



The Round-Up: February 23rd 2007

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[More Mexican labour needed in oil patch, executives say](#)

Canada and Mexico should accelerate efforts to import temporary Mexican energy workers to alleviate the skills shortage in Alberta and other provinces as oil sands development ramps up, top North American CEOs will recommend today.

They will also call for Canada, the United States and Mexico to start work on harmonizing regulations and standards in three sectors: financial services, transportation, and food and agriculture, The Globe and Mail has learned.

The 30 chief executive officers make up the North American Competitiveness Council, formed last year to advise political leaders on strengthening economic ties between Canada, the United States and Mexico.

They're tabling a 63-page report with 51 recommendations today as top politicians from all three countries meet in Ottawa to advance a continental security and prosperity partnership first struck in 2005. They include U.S. Secretary of State Condoleeza Rice, Mexican Secretary of Foreign Affairs Patricia Espinosa, Foreign Affairs Minister Peter MacKay and Industry Minister Maxime Bernier.

[Is Mexican labour the answer for the oilsands?](#)

Thomas d'Aquino, head of the Canadian Council of Chief Executives, wouldn't reveal what other recommendations were included in the report, but suggested they reflected a consensus among the three major trading partners.

"I would say that in a relatively small amount of time to pull together Mexican, American and Canadian positions on subjects as complex as [these] is a definite sign of progress," d'Aquino said.

The security and prosperity deal signed in 2005 is aimed at forming a basis for continental co-operation in the defence against terrorism and creating an economic bloc to rival the burgeoning markets of China and India.

The report by the Competitiveness Council addresses issues related to border crossings, the harmonization of regulatory standards and continental energy supplies.

[Unconventional oil: Think of the volumes, not the quality.](#)

Wood Mackenzie's report identifies 3,600bn barrels of unconventional reserves such as oil shales and sands. This is a colossal figure: current global oil consumption is about 30bn barrels a year. Better, these reserves are widely dispersed, with large resources near consumers in North America and China. They offer reassurance against the depletion of conventional oil and against instability in the Middle East.

The good news ends there, however. The report makes it clear that these reserves might be needed much sooner than many industry experts had expected. Demand continues to blossom and, while new oil is always being discovered, many of today's largest fields are in decline. As soon as 2020, conventional production could reach a plateau, leaving unconventional reserves to take up the slack.

If the report is correct - a big if - then it is worrying. Unconventional oil is expensive to exploit. The technology is unproven for all but a few early projects, and engineers are scarce. Unconventional oil production is also an environmentally damaging mining operation that uses a lot of energy and water to produce low-quality crudes.

[Gas shortage strands drivers in Elliot Lake](#)

There's no panic at the pumps quite yet, but a gas shortage in Ontario has already stranded drivers in at least one northern community and left motorists in the province's biggest city accusing retailers of hiking their prices to take advantage.

The only working gas station in Elliot Lake, Ont., west of Sudbury, has run out of fuel due to a shortage brought on by a fire at an Imperial Oil refinery last week. The closest place to buy gasoline is nearly 60 kilometres away in the town of Blind River.

City officials met Wednesday and spoke to Imperial Oil, which promised to deliver gasoline as soon as Thursday, said Danielle Vincent, the mayor's administrative assistant.

Some drivers in Toronto, meanwhile, said they think prices may be driven up by greedy retailers taking advantage of the shortage.

All of the gas stations in town have hiked their prices, said Anne Ellison, 64, as she filled the tank of her Jeep Liberty at a downtown Petro-Canada station.

[Esso racing to restock Ontario outlets](#)

Imperial Oil Ltd. is struggling to resupply its Esso stations in Ontario, many still short of gasoline after an improbable series of blows to the company that began with an already-tight market in the province, a situation made worse by a refinery fire and the CN railway strike.

A fire last week at an Imperial refinery south of Hamilton on Lake Erie slashed Imperial's gasoline production. The company is the largest supplier of fuel in Ontario and has another refinery in Sarnia.

Repairs are expected to be completed in about a week but Imperial spokesman Gordon Wong said the facility wouldn't be back to full capacity immediately, adding that he didn't know when that would occur.

[Imperial rations gasoline to Ontario Esso stations](#)

The troubles began last week when a fire broke out in the crude processing unit at Imperial 118,000 barrel a day Nanticoke refinery in Southern Ontario.

The fire was quickly put out but Imperial isn't accepting new oil deliveries until repairs are complete - which won't be until month's end at least - and the company will not say when volumes will return to normal.

Though Nanticoke can still produce some gasoline from feedstock supplied by pipeline from its Sarnia, Ontario, refinery, Imperial will not say how much production has been curtailed, citing competitive reasons.

The fire came as supplies were already tight because of production issues at competing refineries, cold weather that slowed tanker deliveries on the Great Lakes and a Canadian rail strike that halted some train shipments.

"The fire at Nanticoke last week further exacerbated an already tight situation," Imperial spokesman Pius Rolheiser said. "As a result of this unusual combination of events Imperial has had to apportion supplies of gasoline and other refined products to customers in Ontario."

[Gas shortage hits Imperial Oil](#)

"If people go crazy into panic buying, it could look very ugly by the end of the week ... they will put a lot of stress into an already overstressed situation," Robert Theberge, a spokesman for Imperial, said Tuesday. "We have to be very responsible."

[Gas shortage a symptom of big Ontario problem, group says](#)

Jane Savage, president of the Canadian Independent Petroleum Marketers Association, said the Feb. 15 fire at Imperial Oil's Nanticoke plant has triggered "a very severe shortage."

"I'd characterize it as probably the worst supply situation the industry here in Ontario has seen in decades," she told CBC News Online on Wednesday.

Speaking from her Toronto office, Savage said the shortage has been accompanied by a rise in the wholesale prices charged by Imperial and other refiners.

But she joined other industry officials in urging drivers not to panic and not to hoard fuel, which she said is unnecessary and would worsen shortages and drive prices higher.

Ontario's basic problem is a lack of refining capacity, partly a result of the closing of an obsolete Petro-Canada refinery west of Toronto in 2005, she said.

[Oil industry profits will tumble by almost 30% this year: report](#)

Rapid production growth and record high prices led to soaring profits last year, Conference Board economist Michael Burt said Wednesday. But with oil prices down from their 2006 peak, industry profits are expected to weaken this year, before growing again beginning in 2008.

The Conference Board report says profits in the oil extraction industry grew overall by 26.4 per cent in 2006 over the previous year, reaching a record \$15-billion.

In line with lower oil prices, profits this year are expected to decline, but at \$10.6-billion they will still be high by historical standards.

[Fund new technology to curb climate change: oil executive](#)

New technology, not "punitive measures," is the best way to help oil and gas companies in Canada reduce pollution, an Alberta oil executive told a special legislative committee on Tuesday.

Gordon Lambert, vice-president, sustainable development for Suncor Energy Inc., said the federal government should set up a new technology fund to help oil and gas companies develop innovative ways to reduce emissions of greenhouse gases.

"We do have a significant dilemma before us," he told a special legislative committee studying Bill C-30, Canada's Clean Air Act, in Ottawa.

"On the one hand, we want abundant clean energy. On the other other, we want to protect the environment. The only way to square that circle is through new technology.

[Farmland the new hot property](#)

Farmland from Iowa to Argentina is rising faster in price than apartments in Manhattan and London for the first time in 30 years.

Demand for corn used in ethanol increased the value of cropland 16 per cent in Indiana and 35 per cent in Idaho in 2006, government figures show. The price of a Soho loft appreciated only 12 per cent, while a pied-a-terre in Islington near London's financial district gained 11 per cent, according to realtors.

[Food, land prices rise](#)

With a hot demand for grain crops used for alternative fuels, there's "no doubt" land values will rise significantly as farmers compete for more acreage, an Ontario corn and canola grower says.

"Farmers are going to start competing against other farmers for top-quality land," Brian Wiley, president of the Ontario Canola Growers Association, said yesterday. "It's ethanol. It's the demand for corn."

Values increased 2.1 per cent in Ontario, in line with the country's average, between the last six months of 2005 and first six months of 2006. Particularly high prices have hit British Columbia, where prices have risen about 20 per cent. Alberta has also been strong, with a growth of about 3.9 per cent. The land values have been fuelled largely by demands for corn and corn substitutes, such as wheat and barley, said Roy Hjelte, a senior appraiser at Farm Credit Canada, which will release a farm-price survey this spring for the last six months of 2006.

[Cleaner Coal Is Attracting Some Doubts](#)

Environmentalists are worried, but they put their faith in a technology that gasifies the coal before burning. Such plants are designed, they say, to be more adaptable to separating the carbon and storing it underground.

Most utility officials counter that the gasification approach is more expensive and less reliable, but they say there is no need to worry because their tried-and-true method, known as pulverized coal, can also be equipped later with hardware to capture the global warming gas.

But now, influential technical experts are casting doubts on both approaches.

The phrases capture ready and capture capable are somewhat controversial, said Revis James, the director of the energy technology assessment center at the Electric Power Research Institute. Its not like you just leave a footprint for some new equipment.

Many experts outside the industry share his concerns.

A major new study by faculty members at the Massachusetts Institute of Technology, scheduled for release soon, concludes in a draft version that it is not clear which technology the so-called integrated gasification combined cycle or pulverized coal will allow for the easiest carbon capture, because so much engineering work remains to be done.

[Kyoto targets, tooth fairies and emissions ambitions](#)

When an issue gains as much momentum as Greenhouse Gas Emissions (GHG), reality is often lost to a combination of rhetoric and sloganeering. Effective action must be based on an understanding of how hydrocarbon energy is used and what realistic alternatives are currently available.

[Banning incandescent bulbs a bright idea, Ontario says](#)

Ontario is impressed by Australia's decision to ban old-fashioned incandescent bulbs.

The province is in the midst of drawing up plans to cut greenhouse gas emissions and Environment Minister Laurel Broten says the government hasn't ruled out following in Australia's footsteps.

[N.W.T.'s pipeline deal comes under fire](#)

The Northwest Territories should have insisted on a resource-revenue sharing deal with Ottawa before signing a socio-economic agreement on the proposed Mackenzie pipeline, Yellowknife MLA Bill Braden says.

"I think what the government has done is caved in on this one to the demands of big companies that want to make sure that we're not going to be a thorn in their sides when they go ahead and start stripping off the wealth of the N.W.T.," Braden said in the legislature Tuesday.

"When are we going to stop playing nice guy with either the proponents of this project or with Ottawa?"

The socio-economic deal, signed in January with Imperial Oil and its pipeline partners, includes guaranteed jobs for northerners and training money for the project, expected to generate billions in royalties and taxes.

[Carbon offsets 'harm environment'](#)

The current trend for "offsetting" carbon emissions by planting trees is doing more harm to the environment than good, MPs have been told.

The public is being "seriously misled" by companies peddling carbon offset schemes, campaigner Jutta Kill told the environmental audit committee.

The schemes did not reduce emissions and simply gave industry a "licence to pollute" elsewhere, she argued.

People should give money directly to climate charities instead, she said.

[Hearing to probe climate change and Inuit rights](#)

"In the Arctic, things are happening first and fastest and it's a way of life that's being jeopardized here," said Canadian Inuit activist Sheila Watt-Cloutier, who submitted a petition for a hearing on how climate change infringes on Inuit human rights to the commission in 2005 on behalf of Inuit in Canada and Alaska.

The commission, which is an arm of the Organization of American States, rejected Cloutier's request to rule on the rights violations caused specifically by U.S. emissions, deciding instead to hold a general hearing on March 1 to investigate the broad relationship between climate change and human rights.

Officials at the Washington-based commission said it will be the body's first such hearing.

Climate change "very much connects to rights because no where else in the world do you see ice and snow representing life and mobility like it does for us," Watt-Cloutier, a Nobel Peace Prize nominee for her work on the issue, said from the northern Canadian territory of Nunavut.

[Great Forests Hold Fateful Role in Climate Change](#)

Here on the edge of the silent and frozen northern tier of the Earth, the fate of the world's climate is buried beneath the snow and locked in the still limbs of aspen trees.

Nearly half of the carbon that exists on land is contained in the sweeping boreal forests, which gird the Earth in the northern reaches of Canada, Alaska, Scandinavia and Russia. Scientists now fear that the steady rise in the temperature of the atmosphere and the increasing human activity in those lands are releasing that carbon, a process that could trigger a vicious cycle of even more warming.

The prospect of the land itself accelerating climate change staggers scientists, as well as woodsmen such as Bob Austman, who stopped recently in a quiet stand of birch on the edge of the boreal forest to examine a jack rabbit's tracks.

"There are big forces out there," he said succinctly.

Those forces, which scientists are only starting to understand, could free vast stores of carbon and methane that have been collecting since the last ice age in the frozen tundra and northern forests. Their release would push the world's climate toward a heat spiral that would raise ocean levels, spawn fierce storms and scorch farmlands, scientists believe.

[Alternative energy goes after investor dollars](#)

Executives from some of the world's leading alternative energy companies argued their case to big investors Wednesday, outlining why money thrown into the red-hot sector will pay off.

Much of the rationale centered around costs, which leaders of renewable energy firms contend are dropping at a breakneck clip.

[Accused bureaucrat was asked to evaluate income trust options](#)

When the Department of Finance needed to come up with a tax policy on income trusts quickly in the fall of 2005, officials turned to a trusted, hard-working bureaucrat -- Serge Nadeau.

It was late November and the Liberal minority government was in its dying days. Then-finance-minister Ralph Goodale was wrestling with what to do with income trusts and he needed something to say before an election was called. By Nov. 20, a group of about a dozen department bureaucrats had assembled to consider various options and draft a policy for the minister. Mr. Nadeau was among them....

....In December, in the middle of the election campaign, the RCMP announced an investigation into a possible leak. Last week, after a 15-month probe, the police charged Mr. Nadeau with breach of trust, alleging that he had used confidential government information to purchase securities for himself. Police could not find any evidence of a widespread leak, leaving Mr. Nadeau as the only person charged.

[Stocks are headed for a fall](#)

Market wise, equities are in the midst of the second-longest rally since 1929. Yet there are some serious warning signs -- especially sentiment

The odds are high that the current advance won't be able to continue. Stocks remain stretched and trade above past market multiples. What goes up must come down.

On the economic front, we are overdue for a recession. The last one occurred in 2000 and 2001. Business expansions don't last forever. The boom-and-bust pattern of an economic cycle has not been repealed.

An inverted yield curve almost always points to a deep business slowdown. The Fed publicly claims there's a 40% chance of a recession. However, a model of the Federal Reserve Bank of New York is essentially forecasting an outright recession.

[The size of the global carry trade \(once again\)](#)

The Bank of Japan's recent rate hike doesn't seem to have dented the world's appetite for carry trades. If anything, the BoJ's signal that it won't change rates too quickly seems to have added to the financial world's already strong desire to borrow yen to buy other currencies.

That brings up a question that we discussed extensively two weeks ago -- just how big is the yen carry trade?

[The dark side of the buyout boom](#)

For as long as private equity has dominated the business pages, a question has hung over the industry: When will the flow of cheap money fueling the buyout boom run dry?

A new study from Moody's Investor Service predicts that defaults by the riskiest corporate issuers will jump by the end of the year, suggesting the tide is starting to shift in the credit markets.

Historically low default rates have been one of the reasons lenders and investors have been eager to finance buyout deals, which often involve the issuance of high-risk, high-yield bonds or loans.

The default rate among the riskiest corporate bond and loan issuers fell to 1.57 percent last year, the lowest level since 1981, according a study issued by Moody's on Thursday. But the rating agency expects the default rate to nearly double to 3.07 percent by the end of the year.

[Exxon to Abandon a Big Investment in Qatar](#)

Exxon Mobil announced on Tuesday that it would abandon one of its biggest investments ever, a project with Qatar's state-run oil and gas company to produce clean-burning diesel from natural gas.

Instead, Exxon Mobil said that it could concentrate on a new gas drilling project in the emirate's rich Barzan field, which is close to the site of the gas-to-liquid project. The Barzan project will initially produce 1.5 billion cubic feet of gas a day and eventually much more for the fast-growing Qatar domestic market in 2012.

The Exxon project is apparently a victim of those costs, although the company would not explicitly say so.

"This decision to not progress with G.T.L. is in line with our focus on maximizing the value of resources for both our host government as well as our shareholders," said Jeanne Miller, an Exxon spokeswoman, using the initials for gas to liquid.

Ms. Miller said the gas-to-liquid project had been slated to cost \$7 billion three years ago, "and we have not discussed project costs since then." She added, "I'm not denying costs were a factor" for the change in company strategy in Qatar.

Energy companies have shelved or delayed several projects in Canada over the last year or so because of cost overruns in oil sands and conventional fields, and Qatar itself announced a moratorium on new gas projects last year. But Tuesday's announcement came as a surprise since the chief executive of Exxon, Rex W. Tillerson, had said as recently as September that the company was moving forward with the project, albeit with efforts to control costs.

[Asian Rivers Being Choked By Detritus Of Breakneck Development](#)

From the mighty Mekong, Yangtze and Ganges to countless smaller waterways, Asia's rivers sustain the lives of billions of people but breakneck development has put them under unbearable pressure. Choked by sewage, silt and industrial waste, and made unrecognisable by dams and diversions, many have become biological "dead zones" and others like China's iconic Yellow River often no longer even trickle to the sea.

"Looking at development in the region, it's going to get worse before it gets better," said International Rivers Network campaign director Aviva Imhof.

"The situation in China is probably one of the most dire in the region in terms of both river pollution and the massive changes to the river ecosystems as a result of dams and diversions," she told AFP.

Charges of water-stealing and infrastructure schemes that parch downstream nations are traded back and forth. And many of the allegations, like the rivers themselves, go upstream to China.

[Making Martial Law Easier](#)

A disturbing recent phenomenon in Washington is that laws that strike to the heart of

American democracy have been passed in the dead of night. So it was with a provision quietly tucked into the enormous defense budget bill at the Bush administration's behest that makes it easier for a president to override local control of law enforcement and declare martial law.

The provision, signed into law in October, weakens two obscure but important bulwarks of liberty. One is the doctrine that bars military forces, including a federalized National Guard, from engaging in law enforcement. Called posse comitatus, it was enshrined in law after the Civil War to preserve the line between civil government and the military. The other is the Insurrection Act of 1807, which provides the major exemptions to posse comitatus. It essentially limits a president's use of the military in law enforcement to putting down lawlessness, insurrection and rebellion, where a state is violating federal law or depriving people of constitutional rights.

The newly enacted provisions upset this careful balance. They shift the focus from making sure that federal laws are enforced to restoring public order. Beyond cases of actual insurrection, the president may now use military troops as a domestic police force in response to a natural disaster, a disease outbreak, terrorist attack or to any "other condition."

[The Rise of Disaster Capitalism](#)

On August 5, 2004, the White House created the Office of the Coordinator for Reconstruction and Stabilization, headed by former US Ambassador to Ukraine, Carlos Pascual. Its mandate is to draw up elaborate "post conflict" plans for up to twenty-five countries that are not, as of yet, in conflict. According to Pascual, it will also be able to coordinate three full-scale reconstruction operations in different countries "at the same time," each lasting "five to seven years."

Fittingly, a government devoted to perpetual pre-emptive deconstruction now has a standing office of perpetual pre-emptive reconstruction.

Gone are the days of waiting for wars to break out and then drawing up ad hoc plans to pick up the pieces. In close cooperation with the National Intelligence Council, Pascual's office keeps "high risk" countries on a "watch list" and assembles rapid-response teams ready to engage in prewar planning and to "mobilize and deploy quickly" after a conflict has gone down. The teams are made up of private companies, nongovernmental organizations and members of think tanks -- some, Pascual told an audience at the Center for Strategic and International Studies in October, will have "pre-completed" contracts to rebuild countries that are not yet broken. Doing this paperwork in advance could "cut off three to six months in your response time."



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