



The Round-Up: December 18th 2006

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[B.C. Hydro urges customers without power to be patient](#)

"We are getting some reports of customers getting aggressive with our crews because they want their power restored," Moreno said.

"Please be patient with us, we need our space to work and to work safely. We understand that you're frustrated right now. But we are trying the best we can to get the power restored quickly."

[Sarnia refinery explosion may hit gas prices](#)

Consumers in eastern Canada could face higher prices at the gas pumps after a major explosion and fire yesterday shut down a unit at Imperial Oil Ltd.'s Sarnia refinery, an analyst warned.

But a spokesman for Canada's oil company said it's too early to talk about an impact on fuel prices.

The sprawling Imperial oil plant was rocked by an explosion at a unit that produces 18,000 barrels of gasoline a day. There were no injuries. The cause of the fire is not known, it was allowed to burn itself out.

"Quite frankly, this couldn't happen at a worse time," Martin Molyneaux, head of research at Calgary-based FirstEnergy Capital Corp., said in an interview.

[Droughts may set off exodus](#)

Canada and other wealthy nations should prepare for a flood of environmental refugees, and treat them the same as those who flee political danger, international experts say.

The number of people fleeing the spread of deserts or climate-change impacts such as drought and flooding is likely to hit 50 million within a decade and soar to between 135 million and 200 million by 2050, Zafar Adeel, a director of the United Nations University, said in an interview yesterday from Frankfurt, Germany while en route to a conference on the issue in Algiers, Algeria.

"Regardless of what the exact number is," it will swamp the current global total of 19 million refugees from war, genocide and all other threats, said Adeel, who heads the

university's International Network on Water, Environment and Health, based in Hamilton.

[NWT official raises doubts about Mackenzie pipeline](#)

The Northwest Territories minister responsible for the proposed Mackenzie Valley natural gas pipeline is concerned that escalating costs could scuttle the project.

[Days are numbered for 'cheap oil fiesta'](#)

"We're headed into a period of severe discontinuity," Kunstler said in an interview. "And there's some delusional thinking out there. The public discussion about alternative energy is unrealistic. The key to recognizing this is that practically the only thing we have concerns about is how we will run our cars by means other than oil. That's all we're talking about and it's not enough."

The reason it's not enough, Kunstler said, is that our entire way of life is based on the availability of cheap oil, not just the running of our vehicles. Cheap oil is the underpinning of absolutely everything from suburban sprawl built on car culture to the phenomenon of just-in-time trucking to the global supply chain of goods to factory farming that relies on lashings of petroleum-based fertilizers.

Cheap oil has created the conditions of life as we know it and despite the fact that it has been around for a relatively short span of human history, "We have a poor memory of how to do things as they were done before we moved into a car-dependent culture," Kunstler said.

[Planting trees to save planet is pointless, say ecologists](#)

The carbon dioxide used by trees for photosynthesis helps cool the Earth by reducing greenhouse gases in the atmosphere. But forests also trap heat from the sunlight they absorb. Professor Caldeira and his colleague Govindasamy Bala, of the Lawrence Livermore National Laboratory, also in California, said that outside a thin band around the equator, forests trap more heat than they help to get rid of by reducing CO₂.

Their research comes in the wake of criticism from scientists of forestry schemes to offset carbon emissions, which they argue let consumers carry on polluting with a clear conscience. The schemes are big business; within three years, the market is expected to reach £300m.

[Ambrose's job seen at risk as big changes predicted in environment policy](#)

"It looks like the government has recognized that the environmental agenda is slipping through its fingers," Pierre Sadik, of the David Suzuki Foundation, said in an interview.

"They would be wise to act."

The government is expected to announce in the new year it will revive in some form several Liberal programs it cancelled: EnerGuide, the Wind Power Production Incentive and the Renewable Power Production Incentive.

The rumours that Ambrose will be replaced are pervasive, although many environmentalists say she should not be blamed for contradictory policies dictated by the prime minister's office.

[Revenue from oil patch rights a real gusher](#)

Alberta hauled in \$3.43-billion from the sale of oil and natural gas exploration rights in 2006, easily smashing the record set last year, and the money is expected to keep flowing as energy companies continue to stake out territory in the oil sands.

"It is extraordinary," said Gregg Scott, president of Scott Land & Lease Ltd., a broker that works with companies on acquiring exploration rights.

FirstEnergy Capital Corp., in a report on the oil sands earlier this month, said: "Watch for results from the large land sale on Jan. 10, at which time 99 parcels have been posted [for auction]."

Alberta surpassed the 2005 mark of \$2.26-billion in July and this year's total of \$3.43-billion -- 52 per cent higher -- was powered by the oil sands, where spending on exploration rights outstripped investments in conventional oil and gas rights for the first time.

[EnCana moderating capital investment, targeting increased free cash flow](#)

"In this period of high industry activity and continued high inflation, we have tempered our planned natural gas and oil production growth rate in order to minimize the impact of rising costs and operating inefficiencies and to maximize project returns. Overall, we believe this approach will generate significant free cash flow that can be directed to continued share purchases and increased dividends. As always, our efforts will be focused on increasing the underlying value of every EnCana share," said Randy Eresman, EnCana's President & Chief Executive Officer.

Natural gas production, which represents more than 80 percent of EnCana's production, is expected to increase about 3 percent, while oil and natural gas liquids (NGLs) production (excluding volumes from the oilsands partnership) is expected to decrease about 5 percent, mostly due to natural decline in mature properties.

[EnCana cut to 'sell' at Citigroup](#)

A major U.S. brokerage has slapped a 'sell' rating on EnCana Corp., a bearish assessment based on skyrocketing costs, reduced spending and the notion that things are unravelling quickly for Canada's largest energy company.

"While EnCana appears to be taking prudent steps to reduce capital spending and divert excess cash towards shareholders, we are concerned that the company is struggling against a portfolio that is more than fully valued," Citigroup Inc. analyst Gil Yang, based in New York, wrote in a research note.

[PetroCan's breadth frowned upon](#)

Petro-Canada stock has not performed as well as its domestic rivals because the market has sought out large oil companies that are less diversified, chief executive Ron Brenneman said yesterday.

Shares of Petro-Canada, the country's fifth-largest oil producer and refiner by market value, have climbed about 3% this year. Among other Canadian integrations, Imperial Oil Ltd. is up nearly 10% and Suncor Energy Inc. 23%.

"The market has historically seen some value in diversity of assets but something happened about two years ago when the run-up in commodity prices started. Investors started to look for pure plays," Mr. Brenneman said in an interview.

[Suncor ponders new upgrader near Edmonton](#)

Suncor Energy Inc. is contemplating another big leap of growth past 2012, but the oilsands giant, feeling squeezed at its operations north of Fort McMurray, Alta., says a major piece of that expansion could be built near Edmonton, 350 kilometres away.

Spokesman Brad Bellows said yesterday Suncor is in pursuit of options to purchase 4,000 acres within a vast swath of land east of Edmonton that is already zoned for heavy industrial development.

The site in Sturgeon County, according to Mr. Bellows, would house a fourth upgrader -- one of the multi-billion-dollar processing plants that refine heavy oilsands bitumen into refinery-ready synthetic oil.

[Shell takes step towards goal of increasing in-situ oilsands production](#)

Shell Canada Ltd. (TSX:SHC) has filed a regulatory application to expand its oilsands project in the Peace River area of Alberta to 100,000 barrels per day from the current 12,000 barrels per day.

Shell, which announced plans last month to boost spending 50 per cent - particularly on oilsands projects - said Wednesday that the filing was "an important step" in its longer-term goal to develop in-situ oilsands production of 150,000 barrels per day.

[Trusts can double in size](#)

The oilpatch has been one of the loudest critics during the income trust debate, triggered by Finance Minister Jim Flaherty's sudden announcement on Oct. 31 that trusts would be taxed like corporations beginning in 2011.

The oilpatch had argued specifically that the need to issue equity and debt is fundamental to their businesses because of their expensive exploration and development projects, as well as acquisitions.

Trusts' efforts to get changes were for naught, as Mr. Flaherty, as expected, stuck to his guns and made no changes to the initial proposal.

"A lot of trusts in the end are going to move back to the corporate world to have more flexibility," Mr. Mintz said. He said his call for a refundable dividend tax credit, which would make dividend-paying stocks more attractive, as well as for the ability of investors to exchange units for shares without triggering a capital gains tax hit would create even more incentive to convert to corporate status.

The other likely outcome for many trusts is being swallowed in a takeover, as private equity firms from the United States and abroad are drawing up lists of target companies and await only a further drop in prices before they strike.

The interest from private-equity firms is "huge," and "there's going to be a lot of U.S. money coming in," said Mr. Scarlett, who focuses on mergers and acquisitions in addition to trusts.

In a survey of 360 trust-sector managers, trustees, advisers, investors and lenders, Deloitte found that 87 per cent said the number of trusts will fall to 100 or fewer within four years from the current 256, and 52 per cent predicted no more than 50 trusts will be left by 2011.

[Canadians house-rich but cash-poor](#)

The wealth of Canadian households continues to rise, thanks in large part to the increasing value of their homes, but their debts are now rising even faster.

[Canada's housing sector stalling](#)

Canada's housing sector, for the last few years a key pillar of the economy, is finally starting to show real cracks, suggesting further economic weakness that some say could factor heavily into the Bank of Canada's rate-setting timetable.

The strength of Canada's real estate market has contrasted sharply with the past run-up in U.S. prices, and thus any downturn is also expected to be shy of the steep slowdown in the United States.

[Average resale home price drops \\$3,500 in November](#)

The average price for a resale home in Canada's major markets fell by almost \$3,500 last month, as prices tumbled in a couple of the country's most expensive cities.

[Economy shows signs of slowing](#)

Evidence is mounting that the Canadian economy is running out of steam.

Businesses are operating at their lowest level of capacity in three years, auto sales have weakened, and confidence among small business owners has slipped, according to government and business reports yesterday.

"Canadian industries cut back their use of production capacity between July and September to its lowest point in three years," Statistics Canada said.

[Foreclosures on Adjustable Loans Reach 4-Year High on Rates](#)

U.S. foreclosures begun on adjustable-rate mortgages rose to a four-year high in the third quarter as borrowers struggled to pay higher interest rates.

The share of the loans entering foreclosure, a legal process in which lenders try to seize property, climbed to 0.30 percent for so-called prime borrowers, or people with good credit ratings. The rate for sub-prime borrowers rose to 2.19 percent. Both are the highest since the second quarter of 2002, according to a report today from the Mortgage Bankers Association in Washington.

Surging home prices during the five-year real estate boom that ended last year spurred borrowers to choose riskier adjustable loans, many with rates that adjust annually, to afford real estate, said Doug Duncan, chief economist for the bankers group. The average rate for a 30-year adjustable-rate mortgage rose to a five-year high of 5.8 percent in the first week of July, according to Freddie Mac data.

"You're seeing the early edges of the reset phenomenon in the adjustables, particularly in the sub-prime market," Duncan said in an interview. In 2007, about \$650 billion of U.S. home loans will reset at higher rates, he said.

[A Crash Alert](#)

We're losing track. But everywhere we go...everywhere we look...we see towers of money, property, derivatives, debt and credit. Towers in the stock market. Towers in the housing market. Towers stacked upon towers.

So today, we take the unprecedented step of issuing a "Crash Alert." Not that we have any special information or insight on the subject. We are just looking out the window.

'Man is a thinking, expectant being,' says recent Nobel Laureate Edmund Phelps. The economist should have inserted an 'or' in the middle of the sentence. Man tends to expect...or think. Rarely does he do both at the same time.

Right now, all over the planet, men - that is men and women with money - expect the good times to continue. They've watched their property investments soar. They've watched their stock market investments reach new, record highs. And they're sure that central banks have mastered the art of maintaining stability. 'Things are good,' they say to themselves, 'and they're going to stay that way.'

Travel is said to broaden one's perspective. But traveling around the world today tends to focus your attention, rather than scatter it. Almost no matter where you go, people are all the same. Whether you are in New York, London, Bombay, or Sydney you will find stocks and property higher than ever...and investors hoisted up so high by their inflated assets that their feet no longer touch the ground. In that high, thin air, their brains cease to work.

[Russia's Natural Gas in Trouble](#)

Vladimir Putins government is using Russias abundant oil and gas to consolidate and re-

centralize power in the Kremlin. Putins also using Russias energy to project power internationally by punishing or rewarding neighbors and that punishment or reward usually depends on how solemnly they genuflect in his direction. Acting as Putins chief enforcer is Gazprom, the worlds biggest gas company. But new predictions by the Institute of Energy Policy in Moscow indicate that Gazprom may be more Jabba the Hut than Luke Skywalker.

A recent report by the institute obtained exclusively by ET says that rising domestic gas demand and Gazproms rapidly decreasing production mean that Russia will likely have a gas shortage of at least 100 billion cubic meters (3.5 Tcf) per year by 2010. The report confirms rumors that we at ET have been hearing from inside Russia: that Gazprom will not be able to meet its future gas obligations.

[Spain embraces the sun](#)

Solar panels are compulsory on all new and renovated buildings in Spain as part of a building code that became mandatory in October. Spain is the first European country to require solar power in restoration and construction projects, according to the European Commission. Under the code, announced last March, new homes must have solar panels that provide 30-70% of their hot water, depending on their location and predicted water usage. Photovoltaics also are mandatory for new nonresidential buildings, such as shopping centers and hospitals. The code includes requirements for better insulation and maintenance of heating and cooling systems as well as increased use of natural light. The EU says the standards will bring energy savings of 30-40% for each building and reduce CO2 emissions by 40-55%.

[Asia's greenhouse gas 'to treble'](#)

Asia's greenhouse gas emissions will treble over the next 25 years, according to a report commissioned by the Asian Development Bank (ADB). The report provides detailed analysis of the link between transport and climate change in Asia. It says that its estimate of future levels of greenhouse gas could even be an optimistic assessment. Air pollution and congestion will seriously hamper the ability to move people and goods effectively, it warns.

[The Myths of Democracy Assistance: U.S. Political Intervention in Post-Soviet Eastern Europe](#)

With the old imperial concessions model increasingly no longer feasible, Western oil companies and their governments concocted a new model called the production sharing agreement (PSA). PSAs provide political camouflage while embodying the material equivalent of the old concessions regime. The oil states appear to retain control, but both the revenue stream and decisions on the development of oil fields are under the control of the giant oil corporations, which are in a position to reap enormous profits from the extraction and sale of the oil in accord with these agreements. The future actions of oil states are severely constrained under such agreements, since provisions in the PSAs make them immune to the passage of any subsequent legislation that might alter the basic rules. PSAs grant to corporations exclusive rights to exploit oil reserves for decades. Moreover, they allow them to book these reserves as assets, increasing the total asset value of their companies.

[Satellites weigh Africa's water](#)

Africa has experienced a significant drying in the past three years, new satellite data reveals.

The volume of water lost from the land amounts to 334 cubic km, which is almost as much as all Africans have consumed over the period.

The data comes from Nasa spacecraft that can detect changes in gravity caused by water as it cycles between the sea, the atmosphere and the land.

[IMF to Canada: cut internal trade barriers](#)

The International Monetary Fund said yesterday eliminating interprovincial trade barriers and liberalizing foreign ownership rules should be "priority" items for the federal Conservative government.

[How Money Makes Your Head Spin](#)

In the paper, Vohs and her co-authors reflect on how money might have affected communities historically. "As countries and cultures developed, money may have allowed people to acquire goods and services that enabled the pursuit of cherished goals, which in turn diminished reliance on friends and family," they note.

"In this way, money enhanced individualism but diminished communal motivations, an effect that is still apparent in people's responses to money today."



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