

# Public Statements & Remarks

## Keynote Address by Commissioner Summer K. Mersinger: Confronting Change – CFTC Perspectives on Trading and Power Markets

October 27, 2023

(As prepared for delivery at the S&P Global Commodity Insights Nodal Trading Conference)

Good morning. Thank you so much for this generous invitation to join you today.

At the outset, let me give my disclaimer: The views I express today are my own and do not necessarily reflect the views of the Commission or my fellow commissioners.

I don't think this choice was intentional, although if it is, I give S&P and Nodal a great deal of credit, but today is Theodore Roosevelt's birthday.[1]

We often hear about Teddy Roosevelt's legacy as a conservationist and a naturalist. In fact, growing up in South Dakota, I learned about President Roosevelt while on a family trip through Teddy Roosevelt National Park located in our sister state - North Dakota - where a young Teddy Roosevelt bought land in the Dakota Territory after a hunting trip in 1883. I could also easily identify his likeness on Mount Rushmore thanks to his iconic mustache and spectacles.

But today I want to share with you a different story involving President Teddy Roosevelt. A story involving interesting parallels between the period of time in which Roosevelt lived and the period before us now. A story providing lessons from the past that we can and should apply today.

### **Technological Innovation in Teddy Roosevelt's Time**

Teddy Roosevelt was born in 1858 and throughout his life he saw the invention of much of the technology we still use today, and he witnessed firsthand what we think of as the modern industrial revolution.[2] Today, we are again experiencing another era of technological innovations with the potential to fundamentally change Americans' daily lives.

Regardless of the era, new technological innovations force regulators to grapple with a number of difficult questions revolving around how to treat new technology and innovation under rules and regulations adopted before these advances. How do we appropriately regulate, but not stifle, changes to our markets resulting from new technology and innovation? And how can we promote responsible innovation while not injecting new risk into the system?

Bringing the discussion back to our 26<sup>th</sup> president, the story I will share with you today is an example of a technological "transition" that occurred largely during Roosevelt's Presidency. I think it offers lessons to guide regulators, like the Commodity Futures Trading Commission ("CFTC"), when confronting change.

Teddy Roosevelt seemed very open to new technology and excited about its promise, or maybe it was his sense of adventure that made him a President of many firsts. He was the first President to ride in (and pilot) a submarine. [3] He was the first President to leave the country while in office, and the first President to have a telephone.[4] Interestingly, although Roosevelt was not the first President to ride in an automobile (that honor goes to William McKinley), he was the first to do so publicly and invent what we now know as the “Presidential Motorcade”[5] – something those of us living and working in DC are very familiar with, especially when we are running late to a meeting.

On August 22<sup>nd</sup>, 1902, under the headline, “The President Talks to 10,000 Toilers in a Hartford Park”, a newspaper noted that Roosevelt was “taken for a drive about the city, occupying...a handsome Victoria automobile, in charge of two expert chauffeurs.”[6] Many of you may not be familiar with the Victoria. It was produced in Hartford, Connecticut, by the Columbia Motor Car Company, which was one of the largest players in the nascent American automobile industry. In fact, the Columbia Motor Car Company had, just three years earlier, built nearly half of all the cars sold in the United States.[7]

Now, when we learn about industrial history we often focus on the winners, but what about those who didn’t quite make it? We all know Henry Ford and the Ford Model T, but what about Albert Pope, the owner of the Columbia Motor Car Company, and the Victoria that took Teddy Roosevelt on his tour of Hartford?[8]

What makes the story of the Columbia Motor Car Company’s Victoria so relevant to us today is that it was part of a great competition over the future of energy and transportation. The Victoria, like many of the most popular cars at the turn of the 20<sup>th</sup> century, was electric.[9] An advertisement from 1906 offered a view into the appeal of the electric vehicle at that time: “Columbia Electric Carriages represent the highest development of Electricity as motive power for vehicles...They are, indeed, the ideal vehicles for town use. Noiseless, without odor, free from vibration, safe and easy to control.”[10]

That’s quite a strong argument. And all of it was true. Electric cars were quieter, cleaner, and safer than their gas-powered counterparts, and most cities could supply residents with the electricity they needed to recharge their cars.[11] As a result, in 1902, the Columbia Motor Car Company and the Victoria seemed poised to dominate future automotive production.

So, what happened?

Electricity, compared with gasoline, was a pricey commodity at that time,[12] and most rural areas didn’t have access to an electrical grid. As you can imagine, these factors limited the appeal of electric cars largely to those who lived near a city center and could afford an expensive utility bill.[13] Furthermore, technological advances made internal combustion engines much safer, quieter, and cheaper than previous versions, resulting in gasoline-powered cars overtaking the automobile market.[14]

We tend to assume that everything we see today is new, but the reality is that, to quote Mark Twain, “History doesn’t repeat itself, but it often rhymes.”[15]

The current competition with respect to how we produce and use energy, particularly with respect to electric motors versus internal combustion engines, echoes the one from over 100 years ago. Who, except for maybe Henry Ford, could have predicted that eight years after selling half of all the cars produced in the United States and five years after ferrying President Roosevelt on his historic ride, Albert Pope would declare bankruptcy and the Columbia Motor Car Company would disappear shortly thereafter?[16]

### **Lessons Learned from Teddy Roosevelt’s Time**

What this track record demonstrates, and what most of us have long known, is that the only constant we can predict with any certainty is change. Regulators cannot assume that the markets we regulate today will look like the markets 10, 20, or even 30 years into the future. We cannot ignore the inevitability of change and stick to our old ways of thinking. Indeed, we should use the lessons of the past to shape our actions as we look to the future.

One of the most important lessons we can learn from the past is that regulators should not pick winners and losers. Our primary mission is to foster an environment where all technologies – both existing and new – can fairly compete on their own merits. It is not our job to ask which should prevail. We should always strive to implement technology-neutral rules and regulations.

Second, regulators cannot and should not attempt to predict which technologies will thrive and which will die. We should not presume to know more about the future successes of these new technologies than the innovators and inventors consumed with their creation, and we should always approach the new and novel with an open mind.

There is a natural temptation to stick our heads in the sand and assume that all this innovation is transitory and will ultimately amount to little or nothing. For example, even as late as 1915, the Editor of the Twin Falls Idaho Times wrote, “Automobiles may come and go, may puff in and speed out, but his majesty the horse remains monarch of the road against all competition.”[17]

And third, given the inevitability of change, we must be prepared for the future versus always planning for the past.

### **The Role of the CFTC**

This brings me to my work as sponsor of the CFTC’s Energy and Environmental Markets Advisory Committee (“EEMAC”).

I decided to sponsor EEMAC because I saw the potential changes in our energy and power markets and was interested in exploring the nexus between physical energy infrastructure, energy-related commodities, and our derivatives markets.

To that end, we established two subcommittees, one on Traditional Energy Infrastructure and a second one on Metals Markets, the raw materials necessary for widespread electrification. EEMAC’s subcommittee members are currently hard at work studying these issues, and I am very grateful for the subcommittee members’ advice, expertise, and willingness to examine such complex questions on top of doing their “day jobs.” I look forward to a report from EEMAC that will examine the changes that are underway and the possible future of energy generation, transmission, storage, and use, so that we can be smarter and better equipped to regulate rapidly changing markets.

To learn more, we also have deliberately chosen to meet outside of Washington, DC. In the course of these meetings, we have toured the “Pipeline Crossroads of the World” in Cushing, Oklahoma; an integrated electric vehicle and internal combustion manufacturing facility in Spring Hill, Tennessee; and the largest and deepest open pit copper mine in the world in Bingham Canyon, Utah.[18]

Through our conversations and visits, we all have gained an appreciation for the size and scale of our nation’s power and energy infrastructure. It is an understatement to say that energy and electricity generation, distribution, storage, and use is complex and resource intensive. And the unique nature of these markets also creates challenges for the CFTC. Because power largely cannot be stored, power derivatives markets are somewhat different than other physical commodity derivatives markets regulated by the CFTC.

This is why I think it is critical for us to work closely with our regulatory partners at the Federal Energy Regulatory Commission (“FERC”), a cooperation I am doing my part to foster. Further, the CFTC also needs to continue learning about these markets – through EEMAC and other means of engagement with stakeholders and the general public – because, as we have all seen, energy markets are changing and those changes have a real-world impact on our pocketbooks. The risk management and price discovery functions of the derivatives markets regulated by the CFTC are all the more critical in changing times.

### **Applying the Lessons of the Roosevelt Era to Regulation Today**

As I noted earlier, we cannot predict the future, but that does not stop us from speculating about what lies ahead.

It is entirely possible that in the near future, when the sun shines or the wind blows, we may have the ability to generate ample power without fuel. That power may then be stored in batteries and later dispatched when and where it is needed. This could be one of the greatest leaps forward for the energy industry since Edison's lightbulb. However, I do think we should be cautious in our anticipation. To reach this future in power generation, our electric grid will need to be remade, large portions of land will have to be reallocated to solar and wind generation, trillions of dollars must be invested in that new transmission and generation, and battery storage technology that currently does not exist will have to be invented. I know this all sounds daunting, but hopefully I don't sound like the Editor of the Twin Falls Tribune who called the horse, "the monarch of the road."<sup>[19]</sup> Technological innovation is a powerful force, and there is every reason to believe it will drive energy and power production forward.

There is also a second possibility: Despite attempts at innovation, battery technology could end up being many decades away from successfully storing large amounts of electricity for long periods of time. And because wind turbines and solar panels are not sufficient to generate the vast majority of the over 100 quadrillion BTUs consumed by US energy customers every year,<sup>[20]</sup> we will be forced to rely on other forms of power generation considered less desirable in order to fill the gap.

Of course, there is another possibility landing somewhere in the middle: Wind and solar power, and evolving battery technology, will be an important portion of our energy mix, working alongside traditional thermal energy. That is, the next generation of energy production, distribution, and use may be a mix of those two systems with the continued hope that breakthrough technology, like hydrogen fusion, for example, will become commercially viable in the not-too-distant future.

But, as we all know, we cannot predict the future and, in the face of such uncertainty, regulators should follow the lessons we have learned from the past to inform our decisions and actions moving forward.

First and foremost, regulators should not attempt to drive outcomes. When President Roosevelt took his ride in the Victoria,<sup>[21]</sup> he may have been tempted to proclaim that the future of automotive transportation is electric, yet just a few years later the internal combustion engine overtook the world of automobiles. Regulators must remember that it is not our place to pick winners and losers – and given our fallibility, we would probably not be very good at it anyway.

Second, we should not presume to try to predict the future. When President William McKinley took his first ride in a Stanley Steamer, he was said to have remarked, "Stanley's overoptimistic, I think, when he says those things will someday replace horses."<sup>[22]</sup> McKinley was obviously wrong in his prediction about the horse (although I suppose we could give him credit for correctly predicting that the steam-powered Stanley's boiler would not become the future of personal transportation).<sup>[23]</sup>

And because regulators cannot predict the future, they should acknowledge and welcome the opportunity to learn from industry experts and public interest groups about the possibilities on the horizon.

Finally, regulators should prepare for the inevitable uncertainty of the future. With respect to meeting America's energy needs, there are many potential paths forward. The CFTC does not have regulatory jurisdiction over power or energy markets, but the derivatives markets we regulate provide risk management and price discovery to those directly impacted by uncertainty in the energy markets, and we must continue to work hand-in-hand with our regulatory partners at agencies like FERC so that we are prepared for all possibilities.

Guided by these lessons from the past, the CFTC must fulfill the mandate that Congress has given us in our governing statute to promote responsible innovation of all kinds,[24] and thereby prepare for any potential outcome so that we can protect our customers, our markets, and ultimately, the American people.

Thank you again for inviting me to speak with you today.

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[1] McCullough, David (1982), *Mornings on Horseback: The Story of an Extraordinary Family, a Vanished Way of Life and the Unique Child Who Became Theodore Roosevelt* (Simon & Schuster).

[2] *Id.*

[3] Thomas, Heather, "Theodore Roosevelt: A President of 'Firsts,'" *Library of Congress, Headlines and Heroes*, 4 June, 2020, <https://blogs.loc.gov/headlinesandheroes/2020/06/theodore-roosevelt-a-president-of-firsts/> (<https://blogs.loc.gov/headlinesandheroes/2020/06/theodore-roosevelt-a-president-of-firsts/>).

[4] *Id.*

[5] *Id.*

[6] *Id.*

[7] Mangan, Gregg, "Albert Augustus Pope, Transportation Pioneer," *Connecticut History*, 28 May, 2022, <https://connecticuthistory.org/albert-augustus-pope-1843-1909/> (<https://www.cftc.gov/Exit/index.htm?https://connecticuthistory.org/albert-augustus-pope-1843-1909/>).

[8] Thomas, Heather, "Theodore Roosevelt: A President of 'Firsts,'" n.3, *supra*.

[9] *Id.*

[10] Columbia Motor Car Company Advertisement, *Life Magazine*, 1906, <https://www.periodpaper.com/products/1906-ad-electric-vehicle-columbia-ideal-town-carriage-automobile-brass-era-car-217835-y1f1-208> (<https://www.cftc.gov/Exit/index.htm?https://www.periodpaper.com/products/1906-ad-electric-vehicle-columbia-ideal-town-carriage-automobile-brass-era-car-217835-y1f1-208>).

[11] Standage, Tom (2021), *A Brief History of Motion: From the Wheel, to the Car, to What Comes Next* (Bloomsbury Publishing).

[12] *Id.*

[13] *Id.*

[14] *Id.*

[15] Lagarde, Christine, "When History Rhymes," *International Monetary Fund*, 5 Nov. 2018, When History Rhymes (imf.org) (<https://www.cftc.gov/Exit/index.htm?https://www.imf.org/en/Blogs/Articles/2018/11/05/blog-when-history-rhymes>).

[16] Mangan, Gregg, "Albert Augustus Pope, Transportation Pioneer," n.7, *supra*.

[17] Matthews, Mychel, "Hidden History: Cars will not replace horses," *Times-News [Idaho]*, 20 Oct. 2022.

[18] CFTC Energy and Environmental Markets Advisory Committee Meetings, [20 Sept. 2022, 28 Feb. 2023, 27 June 2023], <https://www.cftc.gov/About/AdvisoryCommittees/EEMAC> (<https://www.cftc.gov/About/AdvisoryCommittees/EEMAC>).

[19] Matthews, Mychel, "Hidden History: Cars will not replace horses," n.17, *supra*.

[20] Cheranich, Nick, "Understanding the U.S. Energy Needs," *Sierra Club*, 19 Jan. 2021,  
<https://www.sierraclub.org/redwood/blog/2021/01/understanding-us-energy-needs> ([https://www.cftc.gov/Exit/index.htm?  
https://www.sierraclub.org/redwood/blog/2021/01/understanding-us-energy-needs](https://www.cftc.gov/Exit/index.htm?https://www.sierraclub.org/redwood/blog/2021/01/understanding-us-energy-needs)).

[21] Thomas, Heather, "Theodore Roosevelt: A President of 'Firsts,'" n.3, *supra*.

[22] Scarmuzzi, Patricia, "McKinley first president to ride in automobile," *Tribune Chronicle* [Ohio], 30 Aug. 2017.

[23] *Id.*

[24] See Section 3(b) of the Commodity Exchange Act, 7 U.S.C. § 5(b).

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