



The Round-Up: March 8th 2007

Posted by [Stoneleigh](#) on March 8, 2007 - 1:52pm in [The Oil Drum: Canada](#)

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[Global giants may soon rule oilsands](#)

The trend of soaring capital costs in Alberta's oilsands will continue and could squeeze out smaller players, turning the industry into an exclusive club of fully integrated global giants, international energy consultancy Wood Mackenzie said yesterday....

...."The pace at which this enormous resource is developing could ultimately increase to a point where smaller companies are excluded and only fully integrated global companies are in a strong enough position to take on the costs and risks of developing these reserves," says the report, entitled The Cost of Playing in the Oil Sands.

The "hyper-inflation environment" in Alberta is largely due to labour shortages, increasing material costs and, to a lesser degree, skyrocketing prices to acquire oilsands leases, the average cost of which have increased 434% since 2004, the report says.

[Canada will stay top U.S. oil supplier for 20 years](#)

Canada - which in 2005 replaced Saudi Arabia as the single-largest supplier of energy to the U.S. - will continue that position over at least the next two decades, thanks to the multi-billion dollar oilsands developments in Alberta.

"The projects in Fort McMurray and Athabasca will ensure that Canada remains in the top spot until 2030," Guy Caruso, administrator of the U.S. Energy Information Administration, said Monday on the sidelines of an industry conference in Calgary.

According to EIA estimates, Canadian exports to the U.S. will reach 2.6 million barrels per day by 2030, compared with current levels of just over one million bpd.

[Oilsands costs soar 55 per cent](#)

Capital costs in Alberta's oilsands industry have risen some 55 per cent since early 2005, primarily driven by the high cost of labour, increasing cost of construction materials and related overhead expenses, Edinburgh-based Wood Mackenzie said in a report Tuesday.

"These are our estimates for peak flowing barrel and they are putting pressure on the returns on investment in an area where project economics are already considered

relatively marginal," said Conor Bint, Wood Mackenzie's upstream research analyst for Canada and Alaska and author of the study.

[Inter Pipeline will handle half of oilsands flow](#)

Inter Pipeline Fund is set to become one of the largest transporters of oilsands crude following its \$760-million purchase of the Corridor pipeline from Kinder Morgan Canada Inc.

The pipeline links Shell Canada Ltd.'s expanding Athabasca Oil Sands Project (AOSP) near Fort McMurray with the Scotford bitumen upgrader north of Edmonton.

The Calgary-based energy infrastructure fund, which operates several oil pipelines, will assume \$485 million in debt under the deal and continue a \$1.8-billion expansion of the line, already under construction.

After completing the deal, Inter Pipeline will handle about 50 per cent of Canada's oilsands production, which is slated to triple to three million barrels a day in the next decade.

The deal transforms Inter Pipeline into a key oilsands transport player, said one analyst.

[Syriana syndrome: Ottawa's opposition to LNG terminals on Passamaquoddy Bay flies in the face of international law and safety research](#)

Despite Ottawa's opposition to the passage of LNG tankers through Head Harbour Passage, New Brunswick, the U.S. government, through its Federal Energy Regulatory Commission (FERC), is expected to approve the two proposed LNG terminals on the Maine side of Passamaquoddy Bay. FERC has imposed tough, but fair, terms and conditions on navigational and related safety issues.

[Ontario gasoline supply improving but still tight, Imperial says](#)

Imperial Oil says its fire-damaged Ontario refinery is approaching 75 per cent of normal output, easing a shortage that has seen prices rise above \$1 a litre at many gas stations and left some with dry tanks.

But the supply situation in the province is still very tight, it says.

[Gas shortage a reminder to lessen reliance on oil and cars: Premier](#)

The ongoing gasoline shortage is a reminder of how vulnerable Ontario motorists are and how we need to lessen our reliance on imported oil, Premier Dalton McGuinty said Wednesday.

McGuinty said people have been patient with the shortage, but noted it's an important

reminder to use more ethanol, more public transit and to drive more fuel-efficient cars since Ontario doesn't have oil in the ground and is dependent on imports.

"It reminds us of our vulnerability," he said in Hamilton after announcing a \$15 million grant to McMaster University for automotive research.

[Success derails biofuels bandwagon](#)

A global, government policy-fuelled rush to produce biofuels is backfiring as it pushes up costs and makes the environmentally-friendly alternative fuel far less competitive.

Made from plants, bioethanol and biodiesel emit fewer greenhouse gases than fossil fuels and have been hailed as an answer to both climate change and energy security. U.S. and European backing look to have secured their long-term future....

....But in the near term a looming biofuels glut plus falling rival crude oil prices, down a fifth on last summer's highs, mean producers can less easily pass on their spiralling costs....

...."The two key ingredients for a dynamic biofuel sector are sky-high crude prices and cheap feedstocks," said Raffaello Garofalo, head of the European Biodiesel Board (EBB).

[The Disastrous Local and Global Impacts of Tropical Biofuel Production](#)

Last November, Patricia A. Woertz, the CEO and president of Archer Daniels Midland, outlined a new growth strategy for the food-processing giant. ADM, America's biggest producer of corn ethanol, will expand its biofuel production, moving into Brazilian sugarcane for ethanol and Indonesian palm oil for biodiesel.

Woertz, a former high-ranking official at Chevron, said ADM will get "long-term growth and returns by capitalizing on our global strengths and the changing dynamics of the global energy and food markets."

As ADM, one of the world's largest food companies, seeks to increase profits, the continuing push into the tropics by it and other biofuel producers will only accelerate a potential ecological catastrophe. Vast tracts of Malaysian and Indonesian forest have already been lost, and the increasing demand for palm oil for biodiesel will cause further losses of tropical forests in these and other equatorial countries.

This deforestation will likely be devastating. And yet, despite the global push for biofuels, the potential damage - increased soil erosion, huge carbon dioxide emissions, biodiversity loss, and desertification - is largely being ignored.

[How green is nuclear power?](#)

Nuclear power has more than just a little greenhouse gas attached to it, when mining uranium ore, refining and enriching fuel, building the plant, and operating it are included. A big 1,250 megawatt plant produces the equivalent of 250,000 tons of carbon dioxide a year during its life, Dr. Fritsche says.

That's still much less than coal-fired power plants and natural-gas turbines. It even does better than solar power and small-scale hydro projects. However, the gap with solar is closing and emissions from manufacturing photovoltaic panels are now on par with nuclear, a new study funded by the US Energy Department finds.

Officials in the nuclear power industry say references to carbon-free energy in their promotions refer only to the power-plant operation and are not intended to describe carbon emissions during the entire nuclear life cycle.

[Forest Replacing Tundra At Rapid Rate](#)

Forests of spruce trees and shrubs in parts of northern Canada are taking over what were once tundra landscapes--forcing out the species that lived there. This shift can happen at a much faster speed than scientists originally thought, according to a new University of Alberta study that adds to the growing body of evidence on the effects of climate change.

The boundary, or treeline, between forest and tundra ecosystems is a prominent landscape feature in both Arctic and mountain environments. As global temperatures continue to increase, the treeline is expected to advance but the new research shows that this shift will not always occur gradually but can surge ahead.

"The conventional thinking on treeline dynamics has been that advances are very slow because conditions are so harsh at these high latitudes and altitudes," said Dr. Ryan Danby, from the Department of Biological Sciences. "But what our data indicates is that there was an upslope surge of trees in response to warmer temperatures. It's like it waited until conditions were just right and then it decided to get up and run, not just walk."

[The anti-Crichton](#)

Here's a quick list of climate change highlights from the three and a half years between June 2004, when "Forty Signs of Rain," the first installment of Kim Stanley Robinson's trilogy about global warming, was published, and last week, when the third volume, "Sixty Days and Counting," arrived in bookstores.

The Kyoto Protocol came into force, Hurricane Katrina ravaged New Orleans, crude oil prices went on a sustained rise, "An Inconvenient Truth" was released, investors madly poured money into "green technology," and, last but not least, the midterm elections of 2006 booted James "global warming is the greatest hoax ever perpetrated on the American people" Inhofe from his Environment and Public Works Senate committee chairmanship. Paging Michael Crichton! Kim Stanley Robinson just kicked your ass all the way from the White House to a melting ice cap and left you there, alone with a bunch of starving polar bears.

The "debate" is over. The culture has changed. Three and a half years ago, carbon offsets, cellulosic technology and peak oil were not the stuff of cocktail party conversations. Today you can't click three times across the Web without a flame war on the net energy efficiency of corn-based ethanol breaking out.

[Arctic spiders may hold clues to global warming](#)

Reclusive spiders living in the Arctic may yield clues to the impact of global warming just like bigger, better-known predators such as polar bears, a researcher said on Tuesday.

Any disruptions to tiny Arctic spiders, little studied and living much of their lives under snow, could ripple through the food chain since they prey on insects and are in turn eaten by birds, said Michael Nickel of Stuttgart University in Germany.

Nickel is to study Arctic spiders during a U.N.-sponsored International Polar Year in 2007-08, a 60-nation project to probe polar areas on the front lines of climate change. There are about 70 species of spiders in Greenland alone.

[Airborne soot more harmful than thought, CMU researchers say](#)

The tiniest bits of airborne soot from vehicle exhaust, power plants and industries have the potential to affect global climate and take a much bigger toll on human health than previously thought, according to a new study by researchers at Carnegie Mellon University.

Published last week in the journal Science, their findings show that the microscopic particles, altered by chemical processes in the atmosphere, produce more clouds and are potentially more toxic, and their contributions to unhealthy pollution are larger and spread over a wider area.

[Montreal Protocol slowing warming](#)

The Montreal Protocol was negotiated in 1987 to save the ozone layer, but the treaty has yielded a second environmental benefit: It has dramatically slowed down the rate of global warming.

Just how much it has helped has been calculated by a team of scientists in the Netherlands and the United States. For the world's climate, they found, the benefits of phasing out the use of ozone-depleting chemicals have already been larger than the projected greenhouse-gas reductions called for under the more conspicuous Kyoto Protocol.

It has long been known that ozone-depleting chemicals, primarily chlorofluorocarbons, or CFCs -- once widely used as coolants in refrigerators and aerosol propellants in spray cans -- also were potent greenhouse gases. But the sheer magnitude of their contribution to global warming wasn't well understood.

The researchers believe the positive impact for the world's climate from the phase-out of ozone-destroying chemicals has offset about 10 years of the growth in carbon-dioxide emissions.

[Guru holds to gloom](#)

Just days after his remarks about the possibility of a recession contributed to a massive sell-off in US and world markets, former Federal Reserve chairman Alan Greenspan made even more explicit his gloomy forecast, saying there is a "one-third probability" of an American recession by year's end.

The current economic expansion will not have the staying power of its decade-long predecessor, Greenspan told Bloomberg.

"We are in the sixth year of a recovery; imbalances can emerge as a result," Greenspan said.

The most recent remarks from the venerable economist marked his strongest words yet about the looming possibility of a recession in the world's largest economy and the third time in eight days he had issued the warning.

[New data highlight weak spots in U.S. economy](#)

Businesses spent more to compensate their workers in the final three months of 2006 but got less productivity out of them, revised government data showed Tuesday.

Taken together, rising labor costs and wilting productivity are potentially troublesome for the economic outlook of the United States and for the Federal Reserve, which is trying to temper inflation and create a healthy rate of growth.

[Canada's housing sector defies U.S. trend](#)

Canada's housing sector is showing it has plenty of life in it yet, even as the bad news continues to pile up for the U.S. market.

Existing home sales hit record levels in January, housing starts increased 17.3 per cent and numbers released yesterday showed a huge jump in construction activity in the first month of the year.

That good news is in sharp contrast to the tale of woe unfolding in the United States.

New home sales there plunged 16.6 per cent in January. Inventories of new homes are rising, builders are trimming prices and home improvement heavyweights Home Depot Inc. and Lowe's Cos. have warned that sales this year will remain flat or decline.

Add to that growing problems in the subprime mortgage market, which has lent money to millions of Americans with weak credit records or low income levels, and the picture looks increasingly grim.

"The numbers from the U.S are downright ugly," says Warren Lovely, an economist at CIBC World Markets Inc. "In Canada, we have a housing sector that has held up considerably better."

[Housing starts drop 21 per cent in February](#)

The pace of Canadian housing starts fell 21 per cent in February, to its lowest level in more than three years, Canada Mortgage and Housing Corporation said Thursday.

[Mortgage Defaults Start to Spread](#)

The mortgage market has been roiled by a sharp increase in bad loans made to borrowers with weak credit. Now there are signs that the pain is spreading upward.

At issue are mortgages made to people who fall in the gray area between "prime" (borrowers considered the best credit risks) and "subprime" (borrowers considered the greatest credit risks). A record \$400 billion of these midlevel loans -- which are known in the industry as "Alt-A" mortgages -- were originated last year, up from \$85 billion in 2003, according to Inside Mortgage Finance, a trade publication. Alt-A loans accounted for roughly 16% of mortgage originations last year and subprime loans an additional 24%.

The catch-all Alt-A category includes many of the innovative products that helped fuel the housing boom, such as mortgages that carry little, if any, documentation of income or assets, and so-called option adjustable-rate mortgages, which give borrowers multiple payment choices but can lead to a rising loan balance. Loans taken by investors buying homes they don't plan to occupy themselves can also fall into the Alt-A category.

Borrowers who take out Alt-A mortgages are considered less risky than subprime borrowers because of their higher credit scores. But as the housing market cooled and loan volume declined, some lenders lowered their standards for Alt-As. Now a rising number of borrowers who took out these loans are running into trouble.

Data from UBS AG show that the default rate for Alt-A mortgages has doubled in the past 14 months. "The credit deterioration has been almost parallel to what's been happening in the subprime market," says UBS mortgage analyst David Liu. The UBS report contrasts with testimony Federal Reserve Board Chairman Ben Bernanke gave to Congress yesterday. "Our assessment is that there's not much indication that subprime issues have spread into the broader mortgage market," Mr. Bernanke said.

[Mortgage Crisis Spirals, and Casualties Mount](#)

Even in affluent Orange County, Calif., the growing wealth of executives and brokers in the booming mortgage industry was hard to miss.

For Kal Elsayed, a former executive at New Century Financial, a large lender based in Irvine, driving a red convertible Ferrari to work at a company that provided home loans to people with low incomes and weak credit might have appeared ostentatious, he now acknowledges. But, he says, that was nothing compared with the private jets that executives at other companies had.

You just lost touch with reality after a while because that's just how people were living, said Mr. Elsayed, 42, who spent nine years at New Century before leaving to start his own mortgage firm in 2005. We made so much money you couldn't believe it. And you didn't have to do anything. You just had to show up.

Just as the technology boom of the late 1990s turned twenty-something programmers into dot-com billionaires, and leveraged buyouts a decade earlier turned Wall Street bankers into Masters of the Universe, the explosive growth in subprime lending turned mortgage bankers and brokers into multimillionaires seemingly overnight.

[Ouch! Your house payment just doubled](#)

Darci Rickson now wishes that she'd looked closer at the fine print. So do Norman and Margaret Paige. And doubtless thousands of others -- soon to be millions -- whose cheap, fixed-rate introductory periods are about to expire.

The owners of about 7.7 million adjustable-rate loans taken out in 2004 and 2005 -- about \$1.89 trillion worth -- face higher house payments in the next two to three years, says Christopher Cagan, the research director for First American Real Estate Solutions of Santa Ana, Calif. That's about a fifth of all mortgages outstanding in the U.S. right now.

These are not traditional mortgages. Rather, they are complicated, sometimes bafflingly intricate contracts loaded with changing rates and back-end details that trip up unsophisticated borrowers. One category, subprime loans, is aimed at the poor, minorities and people with bad credit -- in other words, those who can't, or think they can't, get a loan by other means.

Jordan Ash, the director of community activist group ACORN's Financial Justice Center in Minneapolis, blames the mortgage industry for aggressively marketing expensive loans that only the savviest consumers can understand to people with little money and flawed credit. "In the mortgage world, it's not a competition of who can give you the best rate -- they're all offering basically the same loans," Ash says. "It's who gets to you first and reels you in first. It's who has the best sales pitch."

[Countrywide's woes](#)

And in the middle of this historic subprime / lending meltdown, instead of coming clean like HSBC and announcing the size of the write-off, Mozilo sends the CFO out yesterday to pump up the stock (so he can sell some more), having him say "We're a top-conditioned athlete" and that they have no problems, unlike all their competitors that are going belly-up.

So, why is the top conditioned athlete selling everything he has then? If times are so rosy ahead, wouldn't he be buying or holding instead?

[Bernanke: Fannie, Freddie threaten economy](#)

Large investment portfolios held by mortgage finance companies Fannie Mae and Freddie Mac may imperil the broader economy and should be "anchored" to their affordable housing mission, Federal Reserve Chairman Ben Bernanke said on Tuesday....

...Fed officials have often argued the combined \$1.4 trillion investment portfolios held by the two companies are so large and unwieldy they present a systemic risk to the

broader economy and should be curtailed.

The two government-sponsored enterprises, or GSEs, are shareholder-owned companies but hold federal charters to promote homeownership. The two companies provide liquidity in the housing market by buying mortgages and repackaging them as securities for investors or by holding them in their portfolios.

"The size and the potentially rapid growth of GSE portfolios, combined with the lack of market discipline faced by GSEs, raise substantial systemic risk concerns," Bernanke said via satellite to a banking conference in Hawaii.

[New Century Leads Drop in Shares of Mortgage Lenders](#)

New Century, a California lender specializing in mortgages to people with poor credit records or heavy debt burdens, plunged \$10.09, or 69 percent to \$4.56 in New York Stock Exchange composite trading. Fremont General Corp. slumped 32 percent, Accredited Home Lenders Holding Co. lost 26 percent and NovaStar Financial Inc. declined 41 percent. Countrywide Financial Corp., the largest U.S. mortgage lender, fell 4.9 percent.

New Century probably will declare bankruptcy, J.P. Morgan Securities analyst Andrew Wessel said. The company disclosed late on March 2 that it faces a criminal probe and may need waivers from its own lenders to stay in business. The same day, Fremont said it would stop making loans to people who can't pay and announced plans to get out of the subprime business.

``Valuation is anyone's guess," Wessel wrote in a report today on Irvine, California-based New Century. ``The company is running on fumes."

[Subprime 'panic' takes hold as investors scurry for exits](#)

In the proposed new federal guidelines issued on Friday, bank regulators demanded tougher standards for subprime loans, saying they're worried that borrowers who select adjustable-rate mortgages may not understand the risks.

Lenders should approve loans only when they know borrowers can repay them, the regulators said. Borrowers' ability to repay should be based on the full cost of the loan in future, not lower "teaser" rates that last for the first two to three years of the loan, they said.

"The effect of this will be to reduce demand for subprime mortgages," said Zack Gast, a financial sector analyst at the Center for Financial Research and Analysis, a research firm. "Fewer people would be able to buy these mortgages."

[As Housing Goes Bust, Lenders Become Predators?](#)

Congress is gearing up for hearings on predatory lending, the latest chapter in its long history of barn-door-closings on already-departed horses.

Just some background in case anyone hasn't picked up a U.S. newspaper in the last month. The subprime lending market is in trouble as borrowers who are, by definition, poor credit risks live up to their reputation.

Delinquency rates on these risky home loans are rising, subprime lenders are going belly up at an alarming rate, criminal probes of some lenders are under way (the trial lawyers must be salivating at the prospect of a whole new class of class-action suits), and front-page stories are proliferating almost as fast as you can get a no-money-down, no-questions-asked mortgage.

[GM May Take Almost \\$1 Billion Charge for Mortgages](#)

General Motors Corp., the world's largest automaker, may take a charge of almost \$1 billion to cover bad mortgage loans made by its former home-lending unit, according to a Lehman Brothers Holdings Inc. analyst.

Residential Capital LLC relies on loans to people with poor or limited credit records or high debt burdens, for more than three-quarters, or \$57 billion, of its loan portfolio, Lehman analyst Brian Johnson wrote in a research report. Delinquency rates on such subprime loans made last year are at a record high.

[Ron Paul: The Coming Entitlement Meltdown](#)

When it comes to Social Security and Medicare, the federal government simply won't be able to keep its promises in the future. That is the reality every American should get used to, despite the grand promises of Washington reformers. Our entitlement system can't be reformed too late. And the Medicare prescription drug bill is the final nail in the coffin.

The financial impact of the drug bill cannot be overstated. Government projections that the program would cost \$400 billion over the next decade were a joke, as everyone in Congress knew even as they voted for the bill. The real cost will be at least \$1 trillion in the first decade alone, and much more in following decades as the American population grows older.

The Medicare trust fund is already badly in the red, and the only solution will be a dramatic increase in payroll taxes for younger workers. The National Taxpayers Union reports that Medicare will consume nearly 40% of the nation's GDP after several decades because of the new drug benefit. That's not 40% of federal revenues, or 40% of federal spending, but rather 40% of the nation's entire private sector output!

[U.S. factory orders fell by largest amount in 6 1/2 years in January](#)

Orders to U.S. factories fell by the largest amount in 6 1/2 years in January, reflecting widespread declines across a number of industries.

The Commerce Department reported that total orders dropped by 5.6 per cent in January, the biggest decline since July, 2000, a period when the economy was slowing

sharply in advance of an actual recession which began in 2001.

[Tax refund cheques on hold](#)

Taxpayers counting on an early tax refund will have to wait, including many who filed their returns before a computer glitch hit the Canada Revenue Agency.

The agency said yesterday it could be days before it can resume processing personal tax returns, and issuing refund cheques, after software maintenance work went wrong on Sunday....

....She said most taxpayers who file their returns this far before the deadline are expecting a tax refund, and may need the money.

[Contaminated petrol - who pays?](#)

What started with a few cars breaking down (and then a few more) became a mysterious petrol problem and eventually a financial one this month. The motorists chugging to a halt a few feet from the pumps, the denials of the supermarket petrol stations and finally the emergence of silicon as the culprit. It sounds like an episode of Scooby Doo. But who will be left picking up the pieces of the petrol contamination fiasco?

It is thought that tens of thousands of cars have been affected by the traces of silicon which were found in the contaminated fuel bought by drivers filling up at Tesco, Asda and Morrison petrol stations in the south east of England. As the silicon was detected by each car's oxygen sensor, a message was sent to the engine that all was not well and the breakdown began. Some drivers were able to limp home in their vehicles but most were stopped in their tracks.

Suppliers Harvest Energy and Greenery in Essex found that four of their storage tanks were affected but say it had not been detected before sale at retailers because routine tests did not look for the substance. A 12 million litre batch of petrol was responsible for the problems but Harvest Energy said it could guarantee no further contaminated petrol would be distributed.

[How Horror Sparks Our Brains](#)

Think of our ability to spread emotional responses very quickly when global stock markets suddenly lurch as they did last week.

Mirror neurons are what make us parrot the gestures and emotions of those around us. If the person we are looking at is smiling, we instinctively feel the urge to smile; if she looks sad, we feel sad. They're what make us flinch when we watch a horror movie, feel nauseous when we see blood or experience a creepy-crawly feeling after seeing an image of a spider creeping up an arm.

These so-called empathy mirror neurons fire off signals to the deeper emotional parts of the brain and literally mimic the pain and suffering of the person, causing a chain

reaction of physiological and psychological responses....

...."Certainly mirror neurons may play an important part in shaping our emotions and responses to the coverage. The question becomes how," says Dr. Todd Handy, head of the NeuroImaging Lab at UBC. He says the mirror neuron system is a recent discovery that has taken hold in the last five years due to advances in brain imaging. And he says some experts say it explains how we empathize with each other, and ultimately bond as members of a society.

[The Covert Kingdom: Thy Will be Done, On Earth as It is in Texas](#)

For liberals to examine the current fundamentalist phenomenon in America is accept some hard truths. For starters, we libs are even more embattled than most of us choose to believe. Any significant liberal and progressive support is limited to a few urban pockets on each coast and along the upper edge of the Midwestern tier states. Most of the rest of the nation, the much vaunted heartland, is the dominion of the conservative and charismatic Christian.



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