The Oil Drum: Canada
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

The Round-Up: January 16th 2007

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East Coast business pushes for oil refining boom, despite green worries

> Talk among federal politicians may be of a greener nation, but on the East Coast a race to build carbon-dioxide emitting oil refineries is set to take off.
>
> Within weeks, Irving Oil is expected to announce if it will seek environmental permits to build a second, $5-billion to $7-billion refinery in Saint John, N.B., by 2012.
>
> Kevin Scott, the project director for the company, said as the company builds a liquified natural gas facility at a site just a few kilometres east of the city, it's ready to start the approval process on the mega-project that would produce 300,000 barrels of oil a day....
>
> ....The proposal, like others springing up in the region, is driven by voracious demand for Canadian gasoline in the U.S. northeast, and the fact eastern cities are closer to the trans-Atlantic flow of crude oil supply than they are to Houston....
>
> ....Michael Gardner, a consulting economist in Halifax, said one of the attractions is that environmental hearings are less onerous in Canada than those in the United States.

Hibernia slowdown will hit N.L. wallet: trade board

> One of Hibernia's generators backfired earlier this month, prompting managers of the offshore oil platform to cut production in half while repair work is done. Production will drop by about 100,000 barrels per day....
>
> ....The Newfoundland and Labrador government has become increasingly reliant on oil revenues. In December, an audit found that the government finished the 2005-2006 fiscal year with a record surplus of $199 million.
>
> Repairs at the Hibernia platform, a gravity-based structure attached to the ocean bottom, are expected to last about eight weeks.

N.B. seeks intervener status at LNG hearings

> The New Brunswick government is seeking intervener status at hearings into two controversial liquefied natural gas terminals on the American side of Passamaquoddy Bay....

> ....There has been a groundswell of opposition against two LNG terminals planned in Maine that would require huge tankers to pass through Canadian waters at Head Harbour Passage.

[Dion would penalize energy firms that miss emission targets]

> Federal Liberal Leader Stephane Dion says Canada needs penalties for energy companies that don't reduce carbon dioxide emissions and water use, especially in Alberta's booming oilsands region....
>
> ....He said a Liberal government would create a carbon trading market to allow companies that didn't meet emissions targets to buy credits from firms that came under the standard, he said.
>
> "You will have a regulation that means ... the industry will have to decreases their emissions by 10 per cent," he said as an example. "If you are able to decrease it by 15 per cent, you may sell the extra five per cent cut of emissions on the market to the ones that are unable to reach the target."....
>
> ....Mr. Dion also took aim at oilsands giants, saying he would like to remove generous royalty incentives if firms didn't meet emissions targets that would be set by the government.

[Tories set emission targets]

> The Conservative government will attempt to convince Canadians it is serious about fighting global warming by making a flurry of policy announcements on the environment in the next few weeks, including short term targets for greenhouse gas emissions and the repackaging of a number of Liberal initiatives that were cancelled when the Tories took office.
>
> Sources said the government will soon announce a short-term target of 2015, by which time companies will be required to reduce the amount of energy they use to produce every barrel of oil or megawatt of electricity.
>
> Other expected announcements include a revival of mothballed Liberal plans to boost the use of renewable energy and the reintroduction of the EnerGuide retrofit program that offered financial incentives to households that improve energy efficiency.

[Tax break for going green popular in poll]

> Canadians are more likely to support tax cuts tied to good environmental behaviour than tax cuts with no strings attached, a new poll suggests.
>
> Decima Research asked people to choose between two hypothetical election promises – a $1,000 Conservative tax break for every household and a $1,000 Liberal break limited to households that took pro-environment action.

> Fifty-one per cent of respondents said they would prefer the Liberal promise versus 28 per cent who preferred the Conservative pledge, say the survey results provided to The Canadian Press. Twenty-one per cent were unsure.

['Green' can't be mere fad, Suzuki warns]

> David Suzuki says he fears the federal Conservative party's new-found interest in the environment and particularly climate change is little more than political posturing before an election....
>
> ....Suzuki said it was hard to believe the Conservative's government's sudden conversion, given that one of the first things it did after taking power a year ago was announce that Canada would not be living up to its Kyoto commitment on reducing greenhouse-gas emissions.
>
> And, Suzuki added, when "I met Mr. Harper before he was even the leader of the party ... he was denying that global warming was an issue."

[Putting a price on pollution]

> Given their choice between boosting profits and protecting the planet, most managers will go for the profits.
>
> Governments can alter market signals to some degree by enacting laws, imposing regulations, offering tax incentives for good behaviour and subsidizing clean technologies.
>
> But there is still a problem. It's hard to put a price on pollution – and what can't be monetized doesn't register in the marketplace. An economist at Yale University's School of Forestry and Environmental Studies has developed a tool that he believes will help.
>
> Robert Repetto, who teaches "the economics of sustainable development," has come up with a new financial measure called TRUEVA (True Economic Value Added), which shows what a company's profits would look like if it were forced to assume the environmental costs it imposes on society.
>
> This benchmark, he says, allows investors and the public to see how much an industry is really contributing to the economy.

[Why Canada's greenhouse gas record stinks]

> "The most important single answer to the question of why Canada's emissions have risen so much is because governments allowed them to," Matthew Bramley, director of climate change for the Pembina Institute, told CTV.ca in an email.
>
> Governments at various did a significant amount of analysis on how to meet Kyoto and found it could be done, he said.
>
> "But to make this happen, governments needed to implement a comprehensive,

aggressive set of policies and measures, especially regulations, emissions trading and major financial incentives. They failed to do so."

The Liberal governments of 1993 to 2006 (the Conservatives took power in February 2006) never moved forcefully to require emissions reductions from industry or to encourage consumers to use energy more efficiently, Bennett said.

Political resistance to change explains part of it. In a 2002 parliamentary vote on Kyoto, the Liberals, Bloc Quebecois and NDP all supported the accord. The Canadian Alliance and Progressive Conservatives - the forerunners of today's governing Conservatives -- both voted against it.

Stephen Harper, now the Conservative prime minister, was the Alliance's leader at the time. Then-Alberta Premier Ralph Klein, a Progressive Conservative and Kyoto opponent, even raised the spectre of Alberta's separation as a possible consequence.

Climate change linked to health problems

In an area of climate change science with many uncertainties, researchers are piecing together the increasing risks of infectious diseases, food poisoning and water contamination as Canada gets hotter.

West Nile virus and Lyme disease are two examples of illnesses that could be spreading in Canada because of global warming. However, health officials are also keeping an eye on the progression of tropical diseases such as malaria and dengue fever to ensure they won't be able to creep north.

"Over the longer period, if a milder climate is sustained in Canada, then there is a possibility that these types of diseases could be introduced and established," said Dr. Paul Sockett, an infectious disease expert at the Public Health Agency of Canada.

Warning issued over firms that promise to fix your blot on the planet

The study funded by the United States-based non-profit organisation, Clean Air-Cool Planet, widely regarded as a leader in the field, gives only eight out of 30 providers of carbon "offsets" a score of more than five out of 10 for the service they offer in taking carbon out of the atmosphere.

The report says the worst companies make it difficult for customers to establish whether what they do — planting trees, installing solar panels or making biofuels — would not have happened anyway.

Offsetting a ton of carbon can cost from £2 to £19, according to the study. But it claims that price is no guarantee of whether projects take carbon out of the atmosphere permanently, as offsets claim to do.

This week the Government, which seeks to offset all ministerial flights, is expected to announce plans to raise standards in the offsetting industry.

A Government source privately described the burgeoning market in carbon offsets as "like the Wild West — full of cowboys."

Banks are urged not to finance coal power

> A coalition of environmental groups, including Boston-based Ceres , is demanding that banks reject loan requests for projects that emit high rates of greenhouse gases, which contribute to global warming. The groups say they have won commitments from more than a dozen banks in the last few weeks to turn away from supporting coal-fired electric plants. But because of the financial potential, several banks remain bullish about underwriting energy projects, including those that emit high rates of greenhouse gases.

Oilsands to pay own way in Sturgeon

> Oilsands projects are being pressed to pay their own way in the Edmonton area, with Sturgeon County vowing not to copy strains on community services and finances stinging Fort McMurray.
>
> "We've created a really good partnership," Sturgeon Mayor Helmut Hinteregger said in describing county work on making oil companies cover costs of local services required for multibillion-dollar bitumen upgraders.

Daniels nails green award

> The Daniels Corp. has been named the Energy Star New Homes Builder of the Year for its commitment to constructing energy-efficient houses.
>
> "Daniels clearly stood out," said Michael Lio, president of EnerQuality Corp. "They have an unwavering commitment to energy efficiency."
>
> EnerQuality manages several home energy-saving initiatives in Ontario, including Energy Star, R-2000 and EnerGuide, which have 354 homebuilders across the province participating.

Energy trust to go corporate

> True Energy Trust will be converting back to a corporate structure and plans to cut dividends following the federal government's fall announcement to tax income-trust distributions.
>
> Following the completion of the conversion to a "growth orientated, dividend paying intermediate exploration and production company," True Energy's proposed initial dividend will be 2¢ per month to be paid on a quarterly basis, the company said in a release Monday.
>
> True Energy, a sustainable energy trust based in Calgary that converted to a trust structure in November 2005, currently pays a monthly cash distribution of 12¢ which has been declining from the rate of 24¢ in Sept. 2006.

Coalition aims to kill income trust tax

> A broad coalition opposed to the Harper government's income trust tax has joined forces in a single new lobby group dedicated to killing the levy: One that unites sectors from the oil patch to lawyers to Bay Street money managers.
>
> Founding members of the Canadian Association of Income Trust Investors (CAITI) include CI Investments, PricewaterhouseCoopers and Gluskin Sheff + Associates.
>
> News of the lobby's formation came as opposition parties prepare to make a bid tomorrow to call public hearings over the minority Conservation government's controversial income trust tax, a move that could reignite public debate on it.
>
> Executives from a broad swath of the financial sector expressed cautious optimism that the trust issue was beginning to reverberate more powerfully with other parties.
>
> “Up until today, I thought this was a dead issue,” confessed Bill Holland, chief executive officer of CI Financial Income Fund, one of the country's biggest trusts. “But clearly it's come back again.”

Liberals, Bloc look to reopen trust tax question

> The public debate over the Conservative income trust tax is poised to reignite as the Liberals and Bloc Québécois try this week to force special parliamentary hearings to probe the controversial levy.
>
> The Liberals have called a meeting of the Commons finance committee this week - even though Parliament is not sitting - to vote on whether to call witnesses as part of a reconsideration of the tax.
>
> The question is still material because the minority Tory government has yet to pass legislation enabling the tax, and opposition parties could collaborate to alter its provisions, including the tax-free grace period for existing trusts.
>
> The Liberals and the Bloc appear to have enough combined seats on the finance committee to force it to call witnesses. But Liberal finance critic John McCallum says the Liberal-dominated Senate would very likely commence its own hearings on the tax if the Commons bid fails.

Natural Gas

> After being hit by the perfect bullish storm during 2005 (Hurricane Katrina + falling inventories + strong economic growth) the natural gas (NG) market was hit by the perfect bearish storm during 2006 (rising inventories + the Amaranth blow-up + mild weather + weakening economic growth). And those who were 'long' NG via Canadian energy trusts also had to contend with the downward pressure on their investments caused by the Canadian Government's about-face on the tax-related status of the trusts.

Outlook uncertain for gas drilling business

> It's the busiest time of year for the natural gas drilling business, and while the sector is active, weak commodity prices have cast an uncertain outlook over the year ahead.
>
> The season got off to a slow start because warm weather in northern Alberta and British Columbia earlier this winter slowed the ground from freezing, which is necessary to move rigs to remote locations. While the region is now in a deep freeze, eastern North America is still experiencing warmer weather, which has reduced demand for natural gas for heating and therefore kept the commodity price low.
>
> "I would be lying to you to say we're not concerned about the weather and the commodity prices and what it might do to our customers' budgets," said Ken Mullen, chief executive officer of Savanna Energy Services Corp., operator of the country's third-largest drilling fleet. "But there's still a reasonable prospect for good activity. Even the most pessimistic people are calling for 20,000 wells [to be drilled in 2007], which would be the third-best year ever."

Winter drill programs set to begin

> Despite a slow start to the season and slumping commodity prices, there will be oil and gas drilling in the NWT this winter. Chevron Canada and BP Canada will drill two wells in the Beaufort-Delta, and Paramount Resources is slated to drill in the Cameron Hills this winter.

Manitoba's oil industry has a banner year

> We're not in Alberta territory yet but Manitoba's oil industry had a banner year in 2006 just the same. The industry shattered a 51-year-old record for the number of new oil wells drilled in 2006. There were 478 new wells drilled last year. The previous record was 354 in 1955.In 2005 there were 304 new wells dug.
>
> Manitoba now produces over 20,000 barrels of oil a day, up from 10,000 in 1999. Ninety-five per cent of the wells dug last year actually struck oil.

Bad news for Manitoba Hydro: atomic energy is surging ahead

> For years, the foes of nuclear energy have suggested it is the industrial equivalent of Typhoid Mary -- unsafe, unclean and more than slightly disreputable. Now, however, the industry is making another push forward: older reactors are being refurbished; new ones are in the planning stage; some mega-corporations are combining and new products are under development -- all of which will mean more competition for hydro exporters such as Manitoba.
>
> The reason for all this activity, believe it or not, is renewed concern for the environment.

> Nuclear plants release no pollutants to the atmosphere.

[Bad reaction to nuclear power in Alta. oilpatch]

> Federal Liberal Leader Stephane Dion Friday threw cold water on the use of nuclear energy in the oilpatch and vowed to revisit the oilsands royalty deal.
>
> Speaking to the Calgary Herald editorial board, Dion said nuclear energy is not a viable option for use in Alberta's oilsands due to lingering concerns about whether its waste can be safely disposed of.
>
> "I have no power to stop a province to do that. It's provincial jurisdiction," Dion said. "I am concerned about the waste and I don't hide my concerns. It is something I would like to see as a debate in Canada."

[Alaska solicits independent gas pipeline proposals]

> Several energy companies, outside of the three major oil producers in the North Slope region, are eager to build or participate in a $20 billion natural gas pipeline, Alaska's new governor said on Wednesday.
>
> Gov. Sarah Palin, who met with a dozen companies and groups seeking to ship natural gas from the North Slope, said she intends to invite all interested parties to submit proposals for the mega-project....
>
> ....A natural gas pipeline has been a decades-long goal of state officials who are seeking a means to ship the North Slope's rich natural gas reserves to markets, but the project's high cost has kept it on the drawing board.

[Kinder Morgan to buy rest of Canadian NGL pipeline]

> Kinder Morgan Energy Partners (NYSE:KMP - news) said on Monday it pay BP Plc (BP.L) $50 million for the half stake in Canada's main natural gas liquids pipeline it doesn't already own.
>
> Kinder Morgan, which has been boosting its interest in the Cochin Pipeline since 2000, will own all of the line, which runs 1,900 miles to Windsor, Ontario, from Fort Saskatchewan, Alberta, it said.
>
> Cochin carries such hydrocarbon liquids stripped from natural gas as propane and butane across three Canadian provinces and seven U.S. states. Interests have changed hands several times over the past decade.
>
> Houston-based Kinder Morgan will take over as operator when the transaction closes, likely in the current quarter, it said. BP will remain a shipper.

[World's hungry could be worst hit by biofuel boom]

America's appetite for fuel ethanol could take food away from some of the world's poorest people.

The price of corn and other crops is soaring because of the demand for grain to make ethanol, a gasoline additive, and that means the government's budget won't buy as much food as it used to. The price of corn alone, a key food in Africa, has more than doubled in the past year.

The pinch is already being felt.

Catholic Relief Services, one of several organizations that distribute U.S.-donated food in Africa and Latin America, expects to deliver 161,000 tons this year, down from 200,000 tons last year.

"In the long run, it means that we are fueling our cars with food that people might have eaten. There are important trade-offs," said Lisa Kuennen-Asfaw, director of public resources for the Baltimore-based group.

Why gasoline follows oil up but not down

"Human nature being what it is, [service stations] typically react [to a spike in oil prices] by pushing prices higher, even before they replace their inventories," said Geoff Sundstrom, spokesman for the motorist organization AAA.

"And [again] human nature being what it is, unless other stations bring their prices down, he's going to be very reluctant to bring down his."

But before you boycott your local Qwickie Mart, Kloza said to remember that gas stations typically make very little money off the gas they sell, maybe a gross of 15 cents a gallon.

Out of that, they have to pay all their expenses, including fees to credit card companies that can eat up half of that profit.

"[People] think of every sector of the business as being run by John D. Rockefeller or J.R. Ewing," said Kloza. "People don't realize how little profit there is."

Service stations pay their bills on money made when people go inside to get things like coffee and Ring Dings, which are often sold at a decent mark-up.

The real money in oil, he said, is made at the production, refining, and, especially, the trading levels.