

06-2
NC 18

Received CFTC
Records Section
6/28/06



Industrial Energy Consumers of America
1463 15th Street, NW, Suite 500, Washington, D.C. 20005
Telephone 202-223-1561 Fax 202-223-1420 www.ica-us.org

Written Testimony

Of

Pat Byrne

Manager, Materials and Procurement

General Shale Brick Inc.

On Behalf of

The Industrial Energy Consumers of America

Before the

Commodity Futures Trading Commission

Hearing on Boards of Trade No Longer Located Outside the United States
Under CEA Section 4(a) and the Requirement to Become a Designated
Contract Market or Derivatives Transaction Execution Facility

June 27, 2006

RECEIVED
JUN 28 2006
CFTC

Chairman Jeffery and Members of the Commission, I am Pat Byrne, the Manager of Materials and Procurement for General Shale Brick, located in Johnson City, Tennessee. General Shale Brick is one of the largest brick producers in the world and a substantial consumer of natural gas. I am testifying in behalf of the Industrial Energy Consumers of America (IECA).

IECA is a 501 (C) (6) nonprofit organization created to promote the interests of manufacturing companies for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets. IECA membership represents a diverse set of industries including: plastics, cement, paper, food processing, chemicals, fertilizer, insulation, steel, glass, industrial gases, aluminum, brick, pharmaceutical, and brewing.

As some of the worlds' largest consumers of natural gas and other energy commodities, both IECA member companies and General Shale Brick's competitiveness are impacted directly and indirectly from the price of natural gas and the functioning of natural gas markets. All market inefficiencies are paid for by us, the consumer. As a result, consumers have a vested interest in the outcome of this hearing.

Key Points

1. All markets and exchanges that contribute to price discovery of natural gas must have oversight from the CFTC that is equal to or greater than what exists today for the NYMEX. This especially includes the OTC markets, including ICE. If you don't, traders who wish to avoid CFTC oversight will move their volume to exchanges that do not have CFTC oversight.
2. Because all natural gas markets are interdependent, the most important regulatory measures needed to ensure the basic integrity of the market is oversight of all traded volume on all exchanges and related product markets to provide transparency and prevent Enron type abuses. This ensures accurate price discovery and prevention of price manipulation. Unfortunately a significant volume oversight gap does exist today. This "oversight gap" has made natural gas the most volatile traded commodity in recent years.
3. The CFTC and Congress should not rely on a foreign regulator because natural gas is a regional commodity -- not global with respect to pricing. Plus, all natural gas product markets are inter-related. Allowing foreign exchanges to oversee US natural gas price discovery is fundamentally flawed. Foreign regulators are disconnected and not accountable to the interests of the US public or markets.