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# These steps could lower oil prices, but nobody'll take them

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WASHINGTON — As gasoline prices soar to new records, America's president — and the two men who hope to succeed him — are offering only partial or long-term solutions and ignoring three steps that many experts say could bring some relief now.

Americans began this workweek by crossing a dismal threshold, paying a once-unthinkable nationwide record average of $4.02 per gallon Monday for unleaded gasoline, with the prospect of even higher prices in months ahead.

On Monday, President Bush said one answer is to increase oil drilling in Alaska and offshore. Presumptive Republican presidential nominee John McCain's chief economic adviser renewed McCain's call to suspend the 18.4 cent-per-gallon federal gasoline tax. Presumptive Democratic nominee Barack Obama called for a windfall profits tax on oil companies.

Independent experts, however, said that government could take at least three other steps that could force oil and gasoline prices down immediately. Neither Bush nor McCain nor Obama endorse any of them.

Perhaps the quickest action, the experts said, would be ordering curbs on financial speculation. Financial industry heavyweights have acknowledged in recent testimony before Congress that such speculation is driving oil prices higher.

Pension funds, endowments and other big institutional investors are pumping big money into index funds linked to commodities, including oil, driving up demand — and prices. The popular Goldman Sachs Commodities Index attracted $260 billion in investment last year, compared to $13 billion five years earlier.

Complicating any effort to harness that, about 30 percent of the trading in crude oil is done in "dark areas" — markets in London and Dubai — that aren't regulated by the U.S. Commodity Futures Trading Commission (CFTC).

President Bush could order the CFTC to regulate U.S. investments in those markets with a snap of his fingers, said Michael Greenberger, a law professor at the University of Maryland and a former director of trading for the CFTC.

"Essentially this could be ended this afternoon if the Bush administration had the stomach to do it," he said. "Those abdications of responsibility and allowing these exchanges to trade in 'dark' markets ... provides an environment for speculators to thrive."

The CFTC is investigating the link between speculation and oil prices but hasn't scheduled any action.

A second partial solution would be to boost the supply of oil available on the market by releasing as much as 1 million barrels a day of oil now held in the nation's Strategic Petroleum Reserve. That step is being pushed by, among others, the Center for American Progress, a Democratic think tank run by several former Clinton administration officials.

Do that for 90 days — through the summer driving season when consumer demand for gasoline is highest — and the reserve would lose less than 15 percent of the oil held in case of national emergency.

"Put that on the market, and the price of oil will fall," said Daniel J. Weiss, a senior fellow at the center.

It's not entirely clear that U.S. refineries could handle all that extra oil, but it would signal to traders of oil contracts that the U.S. market is adequately supplied.

Finally, the Federal Reserve could act to boost the weak dollar, which has led oil producers to demand higher prices for oil, because oil generally is traded in dollars. Oil producers want higher prices to offset the cost of converting dollars into euros and other currencies that have grown stronger against the dollar.

The best way to bolster a currency is to boost interest rates, but the Federal Reserve has been reluctant to do that with America teetering on the brink of recession. The central bank in Europe, where growth is more robust, is poised to raise rates, however. That could weaken the dollar further, and drive oil prices even higher.

Senate Democrats on Tuesday will try to muster 60 votes to allow a vote on legislation that could significantly affect the oil industry and oil prices. The legislation would, among other things, instruct CFTC regulators to require investors to plunk down more of their own money if they want to speculate in oil markets.

Instead, Douglas Holtz-Eakin, McCain's chief economic adviser, told McClatchy that a "holiday from the 18.4 cent per gallon federal gasoline tax has lowered prices every time it's been tried "and it is felt all through the economy."

The idea of a gas-tax holiday has little traction in the Democratic Congress, however, and many economists oppose it as likely to spur consumption and make things worse.

Speaking in Raleigh, N.C., Obama on Monday repeated his call for a tax on high oil company profits to fund aid programs for the poorest Americans.

"I'll make oil companies like Exxon pay a tax on their windfall profits, and we'll use the money to help families pay for their skyrocketing energy costs and other bills," he said.

Longer term though, Obama said, the only answers are to increase use of alternative energy — solar, wind, biodiesel, clean-coal technology — and to increase fuel-mileage standards for vehicles and develop hybrid-electric cars, which will take time.

McCain's longer-term answers turn more toward increasing production of oil from offshore and from oil-shale deposits in the mountain West.