



## The Round-Up: December 8th 2006

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### [The Organic Sham](#)

For those who lament the loss of the small organic grocer, it must be realized that this slide into the corporate mainstream was inevitable for the organic and natural-foods market. There is, after all, money to be made. The prize to date: 2.5 percent of the nation's food market. Before you scoff, know that this seemingly trivial portion is worth around \$15 billion dollars. Given that the organic and natural-foods industry now receives more attention by corporate marketers than ever before, this figure is certain to increase.

Where there was once a tightly controlled, well-run 10-acre organic farm, there is now a 1,000-acre piece of the mainstream agri-business puzzle. What was once a well-defined organic movement headed by responsible farmers working their land in harmony with nature is now a muddled, politically dubious cash cow awaiting slaughter.

### [Can Canada Liberals Win Election on Green Issues?](#)

The environment is not an easy topic to overlook in Canada, where media are running more and more stories about melting in the Arctic, unexpected floods across the country as well as droughts in the Prairies grain-growing region.

Liberals say this is working in their favor and helps persuade Canadians -- who use far more energy per person than western Europeans -- that they need to do more.

### [Trusts decision damage continues](#)

Damages are mounting. Besides the \$30-billion loss in income trust values, the Tories have left a \$200-billion asset class in limbo, harmed the oilpatch and bruised Canada's reputation as a country that won't retroactively change laws.

Now the Bloc Quebecois has broken ranks with the Tories by suggesting a compromise of phasing out income trusts over 10 instead of four years.

I have two problems with this.

I worry that the embattled Tories may cut a backroom deal with the separatists, which is harmful to Canadians. Second, I worry that they don't understand that extending the

policy change date to 10 years from four does nothing.

Here's the question: If income trusts face a four- or even a 10-year demise, will they be able to issue debt and securities to fund acquisitions and payment of distributions?

If rules stipulate income trusts cannot issue debt and equity to fund acquisitions and pay distributions they will collapse further in price.

If they are allowed to issue debt and equity and make acquisitions for four or even 10 years, it only postpones the inevitable and will create a riskier investment for those buying their units. In fact, it would be like a ponzi scheme of the last unit investor paying for the existing unitholders' distribution.

Once realized, the units will collapse in price. In other words, a four-year or even 10-year extension with restrictions is a disaster and a four- or 10-year extension without restrictions would be the same.

### [Delaying trust tax wouldn't help](#)

Taxation is just the tip of the iceberg. Rather than being net distributors of cash, income trusts tend to be net consumers of capital, he says. Rather than cut distributions when business slows, many trusts use debt to maintain unrealistic distribution levels.

The issue is whether trusts can keep this game going in the grandfathering period. If not, their lifeblood would disappear, Teasdale says. Most trusts would revert to retaining enough cash to fund reduced distributions and capital expenditures. This would put pressure on yields and unit prices. Taxed at the highest personal rate, grandfathering "would have the same effect as Flaherty's decision and perhaps more."

Even if new issues and acquisitions could occur in the interregnum, investors would move to trusts that continue to depreciate capital and call it yield. Risk would be transferred to purchasers of new issues and unit prices might fall. If they couldn't sell new units at favourable prices, cash flow would have to be retained (and taxed) and distributions reduced.

"Ergo, there is no way out," concludes Teasdale, whose Web site is at [www.moneymanagedproperly.com](http://www.moneymanagedproperly.com). "A 10-year grandfathering period is more likely to protract the agony and exacerbate the final toll."

### [Baker's Yeast Mutant Can Boost Ethanol Output - MIT](#)

The MIT scientists made "super" baker's yeast, by adding a gene already found in the microbe, to speed up ethanol production by about 50 percent. That could allow ethanol plants either to make more of the fuel in less time, or make more of the fuel in the same time, said Dr. Hal Alper, one of authors of the paper, published on Thursday in the international weekly science journal, "Science."

The mutated yeast could help move US ethanol production beyond its current centralized location in the Midwest to areas across the country. That's because it can more efficiently ferment either corn starch, currently the main source of ethanol made in the United States, or the sugars in woody bits of plants, which are sometimes wasted. The latter, along with switchgrass, poplar, and other sources, collectively known as biomass, can yield a new type of the fuel called cellulosic ethanol.

## [EU Eyes Binding Targets for Renewable Energy](#)

The draft of the EU executive's "Renewable Energy Road Map", obtained by Reuters, said legally binding targets were crucial to boost the use of renewable energy sources such as wind and solar within the 25-country bloc.

But the proposal drew fire from environmentalists and the renewable energy industry for failing to establish specific targets for the electricity, heating and cooling sectors.

## [Energy solution or noxious weed?](#)

Its Latin name is *Arundo Donax*. It's native to the Mediterranean. It arrived in the U.S. more than a century ago, with good intentions: It was meant to control erosion in California stream beds.

But decades later, the plant has gained quite a bit of notoriety. Even though it doesn't produce seed, pieces of it can break off in wind or water. Texas lists it as a noxious weed, and California has spent millions of dollars to eradicate it.

But the same qualities that make it notorious to those who want to get rid of it could also make it famous, as a highly productive biomass a fuel made from plants.

## [US Reactors Should Store Nuclear Waste](#)

Nuclear waste should be kept at the reactors where it is produced until the planned Yucca Mountain storage site opens, the chairman of the United States Nuclear Regulatory Commission told reporters Wednesday.

## [Alps experiencing warmest time in 1,300 years](#)

"We are currently experiencing the warmest period in the Alpine region in 1,300 years," Reinhard Boehm, a climatologist at Austria's Central Institute for Meteorology and Geodynamics said.

Boehm based his comments on the results of a project conducted by a group of European institutes between March 2003 and August 2006. Their aim was to reconstruct the climate in the region encompassing the Rhone Valley in France to the west, Budapest, Hungary to the east, Tuscany, Italy to the south and Nuremberg, Germany to the north over the past 1,000 years.

Boehm said the current warm period in the Alpine region began in the 1980s, noting that a similar warming occurred in the 10th and 12th centuries. However, the temperatures during those phases were "slightly under the temperatures we've experienced over the past 20 years."

## [Greenhouse gas emissions set to rise as new sources for transport fuel are used](#)

Lead author Professor Alex Farrell of the University of California, Berkeley said: "Liquid

fuels for transportation are increasingly coming from a wide range of sources other than conventional petroleum. We call this the oil transition and we conclude that the environmental risks associated with this transition are much bigger than the risk to a country's economy or the security of their fuel supply."

### [Fannie Mae Restatement Just 1st Step](#)

Fannie Mae's restatement of past earnings garnered favorable Wall Street reaction and a stock upgrade Thursday, but experts say the nation's mortgage leader still faces tough work to make its financial reporting current as it emerges from a stunning accounting scandal.

The restatement for 2001 through June 30, 2004, made public on Wednesday, wiped out \$6.3 billion in profit for the government-sponsored company, **which finances one of every five home loans in the United States**. But it was well below Fannie Mae's earlier estimate of \$10.8 billion. Ordered by the government two years ago, the massive reworking of its accounting has cost the company some \$1 billion this year to carry out.

### [Canadians richer, but deeper in debt](#)

Getting richer while getting deeper into debt is an oxymoron. Upsetting the apple cart may not be as unlikely as the author seems to think.

Canadians have grown richer this decade, while going even deeper into debt.

That paradox is most apparent in British Columbia, which boasts the country's highest real estate prices and some of its heaviest mortgages.

But most analysts say our debt is manageable in times of low interest rates, low unemployment and strong income growth. **It would take a real estate crash or sharp recession to upset the apple cart, and neither is considered likely.**

(emphasis added)

### [Canada's purchasing growth falls in November](#)

Canadian economic growth has slowed in the last few months, as the housing market has weakened, while the stronger Canadian dollar has hollowed out manufacturers. At the same time, economists see U.S. economic weakness adding to the woes of Canada's export sector.

### [Fed: Record Low Percentage Homeowner Equity](#)

The Fed reported today that homeowner equity, as a percent of market value, fell to a record low 53.6%, compared to 54.0% in Q2, and 54.6% one year ago. Homeowners borrowed almost the entire amount that their homes increased in value in Q3.

### [Petro-Canada files application to build upgrader in Alberta](#)

Petro-Canada, which holds a controlling stake in the Fort Hills Energy limited

partnership, has filed an application with Alberta authorities to construct and operate the Sturgeon heavy-oil upgrader 40 kilometres northeast of Edmonton.

The upgrader is expected to eventually process up to 340,000 barrels per day of bitumen from the Fort Hills mine and other production sources into as much as 280,000 barrels per day of synthetic crude oil, pending regulatory approval.

### [Think-tank takes issue with Stelmach's stance on oil sands](#)

"The pace of the tar sands is way too rapid. The premier said you can't put the brake on. That's not true. We can and we must. We know that the development is going way too rapidly to be sustainable."

### [Oil sands partners to build in China as costs soar](#)

Costs for the oil sands project of Synenco Energy Inc. and China Petroleum & Chemical Corp. have surged 160 per cent and the companies plan to build key components in China to try to control spending.

Calgary-based Synenco Wednesday said the mining and extraction portion of the Northern Lights project could cost \$4.4-billion, more than double a previous estimate of \$1.7-billion.

### [Climate change is killing the oceans' microscopic 'lungs'](#)

Global warming has begun to change the way microscopic plant life in the oceans absorbs carbon dioxide from the atmosphere - a trend that could lead to a dramatic increase in the heating power of the greenhouse effect.

Satellite data gathered over the past 10 years has shown for the first time that the growth of marine phytoplankton - the basis of the entire ocean food chain - is being adversely affected by rising sea temperatures.

Scientists have found that as the oceans become warmer, they are less able to support the phytoplankton that have been an important influence on moderating climate change.

The fear is that as sea temperatures continue to rise as a result of global warming, the loss of phytoplankton will lead to a positive-feedback cycle, where increases in carbon dioxide concentrations in the atmosphere leads to warmer oceans, and warmer oceans lead to increasing carbon dioxide concentrations.

### [Penalties of acting alone stall collective effort on climate change](#)

Attempts to break the logjam are indeed under way, but the risks are high. Many of the government ministers from around the world, meeting at United Nations talks on climate change in Nairobi last month, were wary of committing their countries to far-reaching emissions reduction programmes unless they could be sure that large emitters such as the US and China were also taking on such commitments.

Japan refused to hurry moves to commit to reductions in emissions beyond 2012, when

the current provisions of the Kyoto protocol expire, because of fears that it would hand China a competitive advantage in manufacturing industries. Canada faced a similar dilemma, resisting pressure to push for greater emissions cuts as the US was refusing to take on reduction targets. The US and Australia have already rejected the protocol, which obliges developed countries to cut their emissions by an average of 5 per cent compared with 1990 levels by 2012.

More worrying for proponents of the treaty, however, are rifts on the issue that are beginning to become apparent within Europe. The European Union has long been the most steadfast supporter of the Kyoto protocol, in the face of backsliding from Canada and Japan. The EU was credited with enticing Russia to agree to the protocol two years ago, which was the decisive factor in ensuring the long-delayed agreement finally came into effect. The EU's greenhouse gas emissions trading scheme is the only mandatory scheme in the world to impose constraints on business emissions of carbon dioxide and to allow companies to trade their emissions allowances with one another in order to reduce carbon output at the lowest possible price.

### [Ethanol output has corn prices popping](#)

For the first time in China's history, grain prices are rising not due to a poor harvest or increasing demand but because of soaring international oil prices.

To feed the nation's increasing appetite for energy, a huge amount of capital including from overseas is chasing corn, soy and wheat for biofuel production; and pushing up prices to record highs.

Wang Jinmin, a professor in agricultural products economics at the Chinese Academy of Agricultural Sciences, said: "The rise in corn prices is a strong factor driving up the prices of other food products.

### [Highly taxed Nordic nations leaving North America behind: think-tank](#)

The high-tax Nordic countries score better both socially and economically than low-tax anglo-American countries, especially the United States, according to a Canadian social and economic policy think-tank.

Canada is falling behind a number of industrial nations in a wide range of social and economic areas, says a summary of the report being released today by the left-leaning Canadian Centre for Policy Alternatives.

The study, an attack against the crusade in Canada for tax cuts, compares four high-tax Nordic countries and six low-tax Anglo-American countries, including Canada, on 50 social and economic measures and finds the high-tax Nordic countries score better in 42 of them.

### [Closing the 'Collapse Gap': the USSR was better prepared for peak oil than the US](#)

An economic collapse is amazing to observe, and very interesting if described accurately and in detail. A general description tends to fall short of the mark, but let me try. An economic arrangement can continue for quite some time after it becomes untenable, through sheer inertia. But at some point a tide of broken promises and invalidated

assumptions sweeps it all out to sea. One such untenable arrangement rests on the notion that it is possible to perpetually borrow more and more money from abroad, to pay for more and more energy imports, while the price of these imports continues to double every few years. Free money with which to buy energy equals free energy, and free energy does not occur in nature. This must therefore be a transient condition. When the flow of energy snaps back toward equilibrium, much of the US economy will be forced to shut down.



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