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Who's Trading Away Your Rights? *Bush and Global Energy Deregulation*

The Bush Administration continues closed-door negotiations with the 140 countries that are members of the World Trade Organization to define how nations will be allowed to (among other issues) regulate their own energy markets. These negotiations are called the General Agreement on Trade in Services (GATS). The potential scope of GATS will provide U.S. and foreign corporations with more control over how energy is produced and delivered by accelerating energy deregulation and limiting the ability of states to protect consumers and public health. In the wake of the California energy crisis and Enron, GATS will make a bad situation even worse.

Here's how GATS will harm energy consumers and democratic principles:

- Under GATS, once a state or a federal government makes a commitment to deregulate or open its markets to foreign companies, it cannot take steps to reregulate if things go wrong. This inflexibility flies in the face of the recent reregulation trend by states: nine states have repealed or significantly delayed their deregulation laws since the west coast crisis and Enron fraud. If GATS rules were already in place, efforts to reregulate the west coast electricity market would have been challenged and decided by judges in Switzerland. All of the remaining 15 deregulated U.S. states continue to experience severe problems, calling into question how long America's deregulation experiment can continue.
- GATS protects energy traders at the expense of consumers. Enron spearheaded energy trading, and since its bankruptcy the energy trading market has actually grown. Enron has been replaced by large investment banks (Goldman Sachs, Morgan Stanley, Merrill Lynch and UBS), commercial banks like Bank of America and energy conglomerates like BP. A priority of the GATS energy negotiations is to guarantee that these powerful energy traders can continue making money speculating on electricity and natural gas. This unregulated speculation is what caused the west coast energy crisis, and GATS will make it worse by impeding efforts to reregulate energy trading.
- GATS rewards the Bush Administration's efforts to centralize regulatory control over electricity, restricting the ability of states to protect citizens. 35 U.S. states remain regulated and are reluctant to enter GATS negotiations, as agreeing to GATS would be agreeing to deregulate. The Federal Energy Regulatory Commission (FERC), however, has proposed a plan forcing states to deregulate. FERC is isolated from the demands of consumers, and its five-member commission in Washington, DC is inherently incapable of responding to consumers' needs. If the Bush Administration is successful in federalizing America's energy markets, then the Administration will be free to negotiate energy regulations in GATS, leaving states in the dark.
- GATS will help institutionalize the price volatility and price-fixing made possible by FERC's continued support of market-based rates. Market based rates have failed due to the inability of competitive markets to materialize, but FERC continues to allow power plants and energy traders to charge market-based prices in non-competitive markets. GATS will restrict the ability of states and consumer advocates to challenge price-gouging power plants and energy traders.

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