



The Round-Up: January 26th 2007

Posted by [Stoneleigh](#) on January 26, 2007 - 8:25am in [The Oil Drum: Canada](#)

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[Canada won't follow Bush on reducing oil consumption: Harper](#)

"President Bush's speech . . . when he talked about these things was really talking about it in the context primarily of energy security and the United States shortage of energy and their dependence on foreign supplies of energy," Harper said perching forward as he sat in his sun-filled Parliament Hill office.

"That's not a problem here. Canada is an emerging world energy superpower. We have an abundance of all forms of energy. We're an exporter of virtually all forms of energy."

"Our need and our desire to deal with these things and set targets is really in the context of environmental improvement and environmental preservation and less in terms of energy security."

Will Harper end up having to eat those words?

[Scheme could rebalance economy](#)

The Canadian economy could be affected in other ways by President Bush's plans. The price of corn has shot up due to soaring demand for the product in the use of ethanol. More use of the highly subsidized fuel additive -- a key target for Mr. Bush -- could cause corn prices to rise further, as could prices for natural gas and fertilizer, both of which are used in huge quantities to grow the crops domestically and turn them into ethanol. The spin-off effect would be felt in fields and on kitchen tables in Canada and possibly boost this country's fledgling ethanol industry.

But such heavy reliance on ethanol to cut oil consumption struck CIBC World Markets chief economist Jeff Rubin as even more far-fetched than the notion Americans could use 20% less gasoline. "The energy benefits now are pretty marginal," he said.

[Fuel fever keeps heat on corn](#)

As with other crops, much of the demand for corn is fuelled by growing populations globally and economic expansion in Asia. But the most significant catalyst is the increased concern about global warming and the U.S. government's decision to

encourage the production of ethanol as a low-emission gasoline additive. Another benefit of ethanol is that it reduces U.S. dependence on foreign oil.

Currently, about 20% of the U.S. crop goes into ethanol production, with the rest going the food industry and the manufacture of animal feed. Over the past few years, production of biofuel and especially ethanol has skyrocketed, and that's expected to continue despite the higher corn prices.

Analysts say what's going on in biofuel amounts to the creation of a multi-billion-dollar industry in less than a decade.

[US ethanol firms may scrap plants as margins fall](#)

U.S. ethanol producers may start scrapping plant construction plans after a surge in the cost of corn and a slide in gasoline prices put profit margins into the red, analysts said on Monday.

The outlook could damp a dramatic building boom as the United States looks to boost renewable fuels to reduce dependence on oil imports, eroding industry's plans to double output capacity by the end of 2008.

"We assume a lower completion rate for planned projects, as high feedstock costs are lowering implied returns which should cause some cancellations and deferments," Credit Suisse said in a report.

[Reducing oil demand could trigger tremors](#)

U.S. President George W. Bush is not alone in promising policies that would slash oil demand — the European Union and China have also set ambitious efficiency targets.

And that concerted action by the world's three leading energy consumers could put a damper on demand for crude oil and downward pressure on prices over the long term.

While Mr. Bush talks about ending dependency on imported oil from the Middle East, Canada is the largest single supplier to the United States — exporting as much crude to the U.S. as the Persian Gulf countries combined. And it is the high-cost producers, such as Alberta's oil sands companies, that would be hit hardest by weak demand and soft prices.

"If I was a producer, I would be really, really concerned," said Paul Ting, a long-time Wall Street energy analyst who now runs his own consultancy. "There's not going to be demand destruction, but there will be erosion, and that is going to be a big problem for them."

[Work needed to make Canada clean energy superpower: report](#)

Canada can become a "clean energy superpower," but only if the government caps industrial greenhouse-gas emissions and implements fiscal incentives to encourage

emerging technologies such as carbon sequestration, says a new report by a prominent research institute.

With its vast natural resources, this country is well positioned to capitalize on the rapid industrialization of China and India, the Conference Board of Canada argues in "Mission Possible: A Canadian Resource Strategy for the Boom and Beyond."

[Jane Jacobs aided view on environment: PM](#)

No doubt to the surprise of some, Prime Minister Stephen Harper says one of the influences in his approach to the environment is the famous urban theorist Jane Jacobs.

"I've always been a big admirer of the late Jane Jacobs," Harper said in an interview published yesterday in the Vancouver Province. "She wrote some very interesting works in the last decade of her life about the interaction of economic development and making correlations between a healthy, growing economy and an ecosystem, which I found very interesting."

In one of her final books, *The Nature of Economies*, Jacobs, who died last year in Toronto at age 89, argued that both economies and ecosystems can be tinkered with and corrected to avoid collapse.

[Hands off the oilsands](#)

Make no mistake: Energy development and protecting the environment are conflicting goals, regardless of the efforts made by oil companies to be environmentally responsible or government programs to make energy look cleaner. It takes three-storey-high trucks, giant pits, big tailings ponds and lots of water to produce oil from the deposits. They'll never please the Sierra Club.

The danger is the Tories are harming one of Canada's economic success stories. Warnings about changing royalty terms or tightening environmental rules result in business uncertainty, which in turn spooks investors. During the Kyoto debate four years ago, the Fort Hills oilsands project and others came close to folding as investors ran.

The Tories are also acting at a bad time. The oilsands business is beginning to look fragile with oil prices in the US\$50-a-barrel range, the minimum required for most projects to be economic. Meanwhile, costs are high and labour short.

[Fraser Institute taps Tobin, Klein to draft energy strategy](#)

Ralph Klein, the Conservative former Alberta premier, is joining Brian Tobin, the Liberal former federal industry minister and Newfoundland premier, to develop a continental energy strategy under the auspices of the Fraser Institute.

The project, seeking to "define Canada's role in North America's tri-national energy market," will include a series of research papers and conferences, the free-enterprise-

oriented think-tank said Wednesday.

Both Mr. Klein and Mr. Tobin became fellows of the Fraser Institute last year, joining Mike Harris, previously Conservative premier of Ontario, and former Reform party leader Preston Manning.

Mr. Klein and Mr. Tobin — both rooted in oil-dependent provinces — have been assigned to “bring the importance of energy issues to the attention of the general public, industry stakeholders and policymakers” through the Fraser Institute's new Centre for Energy Policy Studies in Calgary.

“In all my years as premier of Alberta, I never once heard anyone at any level of government across Canada articulate a compelling vision for Canada's continental energy future,” stated Mr. Klein.

[UN climate envoy disputes idea emission cuts harm economy](#)

While Harper has insisted his government wants to do more for the environment, he has turned his back on honouring the agreement, predicting the targets would devastate the economy because of its effect on Canada's energy exports.

However, de Boer, who was attending a conference on sustainable development in India, said an unwarranted fear of economic hardship is seriously hampering efforts to fight global warming.

"At the moment, I think that Canada is way off track in terms of meeting the Kyoto commitments, so that's a concern," said de Boer. "At the same time, I think Canada has a lot of opportunities, both domestically and through international co-operation to get back on track."

The Harper government cut and froze hundreds of millions of dollars worth of climate change initiatives when it took office, but it promised new spending in a series of energy announcements last week that offered similar programs with new names.

[Shell to boost oilsands fivefold](#)

Shell Canada Ltd., target of a minority buyout offer by its European parent, said yesterday it plans to expand its oilsands business with its partners fivefold to 770,000 barrels a day -- regardless of cost pressures and the recent drop in oil prices.

The Athabasca Oilsands Project near Fort McMurray "remains a very strong and attractive business to us," chief executive Clive Mather said in an interview, after the company posted significantly weaker fourth-quarter earnings due to lower natural-gas prices.

[Flaherty blasts attempts to revise trust bill](#)

Federal Finance Minister Jim Flaherty took a swipe Sunday at opposition parties and

critics trying to secure up to a decade of exemption for income trusts from a new tax, saying this effort is merely a ruse to effectively negate the measure.

Existing income trusts are spared the new 2007 trust levy until 2011, but the Bloc Québécois and the Liberals are talking about trying to amend the tax legislation so the moratorium lasts up to 10 years instead of four.

Special parliamentary hearings, forced by the Liberals and Bloc, are starting later this month to grill the Tories and experts on controversial provisions of the tax.

Income trusts hope the Parliamentary probe will build momentum for the Bloc and Liberals to jointly amend the income trust tax when it reaches the Commons finance committee, where they have an effective majority of votes.

[British MP puts Ottawa on climate hot seat](#)

Canada and the other major sources of the world's greenhouse-gas emissions must lead the way toward a new, post-Kyoto climate-change deal or risk economic and environmental disaster, says British Prime Minister Tony Blair's special envoy on global warming.

Elliot Morley met with Environment Minister John Baird in Ottawa Wednesday to encourage Canada to do more at home and internationally. Specifically, the Labour MP and former British environment minister is pushing for Canada and 11 other countries that join Britain in a group known as "G8 plus five" to craft a climate-change plan for this year's G8 meeting in Germany. The plan would then be finalized at the next meeting in Japan for 2008.

[Biofueled Global Warming](#)

In West Africa the biggest new cause of deforestation in many regions is to grow biofuel. The land rush to establish biofuel plantations in developing nations is one of the most intense the world has ever seen. Literally millions of square miles could be turned into biofuel plantations in the tropics, and the impact this will have on global rainfall and global temperatures is incalculable - it is surely comparable to anything caused by anthropogenic CO₂.

Moreover, the rush to deforest the tropics to grow biofuel - cassava in Nigeria, sugar cane in Brazil, oil palms in Indonesia - is a form of neocolonialism that environmentalists should find horrifying. Tariff barriers are being streamlined to allow tropical developing nations to export biofuel to the industrial north, food crops are being crowded out, small farmers are unable to participate, and in 100 square mile increments, land ownership passes into the hands of energy multinationals. And weather patterns take a turn for the worse.

[Global warming: the final verdict](#)

Global warming is destined to have a far more destructive and earlier impact than

previously estimated, the most authoritative report yet produced on climate change will warn next week.

A draft copy of the Fourth Assessment Report of the Intergovernmental Panel on Climate Change, obtained by The Observer, shows the frequency of devastating storms - like the ones that battered Britain last week - will increase dramatically. Sea levels will rise over the century by around half a metre; snow will disappear from all but the highest mountains; deserts will spread; oceans become acidic, leading to the destruction of coral reefs and atolls; and deadly heatwaves will become more prevalent.

The impact will be catastrophic, forcing hundreds of millions of people to flee their devastated homelands, particularly in tropical, low-lying areas, while creating waves of immigrants whose movements will strain the economies of even the most affluent countries.

'The really chilling thing about the IPCC report is that it is the work of several thousand climate experts who have widely differing views about how greenhouse gases will have their effect. Some think they will have a major impact, others a lesser role. Each paragraph of this report was therefore argued over and scrutinised intensely. Only points that were considered indisputable survived this process. This is a very conservative document - that's what makes it so scary,' said one senior UK climate expert.

[Emerging economies are under pressure to cut emissions](#)

At the heart of the looming battles is a near-impossible dilemma facing policymakers: With China and India representing a combined population of 2.3 billion and both economies growing at a pace of about 9 percent a year, allowing them to pollute as much as Western countries would have catastrophic effects on the environment.

But asking them to slow their development or pay for expensive new technologies is morally hard to defend.

China has already become the second-largest emitter of energy-related carbon-dioxide emissions after the United States. In part, Washington justified its refusal to sign up to Kyoto by arguing major emerging economies were making too few sacrifices.

But as Chinese and Indian officials in Davos were quick to point out, while the average American gobbles up 28 barrels of oil a year, the average Chinese only uses 2 barrels, and the average Indian half a barrel.

These officials were adamant: The developed world, led by the United States and the European Union, would have to foot the largest share of the bill and help fund clean technologies for developing nations to further the chances of a future international accord.

[Is Canada's economic star fading?](#)

Welcome to the new environment for commodities, which is in many ways a complete reversal to what investors have come to know in recent years. The price of crude oil has fallen more than 30% since August -- including an 18% drop this month. It closed on

Friday at US\$51.99 a barrel in New York. The price of copper, also a hugely important commodity in terms of industrial uses and sentiment, has fallen about 30% since September.

More generally, the Reuters/Jefferies CRB index, which tracks 19 different commodities, is down 21% since hitting a high in mid-May. The energy-heavy Goldman Sachs Commodity Index has fallen about the same since mid-July.

Some strategists, such as Richard Bernstein at Merrill Lynch, are calling the downturn a bear market in commodities and are adjusting their forecasts for this year. Others are trying to figure out how nasty things could get over the next 12 months as speculative investors -- who helped boost commodity prices on the way up -- either flee the scene or become short-sellers and bet against commodities, making a bad situation worse.

"In September, our work suggested that exchange-listed commodities were 60% above what could be explained by fundamentals," Mr. Bernstein said in a note to clients. "The same figure today is about 43%," implying that there is still a lot of froth in the market.

[Alberta's monstrosity needs help](#)

Here's a snapshot of the issue: the population of Fort McMurray has doubled in nine years and in a recent submission to the Energy and Utilities Board the Mayor of the Regional Municipality of Wood Buffalo (which includes the Ward of Fort McMurray), Melissa Blake, said that there is a shortfall of nearly 3,000 homes, 17 police officers and two public schools.

She added that the assault rate is nearly twice the provincial average; its drug offences are triple. Population continues to grow at about 10 per cent a year. The city needs a new water treatment plant, police station, recreation centre and fire hall.

Housing prices are outrageous, (the average house is now over \$500,000), there are half as many doctors as are needed, and the lifestyle has become, in the words of one 14 year resident, intolerable. That resident, Dr. John O'Connor, wrote a letter in the December 30, 2006 Halifax Chronicle-Herald encouraging Nova Scotians to stay put and enjoy the quality of life there instead of coming to Fort McMurray.

[Nuclear energy's French connection](#)

With help from the allies it funds in Congress and legions of highly paid lobbyists, the U.S. nuclear power industry won billions of dollars in tax breaks and subsidies for its promised "renaissance." But the biggest winner of all could be a French firm that most Americans have never heard of.

That's because Areva, an atomic energy giant owned by the French government, appears to be better positioned than any of its competitors to benefit from growth in the U.S. nuclear industry and increased federal spending on it.

[Russia not co-operating in uranium sale probe](#)

It was one of the most serious cases of smuggling of nuclear material in recent years: A Russian man, authorities allege, tried to sell a small amount of nuclear-bomb grade uranium in a plastic bag in his jacket pocket.

The buy that took place last summer, it turned out, was a setup by Republic of Georgia authorities, with the help of the CIA. Their quiet sting operation - neither U.S. nor Georgian officials had publicized it - is an unsettling reminder about the possibility of terrorists acquiring nuclear bomb-making material on the black market.

[Breaking the Bank: The economic heresy of Herman Daly](#)

Daly's is not the only voice crying out for change. In 1999, when anti-globalization protesters staged the legendary "Battle in Seattle," the World Bank (along with its sister organization, the International Monetary Fund) gained newfound notoriety in U.S. civil society. The World Bank's aid programs, designed to open up markets in poor countries to foreign investment, have been increasingly accused of leaving a trail of environmental destruction and poverty in their wake. The bitter legacies of "structural adjustment" programs -- under which the World Bank loans money to developing countries on the condition that they slash social spending, eliminate tariffs and subsidies, and shift their agricultural production from feeding their own populace to growing cash crops for export -- have sparked a firestorm of protest, both in the developing and the developed world.

[Globalisation shakes the world](#)

The speed and scale of economic change has made it increasingly difficult for governments to keep their economic destiny in their own hands.

And what is most disturbing for many people is that no-one seems to be in charge, or be able to agree fair rules for the new global economic order.

[Bank of Japan calls for regional effort to tame capital flows](#)

Fukui said that 10 years after the financial crisis, "financial markets are much more stable and the currencies sometimes face upward rather than downward pressure."

"With the globalization of the world's financial markets, large capital flows will continue to have a strong impact on open economies," Fukui said.

"It is, and will surely be, the most difficult task for any monetary authorities to maintain the stability of foreign exchange rates, the free flow of capital, and the independence of monetary policy simultaneously," Fukui said....

...."In the last decade, the global integration of capital markets has become even deeper. As a result, both the benefits of free trade and free capital flows and the risks associated with volatile capital movements have increased," he said.

[Tokyo Warlords Hijack the Bank of Japan](#)

In an age when ruling parties of every political stripe manipulate data to promote their own self interests, there is also strong universal cynicism towards government statistics on inflation. It is natural for official inflation data to be wildly at odds with the realities of the marketplace, and regarded with utter disbelief. Nowhere on Earth is there more skepticism about inflation data than in Japan, especially after Tokyos financial warlords rigged the core CPI last August, and shaved 0.4% off the official inflation stats with the stroke of a pen.

That slick maneuver handcuffed the Bank of Japan from raising its overnight loan rate to 0.50% for the past four months. Tokyo was able to buy more time to keep the Nikkei-225 index afloat with a cheap yen policy, but Tokyo gold prices are now bumping against 78,000-yen /oz, just 4% shy of their 18-year highs set in May 2006, reflecting the massive amounts of monetary steroids injected by the BoJ into the Tokyo and global money markets for the past five years.

Now, there is heightened speculation that the regime of PM Shinzo Abe has gone a step further and hijacked the Bank of Japan, robbing the central bank of its independence. The government and the BOJ should share major policy objectives through mutual understanding, but not numerical targets, said Japans top government spokesman, Chief Cabinet Secretary Yasuhisa Shiozaki on January 23rd.

[Retirees up against debt](#)

Retirement used to be a time for people to enjoy life without a mortgage or high credit card bills, a time when heavy debts were mostly a thing of the past. Increasingly, that's no longer true. Some seniors are taking on debt in retirement to fund a trip they've always wanted to take. But a growing number are in debt because they have no choice, according to debt counselors and a growing body of research.

Soaring health care costs are hitting seniors at a time when more employers are cutting back on retiree medical and pension benefits. People are living longer. Yet many seniors subsist on fixed incomes and have little means to boost their incomes. For them, debt provides a temporary and often costly reprieve from unexpected expenses.

From 1992 to 2004, the percentage of households 55 and older with overall debt grew faster than the rate of the overall population. Those 75 and older packed it on most quickly: The average load for those households with debt shot up 160% to an average of \$20,234 during this time, according to research by the Employee Benefit Research Institute, a non-partisan group that studies economic security.

Among households 65 and older, the average amount of credit card debt more than doubled from 1992 to 2004, to \$4,907, according to Demos, a New York think tank. Seniors' debt levels are catching up to those of younger people.

[Fannie Mae, Freddie Mac still have huge financial problems, regulator says](#)

“They unfortunately have very, very large problems,” Lockhart said in a meeting with reporters, referring to the government-sponsored companies that are the two biggest financiers in the \$8 trillion home-mortgage market in the United States. “They have a

long way to go; there are still significant worries.” The problems “are massive and they're ongoing,” he said.

[Energy revolution guarantees supply but demands savings](#)

The Cuban-Canadian joint venture ENER GAS is guaranteeing the processing of the gas, via which around 500 MW are injected into the electrical system.

That is having both a significant economic effect and important repercussions in relation to environmental protection. Formerly, gas was burned in the atmosphere and not used productively.

[After Shell, Kremlin turns its sights on BP's Russian assets](#)

BP is to come under fresh pressure to relinquish control of one of its most valuable assets in Russia after Kremlin officials confirmed they would conduct an aggressive audit of the giant Kovykta natural gas field.

Inspectors allege that the field is under-exploited and that BP's Anglo-Russian joint venture, TNK-BP, will fail to raise production to an agreed 9 billion cubic meters of gas this year. This is not the first time TNK-BP's ownership of the asset has come under pressure; last September the Kremlin raised the possibility that it might revoke TNK-BP's licence due to alleged environmental violations.

The allegations are seen by many analysts as part of an aggressive campaign to wrest control of Kovykta from TNK-BP on behalf of the state-controlled energy giant Gazprom.

Gazprom has long coveted a stake in the project and the Kremlin has made it clear that it wants Russia's oil and gas resources to be in Russian hands with foreign partners downgraded. In December Shell fell into line with that policy, selling a controlling stake in the Sakhalin-2 offshore oil and gas project to Gazprom after months of Kremlin pressure.

[Gazprom executive cautions Europe against move away from long-term contracts](#)

The European Union is working on a new energy policy aimed at improving the security of supply and increasing competition, including a proposal to split big energy companies from their distribution networks. State-controlled Gazprom, the world's largest gas company, produces gas from its Arctic and Siberian gas fields and also owns a distribution pipe network in Germany through its Wingas partnership with BASF's Wintershall division.

Those proposals have taken on new urgency as Europe has seen its oil and gas supplies disrupted by disputes between Russia - which provides one quarter of its natural gas - and the countries the supplies pass through such as Ukraine and Belarus on their way to Germany, Poland and other countries.

"We, of course, are following the new initiatives being advanced in Europe and we don't just observe but are also in a dialogue with the European Union," said Medvedev, who is in charge of Gazprom's export activities.

"But we think that any attempt to disrupt the system of long-term contracts would pose a threat to reliable gas supplies to Europe."



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