares your long-standing interest in finding ways to protect consumers in the petroleum sector. If you have additional questions, please do not hesitate to contact Jeanne Bumpus, the Director of our Office of Congressional Relations,

Sincerely,

Jon Leibowitz
Chairman