



American Public Gas Association

**Written Testimony of Dave Schryver
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Hearing on “The CFTC at 50: Examining the Past and Future of Commodity Markets.”

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Chairman Thompson, Ranking Member Craig, members of the Committee, my name is Dave Schryver, the President and CEO of the American Public Gas Association (APGA). Thank you for the opportunity to testify before the Committee.

I am honored to appear today on behalf of the approximately 1,000 communities across the United States that own and operate their retail gas distribution entities. APGA’s members include not-for-profit gas distribution systems owned by municipalities and other local government entities, all directly accountable to the citizens they serve. Public gas systems focus on safely providing efficient, reliable, and affordable energy to their customers and support their communities by delivering fuel to be used for cooking, clothes drying, and space and water heating, as well as for various commercial and industrial applications, including electricity generation.

APGA’s number one priority is the safe and reliable delivery of affordable natural gas. If we are to fully utilize efficient, domestically produced natural gas at long-term affordable prices, natural gas production and transportation must occur at levels that sufficiently meet demand. However, equally critical is to ensure public confidence in the pricing of natural gas. This requires a level of transparency in natural gas markets, which assures consumers that market prices are a result of fundamental supply and demand forces and not the result of manipulation or other abusive market conduct.

Community-Owned Gas Utilities’ Engagement in the Derivatives Market

Community-owned natural gas utilities utilize the derivatives market as a risk management tool to protect consumers from volatile energy prices. As not-for-profit entities, these utilities do not engage in speculative trading but instead use derivatives to hedge against unpredictable fluctuations in the natural gas market. The Commodity Futures Trading Commission’s (CFTC) role in regulating these markets is critical in ensuring APGA members’ equitable engagement.

As previously mentioned, the primary goal of public utilities is to provide stable and affordable gas prices for their customers. To achieve this, they enter into over-the-counter (OTC) swaps and futures contracts to lock in prices for future purchases. This helps them to minimize the impacts

on consumers from sudden price spikes caused by unforeseen market disruptions such as severe weather events.

Without access to these hedging mechanisms, community-owned gas systems would have fewer options available to them to help minimize the impacts of costs associated with market volatility on their customers, leading to unpredictable and potentially unaffordable energy costs. The ability to manage risk through derivatives is a critical component of public gas systems' financial strategy and long-term planning.

Community-Owned Gas Utilities' Reliance on the CFTC to Protect Against Market Manipulation

The CFTC serves as the primary regulatory body overseeing derivatives markets, ensuring that these markets operate fairly and free from manipulation. Community-owned utilities rely on the Commission's oversight and principle-based regulation to prevent market abuses that could distort natural gas prices and harm consumers. History has shown that unregulated or under-regulated markets can be subject to manipulation by large financial entities. Market manipulation can have severe consequences, artificially inflating prices and ultimately increasing costs for end-users, including residential and industrial customers of public gas utilities.

By enforcing position limits, monitoring large trades, and investigating potential abuses, the CFTC helps to ensure that natural gas prices are a reflection of true supply and demand realities rather than speculative excesses. This role is vital in maintaining confidence in the market and ensuring that community-owned utilities can continue to use derivatives to help protect consumers from price volatility.

When financial entities engage in market manipulation or other market abuses, the consequences are felt most acutely by everyday consumers. Price spikes resulting from speculative trading force utilities to pass these artificially high prices onto consumers, leading to higher energy bills. Also, when industrial customers of public gas systems face higher energy rates, their production costs rise, leading to higher prices for consumers in the form of more expensive goods. By contrast, under strong CFTC oversight, markets function properly and prices remain more stable, reflecting real supply and demand conditions. The CFTC's ability to detect and deter such market distortions is critical to maintaining fairness and affordability in energy pricing.

The Importance of Enhancing Market Transparency

Transparency in the derivatives market is fundamental to maintaining fair pricing and ensuring that public utilities and consumers are not subjected to hidden risks. The CFTC's efforts to increase market transparency are critical in preventing manipulation and protecting consumers.

The implementation of the CFTC's Large Trader Reporting System and other transparency measures has provided regulators with better insight into market dynamics. Ensuring that all significant market participants are subject to robust reporting and oversight is essential to preventing another crisis driven by undisclosed, high-risk trading activities.

APGA member systems support continued improvements in data collection and reporting that allow regulators to detect irregular trading patterns before they become systemic threats. In recent years, the CFTC has made strides in expanding its reporting capabilities. Transparency benefits not just public utilities but also other end-users, energy producers, and the broader economy by fostering a more stable pricing environment.

Conclusion

Natural gas is a lifeblood of our economy and millions of consumers depend on natural gas every day to meet their daily needs. It is critical that the price those consumers are paying for natural gas comes about through the operation of fair and orderly markets and through appropriate market mechanisms that establish a fair and transparent marketplace. The CFTC plays an indispensable role in ensuring the integrity of the derivatives market, ensuring that community-owned gas utilities- and others- can continue to help protect consumers from significant price volatility. By preventing market manipulation and enhancing market transparency through principle-based regulation, the Commission is uniquely situated to create a fair and efficient market that benefits all stakeholders.

As Congress considers the future of financial market oversight, we urge continued support for the CFTC's mission and its authority to regulate the derivatives landscape. Maintaining a strong, well-resourced regulator is essential to ensuring that public gas utilities can continue to provide affordable and reliable energy to the communities they serve.

Thank you for the opportunity to testify today. I look forward to answering any questions the Committee may have.