



The Round-Up: December 12th 2006

Posted by [Stoneleigh](#) on December 12, 2006 - 1:00pm in [The Oil Drum: Canada](#)

Topic: [Site news](#)

Tags: [biofuel](#), [climate change](#), [credit](#), [housing market crash](#), [leverage](#), [mortgage delinquency](#), [natural gas](#), [oil sands](#), [solar cells](#), [wind power](#) [[list all tags](#)]

[Why reckless use of credit will cause financial disaster](#)

Man greatly extended his domain by learning to consume energy he did not create. In financial terms, he has accomplished a similar thing. He has learned how to consume income not yet earned. When a man (or woman) signs on the dotted line for a 30-, 40-, or even 50-year mortgage (thank you California), he is committing a stream of future earnings to a purchase. The money to be paid usually has not yet been earned; for all intents and purposes, it does not yet exist. Financial leverage, like fire, allows man to access a power source external to himself. The fact that homeowners all across the Western world can do this, and think little of it, is a great testament to the power of innovation. The invention and explosive proliferation of the mortgage, in its own way, is as meaningful an advance as England's transition from wood to coal in the High Middle Ages.

Unfortunately, we are on track to relearn a painful lesson: Financial disasters can be just as ugly as environmental ones. The first may be caused by careless use of leverage, the second by careless exploitation of resources on a grand scale; depending on how you look at it, these are two sides of the same coin. In both cases, lax attitudes, lolling complacency, and rampant greed are often to blame.

[Mortgage delinquencies a rising threat](#)

There have started to be "early signs of credit distress" in financial institutions' holdings of so-called "subprime" mortgages, especially in California, Richard Brown, chief economist for the Federal Deposit Insurance Corp., said at the conference.

In the sizzling housing boom that waned in the latter half of last year, many people took out subprime mortgages -- higher-interest loans for people with blemished credit records who are considered higher risks -- with adjustable interest rates.

When interest rates rise, as happened last spring, it can raise monthly payments for people with adjustable-rate mortgages, potentially creating a strain if they stretched to buy a home and don't have a financial cushion in their savings.

[Superefficient, Cost-Effective Solar Cell Breaks Conversion Records](#)

A tiny chip similar to the solar cells carried by many satellites and other spacecraft today--including the surprisingly long-lived Mars Rovers--has shattered previous

records for maximum efficiency in producing electricity from sunlight. "This is the photovoltaic equivalent of the four-minute mile," affirms Larry Kazmerski, director of the Department of Energy's National Center for Photovoltaics in Colorado. "This is a disruptive technology that eventually could provide us, at least in the Southwest, with cost-competitive electricity fairly quickly."

[ACC Salutes House for Historic Action to Address Natural Gas Crisis, Implores Senate to Act Immediately](#)

We are very encouraged by today's House vote that moves the Gulf of Mexico Energy Security Act (S. 3711) forward. Those who supported this legislation clearly recognize the six-year-old natural gas crisis that's been killing jobs, making the United States less competitive and costing the nation's households more for home heating and electricity.

[A Reasonable Speculation \(Dec 7th\)](#)

For instance, natural gas powers 95% of the electricity capacity built in the U.S. from 1998-2005. Awash in cheap gas for most of the 1980s and 1990s, we did a lot of switching from coal to gas. Not only was gas cheaper, it was much easier on the environment.

Further grist for the mill: Each fall, the North American Electricity Reliability Council (NERC) puts out its forecast on the reliability of the America's power grid. This year's report showed demand growing 3 times as fast as capacity additions. Capacity margin, a measure of the ability of a system to meet with unexpected extreme weather and other contingencies, will fall below the minimum target of 15% in most of the U.S. There is little slack in the system, and gas figures prominently in America's power supply.

[Prairies could fuel the future](#)

If you take into account the greenhouse gas emissions produced by growing, harvesting, transporting and converting plants into fuel along with the carbon dioxide produced by eventually burning that fuel and weigh this against the amount of carbon dioxide sucked up by plants during growth, prairie comes out 6-16 times better than corn grain ethanol or biodiesel.

The magic behind the mixtures, says Tilman, is "niche complementarity". Plants filling one niche such as spring growth complement plants in another niche, such as summer growth.

And by starting on poor soils, the prairie grasses have a chance to squirrel away more and more carbon below ground, just by growing. Over the years (especially over the first decade) the plant mixtures become more productive: their root systems grow deeper and more intricate, adding nutrients and humus to the soil.

Another advantage to mixtures is that they can grow on land not suitable for agriculture, says John Sheehan, at the National Renewable Energy Laboratory in Golden, Colorado.

"The study will send a message to the environmental community that technologists and others interested in biofuels are actually taking a cautious and intelligent approach to sustainably using marginal land," says Sheehan.

[In Epochal Shift, Half Humanity to Become Urban](#)

This population shift will lead to a new kind of city -- "mega cities" with more than 10 million people will soon be eclipsed by "hyper cities" with more than 20 million. So far, only Tokyo qualifies as a "hyper city" but the greater city areas of Mumbai, Lagos, Dhaka and Sao Paulo will also surpass 20 million by 2015, according to UN projections.

Urban life offers everything from restaurants, bars, Internet cafes, cinemas, nightclubs, museums and theatres. Some people move to cities to experience living in a cultural melting pot, or in places seen as centres of power and innovation. At the other end of the scale, many poorer people move to cities in search of work. Those who are unsuccessful can easily slip into a kind of city underworld, living hand-to-mouth in dangerous slums, far from family support.

[Oil sands key target for global energy players](#)

Alberta's oil sands are a "prime target" for international energy companies, one Bay Street investment dealer predicts -- and another Bay Street player maintains that northern Alberta accounts for more than half of the world's "investable" oil assets.

UBS Securities Canada Inc. estimates that global oil companies will generate \$235-billion in free cash flow in 2007 and 2008, and that even if they were to spend aggressively on share buybacks and dividends there would still be a lot of money left over.

"[It will] set the stage for dramatic industry consolidation, and we believe the oil sands will be a prime target," UBS said in a report last week, adding that smaller names such as Western Oil Sands Inc., OPTI Canada Inc. and UTS Energy Corp. -- all Calgary-based -- are takeover candidates.

[Global expenditure on imported food to hit an all-time high](#)

Global expenditures on imported foodstuffs in 2006 could reach a historic high of \$374 billion, over 2% more than the previous years level. Import bills for developing countries are anticipated to rise by almost 5% from 2005, mainly as a result of price increases rather than an increase in the actual volume of food imports.

Food and Agriculture Organisation (FAO) anticipated in its Food Outlook report that many countries will reduce purchases, not always in response to improved domestic supplies but rather because of high international prices.

Moreover, higher energy costs may force many of the poorer developing countries to curtail expenditures on imported staples to sustain their fossil fuel needs. Cereal prices, particularly for wheat and maize, have reached levels not seen for a decade. Poor harvests in key producing countries and a fast-growing demand for biofuel production have driven up grain prices, while supply constraints have also dominated the rice economy, the report said.

[Great Lakes compact at the center of great debate](#)

The water agreement was possible because environmentalists, business groups and political leaders agreed on one thing: Nobody outside the region should get Great Lakes water.

"If we want sunshine, we'll move to Arizona," says George Kuper, president of the Council of Great Lakes Industries. "If they want water, let them move to Michigan."

[The Cost of an Overheated Planet](#)

Global warming can be seen as a classic market failure, and many economists, environmental experts and policy makers agree that the single largest cause of that failure is that in most of the world, there is no price placed on spewing carbon dioxide into the atmosphere.

Yet it is increasingly clear that there is a considerable cost to carbon dioxide emissions, especially to future generations, as climate specialists warn of declines in farm output in poor tropical countries, fiercer hurricanes and coastal floods that could make many people refugees.

[The answer may be blowing in the wind](#)

When industries like mining, forestry, fisheries and farming take a turn for the worse, small towns that depend on them for their livelihood are left twisting in the wind. But in that very wind, a growing number of communities are finding the key to what may be a brighter, cleaner future: wind as an endless environmentally-friendly power and revenue-generating source. Necessity is indeed the mother of invention. Albertas Pincher Creek, population 4,000, and PEIs Tignish, population 1,000, may be small towns, but now they are also becoming known as smart communities.

[N.L. Hydro delivers pre-holiday reprieve on rate hikes](#)

Hydro had applied to the PUB to increase rates by 4.6 per cent on the island and more than 19 per cent in much of Labrador.

A government subsidy of about \$400,000 will offset Hydro's costs of buying diesel fuel for generators in rural Labrador.

Sarah Sexton, a senior in St. John's, said the cancellation of the rate increase comes as welcome news for Christmas.

[Ambrose feels the heat as blunders pile up](#)

"I'm astonished that once again Madame Ambrose has come before the environment committee contradicting herself, saying things that are blatantly untrue. And the question is does she know they're untrue as she said them?" said Green Party Leader Elizabeth May, who was in the audience yesterday as the minister got another rough ride from opposition MPs.

Ms. Ambrose was scorned by MPs for insisting repeatedly that Canada had no unpaid debts to the international Kyoto system, even though MPs said United Nations

documents show that -- at \$1.5-million -- Canada owes more than any other country.

[Trouble in the Russian oil patch](#)

Royal Dutch Shell PLC is poised to yield control of its troubled \$20-billion (U.S.) Sakhalin-2 project to state-owned OAO Gazprom, as the Kremlin continues to tighten its grip on Russian oil and gas assets in the world's emerging energy superpower.

After months of pressure and facing billions of dollars in fines over environmental damage, Shell is reportedly on the verge of a deal that would renegotiate a 10-year-old production sharing agreement to bring in Gazprom as a majority partner.

"Shell thought that by 'volunteering' to exchange a piece of their stake in the project to one of the Kremlin's closest companies, they could satisfy the government, but it appears that they will be mauled by the Russian bear," said Fadel Gheit, an analyst with Oppenheimer & Co.

[Gender bias 'increases poverty'](#)

The UN children's agency, Unicef, found that where women are excluded from family decisions, children are more likely to be under-nourished.

There would be 13m fewer malnourished children in South Asia if women had an equal say in the family, Unicef said.

Unicef surveyed family decision-making in 30 countries around the world.

[Builders told to make all new homes 'carbon-zero'](#)

One of Gordon Brown's closest cabinet allies will this week hit back at scathing green criticism of his latest Budget proposals by unveiling plans to force British builders to make all new homes 'carbon-zero' within a decade, with a star rating for the best-built 'green homes'.

[Balmy temperatures, lack of snow threatens to cancel winter in Europe](#)

Spring blossoms are popping up all over the Austrian Alps. Geneva's official chestnut tree has already sprouted leaves and flowers. And Swedes are still picking mushrooms.

The same question is on everyone's minds: Is winter in Europe going to be cancelled this year? Green fields, not white slopes, have greeted visitors to some of Europe's most popular ski resorts as December began with remarkably little snow.



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