



The Round-Up: May 25th 2007

Posted by [Stoneleigh](#) on May 24, 2007 - 9:33pm in [The Oil Drum: Canada](#)

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[A pipe dream? have faith](#)

In their haste to shut down a leak of information they didn't control, the federal Tories may be slamming the door on the only option that could keep the Mackenzie Gas Project from being mothballed.

Yet there's a strong case to be made that the option is sound from a market, consumer, public policy and political perspective: an Arctic pipeline built by a pipeline company such as TransCanada Corp., perhaps with one or more partners, perhaps with a degree of temporary government backing including loan guarantees, that would be open to everyone producing natural gas in the Northwest Territories.

The main and obvious option, of course, is the one that has been before us for seven years, a pipeline built by a partnership of oil companies headed by Imperial Oil Ltd.

Yet it's becoming increasingly apparent that this option is unrealistic on the oil companies' terms, which includes heavy government subsidies as a way to reduce their risk.

[Oil prices forecast to hit \\$80](#)

Global oil prices could easily rally to record levels above \$80 a barrel this summer, analysts forecast on Thursday, due to Middle East tensions, red hot Chinese growth and a reluctant OPEC.

But record high prices will not have the same impact on oil demand as in the past few years since consumers have grown accustomed to it.

[Gas station shuts down pumps to protest oil prices; motorists cheer](#)

Motorists pulled in to Harvey Pollack's gas station today, honked and gave him a thumbs-up — because he wasn't selling any fuel.

The owner of Towne Market Mobil in this suburb north of Milwaukee shut down his pumps for 24 hours, hoping to start a movement aimed at convincing oil companies to lower their prices.

“Somebody out there is making money at these prices, but not me,” said Pollack, 57. “So

I just thought: What can I do to help the consumer?"

[Weak gasoline inventories send oil prices higher](#)

The market has been preoccupied with gasoline prices ahead of the peak demand season from the end of this month when Americans take to the roads on holiday.

"The report was very weak for crude oil and very bullish for gasoline. Even though gasoline inventories have increased, demand is very strong and the situation is not really improving much," Mitsui Bussan Futures chief commodities strategist, Tetsu Emori, said from Tokyo.

Global Insight analyst Simon Wardell said gasoline stocks should be rising more sharply in May and June but refinery outages in the United States have hit inventories.

[US lawmaker queries BP on US refinery outages](#)

A senior U.S. senator on Thursday asked BP Plc's (BP.L: [Quote](#), [Profile](#), [Research](#)) top U.S. executive to explain why two of the oil company's biggest refineries were operating at half capacity right before the start of the peak U.S. summer driving season.

Sen. Pete Domenici of New Mexico, top Republican on the Senate Energy Committee, asked BP America Chief Executive Bob Malone to explain why two giant BP refineries -- one in Texas City, Texas, and the other in Whiting, Indiana - were running at half capacity.

[The peak oil crisis: The minimum operating level](#)

As gasoline is largely delivered by pipeline, barge and coastal tankers these days, a lot of gasoline is tied up in transit. Thus the amount of gasoline "trapped" in transport is substantial. This "trapped" gasoline is known as the "minimum operating level."

The Department of Energy used to publish this number, but stopped doing so a few years ago on the grounds they were not confident that it was accurate. This week, however, the old number for the minimum operating level surfaced in a 3-year-old government report and it turned out to be 185 million barrels -- very close to the 197 million in the inventory. It really does not matter what the actual minimum level is, for any figure remotely close to 197 million is cause for concern. If stockpiles -- on either coast -- drop much more, we are going to find out, the hard way, exactly where the minimal operating level is, for that will be the day the shortages develop.

[Refinery's impact assessment won't look at emissions](#)

The proposed new Irving oil refinery for Saint John will not undergo a full environmental impact assessment, and one New Brunswick environmental group is shocked.

The Canadian Environmental Assessment Agency announced Thursday the proposed scope of the EIA would be restricted to the environmental impact of constructing a pier and breakwater on the site.

A spokesperson for the agency said an examination of air emissions as part of the EIA is unnecessary, because the refinery project would already be subject to strict federal law on greenhouse gas emissions.

[U.S. lawmakers weigh using coal as transport fuel](#)

A U.S. Senate panel on Thursday weighed plans to turn plentiful U.S. coal supplies into transport fuels, but some experts warned that building "coal-to-liquids" plants will boost greenhouse gas emissions.

Policymakers are looking at America's 250-year supply of coal as a way to fuel vehicles while reducing dependence on crude oil imports, which meet about 60 percent of daily needs.

Countries like South Africa already use a process commercialized by Germany in World War II to turn coal into fuel for use in cars, trucks and airplanes. China also is eyeing ways to boost its coal-conversion capacity.

[Iran's decision to raise gas prices exposes economic vulnerability](#)

Experts warn of the popular backlash that other countries have faced when dealing with the same need to raise long-subsidized staple prices. At the same time, they doubt the 25 percent price hike imposed this week on Iran's gasoline will do very much, on its own, to solve the country's underlying economic problems.

Even after Tuesday's decision to raise gasoline prices from 800 rials per liter to 1,000 rials per liter (0.059 euros/liter to 0.074 euros/liter, 30 cents/gallon to 38 U.S. cents/gallon), Iran has some of the lowest gas prices in the world. Those rock-bottom prices have led to unnaturally high demand and have saddled the government with fuel subsidies that cost billions of dollars a year.

The demand also forces Iran to import more than 50 percent of the gasoline it consumes because it lacks the refinery capacity to keep up — a glaring vulnerability as the U.S. and its allies look for ways to pressure Tehran to give up its nuclear program.

[East China Sea talks test warming China-Japan ties](#)

Today's resumption of China and Japan's attempts to resolve their dispute over gas exploration rights in the East China Sea will test the two countries' dramatic ice-thawing talks in Tokyo last month.

The Beijing meeting to draw up a joint development proposal is rich with potential for the newly minted "strategic relationship of mutual benefit".

[Pakistan seeks foreign, private investment to resolve power crisis](#)

Pakistani President General Pervez Musharraf on Thursday invited the private sector and foreign investors to set up power plants in the country to help meet its energy requirements.

Pakistan was facing serious shortage in energy sector, and offered lucrative returns to investors as the power needs were going up at the rate of 10 percent per annum, said Musharraf at a power plant foundation-laying ceremony near southern city Karachi, quoted by state media.

Musharraf said Pakistani government was working on a short, medium and long-term strategy to meet power shortage and said he was looking for all sorts of sources for power generation including water, gas, coal, alternative and nuclear energy.

The government was removing all bottlenecks to facilitate investors in the power sector, and had created investor-friendly policies by implementing liberalization and deregulation, Associated Press of Pakistan quoted the president as saying.

[Latin America: Beating The Oil Curse](#)

Pemex is Mexico's piñata. Politicians are so accustomed to the steady flow of cash from the company that they've never mustered the discipline to cut government spending or carry out major tax reform. Now, after years of underinvesting in exploration, Pemex is watching helplessly as output from its biggest oil field, Cantarell, declines by 20% a year. At current production rates, Mexico's oil reserves will last less than 10 years, meaning the world's sixth-largest oil-producing country runs the risk of becoming an oil importer.

Contrast Pemex's woes with the situation in Brazil. At the time of the price shocks of the 1970s, Brazil imported all its crude and the economy nearly collapsed. Since then, state oil company Petróleo Brasileiro (PBR) (Petrobras) has been driven with a missionary zeal that led the country to become self-sufficient in oil last year. The richest deposits were offshore, at depths that hadn't been attempted even by Big Oil multinationals. But Petrobras' engineers developed innovative techniques and equipment that allowed them to pump crude in more than 6,000 feet of water—a record at the time and still among the deepest operations worldwide.

[Brazil's Petrobras to build ethanol export pipeline](#)

Brazil's state-owned oil and gas company Petrobras announced on Tuesday that it would begin building ethanol export pipelines following the completion of a feasibility study.

Construction of the pipelines, known as the Ethanol Export Corridor, will begin within a few months and the network will be ready for use in 2010 or 2011, said Marcelino Guedes Gomes, director of ducts and terminals at Petrobras transportation subsidiary Transpetro.

The project will build pipelines linking the western central regions that produce sugar,

the main ethanol ingredient in Brazil, to the ports of Santos and Paranaguá, in the coastal states of São Paulo and Paraná.

[BP's Russian gas licence 'to be revoked'](#)

TNK-BP's subsidiary working the field, Russia Petroleum, has gone to the courts to clarify the terms of its Kovytká licence, a process that could take several weeks. But yesterday, Oleg Mitvol, deputy head of environmental watchdog Rosprirodnadzor, said "the likelihood" of TNK-BP's licence being revoked was "100pc".

The relatively under-developed Kovytká field has the potential to be a massive revenue-earner for BP, but the company's Russian operation is accused of breaching its licence by not extracting gas fast enough. TNK-BP was expected to produce 9bn cubic metres of gas annually, but Mr Mitvol says only 33.9m came out of the ground last year.

TNK-BP says that the government's failure to invest in infrastructure means that even if more gas was produced it could not be transported to customers.

[Anti-trust body suspends \\$4 bln deal to sell Yukos offices](#)

Russia's anti-monopoly service has postponed until August 2 a deal worth nearly \$4 billion to sell former Yukos offices to Prana, saying it needs more information on the company's owners, a Russian business daily said Wednesday.

Kommersant said the delay could reflect Russian authorities' uncertainty over who stood to benefit from the May 11 deal, when the previously unknown company offered nearly five times more than the opening price for the bankrupt oil firm's 22-story office building in Moscow, outstripping state-backed oil giant Rosneft.

Originally, the Federal Anti-monopoly Service (FAS) threatened to block the deal if Prana failed to clarify its ownership structure within 14 days following the auction, and refused to approve the purchase of other Yukos assets by a company apparently affiliated with independent oil giant LUKoil two weeks ago over "lack of transparency," the daily said.

[Austrian deal will extend Gazprom grip on European energy market](#)

Gazprom is poised to strengthen its grip over the European energy market with the purchase of a stake in a strategic Austrian gas hub that would give it a powerful lever over an EU project to bring in non-Russian supplies of fuel from Central Asia and the Middle East.

[Shortage fuels speculation](#)

The mystery over the shortage of petrol and diesel at filling stations across Qatar is deepening.

Suppliers say there are no production or distribution glitches. But many filling stations told The Peninsula that diesel and 'Super' petrol were in short supply as Woqod (Qatar Fuel) distribution had been infrequent.

[GE invests in renewable energy in British Columbia](#)

General Electric Co.'s GE Energy Financial Services unit announced three renewable energy projects Thursday including investments in a wind farm in Texas and a hydropower project in British Columbia.

GE Energy Financial Services said it would double its renewable energy investments by 2010 as part of GE's "ecomagination" program.

[Costa Rica Aims to Win "Carbon Neutral" Nation Race](#)

Green trail-blazer Costa Rica is drawing up plans to cut its net greenhouse gas emissions to zero before 2030, the government said on Thursday, and aims to be the first nation to offset all its carbon.

Environment Minister Roberto Dobles said the tiny, jungle-cloaked Central American nation would clean up its fossil fuel-fired power plants, promote hybrid vehicles and increase tree planting to balance its emissions.

"The goal is to be carbon neutral," Dobles told Reuters. "We'd like to do it in the next 20 years." He said Costa Rica would also eliminate net emissions of other greenhouse gases.

[Iraq Oil Law in Limbo](#)

Hassan Jumaa Awad, president of the Iraqi Federation of Oil Unions, an umbrella group representing more than 26,000 workers, said their complaints with the law rest primarily on the fear foreign companies will have too much access to -- and possibly ownership of -- Iraq's oil.

"First of all, we are against the production sharing agreements," Awad said.

PSAs are deals whereby a company provides capital investment in the project, sells enough of the first oil produced to recoup its costs, and then splits the rest of the oil with the government. Companies can "book" their reserves, bolstering their portfolios.

"These kinds of contracts ... we don't like it at all," Awad, speaking via a translator, told United Press International from a mobile phone in Rome. He's on a speaking tour to generate support and spread information about the law.

[Partnership courts Gazprom for Quebec LNG plant](#)

Rabaska is a partnership of Montreal's Gaz Métro LP, Alberta-based Enbridge Inc. and the French energy company Gaz de France. It is one of dozens of energy companies that are planning to build LNG terminals around North America to offset expected declines

in conventional natural gas production in both the United States and Canada. But there are more buyers of liquefied natural gas in the world than there are sellers, and the analysts have raised doubts about the viability of many of the projects, based on lack of assured gas supply.

Petrocan and its partner, TransCanada Corp., are planning to build an LNG terminal farther down the St. Lawrence at Gros-Cacouna, Que., and Petrocan has been engaged in long-running negotiations with Gazprom to participate in the Baltic project in order to secure a steady supply of gas.

In return, Gazprom is demanding a stake in the Gros-Cacouna plant; Gazprom executives have said any partner in the Baltic should expect to either sell it downstream assets or allow it to become a partner in projects.

[Miller to announce hybrid-conversion project](#)

Fresh off an international meeting of mayors that focused on municipal climate change initiatives, Mayor David Miller is set to announce a plan to convert hybrid vehicles to plug-in models that can be charged at any wall socket and are powered primarily by electricity.

Conventional hybrids are powered by gasoline engines assisted by an electric motor. But Miller is out to prove that when equipped with larger batteries that can be plugged in and recharged, hybrids can operate in a city setting on a single charge for more than 50 kilometres, while using little or no gasoline.

The initiative -- as reported Thursday by The Toronto Star -- is called the Toronto Plug-In Hybrid Vehicle Pilot Project and is set to be announced by Miller on Thursday.

[Tipping-Point Shock](#)

Even with high gas prices causing financial hardship for many Americans, most motorists still plan to stick to the roads at least until pump prices climb another dollar, according to a new Washington Post-ABC News poll.

The poll found that nearly six in 10 Americans say that near-record gasoline prices are a hardship, but only 11 percent said that soaring prices would curtail their driving habits in the coming weeks. Three in 10 said they might skip a summer road trip.

The average price that drivers said would compel them to significantly cut back on their driving was \$4.38 a gallon. In the western United States, where gasoline prices are typically higher than in the rest of the country, the average respondent said the price would have to hit \$5.12 a gallon.

[BMO calls in lawyers](#)

Bank of Montreal has engaged a top New York law firm to unravel "irregularities" related to two of the bank's former commodity traders and a brokerage firm that are at

the centre of the \$680-million the bank lost betting on the natural-gas market.

Lawyers at Sullivan and Cromwell LLP have been asked to investigate the losses that were covered up because the bank's book of natural-gas trades was valued wrongly based on data provided by New York-based Optionable Inc.

[Peace talks on the brink of trade war](#)

The issues are the same as they have been for several years. China's industrial revolution has turned it into a low-cost manufacturing centre and flooded the world with low-cost goods, in the process creating a \$232bn (£118bn) trade deficit for the US with China. Defenders of US manufacturing say an artificially low currency gives Chinese companies an unfair cost advantage that is turfing thousands of Americans out of their jobs. Meanwhile, US businesses are under huge restrictions if they want to operate in China, and all the while China is refusing to respect intellectual property rights and - in the shrillest commentators words - stealing overseas designs to further their own economic progress. The Bush administration has already referred China to the World Trade Organisation for alleged breaches of WTO rules and imposed unilateral tariffs to punish the country for DVD counterfeiting.

China, for its part, is trying to move to something akin to a market economy, without provoking instability. As recently as last week it offered new concessions, allowing the yuan to float and appreciate a little more quickly against the dollar and promising it would invest increasing amounts of its government reserves in US assets. In a particularly dramatic gesture, it paid \$3bn for a stake in the US private equity firm Blackstone.

[Yangtze flood alert as Tibetan glaciers melt](#)

Melting Tibetan glaciers could cause the worst flooding on the Yangtze since 1998, when more than 3,000 people were killed as China's longest river overflowed, state media said Thursday.

"Meteorological and hydrological features in the Yangtze River valley this year are similar to those in 1998," said Cai Qihua, deputy chief of the Yangtze River Flood Control Headquarters, according to the China Daily.

"We should be vigilant for a comparatively big flood on the Yangtze," she was quoted as saying.

Vast amounts of snow have melted on the Qinghai-Tibet plateau, where the Yangtze originates, the paper said, attributing the unusually warm winter to El Nino, the abnormal warming of surface ocean waters in the eastern Pacific.

[The big thaw](#)

From the high mountains to the vast polar ice sheets, the world is losing its ice faster than anyone thought possible. Even scientists who had monitored Chacaltaya since 1991 thought it would hold out for a few more years. It's no surprise that glaciers are melting

as emissions from cars and industry warm the climate. But lately, the ice loss has outstripped the upward creep of global temperatures.

Scientists are finding that glaciers and ice sheets are surprisingly touchy. Instead of melting steadily, like an ice cube on a summer day, they are prone to feedbacks, when melting begets more melting and the ice shrinks precipitously. At Chacaltaya, for instance, the shrinking glacier exposed dark rocks, which sped up its demise by soaking up heat from the sun. Other feedbacks are shriveling bigger mountain glaciers ahead of schedule and sending polar ice sheets slipping into the ocean.

[Report says cities, towns can fight climate change better than feds](#)

Canadians eager to push the government for action on the environment and climate change should stop wasting their time on federal and provincial politicians - who are delivering little more than "green rhetoric" - and focus on local leaders who have the power to get things done, says a new report obtained by The Canadian Press.

The report, by the environmental organization Sierra Legal, cites Calgary, East Hawkesbury, Ont., Hudson, Que., Montreal, Okotoks, Alta., Richmond, B.C., Toronto, Vancouver, and Whitehorse as examples of municipalities that took the initiative to address concerns about the environment rather than wait for help from federal or provincial officials.

[Why a Chinese monetary tightening could be followed by a global depression](#)

As the worlds largest holder of dollars, the Peoples Bank of China is now the worlds de facto central bank. Thats a scary thought because China is a nouveau riche nation that is not ready for a principal role in global economy. But in 1929, the United States was similarly a parvenu, a country that held 50% of the worlds monetary reserves (in the form of gold) even though its central bank, the Federal Reserve Bank of the United States (or Fed for short), was all of sixteen years old; this adolescent outfit had been created only in 1913 after the passage of the 16th Amendment to the Constitution.

[More carry-trade unwind possible](#)

The OECD said it was difficult to gauge the extent of the carry-trade from statistics on cross-border flows, which generally do not point to a recent upturn of outflows from Japan.

It added that most carry-trades were undertaken through fast growing over-the-counter derivatives markets. Outstanding notional positions that involved one half of the trade in yen and Swiss franc amounted to roughly US\$4 trillion and US\$1trillion respectively in June 2006, the OECD said.

It said there was some evidence pointing to large short positions in yen put options, reflecting insurance sold to those engaged in the carry-trade, with many market participants assuming these short positions are held by Japanese banks. The need to cover these short positions in the event of a sharp yen appreciation could strongly

amplify such currency moves, it said.

Still, it warned of the potential fallout from a more sudden unwind of the global carry-trade.

A large amount of outstanding carry-trades implies that any shift in expectations could lead to fairly large, and potentially disruptive, exchange rate swings, with increased volatility feeding into higher interest rates and reduced liquidity, it said.

[Regional currency to replace dollar in Argentina-Brazil trade](#)

Argentina and Brazil, South America's two largest economies, will drop the U.S. dollar in favor of a regional currency in their bilateral trade starting in October 2007, Argentine Economics Minister Felisa Miceli said.

The countries' transition to a new currency, as yet unnamed, is part of a pilot project by the South American continent's major trade alliance, Mercosur, to replace the U.S. currency in internal transactions with money of its own, Miceli said.



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