



## The Round-Up: December 20th 2006

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### [Conservatives to announce \\$200-million biofuels plan](#)

Barb Isman, president of the Canola Council of Canada, expects the government to put forward regulations requiring five per cent renewable content in Canadian gasoline and diesel fuel by 2010, as promised in the Conservative election platform.

She said the package will include a \$200-million program under which farmers can obtain part ownership in biodiesel plants expected to sprout in coming years.

Isman expects the regulations to state that two per cent of fuels be biodiesel, for which canola can be a prime ingredient.

She said the measures are welcome but will not be sufficient to kickstart the renewables industry unless there are tax changes in the next federal budget to make Canadian farmers competitive with those in the United States and Europe.

### [Hydro starting to compute storm's financial toll](#)

Costs of returning power to customers have outstripped the budget. "Folks who have been around 35 years with this company, they've never seen anything like this before."

Hydro does not know what the final tally will be, only that it will be large. "For example, a normal storm event -- and there is nothing normal about this storm event -- is between \$3 [million] and \$5 million. We've had three, and none of them has been normal storm events," Moreno said.

A major winter storm in 2003 cost \$5 million, she said. "That gives you some perspective, considering that we've had three back-to-back, the numbers will be significant, so we are trying to prepare customers for that eventuality."

"Just as we're recovering from one storm, another one hits. We've never seen that level of succession and damage before," said Hydro's public affairs co-ordinator, Stephen Watson.

### [Troubled waters](#)

The Rupert River roars across Northern Quebec's wilderness with a force so mighty it could fill an Olympic-size pool in two seconds.

Soon, a portion of this majestic river with its spectacular rapids will be sacrificed to meet the demand for more energy. One of the world's last great untouched rivers will be diverted into new or existing hydroelectric turbines.

Prime Minister Stephen Harper announced yesterday he had approved the diversion, part of Hydro-Québec's \$4-billion expansion of the James Bay complex and the largest hydroelectric project undertaken in the province in a decade. Scheduled for completion by 2014, it would flood 600 square kilometres of wilderness and involve building four dams, 75 dikes and a three-kilometre tunnel.

A majority of the 14,000 Crees of Northern Quebec have endorsed the project, which is expected to create more than 5,500 jobs and give them millions of dollars, including a portion of new electricity sales. But it was a painful decision made by the self-proclaimed custodians of the vast region who remain torn by the environmental price being paid.

### [Investors a-glow on prospects for uranium](#)

Spot uranium prices have doubled this year, touching \$72 (U.S.) a pound this week on speculation of supply shortages when and if new nuclear plants get built as part of what has been dubbed the "nuclear renaissance."

Investors have responded by throwing cash at anything and everything associated with uranium.

"All the fundamentals of the commodity point to the fact that it's going to go higher. With the lack of near-term production coming on, this might be the perfect time to hit the market," said Justin Reid, an analyst at Sprott Securities in Toronto.

However, many of the financings are for uranium producers that are years away from production, if they get there at all. Some believe the sector has become overheated and the level of investment has overshot potential.

"It's insane," said Victor Lazarovici, an analyst with BMO Nesbitt Burns in New York.

"It's the hottest market around and has all the hallmarks of a bubble," he said.

### [Angry oil and gas trusts battle with Ottawa over changes](#)

The Canadian Coalition of Energy Trusts said they will produce a detailed case today that supports their exemption from Ottawas proposed tax rule changes for trusts.

Almost seven weeks after the new trust plan emerged, and after a significant but ineffective behind-the-scenes lobby effort that actually perturbed some government officials, the group of about 40 Calgary-based oil and gas trusts and trusts from the energy services sector are taking their case to the court of public opinion.

### [Pushed back by Flaherty, energy trusts play green card](#)

John Dielwart, chief executive officer of ARC Energy Trust and chairman of the coalition, acknowledged that the sector has to stimulate debate in other areas, and that the environment is one that resounds heavily with voters.

He argued yesterday that trusts are working on projects that could eventually take 30,000 tonnes of carbon dioxide out of the air each day -- projects that may not get off the ground now because the cost of capital will increase when trusts are forced to convert into regular companies.

"Trusts are the only ones pursuing major [carbon dioxide] sequestration initiatives from a reservoir perspective, and that's because the corporations have no interest in it: There's not a big enough return," he said.

"So if you want to kill the best prospect for major greenhouse gas sequestration in this country, go for it -- but let's just tell all Canadians that's what you're doing."

Mr. Dielwart acknowledged that ordinary Canadians aren't abounding in sympathy for the oil patch, and that this makes his lobbying effort all the more difficult.

### [Harper says taxing income trusts was most difficult decision](#)

Stephen Harper says his decision to tax income trusts after campaigning against the idea was the most difficult choice he's had to make as prime minister.

But he insists it was the right thing to do. "The toughest decision for the government was the income trust decision," he said Tuesday in a yearend interview with The Canadian Press. "It's not something we planned to do but it became apparent we had to do it. All neutral observers have concluded that."

### [U.S.-based Harbinger bids \\$831M for Calpine Power Income Fund](#)

An American private equity fund is pressing a C\$831-million hostile takeover bid for Calpine Power Income Fund (TSX:CF.UN).

The move by Harbinger Capital Partners, a subsidiary of Harbert Management Corp. of Birmingham, Ala., follows Calpine's rejection of its offer for the fund, which owns power generation facilities in Western Canada and California.

### [Prepare for vote, PM says](#)

Mr. Harper made the comments in an end-of-year interview Tuesday, during which he also laid down a pitch for a majority government, saying the current parliamentary uncertainty makes it tough to focus on long-term plans for Senate reform, environmental change and economic renewal.

Former Progressive Conservative prime minister Brian Mulroney recently warned that the Tories must not cede leadership of the environment file to rivals on the political battlefield, and yesterday Mr. Harper acknowledged the government's weakness on that file.

But one thing became clear when Stephane Dion took the Liberal party helm -- green issues will be front and centre. Canadians are reporting increased alarm about global warming as the environment competes with health care as a top public concern.

It didn't help Ambrose that she had to juggle conflicting messages from a micro-managing Prime Minister's Office, says a senior government source who spoke on condition of anonymity.

"The impression I got was that she didn't do her homework. But I have to offset that by saying it doesn't matter if you've done your homework if someone switches the books first thing the next morning.

"At the last minute, they gave her new stuff or didn't give her information. It's not entirely her fault by any means."

### [What the Conservatives are up against in Dion](#)

Goldenberg, back in 1996, got the assignment from Jean Chretien to recruit Dion. Dion showed up at the Ottawa bus station in jeans, toting a backpack. Dion wound up signing on Chretien's dotted line, and as Goldenberg -- who sat in on cabinet -- got to know Dion, he came away with this assessment of the callow political recruit:

"When Dion spoke, his colleagues put down their coffees, stopped signing correspondence, and listened attentively.

"He was recognized by even his fiercest adversaries as the perfect example of those who go into politics for principle, who serve selflessly and who are prepared to take a lot of slings and arrows for doing what they think is right."

### [Global warming emissions rise despite vow](#)

New England governors and Eastern Canadian premiers pledged five years ago to reduce greenhouse gas emissions 10 percent below 1990 levels by the year 2020.

But carbon dioxide emissions -- largely from power plants, cars, and trucks -- have continued to increase and are projected to be as much as 50 percent higher than 1990 levels by 2020.

That conclusion, by the research and advocacy group Environment Northeast, was released yesterday in a report, the "Climate Change Roadmap," that also lays out a 10-point blueprint for each state and province to reverse the trend and meet the 2020 goal.

### [The year the world woke up](#)

Not before time, the west awoke in 2006 to the vast economic, political and social implications of climate change - and twigged that it presented as many opportunities as threats to humanity. As temperature and rainfall records tumbled, and unseasonal, intense heatwaves, droughts and floods struck many countries, local and national politicians scrambled to beef up their green policies and credentials, some businesses

found they could make a packet from trading carbon, and a broad-based global social and ecological movement emerged, linking climate change to social justice, as well as to poverty and lifestyles.

### [NS Power says renewable energy coming to another 40,000 homes in two years](#)

Nova Scotia Power has set a new target to provide renewable energy to thousands of homes, but the province's largest environmental group is skeptical the utility will be able to meet its goal.

NSP, owned by Emera (TSX:EMA), announced plans Tuesday to add 130 megawatts of renewable energy - enough to provide power to 40,000 homes - to its electrical system by 2009. The utility will begin seeking proposals from independent power producers early next year.

But environmentalists said the company should be wary of power producers backing out of contracts and jeopardizing NSP's goals.

"Some of these projects don't see the light of day," said Brendan Haley of the Ecology Action Centre.

### [Government moves to fix glitch in heating rebate program](#)

After moving quickly to find a stop-gap solution to a glitch in the much-vaunted government energy tax rebate program, which disproportionately affected small oil distributors, the government has now come up with a more permanent solution.

The new arrangement was reached last week but it wasn't officially announced until Monday. From now on, the small oil distributors facing a cash crunch will be allowed to apply for a weekly tax reimbursement rather than waiting 25 days for a cheque from the provincial government.

Prior to the deal, the small oil distributors, many of whom deal in cash purchases, were remitting the eight per cent tax rebate to the customer upon delivery but they were required to pay the full 14 per cent HST to the federal government. Ottawa collects the HST on behalf of itself and the Nova Scotia government.

### [Enbridge finds pipeline support](#)

Enbridge Inc. on Monday gained industry endorsements for a \$1.3-billion diluent pipeline from the United States to Alberta.

The company said it received formal support from the Canadian Association of Petroleum Producers to build the 2,500-kilometre system, which will ship 180,000 barrels per day (bpd) of chemicals used in oilsands production to Edmonton from Chicago.

Diluents are natural gas liquids such as naphtha and solvent that are mixed with bitumen to make it flow.

Enbridge spokesman Glenn Herchak said the company sees the need for up to 300,000 bpd of diluents to feed growing oilsands production by early next decade. Enbridge is

also proposing a 150,000 bpd condensate line as part of its Gateway project from Kitimat, expected to be in service by 2012 or 2014.

### [Canadian Natural Gas Slides as Mild U.S. Weather Pares Demand](#)

Canadian natural-gas prices fell as mild weather reduces furnace use in the U.S., where about 60 percent of Canada's output of the fuel is consumed.

Demand for heat across the U.S. will be about 23 percent below normal through Dec. 25, according to Weather Derivatives. Chicago's high temperature will reach 50 degrees Fahrenheit (10 Celsius) on Dec. 21, about 18 degrees higher than normal, Intellicast.com said. The U.S. Midwest receives about 42 percent of Canada's gas exports.

### [Bush signs India nuclear pact](#)

President George W. Bush on Monday signed an agreement to allow civil nuclear co-operation with India for the first time in three decades, calling it a "foundation for a new strategic partnership".

But India's prime minister warned he would not accept some of the conditions imposed on the deal by the US Congress. In a speech to the Indian parliament, Manmohan Singh said India would not accept "extraneous" conditions.

"India will find it difficult to and cannot accept any such conditions beyond those already agreed to in the understandings with the United States," he said, warning that "difficult negotiations lie ahead" as the two countries finalised the details of the bilateral agreement. Mr Bush emphasised the benefits of the deal for global energy usage, by helping India move towards cleaner nuclear technology, and the economic benefits of closer ties with India. But Nick Burns, undersecretary for political affairs, adopted more ambitious rhetoric.

### [With nuclear deal sealed, US asks India to adopt bold reforms](#)

The United States have asked India to adopt sweeping reforms, including lifting ownership caps and reducing high tariff rates, to draw foreign investments and fuel rapid growth in the world's second most populous nation.

The call came as the two countries braced for a new era of investment and trade ties capped Monday by US President George W. Bush's signing into law of a landmark bill for Washington to transfer nuclear fuel and technology to India.

### [U.S. axes live-fire training on lakes](#)

The U.S. Coast Guard has dropped a plan to set up a series of 34 special zones on the Great Lakes for live-fire machine gun training after a flood of protests from both sides of the border.

The Coast Guard began the exercises early this year, carrying out 24 of them on all five Great Lakes until they were suspended Sept. 13, pending the results of public hearings

on the plan.

The exercises were justified by the Coast Guard as essential if officers were to be properly prepared to defend the United States against terrorists who could attack by boat from Canada.

### [When the nest egg is your nest](#)

As a record number of baby boomers approach the golden years, a growing number see their homes as a potential source of retirement income, a survey showed Monday.

More than a third of Canadians who aren't yet retired expect their home to be a source of retirement income. Of those, 40 per cent see the sale of their home, or the use of their home's equity, as accounting for up to half of their retirement income, according to RBC Financial Group's 16th annual RRSP survey.

### [U.S. Charges Ex-Fannie Mae Chief Raines](#)

Lockhart's true motivation in the charges is to get Congress to enact legislation tightening the government reins on Fannie Mae and Freddie Mac, its smaller sibling in the \$8 trillion home-mortgage market, said Raines's attorney, Kevin Downey.

Raines, a prominent Washington figure who was White House budget director in the Clinton administration, led Fannie Mae -- with its legendary political clout, generosity in campaign contributions and lobbying savvy -- from 1999 until his ouster by the company board in December 2004.

Lockhart said the charges "reveal how the individuals improperly manipulated earnings to maximize their bonuses, while knowingly neglecting accounting systems and internal controls, misapplying over 20 accounting principles, and misleading the regulator and the public."

### [Roof caving in on some owners](#)

Although the total number of households in danger of foreclosure is a small percentage of the total, the upward trend worries bankers, housing advocates and government officials.

And those people who can't pay their mortgages are finding themselves 40 percent deeper in debt on average than struggling homeowners of just two years ago. The average mortgage default amount has climbed from \$202,922 in 2004 to \$285,183 in 2006. This number often includes outstanding mortgage debt, delinquency fees and other charges.

The drastic increase in defaults - and, potentially, in actual foreclosures - likely will impact the region's overall economy, as the financial strain on homeowners trickles down to affect their spending in other areas, from paying taxes to spending money on other goods or an evening out. Particular communities with the higher number of defaults are expected to be hardest hit.

The recent slowdown in the housing market may make the situation worse. In the boom

years, homeowners who found themselves feeling pinched had the option to sell. Now, because of the glut of houses on the market and flat or falling prices, it's harder to cash out their biggest asset. The safety net, experts say, is gone. As a result, advocates believe delinquencies will become even more widespread.

"I think what we're seeing now is really the tip of a spreading iceberg," said Pearl Kamer, the chief economist of the Long Island Association, the region's leading business group. "And it's going to affect more than the lowest-income neighborhoods on Long Island. It's going to be a middle-class phenomenon too."

### [The Concerns of Comptroller of the Currency About the Excesses in the Mortgage Market](#)

Given the recent rise in default, foreclosures, financial distress in the subprime segment of the mortgage market, these basic facts about the growth of exotic or "monster" mortgages give something to ponder and worry about. And the fact that such concerns are expressed by one of the leading regulators of the US banks suggests that even regulators - who had been effectively "asleep at the wheel" for the last few years while the housing and mortgage bubble was festering - are now getting worried about the state of mortgage finance.

### [Thailand's battered stock market bounces back](#)

Despite Wednesday's recovery, uncertainty continued to stalk the country's financial markets.

Analysts said the back-flip would hardly instill confidence in the country's new military-backed regime and could damage longer-term prospects of the equity market.

"Thailand's prior strength was the freedom of its market and the transparency with which the market was run," said HSBC's Frederick Neumann. "Even if they lift the controls, that's been lost now. They've lost credibility in the market, and that question now is will it happen again?"

### [Thailand U-turn](#)

If there is one thing worse than governments ham-fistedly intervening in capital markets, it is governments that do so indecisively. Having announced capital controls aimed at preventing the baht appreciating on Monday night, the Thai authorities watched \$21bn, or 15 per cent, being wiped off the stock market before changing their minds.

By Tuesday, the finance minister, until recently central bank governor, appeared to overrule his successor by exempting equities from the restrictions. It is a messy compromise: arbitrageurs will probably bypass the remaining restrictions by selling restricted assets and buying equities, which in theory should now command a liquidity premium. While investors may have short memories, they are not amnesiacs. The damage to perceptions has already been done. The Franklin Templeton Thai Fund, which is quoted in New York, on Tuesday only recovered some of its losses from the previous day.



Canada could be a "ticking time bomb" in Sarbanes-Oxley accounting compliance with the potential for a large scandal just around the corner, according to a study by Queen's School of Business.

The university's research team is today releasing a report that finds Canadian businesses have worrisome accounting practices. The study investigated Sarbanes-Oxley reports from 31 companies listed in both Canada and the United States and that filed for the first time in 2004 or 2005.



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