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The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Capitol Building H-232
Washington, DC 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Capitol Building H-204
Washington, DC 20515

Dear Speaker Pelosi and Minority Leader McCarthy:

The American Fuel & Petrochemical Manufacturers (AFPM) writes today to express strong opposition to H.R. 7688, the "*Consumer Fuel Price Gouging Prevention Act*." This legislation is unnecessary, detached from market realities, and could exacerbate problems for consumers. AFPM is the leading trade association representing the makers of the fuels that keep us moving, the petrochemicals that are the essential building blocks for modern life, and the midstream companies that get our feedstocks and products where they need to go. We create the products that make life better, safer, and more sustainable. AFPM members strengthen economic and national security while supporting more than three million jobs nationwide.

First and foremost, H.R. 7688 is unnecessary. Most states have strong consumer protection laws in place, including specific laws on price-gouging. AFPM fully supports enforcement of those laws.

Second, the legislation is detached from market realities. U.S. refiners are price takers. They do not set prices for gasoline or diesel, which are established by the global market and largely based on current and expected supply and demand fundamentals. These are highly competitive and transparent markets, based on internationally recognized benchmarks like Brent crude. Indeed, crude oil prices remain the single most important contributor to consumer prices, accounting for nearly 60 percent of the retail price. High oil and petroleum product prices are being driven by rapidly increasing global demand and a comparatively slower growth in global supply.

Finally, this legislation could harm consumers by creating a vague legal standard prohibiting "unconscionably excessive" prices during an "energy emergency." Lack of clarity around what constitutes an "energy emergency" and "unconscionably excessive" price could hamper the supply of fuels and prevent companies from moving fuels to where they are needed most during an energy emergency. Consider, for example, a cargo ship laden with diesel that can command similar prices in NY Harbor or Rotterdam. Under this legislation, the ship faces the choice of selling into a market with unknown legal liabilities, or into a foreign market without this legal risk. Likewise, a fuel producer considering increasing production to capture the current market price may decide not to, based on the unknown legal liability, hampering a supply response for consumers. New legislation that establishes a vague legal standard and significant liability for selling product in a particular market will only exacerbate the current situation.

Consumer fuel prices, like the prices of other commodities, have been driven higher by concerns about adequate supply and by increases in the costs of production. The U.S. has lost more than 1 million bpd of refining capacity over the past two years. Anti-refining rhetoric and policy have been a contributing factor in companies determining that their assets may not be profitable over the long term. Rather than spending time on messaging bills and non-solutions, Congress should instead consider legislation that encourages more domestic energy production, including promoting infrastructure development, addressing escalating regulatory compliance costs, modernizing fuels policies, and ensuring capital markets are functioning for all participants.

We urge you to vote no on this legislation.

Sincerely,

Chet Thompson
President and CEO
American Fuel & Petrochemical Manufacturers