

The Oil Drum: Canada

DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

The Round-Up: August 28th 2007

Posted by [Stoneleigh](#) on August 27, 2007 - 11:35am in [The Oil Drum: Canada](#)

Topic: [Miscellaneous](#)

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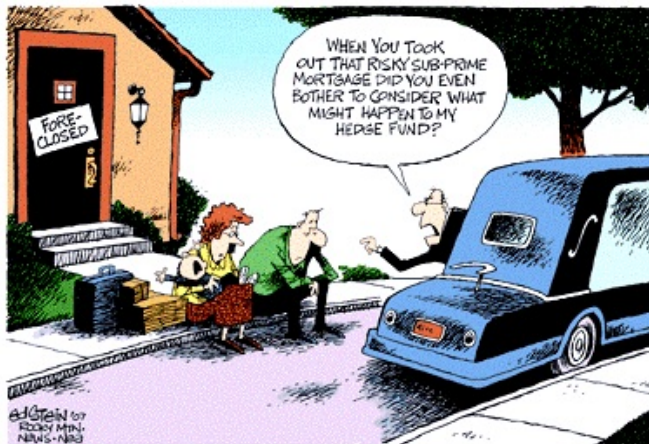
The developing credit crunch is looking less contained by the day, despite the recent bounce in the equity markets. The interconnectedness of global markets really becomes apparent when contagion threatens to spread.

Following on from the Montebello SPP summit, Naomi Klein brings us an interesting twist on the right of protestors to be heard - surveillance as the new participatory democracy.

More commentators are weighing in on the question of Newfoundland oil royalties, while a pipeline capacity shortage looms in Alberta and potential conflict brews in BC over coal bed methane.

[Top 25 Quotes on the Credit Crisis of '07](#)

The U.S. economy, once the envy of the world, is now viewed across the globe with suspicion. America has become shackled by an immovable mountain of debt that endangers its prosperity and threatens to bring the rest of the world economy crashing down with it. The ongoing sub-prime mortgage crisis, a result of irresponsible lending policies designed to generate commissions for unscrupulous brokers, presages far deeper problems in a U.S. economy that is beginning to resemble a giant smoke-and-mirrors Ponzi scheme. And this has not been lost on the rest of the world. - Hamid Varzi, International Tribune



[Financial bankruptcy, the US dollar and the real economy](#)

Like all Ponzi schemes, such pyramidings of debts with no liquid assets behind them are bound to implode sooner or later. And that is what we are witnessing today, i.e. the implosion of unfunded credit derivatives-based Ponzi schemes. In 1998-2000, we got an idea of what could happen when portfolios are highly leveraged and laden with

derivative financial products with the collapse of one large hedge fund, Long-Term Capital Management.

This should have been a warning sign to regulators of financial markets. But hedge funds and other financial operators' greed -- and political corruption -- were too strong, and no one stopped the march to disaster.

[Gold and Oil - Are they real money measuring real value?](#)

In the face of gyrating currency markets it is difficult to get a real "price" on anything at the moment. We have often asked the question here, what is the price of gold? If it is \$670 then we ask, what is the price of the \$. Should the \$ be valued in gold, the other way round to now? Well the same question should now be asked of oil. Why? Because the value of the \$ is now subject to question internationally.

[3 Reasons Why This Credit Bubble is worse than 1929](#)

We've nearly tripled the mortgage debt in 15 years. Again this is as much a credit bubble as it is a housing bubble. At the peak of this mayhem, in August of 2005 over 70+ percent of all loans in California were adjustable rate mortgages. Of course this includes negative amortization, option ARMs, 2/28, interest only, and every other exotic mortgage product floating out in the market. Our dependence on credit is amazing. This partially comes from the fact that we as a nation have a negative savings rate. I imagine it is hard to spend something you do not have but many credit card companies during this massive boom were more than willing to lend you the credit. Where does this end? I think we are already seeing the end. I know we are in a bubble like no other when I get credit offers and refinancing offers from companies that no longer are in operation! Maybe they should contact their direct mailers and let them know that they are no longer offering 0 percent for 12 months or 5 percent Home Equity lines.

[U.S. Crisis Underscores Global Links](#)

The sharp declines this month in many stock markets worldwide proves that not all that happens in Vegas stays in Vegas.

That city is among those areas of the United States hard hit by a slumping housing market. Combine that with a strong global appetite in recent years for investments based on U.S. mortgages bundled together, and a dotted line begins to emerge between faltering home loans in once-hot housing markets and troubles for hedge funds in Australia and banks in Europe.

"The speed at which the integrated markets now affect each other -- that will probably be the biggest observation of what is going on now," said Georges Ugeux, chief executive of the investment bank Galileo Global Advisors and former head of the international group at the New York Stock Exchange. "The interconnection has now a level of

immediacy that it means if there is coughing going on in New York people might have the flu in Germany the next day. There is no cover."

What started out as a storm in one corner of the debt market spread worldwide in a matter of days, exposing often overlooked ties among far-flung markets and illustrating how normally cool-headed investors can act in lockstep when frightened.

[U.S. edges toward brink](#)

In his bid to avoid looking as if he's bailing out the financial elite when their rash speculations go awry -- in effect, replacing the Greenspan put with the Bernanke backstop -- the rookie Fed chairman had better take care the U.S. economy does not slip into recession under his nose.

For even before the liquidity flood turned into a liquidity drought, causing bankers to change their chinos for pinstripes and start acting like bankers again, the world's biggest economy was knee-deep in a housing crunch. The question remains: How far will it bite into the rest of the economy?

[Subprime may be hitting credit cards, too](#)

Fallout from the mortgage mess and lower home prices may have started to creep into the credit card arena, judging from July payments and some initial moves by issuers to tighten the screws on cardholders.

After falling for three consecutive months, delinquent payments on credit cards -- defined as more than 30 days late - increased slightly in July, to 4.64 percent from 4.62 percent in June, according to CardWeb.com. A year ago, the delinquency rate was 4.18 percent.

The amount of credit card debt consumers are paying off, meanwhile, has fallen. The portion of outstanding balances paid in July slipped to 18.3 percent from 18.4 percent a month earlier.

[The Great Financial Crisisor Who's Got a Turd in his Briefcase?](#)

The rating agencies, who are paid by the sellers, all gave top billing (AA, AAA) to these hybrid securities, mortgages and junk bonds, encouraging investment advisers to push them on to risk-averse client looking for higher returns than Treasury notes. Most of the investors do not know whose and what paper they are holding, nor how much their hedge funds are losing or have lost. Those who can, have pulled out. The banks are reticent to loan to any applicant. Leverage funds are a dirty word among lenders. Hedge funds are either selling assets to pay loans or not telling what they own or owe. Derivatives have been deflowered. Central Banks in the US, Japan and the European Union have poured (and keep pouring) over \$250 billion to the private banks hoping to

create liquidity but the banks won't lend — because, as one prominent banker in Palm Springs told me "Nobody knows who's got a turd (worthless investments) in his brief case."....

....So unless the fund directors come clean, empty their brief cases and open their balance sheets we won't know who are carrying the turds: The great unknowns include the unredeemable bonds, the worthless mortgages and the illiquid hedge funds. Without knowledge of the size and scope of the turds, the great uncertainty has frozen most investments and loans — it is paralyzing the financial system. Even Fannie Mae and Freddie Mac (the federally-funded mortgage companies) can't come in and buy up the 'turds' (otherwise known as 'bad debts'), no matter how many hundreds of billions of US taxpayers' money they are willing to spend.

[Bad credit biggest risk to economy](#)

Victims of this flare-up include two of the 10 biggest mortgage lenders in the country and two hedge funds managed by Bear Stearns Cos.

Loan brokers say it has become more difficult for some people to line up mortgages. Subprime loans, or loans to people with spotty credit histories, have all but disappeared as lenders scale back or shut down completely.

The shakeout in the subprime mortgage market forced investors around the world to reassess how much risk they were willing to stomach. This led to an exodus of cash from investments like securities backed by home loans, short-term corporate bonds and stocks whose values were inflated because they were perceived as takeover targets.

[Mish: Is More Panic Coming?](#)

Meanwhile members of Curve Watchers Anonymous just might be asking "Is this calm before the big storm?" I think so, and one of the reasons can be found in Prof. Zucchi's buzz earlier today when he quipped "My sense is we are now approaching the point where price panic sets in".

The expected price panic in housing that Prof. Zucchi referred to, or price panic in the stock market, derivatives, and/or or general panic anywhere will likely incite more panic moves by the Fed in response. But whether or not more panic is coming, it's best to be prepared for it. And if you are going to panic, please remember the cardinal rule: Panic before everyone else does.

[How the Bush Administration Is Turning the USA into a Subprime Borrower](#)

Financial analysts say credit markets are facing a Minsky moment - the inevitable downward spiral when over-leveraged investors have to sell valued assets just to pay back their loans. Some analysts have even coined a new term, suggesting we are in a

"Minsky meltdown" - the prelude to a wider market crash.

But it looks more like a "Minsky massacre," not an unavoidable economic downturn but rather a coldly-calculated hit, with the intention of transferring wealth from the lower and middle classes to an unaccountable few at the top.

Bottom line, this economic downturn isn't hurting everyone. Select brokers and lenders made a fortune off the backs of subprime borrowers, and now that the related hedge funds are collapsing, well-leveraged private equity firms can buy assets at fire-sale prices.

And as Jim Hightower recently noted, a "hands-off regulatory ideology" is complicit: "There are no less than five financial agencies at the federal level that could have protected people, yet the subprime surge was allowed to proceed The Federal Reserve Board, for example, has direct authority under the Home Ownership and Equity Protection Act to 'prohibit acts or practices in connection with mortgage loans that the board finds to be unfair, deceptive or ... associated with abusive lending practices, or that are otherwise not in the interest of the borrower.' The Fed simply ignored this law."

[Pension funds demand money back](#)

Pension fund trustees are planning legal action against several London hedge funds in a desperate bid to salvage investments threatened by the recent credit crunch.

Investors in one London-based hedge fund last week asked lawyers to prepare an injunction against the fund, which has been selling off assets because it cannot borrow any more money.

The group is said to believe that the fire sale would unfairly benefit other investors who are entitled to redeem their stakes at an earlier stage. They claim that, should the money be distributed now, there will be fewer proceeds to be shared out if, as expected, the fund goes bankrupt.

Separately, legal sources said that in the past two weeks they had been approached by up to 10 hedge fund investors considering a range of lawsuits against funds over misleading prospectuses and mis-selling.

[\\$100 Bill to Undergo Extreme Makeover](#)

An amazing new look has been approved for the \$100 bill, according to The Associated Press. The redesign of the \$100 is about one-third of the way complete, the AP said, and the new bill is expected to go into circulation late next year.

Among the changes is a weird new security thread that combines micro-printing with tiny lenses - 650,000 to be precise - that will cause the image of Ben Franklin to appear to shift when the bill is moved side to side or up and down. The security changes are part of an effort to head off counterfeiters. But that's just the beginning. Minyanville has learned the changes to the greenback will be even more extensive than new security

features. The new \$100 bill (shown below) will feature a larger "1" with both zeros removed.



As well, Minyanville has learned the \$1 bill is also undergoing some cosmetic makeover to remain consistent with the \$100 bill's new look. The new \$1, shown below, will feature a decimal and two new zeros added before the \$1.



[Moody's may cut IndyMac to junk, affirms WaMu](#)

Mortgage lenders have struggled with tighter credit markets as investors, fearful of rising delinquencies, stopped buying a wide variety of home loans, including many once thought safe. Many have tightened their lending standards this year, and dozens have quit the industry.

[Business-Bankruptcy Blues](#)

"Deflation of the housing bubble has caused a major drag on the economy," says Daniel C. North, Euler Hermes' chief economist. Other headwinds for businesses? The effect of higher raw-materials costs -- particularly energy and anything else petroleum-based -- and the lagging effects of the Fed's two-year tightening campaign.

North identifies businesses tied to housing, automobiles and airlines as those facing the biggest challenges.

Another likely reason for the spike was the change in bankruptcy laws in October 2005,

which made it more difficult for both businesses and consumers to emerge from bankruptcy.

[The moving target of credit default swaps](#)

A CDS transfers the risk of a debt default from, for example, the owner of a bond to a third party. In other words, the third party promises to make the bond investor whole in the event that the bond issuer can't pay the money back.

As with all derivatives, credit default swaps are measured in terms of notional value, that is, the value of the securities that underlie them. The CDS market, measured in notional terms, is worth about \$30-trillion (U.S.), more than the non-government debt market.

How is that possible? Because while credit default swaps can be and are used by bond owners to insure their investments, in whole or in part, they can also be used by speculators making naked bets on individual credits.

[Liquidity crunch hits T-bill market](#)

Ewen Mackenzie has been trading securities for nearly three decades, half of that as head of his Thornhill, Ont., investment firm. And he's always been able to buy short-term government treasury bills — until Friday.

Like scores of other fixed-income investors, Mr. Mackenzie was looking to park money in one of the safest spots in Canada — government-backed bills. But when he called one of the Big Five banks Friday to place about \$250,000 in 30-day and 90-day T-bills, he was told they weren't available.

The experience illustrates just how rattled investors are. Their aversion to the perceived risk of anything connected with non-bank asset-backed commercial paper (ABCP) means many are fleeing money market funds altogether for the haven of government-backed securities.

"I've been in this business for 28 years and I've never heard of anything like that before," said Mr. Mackenzie, who runs Ewen Mackenzie Investment Advisors Ltd. "I can only surmise that individual investors are bailing out of money market funds and buying Treasury bills and maybe they've bought them all up."

[Barclays' woes grow as crisis in sub-prime forces its client to be rescued](#)

Meanwhile, last week Barclays made margin calls on a client, Synapse Investment Management, a credit hedge fund in which Sachsen has an estimated €200 million stake — almost the entire equity in the fund — and later seized some of its collateral.

Barclays Capital, Barclays' investment banking unit, has been aggressively marketing so-called SIV-lites such as Sachsen Funding I – investment vehicles sponsored by banks but held off the balance sheet, which use the commercial paper markets to finance purchases of mortgage-backed securities. A souring of sentiment in the commercial paper market left funds desperate for cash, forcing sponsors to provide emergency funding.

[Curb the greedy global financiers](#)

One of the most inequitable and amoral acts in modern times is happening in front of our eyes and in Britain there is hardly a murmur of protest. The multi-billion dollar bail-out of global finance after one of the most reckless periods of lending and deal-making since the late 1920s is extraordinarily one-sided.

Little people's taxes are underwriting the mistakes of big people, who in the process have made riches beyond the dreams of avarice. Globalisation, it is now clear, is run in the interests of a global financial class which has Western governments in its thrall. This class does not give a fig for the interests of savers, clients or wider workforces.

[American consumer looks into the abyss](#)

Financial markets have been badly shaken by trouble stemming from the housing slump, but some analysts say the full impact on the underlying U.S. economy has yet to be felt. Add in the recent gut-wrenching volatility in the stock market and the belated tightening in credit standard, the chances of the first consumer-led recession since 1991 is ticking ever higher as consumers move to rebuild their tattered savings.

"We are now in a serious housing recession," said Susan Wachter, professor of real estate at the University of Pennsylvania's Wharton School in Philadelphia. "The increase in wealth that came through refinancing was what took us out of the 2000 recession. The real concern is that we'll go down the same way we came up, which is that housing prices will cause consumers to pull in and stop spending and that will throw us into a recession.

[Construction job losses could top 1 million](#)

Job losses in the construction sector could top 1 million if a housing downturn tips the economy into recession and tighter access to credit dampens business investment...

..."The ability of nonresidential to continue absorbing additional workers is going to be limited, and that's going to put downward pressure on construction employment overall," he said, adding that cuts may be deeper than in the 1990s.

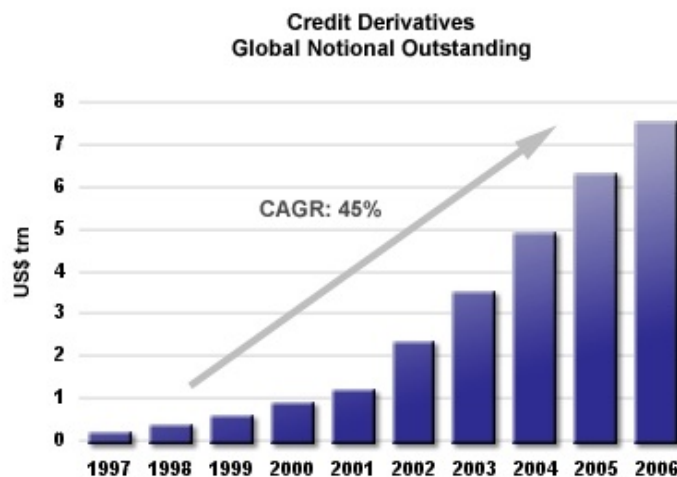
[Flaherty says Canada has taken the right steps to face down U.S. subprime crisis](#)

Jim Flaherty, the Minister of Finance, said yesterday that Canada must closely monitor credit issues emanating from the U.S. subprime mortgage crisis for any domestic impact. Mr. Flaherty said in Whitby, Ont., that Canada has so far taken appropriate steps to monitor the situation and will continue to do so. "That is happening hour by hour, day by day," he said.

[My One And Only Stock Market Advice Post](#)

I've been waiting for the housing bubble to pop for several years now, and it hasn't, mostly because millions of people are saying the equivalent of "I do believe in fairies, I do, I do..." over and over again, in total opposition to the evidence against the fairy tale they are being told - that is, that their houses could ever in any long term, empirical sense have the value they are ascribing to them. What economists describe as "confidence" really turns out to be pretty much a collective exercise in wish fulfillment. And it can tolerate a few people opening their eyes and recognizing that this is a fairy tale, but at a certain point, boom, it all comes crashing down. When? Who knows - maybe right now, maybe in five years. I don't know, and I don't claim to. The case for "now" is looking more and more compelling to me, but the magic of denial is more resilient than I would have ever credited.

[Unlawful Economic Stupidity](#)



As evidence of that surprising "economic laws don't apply here" statement, he merely has to note that almost \$500 trillion in financial derivatives exist ("In comparison," he writes "the U.S. GNP is a paltry 13 trillion") and the number of derivatives "is increasing at the rate of 40 percent per annum. At that rate volume doubles about every other year."

And how big is the derivatives market now? Jim Willie of the Hat Trick Letter says, "The scope of the CDO bond fraud is gigantic. In 2002, \$84 billion in CDO bonds were

issued. In all of 2006, \$503 billion were issued. The parade has not ended! In 1Q2007, an incredible \$251 billion were issued, on track for a cool \$1,000 billion annually." Heading for a trillion bucks a year!

[Kunstler: Back to school](#)

The damage to global structured finance has been done, and it can be stated rather precisely: a widespread recognition that it's not possible to get something for nothing, after all. And that when you hold a lot of paper that was gotten for nothing, and put it up for sale, nothing will be offered for it. What a surprise.

The task of people holding power now in the finance sector (which itself may be a conceit at this point) is to manage the rapid dissolution of hallucinated wealth in such a way that as few people as possible notice that x-trillions in dollar denominated pixels have vanished from the hard drives. Sooner or later, though, millions of shlubs dependent on pension checks, or annuities, or monthly payouts of one kind or another will notice that something has stopped landing in the mail box....

....When a nation turns into a fire sale from sea to shining sea, and bankrupt citizens don't even have enough cash-on-hand to buy things desperately cheap -- well, that's a Depression. Everybody from Fed officials to news editors have favored the softer term "recession" the past half century because it implies a mere pause in the inexorable march of progress toward economic nirvana. That's not what we're heading into.

There will be so many assets up for sale across the USA in the months and years ahead that the very sun in the heavens will take on a K-Mart blue-light-special glow. Houses with miles of granite countertops, Maybach automobiles, cabin cruisers that burn thirty gallons of diesel an hour, and much much more. There will be so much slightly used (or barely "pre-owned") stuff for sale that manufacturing another unit of anything (or importing it) will seem like a sick joke. Alas, there may be very few buyers, at least here among the current natives of North America. And so you get "new pricing," and a deadly downward spiral.

[Big Brother Democracy: The Security State As Infotainment](#)

The spokesperson for Prime Minister Harper explained that although protesters were herded into empty fields, the video-link meant that their right to political speech was protected. "Under the law, they need to be seen and heard, and they will be."

It is an argument with sweeping implications. If videotaping activists meets the legal requirement that dissenting citizens have the right to be seen and heard, what else might fit the bill? How about all the other security cameras that patrolled the summit --the ones filming demonstrators as they got on and off buses and peacefully walked down the street? What about the cellphone calls that were intercepted, the meetings that were infiltrated, the e-mails that were read? According to the new rules set out in Montebello, all of these actions may soon be recast not as infringements on civil liberties but the opposite: proof of our leaders' commitment to direct, unmediated consultation.

Elections are a crude tool for taking the public temperature—these methods allow constant, exact monitoring of our beliefs. Think of surveillance as the new participatory democracy; of wiretapping as the political equivalent of Total Request Live.

[The SPP's prospects are iffy with leaders short on political capital](#)

The SPP promises to send us further down a foolhardy path on national energy. The United States, Britain, Sweden and other countries are giving prominence to national "energy independence," making plans to ensure "energy security" and connecting these to climate change policies. In contrast, Canadian bureaucrats are stuck in continentalist thinking. They assume that Canada has unlimited oil and gas surpluses to export.

How else can we explain why, almost alone, Canada has no national energy plan, and is doing no studies on energy security for Eastern Canadians who now heavily rely on imports from OPEC countries for their oil?

The Energy Supplies Allocation Board, set up in 1985 to determine mandatory allocation of energy in case of shortages, seems as if it's not staffed. The Canadian Centre for Emergency Preparedness was asked in a telephone inquiry about contingency plans for an international oil crisis that would cut oil to Eastern Canadians. The reply: we've never thought of it.

It's similar with the National Energy Board. Despite its mandate to "promote safety and security ... in the Canadian public interest," it wrote me that "unfortunately, the NEB has not undertaken any studies on security of supply."

[The Trouble With TILMA](#)

TILMA is a legal document that puts constraints on legitimate government action in order to discourage new (and eliminate old) policies and regulations that serve to "restrict or impair" the free flow of trade or investment. It does this by allowing corporations and individuals to challenge, in front of an unelected trade panel, any provincial or municipal measure that they feel hurts their profits.

Since most government regulation is about balancing the profit motive against the public good, any regulation can be seen as somehow hurting someone's profits. That makes TILMA a kind of corporate bill of rights that turns governance on its head. Under TILMA, it is no longer up to corporations to prove they are not harming the public. It is up to the public (government) to prove it is not harming profits.

[Gazprom seeks BP's help to break into American energy supply](#)

Russia's Gazprom is trying to muscle its way into the American energy market by encouraging BP to share a stake in its liquefied natural gas operation in Trinidad, which supplies the US.

Gazprom, the world's largest gas producer, has already secured a 25% share of the wholesale gas market in Europe - something that has caused widespread political unease - and wants to increase its influence in the US.

Trinidad supplies around two-thirds of America's imported LNG and although the volumes remain relatively small they are expected to grow. BP declined to comment on any specific talks with Gazprom on Trinidad but admitted wide-ranging discussions were ongoing about future areas for cooperation.

The Russian newspaper Vedomosti quoted sources close to TNK-BP as saying the two companies were discussing how they could cooperate in the Caribbean and help Gazprom win a toehold in the US. "Participation in this project will enable Gazprom to expand its presence in the LNG markets, which is one of the priorities for the company," said analysts for investment bank UBS in Moscow.

[Natural gas may be coming to Halifax: But where's it coming from?](#)

According to the premier, contributing \$3.5 million to the conversion of the QE II Health Sciences Centre to natural gas "is an investment that supports the environmental goal of sustainability." The minister of energy claimed that natural gas is a "clean and reliable energy supply" that will make Halifax "grow and prosper."

"Sustainability" and "reliable energy supply" are words that cannot justifiably be used to describe natural gas in Nova Scotia. For a government to place so much faith in it is deeply troubling, for it shows that neither of these officials has any understanding of energy security and how it relates to the future of Nova Scotia.

For any given fuel source, energy security has two components: infrastructure and supply. Much of the roadwork taking place on the Halifax peninsula over the past few weeks has been associated with the installation of a network of underground pipes, the infrastructure needed to carry natural gas. However, where is the supply?

[Newfoundland to Pay C\\$110M for 4.9% Hebron Stake](#)

Newfoundland Premier Danny Williams said Wednesday the province will pay C\$110 million for its 4.9% equity stake in the C\$6 billion Hebron offshore oil project.

Speaking at a press conference in St. John's, Williams added that, based on current oil prices, the project would contribute C\$16 billion to the provincial economy over its 25-year life.

Hebron will also generate C\$7 billion for the Canadian economy, Williams said, basing these projections on crude oil prices of \$70 a barrel and assuming 2% inflation.

[Danny Williams: You're the man](#)

Haven't you forced the oil companies to give you a 4.9% ownership stake, when they swore up and down they never would -- to the point of walking away from the whole deal 16 months ago? True, you've agreed to pay them \$110-million for it, which is \$10-million more than you were offering before. And true, as you've admitted, you've lowered your demand for a new "super-royalty" on revenues from 7% to 6.5%. And true, you've lost 16 months to the dispute, meaning the revenues from the project start flowing that much later. But still, what a triumph!

Mind you, you might have mentioned another, rather important concession: namely, that the basic royalty the province charges in the early years of an offshore oil project, instead of rising from 1% of gross revenues to 7.5% at the point where all costs are paid out, as had been standard until now, has been frozen at just 1%. The province only gets the extra 6.5% if oil prices stay above US\$50 a barrel.

[Masters of our domain: Williams concedes on royalties](#)

Under the royalty regime for Hebron, the province will collect 1% for as long as it takes the project to recover start-up costs.

The Telegram reports Dunderdale as saying that the royalty then would climb to 5% until the companies exhaust something called a "return allowance". This would represent a new royalty layer not included in previous agreements and also is a piece of information not previously released by the government. No further details were contained in the Telegram story.

Only after the return allowance for the 5% rate is exhausted would the province receive the higher royalty rate of 30%. Terra Nova is currently paying at the 30% level. White Rose will also hit that level within three years of production start up. Hibernia - a considerably more expensive project comparable in some ways to Hebron - is expected to hit the higher tier royalties around 2011, 14 years after production started.

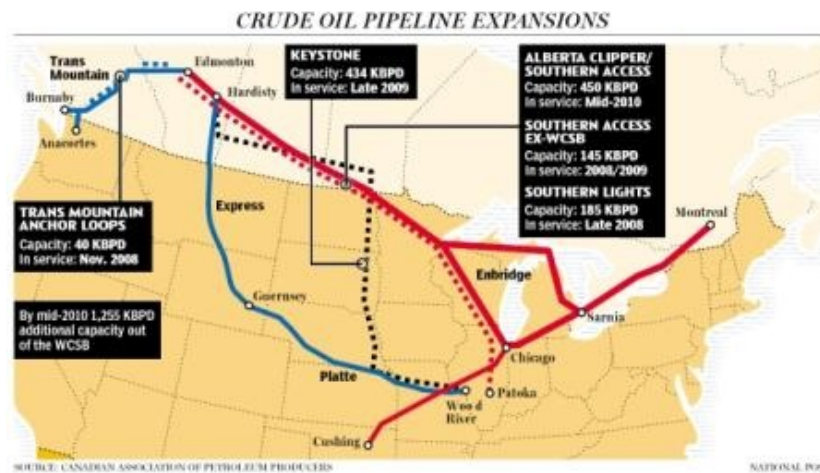
Under the three existing royalty arrangements and the province's generic scheme, royalties are tied to production levels and time, as well as costs. However, the so-called super royalty for Hebron of 6.5% is actually contingent on oil prices being above US\$50 per barrel for West Texas Intermediate at a point beyond simple payout and exhaustion of the 5% rate.

[Court Looms Over Coalbed Protest](#)

A coalbed methane development would require wells, pipes, roads, power lines and noisy compressors. It would also put the region at risk of serious water pollution and likely require the company to use flaring -- a controversial and environmentally suspect process intended to burn off excess gas.

In 2003, the Union of B.C. Municipalities called for a moratorium on coalbed methane exploration and drilling rights unless there was increased consultation at the local level. More recently, popular protests helped kill proposed developments near Telkwa and Smithers.

[Oilsands face pipeline space shortage](#)



A new problem is bubbling in Canada's growing oilsands industry: too much oil and not enough pipeline space to move it.

Production from the deposits is growing so much, so fast, producers and pipeline companies are looking for ways to mitigate the impact of an oil bubble expected to swell by November and last for as long as 18 months.

The likely short-term fixes: periods of pipeline rationing, shut-in production, oil put in storage.

Meanwhile, oil prices in Canada could weaken relative to those in the United States until more space unplugs the bulge.

[Sun set to shine on solar](#)

Concentrating solar power is much more efficient than solar photovoltaic (PV), meaning it's way cheaper. It can be scaled up to several hundred megawatts, putting it in the same utility-scale class as coal and nuclear.

It can be built faster, argues Khosla, and unlike PV it's not intermittent – heat that's generated during the day can be stored in rock, water, oil or as steam during the evening or when the sun isn't shining. That heat can be tapped to generate and dispatch electricity as needed, giving solar thermal the same baseload characteristics as nuclear and coal, but without the emissions or the radioactive waste.

[Utilities regulator admits hiring spies](#)

The concerns over the hiring of the investigators to spy on critics of the transmission line have crossed over the border. Montana's Public Service Commission is also looking into the hiring of the spies because residents of the state were involved in a conference call that included one of the private investigators.

In a statement by the Lavesta Area Group, landowner and group vice-chair Joe Anglin said the security concerns of the energy and utility board were fabricated and used as an excuse to violate opponents' rights.

"The hiring of private investigators by the EUB violates the basic principles of due process of law," said Anglin, who wants the entire board to be dismissed.

[The Dark Side of Agrofuels: Horror in the "Brazilian California"](#)

According to the ex-governor of São Paulo state, Claudio Lembo, agrofuels will spread monoculture farming across the whole country. Although he is a conservative politician and member of the Liberal Front Party (now the Democratic Party), he thinks that Brazil "backtracked 500 years to the same place" as it was as a Portuguese colony. In his opinion, agricultural land will be lost when used for sugarcane and the history of those four centuries will be repeated, when "thousands were expelled from their communities by the leviathan of monoculture, which creates concentrated wealth."⁴

Looking closer at the cane cutters' working conditions, a terrifying world appears—a world that should give people who are enthused by the idea of substituting fossil fuels with agrofuels something to think about. According to various reports, around a million people work in the industry, of which 500,000 are in the agricultural sector. Close to 80% of cane harvesting is manual. The workers only get paid if they reach the output set by the bosses, which in the Ribeirao Preto region is some 12 tons a day, double the 1980 target. If they don't reach it, they aren't paid at all.⁵

To reach this output target they must work some 10 or 12 hours a day, but sometimes 14, many of these under the burning sun. Many parents bring their small children to help them reach the production goal. Although the numbers of working children have declined, in 1993 one in every four cane cutters in the state of Pernambuco was between seven and 17 years old, and many did not receive any salary. In the last two harvests, 14 people died as a result of excess work. The cutters are recruited in other regions and have to live in the same hacienda, in mattress-less cabins, with neither water nor a kitchen; they have to cook in tins over little bonfires and buy their groceries in the same hacienda at prices exceeding market values.

[UK oil firms cheating investors, says Russia](#)

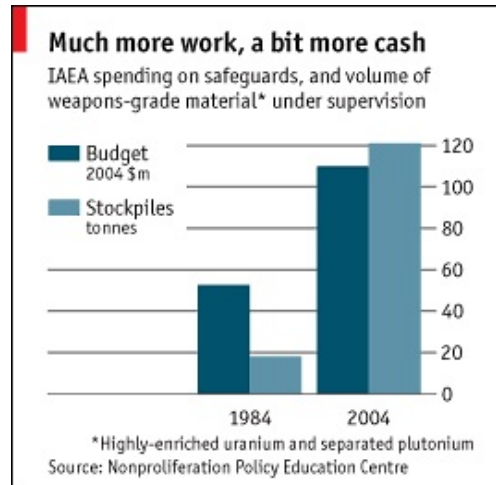
Russia stepped up the pressure on British-listed energy and mining companies yesterday with an influential Moscow regulator alleging that some of them were "cheating" investors by exaggerating their reserves.

Oleg Mitvol, deputy head of the environmental watchdog Rosprirodnadzor, called on the London Stock Exchange and other authorities in the UK to stamp out the alleged abuses.

His call comes at a time when the Kremlin has been taking back Russian assets from UK companies such as Shell and BP which it believes were obtained on the cheap when times were bad in Moscow.

[In pursuit of the undoable](#)

If the predictions of the nuclear industry prove correct, and concerns about carbon emissions and climate change drive more governments to start investing in nuclear power to keep the lights on, how will the world protect itself from the technology's inherent dangers? It is not just the risk of accidents that keeps people awake at night. Some materials and technologies used to generate electricity can, without a lot of extra effort, be abused for bomb-making. And with more and more nuclear material being processed and reprocessed—as mostly uranium-laden reactor fuel-rods turn into mostly plutonium-laden spent fuel—the possibilities for theft or diversion can only grow.



[Arctic oil rush should avoid precipitating ecological ruin: Experts](#)

According to a National Geographic report, ice-related problems begin at the exploration stage.

Typical seabed oil exploration involves towing an array of giant air guns behind a research vessel. The guns make a loud noise that penetrates the ocean floor, allowing seismologists to measure the way sound travels and thus map underlying rock structures, including rocks that might trap pockets of fossil fuels.

Such exploration projects can be done efficiently in the Arctic today only in areas that are ice-free in the summer.

But often the icebreaker's wake is full of floating ice chunks that can impact the air guns.

If exploration attempts do find the predicted oil, drilling beneath the ice poses another hurdle.

It's not possible to build a drilling rig on top of the ice, because the ice moves. But for the same reason, a stationary platform would have to withstand enormous pressures from drifting pack ice.

[Saltier North Atlantic would keep ocean currents stable](#)

The surface waters of the North Atlantic are getting saltier, and this might be a good news for the effects of climate change on global ocean currents in the short run, according to a new study by scientists from the US National Oceanographic Data Center.

The presence of saltier waters in the upper levels of the North Atlantic Ocean might mean that the global ocean conveyor belt, which some oceanologists fear might slow down because of global warming - will remain stable, the study said.

As part of their research, Tim Boyer and his colleagues compiled salinity data gathered by fisheries, navy and research ships travelling across the North Atlantic between 1955 and 2006.

They found that during this time, the layer of water that made up the top 400 metres of the Atlantic Ocean had gradually become saltier.

[The great submarine burp](#)

Clathrates are suspects in a number of geo-crimes great and small. Mixed with sea-floor sediment, they can constitute vast unstable deposits prone to underwater landslides. Such a landslide 8000 years ago in the North Sea created a tsunami that flooded much of coastal Scotland and Norway.

Vast releases of methane from clathrates are widely thought to have played a part in two global temperature spikes that led to mass extinctions about 250m and 55m years ago

And, given their delicate nature, clathrates tend to release their methane bounty during these landslides. Methane is the cleanest of the fossil fuels when burned; but released directly into the atmosphere, it is a "greenhouse gas" significantly more potent than carbon dioxide. Vast releases of methane from clathrates are widely thought to have played a part in two global temperature spikes that led to mass extinctions about 250m and 55m years ago.

Because the icy slush left over after methane removal is less structurally stable than the clathrates, stripping the seafloor of some of its methane might result in frequent landslides that release much more methane. Many clathrate deposits sit atop grand reservoirs of free gas, so that drilling might unleash a methane burp of enormous size, with environmental impacts to match.

[As Alps Warm, Ice Melts and Mountains Crumble](#)

Although the summit looms above, few people head this way to the top of the Eiger anymore. There are too many loose rocks – and not enough ice or snow to hold them in place. Just around a jagged corner is the Eiger's famous and challenging north face. Kaufman says it's best to climb the north face in the winter now, when more snow and ice stabilize the route.

[Cleaner Skies Could Mean More Landfills](#)

As the nation's coal-fired power plants work to create cleaner skies, they'll likely fill up landfills with millions more tons of potentially harmful ash.

More than one-third of the ash generated at the country's hundreds of coal-fired plants is now recycled - mixed with cement to build highways or used to stabilize embankments, among other things.

But in a process being used increasingly across the nation, chemicals are injected into plants' emissions to capture airborne pollutants.

That, in turn, changes the composition of the ash and cuts its usefulness. It can't be used in cement, for example, because the interaction of the chemicals may keep the concrete from hardening.

That ash has to go somewhere - so it usually ends up in landfills, along with the rest of the unusable waste.

[Will warming temperatures make nuclear power unfeasible?](#)

The shutdown dropped Browns Ferry into the middle of the debate. What use is nuclear power if plants become inoperable as global temperatures rise?...

...Global warming aside, the issue is significant for the Tennessee Valley. The ongoing heat wave escalates demand for electricity.

It also heats the Tennessee River. Thus Browns Ferry is prone to shut down when demand is highest.

[A Better World Than God Made](#)

[A Thomas L. Friedman spoof](#)

You know what is the real source of the problem in the Middle East? Oil. Yes, oil. If good Americans would stop using so much imported oil it would be good for everyone. Oil prices would fall. Almost all the world's evil can be traced to high oil prices. If the price of oil were reduced, evil governments in the Middle East would have to reform. It's that simple.

And if people stopped using so much oil, we could save the planet from climate change, too. I'm not kidding. This could be a problem even more serious than the exploding nihilists. If we don't cut back our use of oil, the planet will be cooked and even the good people will be baked in the pie. That's why it's vital that good people pull together instead of hang separately on this issue.

Less oil use would mean lower prices...which would mean reform in the Middle East...which would mean it would be cheaper to drive our cars...which would mean we

would drive more...which would mean we could use more oil...which would mean...wait a minute...oh never mind. That's why it's so important to keep things simple. It's the only way to a better world.

[US directs trade partners to inspect 11 million cargo containers](#)

The specter of a nuclear bomb, hidden in a cargo container, detonating in an American port has prompted Congress to require 100 percent screening of U.S.-bound ships at their more than 600 foreign starting points.

The Bush administration and shippers maintain the technology for scanning 11 million containers each year does not exist and say the requirement could disrupt trade. Current procedures including manifest inspections at foreign ports and radiation monitoring in U.S. ports are working well, they contend.

Nonetheless, President George W. Bush signed the measure into law this month.



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