



## The Round-Up: June 22nd 2007

Posted by [Stoneleigh](#) on June 22, 2007 - 11:07am in [The Oil Drum: Canada](#)

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### [Shakeout expected in oilpatch services](#)

Canada's \$25-billion oil-and-gas services sector faces a wave of consolidation as a result of the crash in natural-gas drilling activity in Western Canada.

Hard-hit service companies have also started shifting resources out of Canada -- if they have that option-- toward international opportunities, eyeing a Canadian downturn that some believe could last years, not months.

"The pain, sector-wide, is really only starting to set in right now," said Michael West, chief executive of CE Franklin Ltd. "The industry's on the cusp of quite a bit of activity, either consolidation or some people not surviving at all. I think the [sector] will look a lot different when it comes back. Whether that's six months, 18 months or later, it's going to look a lot different."

### [CNPC buys stake in Alberta oil sands](#)

The Chinese National Petroleum Corp. has bought a large stake in Alberta's oil sands as it pursues the development of a major production project. CNPC, one of China's state-run oil companies, took an active role in bidding in a 2006 Alberta Crown land sale, eventually being awarded 11 blocks in January 2007. The assets comprise 258.6 square kilometres, said Zhang Xin, director-general of external affairs at CNPC.

"These moves clearly show our sincere determination to participate in oil sands developments in Canada," he said Thursday at the Canada-China Economic Co-operation conference in Edmonton. Further details on the acquisition, and on CNPC's plan for the leases, were not immediately available.

While Chinese national oil companies already own minority stakes in two Canadian oil sands projects, the CNPC acquisition marks the first time a Chinese state-run company has taken a majority or operating stake in a development.

### [Backroom deal ties Tories' hands on Kyoto](#)

The Conservatives will be legally bound to implement the Kyoto Protocol on global warming as of noon today, even though Prime Minister Stephen Harper's government insists such a task is impossible.

On the positive side for the government, the 2007 budget will pass today as most Liberal senators will vote in favour of the same budget opposed in the House of Commons by Liberal Leader Stéphane Dion and his caucus of MPs.

The Kyoto Protocol Implementation Act is a private member's bill introduced by Liberal MP Pablo Rodriguez. It calls on the federal government to produce a plan within 60 days for Canada to honour its commitments under the global-warming deal. Then after 180 days, the government "shall ensure that Canada fully meets its obligations" under the protocol through regulations.

Although the bill says the government's plan shall include "spending or fiscal measures or incentives," the Speaker of the House of Commons, Peter Milliken, ruled the bill does not force the government to spend money.

The government had argued the contrary, but Environment Minister John Baird seized on the Speaker's decision to argue that the bill is essentially meaningless.

### [Alaska's pipe dream turns 30](#)

Sarah Palin hopes she is going to be the lucky one.

After 30 long years and eight Alaskan governors, Ms. Palin, the new Republican governor of America's most northern state, is betting her plan to get natural gas out of the North Slope to the lower 48 states will be the one to finally pay off.

Frustrated by the reluctance by Exxon Mobil, BP and ConocoPhillips -- the Big Three oil companies that own 90% of the gas rights on the North Slope -- to commit to either developing the gas and pipeline, the populist Republican governor is opening the door to all comers.

It was on June 20, 1977, that the first oil from the North Slope's Prudhoe Bay began flowing through the Trans-Alaska Pipeline to Valdez. So far, about 11.5 billion barrels have been produced. Gas from the vast North Slopes reserves was supposed to soon follow. It never has, bogged down by economics and politics. The Big Three would simply have to wait until the next one-term governor came in. Under then Alaska law, governors could serve one term only.

### [Russia top offender in gas-flare emissions](#)

A little-known but major contributor to global warming -- gas flaring at oil wells -- has been measured for the first time using satellite imagery and shows that Russia is burning three times more gas than previous estimates, making it the world's worst offender, according to a new US study.

When companies drill for oil in underground caverns, their equipment brings to the surface both petroleum and natural gas. Producers burn the gas because they have no infrastructure to use it, or no immediate consumer. In some cases, such as at some of Russia's isolated oil wells, the nearest possible user of natural gas could be more than 1,000 miles away.

The report was completed by scientists at the US National Oceanic & Atmospheric Administration in Colorado using Air Force meteorological satellite images dating to

1995. It reveals that the amount of carbon dioxide emitted from Russia's gas flaring alone equals the combined emissions from all cars and trucks in New York state and New England.

In all, the emissions from global gas flaring send 400 million tons of carbon dioxide into the atmosphere every year -- equivalent to the emissions from all the vehicles in Great Britain, France, and Germany.

### [Kremlin tightens grip on energy sector by forging shipping giant](#)

Russian President Vladimir Putin has signed a decree merging Russia's two top energy shippers in a move to create a US\$5-billion national shipping giant and help develop the country's huge offshore oil and gas projects.

Russia has been seeking to merge Sovcomflot and Novoship for several years, in line with the Kremlin's strategy of enhancing control over the strategic energy sector by creating mighty state giants.

Sovcomflot's director-general Sergei Frank said the new company would be ranked among the world's five top tanker firms. The merger comes amid rumours that Russia would split the rights to develop new offshore oil and gas fields between Rosneft and gas monopoly Gazprom.

### [Who's the laggard now, Bono?](#)

Irish rockers Bono and Bob Geldof were critical of Canada's generosity earlier this month, oblivious to the fact that the Canadian government sends millions of dollars in development aid to their own country - the fourth-richest in the world.

Yet, under the International Fund for Ireland, the Department of Foreign Affairs has contributed \$7.7-million for job creation and reconciliation projects in Northern Ireland and the Republic of Ireland - both of which have a higher per-capita GDP than Canada.

Bono may think Canada a laggard, but a look down the list of where our foreign aid is destined suggests it is at the forefront of countries that donate to those who don't deserve, or need, our help.

For instance, Hugo Chavez, the Venezuelan leader, made great political capital from shipping cheap heating oil to poor Americans from Massachusetts to Alaska. Yet his socialist Arcadia is not so awash in petro-dollars that it could afford to decline the \$3-million it got from Canada in humanitarian assistance in 2004-05.

China is another recipient from this program envelope, receiving \$57-million in the same year, despite its systematic and widespread human rights abuses.

### [Giant dam projects aim to transform African power supplies](#)

As the world's political leaders debate ways to alleviate poverty in Africa, industrialists

are moving ahead with their own designs for pan-African development - including the building of the world's largest hydroelectric dam at a bend in the Congo River, between Kinshasa, the capital of the Democratic Republic of Congo, and the Atlantic Ocean. Called Grand Inga, this giant dam will cost \$80 billion to build and will have twice the installed generating capacity of the current record-holder, the Three Gorges Dam in China. Grand Inga would produce enough electricity to serve all of the more than 500 million Africans who currently go without.

While it remains to be seen whether recent leaps in transmission technology are sufficient to carry electricity over Africa's vast distances and physical barriers like the blistering sands of the Sahara, power-hungry countries as far away as Egypt and Nigeria are interested in Grand Inga's potential supply.

"This is a Marshall Plan for Africa," said Gerald Doucet, secretary general of the World Energy Council, the overseer of the project, which is being developed with Westcor - a consortium of power companies from neighboring countries including Namibia, Angola and South Africa - and with international power and engineering giants, including ABB of Sweden, E.ON of Germany, EDF of France, Union Fenosa of Spain and SNC-Lavalin of Canada.

### [Arctic spring comes two weeks early](#)

Spring-time in the Arctic is arriving two weeks earlier than it did a decade ago, say ecologists working in Greenland. Processes that mark the beginning of spring, such as flowers blooming and birds laying eggs, are now happening an average of more than 14 days earlier in the calendar than they did as recently as 1996, as a result of rising temperatures.

The discovery adds to the litany of changes to ecosystems that are occurring in response to changing climates around the world. But the rate at which changes are occurring in the high Arctic far outstrips that seen elsewhere in the Northern Hemisphere.

"We suddenly realized that the trends are dramatically stronger than elsewhere," says Toke Hye of the University of Aarhus, Denmark, who led the research. Previous worldwide studies of animals and plants have suggested that, globally, the beginning of spring is advancing by around five days per decade.

But in the frozen valleys of Zackenberg, northeastern Greenland, the rate of change is almost triple the world average, Hye's team has discovered. "This is the first study of its kind in the high Arctic," he says. It's quite a surprise to see such a huge difference."

### [Freak winter is Europe's warmest for 700 years](#)

Last autumn-winter season was Europe's warmest for more than 700 years, researchers say. The last time Europeans saw similar temperatures to the autumn and winter of 2006-07, they were eating strawberries at Christmas in 1289, according to Jrg Luterbacher at the

University of Bern, Switzerland, and colleagues.

European climate measurements and temperature records stretch back several hundred years. UK records are the longest available, going back to 1659. Estimating historical temperatures beyond then involves scrutinising contemporary documents and diaries.

"People in churches, or doctors, wrote diaries, and usually they also included information about weather and climate. Climate historians can use and interpret this information and translate it into a temperature value," explains Luterbacher, who worked with climate historians to compare past and recent temperatures.

Separately, the temperatures experienced during autumn 2006 and winter 2007 are likely to have been the warmest in 500 years, they say. But the sequential combination of two such warm seasons is a still rarer event probably the first since 1289.

### [Water woes](#)

For millennia China's great rivers have snaked their long meandering courses across the country, providing lifeblood for Chinese civilisation. Along the banks of the Yellow River to the north and the Yangtze to the south, five thousand years of history and culture have unfolded, with agriculture flourishing in otherwise inhospitable terrain and trade bringing prosperity and dynamism in its wake. But the effects of chronic pollution, large-scale damming and climate change are combining to spell catastrophe for the rivers.

Ten per cent of the Yellow River today is sewage. Little surprise when, according to the government, the volume of wastewater flowing into the river increased from about two billion tonnes in the 1980s to 4.3 billion tonnes by 2005. Experts say that since the 1950s the volume of water in the Yellow River has decreased by 75 per cent so that the once mighty river has been reduced to a more or less seasonal body of water that usually dries up 800 km before reaching the sea.

The prognosis for the Yangtze is equally bleak. Earlier this year the first annual health report for the river revealed that 30 per cent of its major tributaries were heavily polluted, with high levels of ammonia, nitrogen and phosphorus. In 2006 alone, more than 26 billion tonnes of wastewater was pumped into the Yangtze, which flows through 11 Chinese provinces and municipalities. One-tenth of the main stream of the river was estimated to be in "critical condition".

The report, the combined output of the Chinese Academy of Sciences, the Ministry of Water Resources, and the WWF, also found that the annual harvest of fish in the river fell from around 500,000 tonnes in the 1950s to 100,000 tonnes in the 1990s. The Deputy Director of China's State Environmental Protection Administration (SEPA), Pan Yue, called 2006 "the grimmest year yet for China's environmental situation" with a total of 130 chemical spills having occurred during the year (one spill every three days).

### [Why amphibians matter](#)

Since the 1970s, three frog species have disappeared from Puerto Rico's mountain



forests, all after unusually warm years. Between 1987 and 1988, the hottest year on record until then, the golden toad and Monteverde harlequin frog disappeared from the Monteverde Cloud Forest

Preserve in Costa Rica. That same year, the jambato toad vanished from the highlands of Ecuador, which was also unusually hot and dry. "We have a tendency for species to disappear after warm years," says Alan Pounds, scientist-in-residence at Monteverde.

Scientists consider these extinctions part of an ongoing worldwide amphibian die-off. The World Conservation Union (IUCN) estimates that 32 percent of all amphibians are in danger of going extinct. Of 5,918 known species and new species are constantly being discovered 165 may have already disappeared. Two-thirds of all harlequin frogs, which range throughout New World tropics, are already gone, Dr. Pounds says. Scientists have blamed habitat loss, increased ultraviolet radiation, pollution, and chytrid, a fungus that humans may have inadvertently transported around the globe.

To that list of suspects, Dr. Pounds and many other scientists now add climate change.

### [Flaherty backs B.C.-Alberta trade deal](#)

*'I urge the other provinces to emulate it'*

Jim Flaherty, the federal Finance Minister, yesterday threw his support behind the recently implemented free-trade deal between Alberta and British Columbia as provincial finance ministers from across the country agreed to set up a panel aimed at accelerating the dismantling of interprovincial barriers.

"I am a fan of the Alberta-B.C. agreement, and I urge the other provinces to emulate it. And if they can, they should join it," Mr. Flaherty said at the conclusion of two days of meetings with his provincial counterparts at a conference centre in Meech Lake.

That pact, known as the Trade, Investment and Labour Mobility Agreement (TILMA), reduces all barriers between the two provinces dealing with trade, investment and labour mobility. As configured, the B.C-Alberta scheme, which took effect this year, allows other provinces to piggyback onto the deal if they agree to the conditions.

### [Canada a creditor by 2010?](#)

Canada could become a creditor nation for the first time in its history by the end of the decade. Economists said the country could soon join classic creditors like Japan and Germany and the burgeoning list of emerging-market creditors like China that have more foreign assets than liabilities -- which would give it more control over its financial destiny.

"For the first time in its history, Canada would be a net creditor," said Stefane Marion, assistant chief economist at National Bank in Montreal. "Historically we have always depended more on foreign investment than we could afford to pay out overseas."

Douglas Porter, deputy chief economist at BMO Capital Markets, agreed. "We're running current account surpluses on the order of about \$25-billion a year so roughly in three years time, that sounds about right." The forecasts were made yesterday after

Statistics Canada reported Canada's foreign assets continued to swell in the first quarter while its foreign debt plummeted. Net external liabilities, the difference between the two, dropped \$6.8-billion to \$92.2-billion in the first quarter of 2007 from the end of 2006.

### [Smaller Ontario towns getting in on national housing craze](#)

Smaller Ontario towns, particularly in the Toronto area, are experiencing their own mini housing booms, even as their bigger counterparts grab most of the attention for record-breaking sales and price increases. According to a report released Thursday by Re/Max Ontario-Atlantic Canada, boomers flush with proceeds from selling their big-city homes and price-conscious buyers looking to get into the hot housing market are busy looking for properties in smaller towns such as Timmins, Pembroke, Belleville and Collingwood.

And that's despite concerns over a higher Canadian dollar and its impact on the province's manufacturing sector, the report added.

The report, which looked at residential real estate activity in more than 30 major Ontario centres, found that sales were climbing in 85 per cent of markets surveyed, while all but one market saw average price escalate. Parry Sound, Clarington/Bowmanville/Newcastle, Trenton, Belleville, North Bay and Pembroke led the province in terms of percentage increase in unit sales, all with double-digit gains, the report noted.

"While an overall healthy economy has supported home-buying activity, consumer confidence in the future of housing has taken markets to the next level," said Michael Polzler, executive vice-president and regional director, Re/Max Ontario-Atlantic Canada. "Given current momentum, we expect demand for housing to continue throughout the traditionally slower summer months and shatter existing records for sales and/or price in many markets by year-end."

### [Rate Rise Pushes Housing, Economy to 'Blood Bath'](#)

The jump in 30-year mortgage rates by more than a half a percentage point to 6.74 percent in the past five weeks is putting a crimp on borrowers with the best credit just as a crackdown in subprime lending standards limits the pool of qualified buyers. The national median home price is poised for its first annual decline since the Great Depression, and the supply of unsold homes is at a record 4.2 million, the National Association of Realtors reported.

"It's a blood bath," said Mark Kiesel, executive vice president of Newport Beach, California-based Pacific Investment Management Co., the manager of \$668 billion in bond funds. "We're talking about a two- to three-year downturn that will take a whole host of characters with it, from job creation to consumer confidence. Eventually it will take the stock market and corporate profit."

Confidence among U.S. homebuilders fell in June to the lowest since February 1991, according to the National Association of Home Builders/Wells Fargo index released this week. Housing starts declined in May for the first time in four months, the Commerce

Department reported yesterday. New-home sales will decline 33 percent from 2005's peak to the end of this year, according to the Realtors' group, exceeding the 25 percent three-year drop in 1991 that helped spark a recession.

Homebuilding stocks are down 20 percent this year after falling 20 percent in 2006, according to the Standard & Poor's Supercomposite Homebuilding Index of 16 companies. Before last year, the index had gained sixfold in five years.

``When all these people see their mortgage payment and it's up 40 or 50 percent, they're going to say, `We can't stay in this house,'" Pimco's Kiesel said. ``And there are millions of people in this situation."

The average U.S. rate for a 30-year fixed mortgage was 6.74 percent last week, up from 6.15 percent at the beginning of May, according to Freddie Mac, the second-largest source of money for home loans. That adds \$116 a month to the payment for a \$300,000 loan and about \$42,000 over the life of the mortgage.

### [Bear Stearns funds unravel](#)

A hedge fund with the name High-Grade Structured Credit Strategies Enhanced Leveraged Fund is asking for trouble. A market environment in which such funds are considered the height of financial fashion is probably asking for trouble, too.

Hot on the heels of the U.S. subprime-mortgage meltdown, and the great bond-yield high-jump, comes news that a Bear Stearns Cos. Inc. hedge fund with the name above, together with a sister fund, is unravelling. Expect more such messiness ahead, including the kind of messiness that could finally unhinge risk-complacent markets as tighter credit clashes with bad loans and a proliferation of increasingly complicated and murky financial instruments.

"We've seen a lot of pain among borrowers --foreclosures and delinquencies have soared," said Mark Zandi, chief economist at Moody's Economy.com. "We've seen a lot of pain among lenders," he said. "Many have gone belly up. I had been surprised we had not seen more pain among investors and that's now what we're seeing. "So far, the financial system has digested it very well and I think it will continue to do so, but there is a measurable risk there is really big mistake somewhere that gets exposed and creates a financial system-wide problem."



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