



A fine balance in the energy market

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Topic: [Economics/Finance](#)

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Let me just say that neither Bloomberg nor any other news outfit should use the word "peak" in a headline unless they're talking about peak oil. My hopes for MSM interest in PO were sparked by this headline:

[EnCana, Canada Oil Shares Fall as Investors Bet Oil Has Peaked](#)

Alas, the article has nothing to do with PO. What they mean is that oil *prices* have peaked.

Still the article was rather interesting. As oil prices were steeply rising earlier this year, EnCana and Suncor were raking it in on the stock market. However, now there's a perception that the tide is turning, and that oil prices are going to drop. This is hurting EnCana and Suncor on the stock market.

How do they know the tide is turning?

Well, our old friend the SUV, of course.

To Phillips, Hager & North Investment Management analyst Andrew B. MacDonald, declining sales of sport-utility vehicles earlier this year signaled a peak in the price of oil.

The Vancouver-based firm, which oversees \$49 billion, in May began paring its holdings of oil stocks such as EnCana Corp. and Suncor Energy Inc. When oil prices get so high that they turn off potential buyers of gas guzzlers, it's a sign the pendulum is about to swing back.

"We were looking for evidence that high energy prices were affecting consumption," MacDonald said. "We saw the early signs of that."

The end of the article is an illustration of the recent fortune in Alberta, where the tar sands are located.

Alberta is in a celebratory mood as a result. The provincial government last week raised its budget surplus estimate for the third time in two months, thanks to oil riches. Petroleum wealth is helping to push house prices up too: The average single-family home in Calgary, the Alberta city home to much of Canada's oil industry, sold for

C\$284,235 this year, up 13 percent from 2004, according to the Calgary Real Estate Board.

Premier Ralph Klein decided to pay each of Alberta's 3.2 million residents a C\$400 ``prosperity bonus." Some Calgary residents may need the extra cash to pay those bigger mortgages.

So, does anyone want to start speculating on how long the celebration in Alberta is going to last?

In other fascinating news that you may or may not have seen, Hugo Chavez is [providing discounted heating oil](#) to disadvantaged Bostonians this winter. Maybe now's a good time for the American oil companies to extend a similar gesture to improve their PR, as Senators Grassley and Craig [suggested a few weeks ago](#).



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