



The Round-Up: April 24th 2007

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[Clean up your own backyard, Stelmach tells Gore](#)

Gore was in Calgary speaking at a sold-out Jack Singer Concert Hall about his Academy Award-winning documentary, *An Inconvenient Truth*, which argues global warming, spurred by the use of carbon-based fuels such as oil and coal, is the biggest threat facing the world.

He has targeted the oilsands, suggesting far too much natural gas is burned processing northern Alberta's bitumen.

But Stelmach, who hasn't seen the documentary, said Monday in Calgary the province is merely feeding Americans' insatiable demand for energy, so perhaps Gore should look closer to home.

[Sides square off over strategy for oil sands](#)

A posse of environmentalists challenged Alberta Premier Ed Stelmach to scale back exploitation of the oil sands yesterday during a protest outside an oil and gas conference in Calgary where he was speaking.

On the street outside a downtown hotel, two people lay on a bed, one holding a sign that said "Big Oil" and the other one that read "The Alberta government." Mr. Stelmach didn't acknowledge the protesters, but said his government doesn't plan to allow development to go unfettered.

"It's no secret that the government is stepping up its efforts to balance Alberta's role as key energy supplier to North America with the equally important role of protecting the environment," he said. "I don't think one has to come at the expense of the other."

[Canadians ready for a carbon tax: David Suzuki](#)

Fresh from a cross-Canada tour in which he heard from thousands of people in more than 40 cities, Suzuki told CTV's Question Period on Sunday that Canadians are ready for a carbon tax that would punish those who waste energy and reward those who

conserve.

"We met over 30,000 Canadians. They recorded over 500 personal statements about what they would do if they were minister for the environment," Suzuki told Question Period co-host Craig Oliver.

"And I'm telling you, they want carbon taxes."

[Feds expected to introduce emission targets this week](#)

Federal Environment Minister John Baird is expected to announce new regulations this week that would force industrial polluters in Canada to reduce their emissions of greenhouse gases.

The plan will be part of the Harper government's response to the revamped version of its environment bill, now called the clean air and climate change act. The original clean air act was drastically rewritten by a special Commons committee over the winter.

Baird has declined to say whether he would bring the altered bill before Parliament for a vote but he has repeatedly promised new targets to curb greenhouse gas emissions.

[Baird has declared clean-air act dead, critics say](#)

Environment Minister John Baird has confided to a group of environmentalists that a government bill aimed at reducing greenhouse gases is dead because of unacceptable opposition amendments, according to people who attended the meeting.

If it does not bring the bill to a vote in the House of Commons, the government would be giving up a potential tool for engineering its defeat and prompting an election.

"He said that there was no way that he would put that into law," said John Bennett, of the environmental group Climate for Change. "I take that to mean that C-30, as far as the government is concerned, is dead."

[Will TransAlta be the next target?](#)

Where have we seen this before? Take a company that's in a slow-growing business, but pays fat dividends and has a balance sheet that's too clean. Add a lacklustre share price and a top executive who fails to inspire Bay Street.

Stir in a passive shareholder base and private-equity guys with money to burn. Let it bake for 30 days at low interest rates. Recipe yields: one more takeover bid for a large-cap domestic company.

It sounds like BCE. But it also could also describe TransAlta, and don't be surprised if the Calgary power company is the next big Canadian business to fall into the open mouths of the buyout firms.

As the roaming mobs of private equity sharpen their teeth on the old Ma Bell, it's

becoming obvious that some of the biggest money in Canada is going to get shut out of that auction. The search for a consolation prize is on, and if it's not Telus, it's going to be something else. Utilities have been in private equity's viewfinder for a while now, and never more so than in the two months since KKR and Texas Pacific Group made a bid for TXU, a Texas utility, in what will be one of the largest takeover deals ever.

[The identity crisis that will change the TSX](#)

If this feels like a significant change in the Canadian blue-chip market, it's just the tip of the iceberg. Since the beginning of last year, the TSX 60 has lost such venerable names as Inco Ltd., Falconbridge Ltd., Abitibi-Consolidated Inc., Domtar Corp., Dofasco Inc., Placer Dome Inc., and Fairmont Hotels and Resorts Inc. And the list keeps getting longer: In addition to BCE, Cott Corp. and Ipsco Inc. are also on the selling block.

All told, 11 members of the TSX 60 have either left the large-capitalization index via merger or buyout, or have confirmed that they are up for sale, in the past year. That's 18 per cent of the index's constituents, representing almost 9 per cent of the index's total weighting of a year ago. What's more, all but one of those have been taken out by (or are in talks with) either foreign buyers or private equity investors, thereby completely removing some of the country's biggest, most reliable and most well-understood investment assets from the Canadian public landscape.

[KPMG sees 'exodus' over killed tax break](#)

The unexpected measure - which has raised particular alarm among Canadian banks - will deny firms writeoffs for the costs of domestic loans used to invest in foreign affiliates.

It alters rules that have been in place for 35 years and could prompt Canadian multinationals to move financing operations abroad.

Bruce Flexman, a Canadian managing partner at KPMG in charge of tax issues, says this in turn could lead to an "exodus of head offices" from Canada. "Financing decisions are a key head office function," he says. "Once the financing role moves out of Canada, other management functions could follow for efficiency reasons, putting companies on a slippery slope that could end with the flight of head offices from Canada entirely."

[M&A and its energy shortage](#)

As private equity groups and foreign companies circle many of Canada's lumbering, tarnished has-beens, they're giving a wide clearance to the gems in the oil and gas sector, even as the sector is set to report strong first-quarter results this week....

....Expectations were high for M&A activity at the start of the year. But those expectations were dashed after a series of events made any big investment in the oilpatch a far more risky proposition.

[Fuelled by the oil sands, a new rift over royalties](#)

Alberta's budget painted a bleak outlook for the future of the province's oil and natural gas royalties. Specifically, the province's take from its massive oil sands was projected to fall by half within three years, even as production is surging and energy companies are booking their best-ever profits.

The issue is set to move from budget documents to public debate as a six-member review panel today starts public hearings - the most extensive ever - to look at royalties and taxes, in particular for the oil sands.

At stake are billions of dollars. Energy executives insist they're paying their fair share, but provincial projections suggest industry is getting a better deal than citizens.

[Paramount said to be working on sale of oil sands assets](#)

Paramount Resources Ltd., the Calgary-based energy company run by industry legend Clay Riddell, is believed to be trying to cash in its oil sands holdings, with the proceeds potentially reaching \$2-billion if all the assets are sold.

According to sources close to the company, Paramount has already been in discussions with unnamed energy firms over a possible deal for its wholly owned Surmont oil sands leases and its near-50-per-cent stake in North American Oil Sands Corp., but hasn't yet reached terms.

As well as the sale option, Paramount is also believed to be considering bringing in joint venture partners for North American's oil sands project in order to share the cost of development. Any deal would pare Paramount's exposure to the oil sands sector, but would provide it with money for ventures elsewhere.

[Reserve mulls rich oil-resource options](#)

Canada's only aboriginal community with a large stake in the oilsands could take a significant step by May towards cashing in on the 650 million barrels of oil resource its leases hold.

Or, says Fort McKay First Nation chief Jim Boucher, it could be patient, wait for the economy around the oilsands to cool and hope some of the risk associated with building an expensive oilsands mining development retreats.

Standing in the way of Fort McKay becoming a full-fledged, possibly publicly traded producer of the bitumen squeezed from the sands are the thinning margins and soaring costs that have hit the sector in recent months, unnerving investors in Canada's small collection of publicly-held oilsands startups.

[Northern municipalities want slice of energy pie](#)

The review, which made its first stop in Grande Prairie, will examine royalty rates for the oilsands, and conventional oil and gas and coal bed methane production.

It will also analyze how Alberta's royalty structure compares with those of other jurisdictions, how the tax regime for oil and gas firms stacks up against other sectors, and the economic and fiscal impacts on industry and the province if changes are made.

[Running on E: Industry reflects on Ontario fuel capacity](#)

The crackspread -- the difference between the rack-wholesale price and the price of crude (and where oil companies' profit margins lie) -- is at all time high, explains Rosnak. "So do they get on the bandwagon and build a refinery or do they say to themselves 'what happens if there are too many refineries? We're enjoying a crackspread we haven't seen before.'"

[Can Alberta grow another source of energy?](#)

Bickford and other Alberta grain farmers are actually feeling optimistic, thanks to the burgeoning biofuels industry. They are just now joining the growing crop of farmers worldwide benefiting from an upward surge in prices for sugar cane, corn, canola and wheat -- all crops that can be distilled into fuel.

Bickford tucks his hands into his work overalls and smiles. Last year, he sold his wheat crop to Alberta's only ethanol plant for top dollar.

"This is the first year we've had some spare cash on hand," says the clean-shaven, third-generation farmer. "And that's because of the biofuel industry."

Politicians of every stripe, from Prime Minister Stephen Harper to U.S. President George W. Bush, fertilize the growth of the renewable fuels industry by linking biofuels to issues such as energy security and environmental responsibility.

And the sudden fever to do something -- anything -- about climate change has also pushed renewable fuels to the forefront as a way to reduce greenhouse-gas emissions.

But not everyone buys the hype.

[Green gold or fool's gold?](#)

But the matter-of-fact certainty with which the industry and governments proclaim the benefits of biofuels doesn't match the concern conservation groups have about the growth of the industry.

Environmentalists point out that crops for biofuels must be cultivated, harvested, moved and refined, all of which requires fossil fuels.

They worry about the rush to produce ethanol eroding good farmland or polluting it with pesticides. They worry that valuable conservation land now left fallow for wildlife will be lost to crops. And they worry people might see biofuels as a substitute for energy

conservation.

[Plowing ahead of the pack](#)

Basically, the couple has reverted back to the independence farmers had in the days of the plow when they fuelled their horses with the hay they grew. Instead, Herlinveaux bought a press and modified it so he can crush canola seeds grown on their land and turn it into fuel for their tractor and other vehicles.

Once the sediment has settled out of the oil, it just needs to be filtered before being poured straight into the tractor's fuel tank. And so far, the tractor is running even better than usual, the couple reports.

"When we first moved up here we had our own meals where everything was off the land," said Bowcott. "Now we're taking another step where we're burning our own fuel."

[Seeds of Alberta's next energy revolution](#)

The Ed Stelmach government has grand visions of a vast biofuels industry extending its tendrils into all corners of Alberta. Farmers will prosper by growing crops for biofuel production; the shaky forestry sector, besieged by pine beetles and low prices, will branch into producing ethanol from cellulose, or plant fibre.

But huge questions remain, including: Who will pay to build the plants and infrastructure needed to get the fledgling industry on its feet? And is bioenergy actually of any benefit to the environment?

Alberta took a big step towards a biofuels future last October when it announced a \$239-million bioenergy program.

[Incandescent lights out? Not quite](#)

While the Ontario government's plan to ban incandescent light bulbs in favour of more energy-efficient compact fluorescent bulbs by 2012 has garnered praise from environmentalists, it's inspired others to start hoarding.

Fans of the warm glow of incandescent bulbs say they can't stand the harsh glare of compact fluorescents.

"I will begin to stock up in earnest two years before the ban is in place, to ensure that my plan is not hamstrung by potential shortages," Mr. de Young, 21, wrote in an e-mail interview.

He reckons that if he uses just one-fourteenth of his apartment's closet space for clothes, he can cram in 200 boxes of incandescents, or 800 bulbs.

[Spitzer joins ranks of corn ethanol doubters](#)

“The governor is not closing the door on corn ethanol,” his top environmental adviser, Judith Enck, said last week.

“We're just not enthusiastically boosting it as the previous administration has. We have concerns that corn ethanol is not as energy efficient as other sources, and there are also air-quality concerns.”

Those concerns were buttressed last week by a Stanford University study that said the wholesale replacement of gasoline by ethanol could actually increase smog in some cities and cause slightly higher rates of death from asthma. (The study was based on adoption of so-called E85 fuel, while typically ethanol is blended in gasoline at relatively low concentrations.) The case against corn-based ethanol, it seems, is mounting.

[Danger! Market partying like it's March 2000](#)

The current mood feels a lot like March 2000. For example, last Monday, April 16, saw an enormous party in the entire financial-stock arena. With Sallie Mae (SLM, news, msgs) having agreed to be a leveraged buyout, perhaps folks concluded that everything is an LBO candidate. Fannie Mae (FNM, news, msgs) was up about 4% that day, I guess because, like Sallie, it's got "Mae" in the name. Let's remember that these are leveraged buyouts, meaning these are being done with borrowed money. This recent name change to "private equity" is just putting lipstick on a pig.

On a side note, operators in the LBO world seem keen to IPO themselves because they can see that valuations are so stupid. Thus, they're in the process of trying to have it both ways: getting paid huge fees to take companies private, while preparing to take themselves public based on their huge fee income. The more egregious of these schemes have the companies -- Apollo Management, to name one -- borrowing huge sums to dividend out to the insiders before going public. Nice work if you can get it.

[Say Hello To "Lendron"](#)

This practice of immediately marking-to-market negative amortization is actually considered valid under Generally Accepted Accounting Principles (GAAP). Of course, so were most of the tricks utilized by Enron. In fact, I would argue the neg-am situation is potentially even worse: in Enron's case, a lack of any earnings was typically marked to market as immediate profits at some questionable valuation. In the case of neg-am in mortgages, what is likely to actually be a loss is marked to book as a gain. I consider this essentially a "loophole" in GAAP, which has been found by these mortgage purveyors and, in my opinion, massively abused.

[Plunge in Existing-Home Sales Is Steepest Since '89](#)

The National Association of Realtors reported that sales of existing homes fell by 8.4 percent in March, compared with February. It was the biggest one-month decline since a 12.6 percent drop in January 1989, another period of recession conditions in housing. The drop left sales in March at a seasonally adjusted annual rate of 6.12 million units,

the slowest pace since June 2003.

The steep sales decline was accompanied by an eighth straight fall in median home prices, the longest such period of falling prices on record. The median price fell to \$217,000, a drop of 0.3 percent from the price a year ago.

The fall in sales in March was bigger than had been expected and it dashed hopes that housing was beginning to mount a recovery after last year's big slump.

[U.S. housing crisis hits car sales](#)

Mr. Lutz, who was in Louisville, Ky., to attend an automotive industry conference, said he did not know how GM's own sales had performed in April to date, but said he expected the whole sector would feel the impact of the stress on the housing finance market.

"The market as a whole has been a little weakish. That has come as a result of the housing market problems and the mortgage industry meltdown," Mr. Lutz told Reuters.

"A lot of people are finding themselves in a position of reduced affordability and that has had an impact, not just on us, but across the industry," he said.

[U.S. shoppers hold the key to world economic growth](#)

Their spending has moderated the slide in the U.S. economy largely caused by the housing market collapse. U.S. consumers also have fueled growth abroad, where many economies are expanding at a much faster pace than what has been seen here.

Whether that continues is shaping up as one of the key questions of the day. Morgan Stanley's chief global economist, Stephen Roach, says it best: "If the lead engine of the global growth train goes off the tracks, the rest of the world will be quick to follow."

That throws cold water on the idea that the global economy is "decoupling," a theory advanced by some economists who claim that just because U.S. growth is slowing, economies elsewhere can still thrive.

[Fed urged to limit subprime lending](#)

The Federal Reserve has the authority to curb new subprime lending and should use that power to stamp out abusive practices, a group of senators wrote in a letter yesterday.

"We are concerned that the Federal Reserve Board has not exercised its obligations under the Home Ownership and Equity Protection Act of 1994 to issue regulations that address the problems of predatory lending," reads the letter signed by 10 Democrats on the U.S. Senate banking committee.

The statute directs the Fed to "prohibit acts or practices in connection with mortgage loans" that it deems to be unfair or abusive.

[Ottawa makes it easier to buy a home](#)

Ottawa is reducing the cost of home buying by raising the threshold for compulsory mortgage insurance.

An amendment to the Bank Act allows borrowers to access conventional financing with a 20% down payment.

Previously, home buyers were required to make a down payment of at least 25% to avoid the added expense of mortgage insurance.

The change in law means annual savings of \$2,500 for a borrower with a \$250,000 mortgage representing up to 80% of the homes value, said Rob Regan-Pollock of mortgage brokers Invis in Vancouver.

High-ratio mortgage insurance will still be required for mortgages greater than 80 per cent of the homes value.

[Tipping point for debt](#)

Despite a buoyant economy, solid employment and income growth, as well as relatively low interest rates, New Zealanders have amassed a mountain of debt over the past 20 years.

And the share of average disposable income needed to service that ballooning debt has climbed steeply from 5 to 6 per cent through the 1990s to 13 per cent now.

Figures provided to the Herald on Sunday by financial planners Spicers show that since 1990 the average debt level of your typical New Zealand household has risen from \$18,800 to \$99,000 - a figure set to exceed \$100,000 in the March quarter, for the first time. Factor in that nearly 50 per cent of families are mortgage-free and the amount owed by your average indebted household is probably double that figure.

It's not difficult to see why. With home loan costs, hire purchase agreements, spiralling credit card debt, bank overdrafts and student loans, the average New Zealander now spends \$1.15 for every \$1 they earn. And there have been plenty of casualties, with bankruptcies at an eight-year high.

[Power Deregulation Brought Few Bargains](#)

Not one of the 16 states -- plus the District of Columbia -- that have pushed forward with deregulation since the late 1990s can call it a success. In fact, consumers in those states fared worse than residents in states that stuck with a policy of regulating their power industries.

An Associated Press analysis of federal data shows consumers in the 17 deregulated areas paid an average of 30 percent more for power in 2006 than their counterparts in regulated states. That's up from a 24 percent gap in 1990.

The idea was to move from a monopoly situation to robust competition for electric customers, with backers promising potentially lower rates in state after state.

[Earth Day, Incorporated](#)

It comes with a classic hijack---the theft of imagery. It's now the height of corporate fashion to be painted green.

Many companies have indeed come around, and deserve their new badge of honor. But some paint themselves green no matter how much harm they do.

From Exxon to Ford, from Mobil to Monsanto, the world's worst polluters buy fuzzy, feel-good advertising with an environmental message. Columnists and politicians who have pushed catastrophic policies like utility deregulation and the war in Iraq now genuflect at the media's green altar. Without a hint of irony, some even claim authorship of a movement they've scorned for decades.

[Consume Like There's No Tomorrow](#)

The first limitation on EE is the old maxim that the more parts there are to a system, the more parts there are to break. The ASES/Sierra report reads like an encyclopedia of techno-fix gadgets for buildings, cars and holes in the earth. Each item involves increased industrial interdependence. As resources come to be in short supply from exhaustion or wars or hoarding, the future is likely to see a decline in the ability to patch up interconnected systems. Becoming more dependent on them more begs for industrial breakdown.

[Threat to food crops as Australia prepares to turn off farmers' water](#)

Australians have been told to pray for rain or face a ban on irrigation in the main food-growing region so that there is enough water to drink.

The Prime Minister's warning yesterday heralded a dramatic increase in food prices and the prospect of tens of thousands of farmers having to watch their crops fail.

John Howard said that an expert panel had advised the Government that the worst drought in the nation's history left it no choice but to turn off irrigation systems in the agricultural heartland of the Murray-Darling basin in the east.

Its 55,000 farmers supply virtually all of Australia's vegetables, stone fruits, citrus fruits, cotton and rice. It is also home to many of its vineyards. Food prices are expected to rise immediately and there were predictions last night that scores of farmers would be forced to walk off their land.

[Japan Mulls Moving Reserves from Dollar](#)

Japan is cautious about shifting its foreign exchange reserves away from the dollar for fear of triggering a slide in the U.S. currency, Tokyo's top financial diplomat, Hiroshi Watanabe, said on Thursday.

At around \$900 billion, Japan's reserves, held predominantly in dollars, are the world's second largest after China's and were built up mainly in 2003 and 2004 as the Bank of Japan bought dollars to check the Japanese currency's rise.

The dollar's slide against other currencies over the past three years has prompted central banks around the world to consider reducing their exposure to U.S. assets. The dollar tumbled to a two-year low against the euro this month.

[Studies Line Up on Parkinson's- Pesticides Link](#)

One study shows that farm workers who used the common weedkiller paraquat had two to three times the normal risk of Parkinson's, a degenerative brain disease that eventually paralyzes patients.

A second study shows that animals exposed to paraquat have a build-up of a protein called alpha-synuclein in their brains. This protein has been linked to Parkinson's in the past.

A third piece of the puzzle shows that this buildup of protein kills the same brain cells affected in Parkinson's.

"All of these pieces really look like they are coming together now," Dr. William Langston, founder of the non-profit Parkinson's Institute, told Reuters.



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