



The Round-Up: May 16th 2007

Posted by [Stoneleigh](#) on May 16, 2007 - 8:07am in [The Oil Drum: Canada](#)

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[Trading Wall Street's greenbacks for B.C.'s green conscience](#)

Career suicide? Not on the West Coast, which has become a destination for a growing number of professionals in their 30s who are abandoning well-paying jobs to work in the sustainability field - a phenomenon one might call the Al Gore Effect.

After facing inconvenient truths about their chosen fields, such as toxic byproducts or a disregard for sustainability issues, mid-career converts to the green movement are often taking a year or more off from working. Some volunteer at environmental organizations, some pursue university degrees in sustainability and others search for a new job.

[BC's Billion-Dollar Wind Power Giveaway](#)

Republican Governor Arnold Schwarzenegger and Liberal Premier Gordon Campbell recently had a tête-à-tête to discuss how B.C. could assist California in dealing with its energy crisis. At the same time, the California Utilities Commission gave Pacific Gas and Electric US\$14 million to explore renewable energy sources in B.C. and the feasibility of a new transmission corridor stretching from B.C. to the Golden State.

Conspicuously absent from the self-congratulatory press releases about co-operation between the jurisdictions in pursuing a "green" agenda was the most important issue: Who will own -- and benefit from -- the development of B.C.'s renewable energy?

A closer look at the B.C. government's wind energy policies reveals an enormous giveaway of literally billions of dollars in wind farm assets and future public revenues to private power developers. Yet there has been virtually no public discussion of the scope and cost of the government's wind energy policies.

[Western companies devise ambitious energy plan](#)

Two privately-held companies are teaming up with an ambitious proposal to turn wood waste and pine-beetle-killed lumber into electricity through a network of up to 20 plants in Interior British Columbia.

Vancouver-based Nexterra Energy Corp. and Calgary-based Pristine Power Inc. have put together a proposal, expected to be announced Tuesday, to develop a network of

plants that would generate up to 200 megawatts of electricity.

[Alberta's royalty retreat?](#)

Less than a year ago, Mr. Oberg was part of a movement within the Alberta government pounding the table for tighter controls over oilsands development, including pressing oil companies to process more of their heavy oil in Alberta and squeezing more royalties from oilsands projects.

Mr. Oberg is now changing his tune.

He's saying that oilsands projects have come under pressure from other government measures, such as the federal environmental legislation as well as the elimination of the accelerated capital cost allowance.

And he now says that an increase in royalties may not be such a good idea, since it could further erode returns.

The flip-flop is hardly a surprise. No doubt the family doctor has a better appreciation for where Alberta's wealth is coming from now that he's the Finance Minister and paying the bills.

[Alberta rethinks royalties](#)

Mr. Oberg, adopting the argument used by industry executives, argued these measures in sum cut significantly into companies' rates of returns, estimating that the loss of the tax break and climate changes measures could cost as much as \$3 a barrel.

However, financial analysts, such as UBS Securities Canada Inc., have estimated the impact would be smaller and stock of oil sands companies such as Suncor Energy Inc. have climbed in the past two months as the measures have been introduced.

Even before the new measures, Mr. Oberg said the economics of an oil sands project, even at \$55 (U.S.) a barrel, were mediocre, with projected return of 9 per cent. In a speech to business people in Toronto last Thursday, Mr. Oberg said higher royalties could deter investors.

The key question is the oil sands royalty, which was put in place a decade ago to spark development, and charges just 1 per cent on gross revenues until construction costs are recovered, before rising to 25 per cent revenue minus operating costs.

[Oil Sands Industry Says There's No Need to Change Royalty Structure](#)

Canada's oil sands industry says it would not be beneficial for Alberta to charge oil sands companies any more money in royalties.

In a written submission to a provincial royalty review panel, the Canadian Association of Petroleum Producers says oil sands projects have a lot of major obstacles to overcome before producing even a barrel of crude. This includes multibillion dollar up-front cash

layouts, long lead times and swirling cost pressures for both material and labour.

[Refinery woes behind soaring prices: industry](#)

Analysts said Monday that Canadian prices tend to reflect wholesale markets in the U.S., where strong demand coupled with plunging inventories sent prices - and refiners' margins - soaring. U.S. Energy Secretary Sam Bodman conceded last week that U.S. motorists were being hurt by a "bottleneck" in refining capacity, more than an increase in crude costs.

In Congress, Democrats are vowing to examine the refining sector to determine whether the industry is deliberately taking production off-line to pump up prices.

But Charlie Drevna, executive vice-president of the National Petrochemicals and Refiners Association, said refiners have been operating full-tilt since the devastating 2005 hurricanes - Katrina and Rita - knocked out more than a quarter of the industry's capacity.

Mr. Drevna said maintenance schedules got thrown out of whack as crews were shifted off planned upkeep to work overtime on getting the affected refineries up and running.

The resulting backlog finally caught up to refiners this year as annual maintenance took longer to complete, imports dropped off because of problems in Europe, and a spate of accidents exacerbated the existing market tightness.

On top of that, governments have imposed more exacting standards for products - including ultra-low-sulphur diesel, low-sulphur gasoline, and summer formula gasoline - that make refinery operations more complicated and less forgiving of small problems, he said.

[Quebec considering gas price caps](#)

Quebec is considering imposing limits on gasoline-price increases, following the lead of some of its eastern neighbours.

Quebec's Natural Resources Minister Claude Bechard also issued a challenge Friday to oil companies to resist the temptation to increase the price at the pumps for Victoria Day weekend.

[Deforestation: The hidden cause of global warming](#)

The accelerating destruction of the rainforests that form a precious cooling band around the Earth's equator, is now being recognised as one of the main causes of climate change. Carbon emissions from deforestation far outstrip damage caused by planes and automobiles and factories.

The rampant slashing and burning of tropical forests is second only to the energy sector as a source of greenhouse gases according to report published today by the Oxford-

based Global Canopy Programme, an alliance of leading rainforest scientists.

Figures from the GCP, summarising the latest findings from the United Nations, and building on estimates contained in the Stern Report, show deforestation accounts for up to 25 per cent of global emissions of heat-trapping gases, while transport and industry account for 14 per cent each; and aviation makes up only 3 per cent of the total.

"Tropical forests are the elephant in the living room of climate change," said Andrew Mitchell, the head of the GCP.

[Scientists plead for protection of forests](#)

Canada will be urged today by more than 1,500 scientists from more than 50 countries to strengthen protection of the increasingly threatened boreal forest, a key component in the planet's battle with climate change.

Only 10 per cent of the forest is currently protected and the spread of logging, mining and oil and gas operations into Canada's large northern forest is putting at risk the largest carbon storehouse on Earth, the scientists state in the letter obtained by The Globe and Mail. The letter will be released today.

Countries with tropical rain forests such as Brazil have long faced international pressure from conservationists, but Canada's forest is in many ways just as important to the planet, said scientist Terry Root of Stanford University, who signed the letter and has also authored several reports as a member of the United Nations Intergovernmental Panel on Climate Change.

"People think, 'Oh, the tropical forests are so exotic and have all these crazy-looking species that we've never seen,'" she said. But Dr. Root and the other scientists note the boreal forest has millions of birds, wetlands that filter water, and a large ecosystem of predators and prey such as wolves and caribou. "The boreal forest is a very, very important place," she said.

[Aviation industry in eye of climate-change storm](#)

Whether the jet set should grab a hair shirt over global warming is, well, a heated topic. The airline industry insists commercial airplanes, when tracked by the fuel needed per kilometre travelled per passenger, are on par with a fuel-efficient hybrid car. Air travel is responsible for about 2 per cent of global-warming emissions.

"You can stop airlines from flying completely and you'd still have 98 per cent of the problem," Mr. Concil said.

Nonetheless, aircraft have been singled out as particularly worrisome by environmentalists, due, in part, to the fact that they are one of the world's fastest growing sources of greenhouse gases, and there is no current solution for the increases in emissions they produce. No-frills airlines, and developments such as Europe's \$20 cheap-seats flights, are driving a huge increase in air travel.

[Tourism chiefs face green guilt trip](#)

The tourism industry has never had it so good, but its senior executives are feeling strangely guilty about their success and fearful of a green backlash.

Expected to grow by 4.3 per cent a year over the next decade, the industry's bosses are fretting over climate change, worried that flying is seen as the most polluting activity, and falling over themselves to champion schemes that allow the travelling public to go on clocking up air miles.

"There is a real conundrum with how we grow in a way we feel good about," said Andrew Cosslett, the chief executive of InterContinental Hotels Group. "We need to find ways of making people feel very good about how they feel about these things."

[Climate change to force mass migration](#)

A billion people - one in seven people on Earth today - could be forced to leave their homes over the next 50 years as the effects of climate change worsen an already serious migration crisis, a new report from Christian Aid predicts.

The report, which is based on latest UN population and climate change figures, says conflict, large-scale development projects and widespread environmental deterioration will combine to make life unsupportable for hundreds of millions of people, mostly in the Sahara belt, south Asia and the Middle East.

[Warming world threatens migratory birds](#)

Disoriented by erratic weather, birds are changing migration habits and routes to adjust to warmer winters, disappearing feeding grounds and shrinking wetlands, a migration expert says.

Failure to adapt risks extinction. Birds face starvation when they arrive too early or too late to find their normal diet of insects, plankton or fish. In the north, some birds have stopped migrating altogether, leaving them at risk when the next cold winter strikes.

"Species that adapted to changes over millennia are now being asked to make those adaptations extremely quickly because of the swift rise in temperatures," said Robert Hepworth, executive secretary of the Convention on Migratory Species, a treaty under the auspices of the U.N. Environment Program.

[Ten-year Warming Window Closing](#)

Climate change may have passed a key tipping point that could mean temperatures rising more quickly than predicted and it being harder to tackle global warming, research suggests.

Scientists at Bristol University say a previously unexplained surge of carbon dioxide levels in the atmosphere in recent years is due to more greenhouse gas escaping from

trees, plants and soils. Global warming was making vegetation less able to absorb the carbon pollution pumped out by human activity.

Such a shift would worsen the gloomy predictions of the UN's Intergovernmental Panel on Climate Change, which warned last week that there is less than a decade to tackle rising emissions to avoid the worst effects of global warming.

[Canadians cool to tolls of climate change](#)

Canadians readily identify the environment as the most important political issue, but they stop short of wanting action on climate change when it requires them to spend more money, a new poll finds.

The conclusions underscore challenges governments face in reconciling environmental policy with voters who say they should be forced to change their behaviour, yet remain reluctant to do so.

[U.S. loans for coal plants clash with carbon cuts](#)

A Depression-era program to bring electricity to rural areas is using taxpayer money to provide billions of dollars in low-interest loans to build coal plants even as Congress seeks ways to limit greenhouse gas emissions.

That government support is a major force behind the rush to coal plants, which spew carbon dioxide that scientists blame for global warming.

The beneficiaries of the government's largesse -- the nation's rural electric cooperatives -- plan to spend \$35 billion to build conventional coal plants over the next 10 years, enough to offset all state and federal efforts to reduce U.S. greenhouse gas emissions over that time.

The Office of Management and Budget wants to end loans for new power plants and limit loans for transmission projects in the most remote rural areas. But the powerful National Rural Electric Cooperative Association deployed 3,000 members on Capitol Hill last week to push Congress to keep the program intact, arguing that the loans for new coal plants are needed to keep electricity cheap and reliable in rural areas.

Environmentalists have also targeted the program. They say it removes any pressure for the rural co-ops to promote energy efficiency or aggressively tap renewable resources. Rural co-ops rely on coal for 80 percent of their electricity, compared with 50 percent for the rest of the country, and electricity demand at rural co-ops is growing at twice the national rate.

[Moncton scientist designing wind map for N.S.](#)

The province of Nova Scotia has committed to getting 20 per cent of its energy from renewable sources like wind by 2013, while New Brunswick is to add 400 megawatts of wind power, 10 per cent of what is generated by NB Power, over the next 10 years. It was one of Liberal Premier Shawn Graham's campaign promises. P.E.I. has already

delivered on a promise to have 15 per cent of electricity generated from wind by 2010.

Scientist Yves Gagnon of the Université de Moncton says his own wind maps confirm that Atlantic Canada is a region with some of the strongest winds in the world, and that has convinced Maritime governments to invest in wind power.

"I think we can say the shift has been made in the Maritimes towards wind energy," he said. "We have a natural resource that we are not using, that we're not exploiting. It's just blowing over us on a constant basis, on a daily basis."

[Humpback flipper may be the key to better wind turbines](#)

A local company has designed a new type of wind-turbine blade that mimics the aerodynamic performance of a humpback whale's flipper, allowing a turbine to capture more of the wind's energy at much lower speeds.

The odd-looking blades, which have teeth-like bumps along their leading edge, are a dramatic departure from the smooth and sleek design that graces most wind turbines.

But Stephen Dewar, co-founder of Toronto-based WhalePower Corp., says the new approach could have a profound impact on wind-energy economics.

It means turbines manufactured with WhalePower blades would be capable of capturing energy where the wind is less strong, as conventional turbines tend to stall when wind speeds fall too low. Not only would this improve the business case for individual wind farms, it broadens the natural geography suitable for large-scale wind generation.

[Manitoba's Doer pledges \\$40M for east-west hydroelectric power grid](#)

Manitoba NDP Leader Gary Doer is pledging \$40 million for a down payment on an east-west power grid if he's returned to power in the May 22 provincial election.

The transmission line would help Manitoba sell hydroelectric power to Ontario, and Doer says he's encouraged that the federal government has recently promised to work on the issue.

He says the \$40 million would support initial planning and development for the long-term project.

[McFadyen visits Island Lake reserves](#)

While he was there, McFadyen reaffirmed his pledge to build the next massive Manitoba Hydro transmission line down the east side of Lake Winnipeg instead of the west as the NDP steadfastly favours.

Premier Gary Doer also travelled to the east side Friday with MLA Eric Robinson and pledged just the opposite -- legislation to protect the region from major development, including a power line. The NDP says the lines would effectively kill a plan to create a world heritage site throughout the pristine wilderness.

But the Tories say the east side route could save the government \$550 million and it would provide huge job opportunities for the many remote reserves where unemployment is endemic.

"We have such a small economy," Harper said in the plane up to Garden Hill. "This would be a major project for our people."

[Union: Overloaded grid ready to 'pop': Warns of blackouts, explosions](#)

With temperatures already surging into the 80s and a scorching summer on tap, many Massachusetts communities could face a spike in blackouts - and possibly even explosions - from thousands of potentially dangerous overloaded electrical transformers.

Documents obtained by the Herald show more than 12,000 transformers from Attleboro to Ayer are operating at above 200 percent capacity, with some as high as 900 percent over design standards. Union officials, who last night reached an agreement in contract talks with National Grid, say the overloads are pushing the state's electrical system to the brink and could lead to widespread blackouts this summer.

[Disgruntled Tories consider rebuilding Reform Party](#)

Somewhere in Kingston today, a small group of disaffected Conservatives will meet to discuss what would have been unfathomable in the heady days that followed the last federal election: refounding the Reform Party.

Organizers say they have room for just 30 people, but that this weekend's event is a mere prelude to a much larger meeting later this month.

"It's now or never," the online invitation says. "This new party will never be infiltrated by Red Tories, special interest groups or Quebec again."

[Ottawa proceeds with plan to build Arctic patrol ships](#)

A key federal cabinet committee has given the go-ahead for a plan to construct six corvette-sized Arctic patrol vessels, The Canadian Press has learned.

The cabinet priorities and planning committee approved the program to build the 100-metre-long, 6,000-tonne warships within the last 10 days, according to defence and political sources.

The patrol vessels, which are almost as large as the navy's frigates, are a step down from the armed Arctic icebreakers that the Conservatives promised in the last election campaign and will likely not be in service before 2015.

Nevertheless, said one political source "it'll be good for the military, good for Canadian industry and the Arctic is critical to our national interest."

[Canada beating industrial retreat](#)

Haskayne, a philanthropist for whom the business school at the University of Calgary is named, is an unlikely economic nationalist. An Alberta-born free enterpriser, he has served on about a dozen corporate boards after a long tenure running Hudson's Bay Oil & Gas Ltd. Haskayne has since helped guide the "made in Canada" mergers that created Calgary's EnCana Corp., the largest independent oil and gas producer in North America; and TransCanada Corp., one of the continent's biggest and best-run pipeline operators. Their creation is part of the story Haskayne tells in his new book, Northern Tigers: Building Ethical Canadian Corporate Champions (Key Porter).

But such tigers as we have are disappearing. There have been close to 600 foreign takeovers since the start of last year, with a total value of about \$156 billion (Canadian). Familiar names from Inco Ltd. to John Labatt Ltd. have been lost, and even the Montreal Canadiens (see graphic on facing page). Lesser-known but important names on the list of losses include Biochem Pharma Inc., developer of the world's first widely dispensed AIDS drug; ID Biomedical Corp., a pioneer in vaccines; and ATI Technologies Inc., leading global graphic chips maker.

We're caught in a Catch-22, as Peter Hatges of KPMG describes it. In a report on foreign ownership issued by the accounting firm last week, Hatges says: "As Canadian companies mature to the point where they are world class, they are getting world-class attention, and, typically, the most appropriate suitor will be a foreign buyer."

[The Plan is... There is no Plan](#)

Canada is one of the world's last resource rich countries. We have an abundant endowment in fresh water supplies, mineral resources, oil and gas, forests and rich farmland. Our population base remains small and supportable. Everything seems to be going just fine. That is until our trade agreements are reviewed and the question arises of what kind of strategy for the future we have. In doing this review, a giant sucking sound can be heard coming from the belly of the US, greedily consuming as much of our raw resources as it can and as quickly as possible.

[Banks tightening mortgage-lending standards: Fed](#)

U.S. banks dramatically tightened their standards for approving residential mortgages in the first quarter, the Federal Reserve said Monday. In particular, banks made it harder to get subprime residential mortgage loans and nontraditional loans such as interest-only loans, the Fed reported.

All told, at least 23 of the 53 domestic banks surveyed, or 43%, tightened their mortgage lending standards, up from 16% in the fourth quarter. The latest data are not strictly comparable to previous numbers, because the Fed has changed the wording of its questionnaire. Read the Fed survey.

In its quarterly senior loan officer survey, the Fed said 31% of banks surveyed "considerably" tightened credit standards for subprime loans, while 25% of banks tightened those rules "somewhat." None eased standards.

[How to spoil a good party](#)

The 100 or so bankers, money managers and investors gathered at the Union League Club in New York City last week to hear how today's highly leveraged, derivatives-entangled global financial system is about to come crashing down about their ears. Organized by the Committee for Monetary Research & Education, a nonprofit organization dedicated to educating the public about markets and "sound money," the evening would not be for the faint of heart.

The theme: "A time of Financial Fragility and Latent Instability."

Some may write off such a collection of downbeats as the financial equivalent of a loopy off-the-grid movement, preparing to work the land and create their own power when the oil runs out.

[Securitized Who Made Housing Bubbles Now Hide Big Losses](#)

The Spring months are likely to see extremely large securities losses breaking out in "mortgage-backed securities" (MBS) which have been the international banks' essential tool in creating the now-exploding U.S. and other housing bubbles. These losses, which various investment bank reports are now estimating at up to \$100 billion, may, in fact, become much larger than that, as the fall in home prices accelerates. They will hit those banks, and commercial banks as well, exposing how worthless are the large part of their assets which are based on the mortgage bubbles.

Since 2005, two-thirds of all mortgages have been "securitized"—sold by the lending companies to investment banks, which in turn package and sell them as high-profit securities, building a huge mortgage bubble over \$15 trillion. In 2006, one-quarter of all the U.S. banking system's \$12 trillion in assets were based on residential real-estate mortgages and residential MBS, the bubble which is now blowing out.

[Lies, Damned Lies, and Default Rates](#)

I anticipate some howls of outrage about now. You mean to tell me that these delinquency numbers are just ballpark estimates and are not historical? These servicers are allowed to lie to us? Scratch a free-marketer, and you'll find someone who secretly believes that a vast, heterogenous, discontinuous, non-centrally-planned and inconsistently regulated industry with participants who enter and exit over time not only can be but has been reporting uniform historical data to some central database which is freely and unproblematically available to the public, and therefore any inconsistency or incommensurate data must be another Enron. Go figure. It's rather like arguments over MEW; there are always those who think that number gets "pulled off reports," or that if it isn't just "pulled off reports," it's "only" an estimate, and therefore invalid. I, who have spent many years in debates over "regulatory burdens" with people who do not understand that the industry is not exactly burdened by uniform centralized data reporting regulations, am here to tell you about pointless arguments.

[Thomas Homer-Dixon: Prepare today for tomorrow's breakdown](#)

In the last half-century, largely because of the enormous growth and relentless integration of the world's economy, humankind and the natural environment it exploits have evolved into a single socio-ecological system that encompasses the planet. This system has become steadily more connected and economically efficient. As a result, a financial crisis, a terrorist attack, or a disease outbreak can now have almost instantaneous destabilizing effects from one side of the world to the other. The system has also developed increasingly severe internal pressures - because of, among other things, gaps in wealth between rich and poor people, worsening environmental stresses like climate change, and the diffusion of technologies for mass violence away from governments to small groups of people (including terrorists).

Managing these pressures demands steadily more complex institutions and technologies and, in turn, steadily higher inputs of high-quality energy. Yet, in Mr. Tainter's terms, this greater complexity seems to be producing diminishing returns - it's not solving our problems well. The wealth gaps between us are steadily widening, we're having little success reducing our output of carbon dioxide, and we see the horrible effects of the diffusion of technologies of violence every day in places like Baghdad.

At the same time, largely by coincidence, the world is entering a critical transition from an era of abundant and cheap high-quality energy sources (mainly conventional oil and natural gas) to one of more expensive and often lower-quality energy sources (like solar and wind power and non-conventional oil from places like the Alberta tar sands).

This is the crux of our predicament today: Our global system is becoming steadily more complex, yet the high-quality energy we need to cope with this complexity will soon be steadily less available.

[Thomas Homer-Dixon wins National Business Book Award](#)

University of Toronto professor Thomas Homer-Dixon has won this year's National Business Book Award for "The Upside of Down: Catastrophe, Creativity and the Renewal of Civilization," which explores the urgent problems faced by the world.



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