



## The Round-Up: January 30th 2007

Posted by [Stoneleigh](#) on January 30, 2007 - 3:55pm in [The Oil Drum: Canada](#)

Topic: [Site news](#)

Tags: [biofuel](#), [climate change](#), [derivatives](#), [environment](#), [ethanol](#), [gas](#), [income trusts](#), [oil sands](#) [[list all tags](#)]

### [Trichet warns of 'unstable' financial markets](#)

Conditions in global financial markets look potentially "unstable", suggesting investors need to prepare for a "repricing" of some assets, Jean-Claude Trichet, president of the European Central Bank, said over the weekend in Davos.

The recent explosion of structured financial products and derivatives had made it more difficult for regulators and investors to judge current risks in the financial system, Mr Trichet said. "We are currently seeing elements in global financial markets which are not necessarily stable," Mr Trichet said, pointing to the "low level of rates, spreads and risk premiums" as factors that could trigger a repricing.

"There is now such creativity of new and very sophisticated financial instruments ... that we don't know fully where the risks are located." He added: "We are trying to understand what is going on but it is a big, big challenge."

Mr Trichet's comments reflect a debate in policymaking circles about the implications of the growth in derivatives.

Many investment bankers and some regulators and economists argued at last week's World Economic Forum in Davos that the growth of the \$450,000bn (EU350,000bn, £230,000bn) derivatives sector had helped reduce market volatility and made the system more resilient to shocks by spreading credit risk. But other officials fear these instruments may be raising leverage and risk-taking to dangerous levels and keeping the cost of borrowing artificially low, potentially increasing the chance of financial crises.

Senior policymakers admitted it had become hard to track the risks because the sector is opaque, much activity occurs in unregulated hedge funds, and products shift rapidly across markets and between the boundaries of national central banks.

Andrew Crockett, president of JP Morgan international, said: "These new instruments ought to make markets more complete. But there is a lack of transparency ... we don't know how much leverage there is in hedge funds, for example."

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### [War of the Nerds](#)

It is surely an illusion that derivative markets are connected to economic activity - the derivative markets are nearly ten times the volume of the world's annual production.

The most unwieldy imbalance of all grows in the US. Not the US\$800 billion trade deficit or the US\$500 billion federal budget deficit, but the amount of debt created compared to the amount of goods produced. Between 1920 and 1980, every dollar of growth was supported by about \$1.40 of new debt. The ratio is \$7.00 of borrowing to a dollar of growth today. This is economically unproductive but financially remunerative.

Derivative models are constructed in the mind - elaborate but treacherous probability estimates. The convergence of debt on production is a mathematical fact. As the wise man said: "It is an economic axiom as old as the hills that goods and services can only be paid for in goods and services." This is no less true today, though we have done a good job of evading the consequences and concealing the axiomatic convergence: either the nonproductive debt defaults or the paper inflates to meet our production. The closer we approach this unattractive prospect, the less we seem to care.

### [Tories' oil sands estimates exceed industry's](#)

The promise of production from Alberta's oil sands appears to grow exponentially the farther Conservative cabinet ministers get from Ottawa.

And by the time they reach China, all caution is lost.

In the House of Commons yesterday, Natural Resources Minister Gary Lunn rejected concerns that a breakneck development in the oil sands would swamp the Conservative government's climate change strategy.

He suggested production there is unlikely to exceed 3.1 million barrels a day within the next 10 years, although that's still triple what companies now pump out of the high-cost, heavily polluting oil sands.

Still, his lowball estimate doesn't square with Prime Minister Stephen Harper's effort to tout the country's potential as an energy superpower. In New York this fall, the Prime Minister said oil sands production was expected to hit four million barrels a day by 2015.

But on a recent trip to China, Finance Minister Jim Flaherty played a little Texas hold 'em with the oil sands estimates, seeing Mr. Harper's four-million-barrel forecast and raising it another 600,000....

....The sky-high government estimates -- along with a recently uncovered memo from a 2006 Canada-U.S. meeting that posited oil sands production of five million barrels a day -- has spooked environmentalists and opposition MPs, who argue the Conservative are ready to savage the environment to feed the voracious appetite for oil in the United States.

### [Environment trumps economy, poll suggests](#)

"I truly believe that there is a willingness on the part of the average Canadian right now to say, 'If I have to put a little water in my economic wine to bring forward a solution to global warming, I'm prepared to do that now,'" he said.

The dramatic rise in production from Alberta's oil sands has played a key role in

Canada's economic strength in recent years, but the survey suggests a willingness to give up some of that growth.

When asked if Canadians would support slowing or reducing the development of the tar sands in Northern Alberta, 48 per cent said there would be support and 32 per cent predicted opposition to the idea.

### [Oil sands woes will be resolved, energy board says](#)

Alberta will overcome the difficult challenges facing oil sands development, the head of the provincial energy regulator says.

"I firmly believe this will be very well organized and deliberately planned on the part of everybody to ensure this resource is extracted properly. We will make sure of that, because as an organization we can't stand by and see it done otherwise," Neil McCrank, chairman of the Alberta Energy and Utilities Board, said in an interview.

In November and December, the board approved two new oil sands projects but both times warned that rapid expansion of the oil sands was reaching a critical point.

With roughly \$100-billion of work planned for the region over the next decade, problems are everywhere in Fort McMurray, from a severe housing shortage that has made the remote city one of Canada's most expensive to extremely stressed health care facilities.

### [Canadian Oil Sands Trust Q4 profit falls 26%](#)

Canadian Oil Sands Trust said its profit fell to \$128 million in the fourth quarter, down from \$174 million in the year-earlier period, as its bottom line was hit by higher Crown royalties, higher operating expenses, and higher foreign exchange losses.

Profit amounted to 27 cents per unit, in the fourth quarter of 2006, down from 38 cents per unit, Canadian Oil Sands announced Monday after markets closed. The trust is the largest partner in the Syncrude oil sands project.

### [Tories 'cut a deal' with NDP on climate](#)

The Federal Accountability Act was the first priority of the Conservative government and the Prime Minister cited Mr. Baird's success in getting that bill into law as a reason he was named this month as the new Environment Minister.

To get his ethics bill through, Mr. Baird and his senior aides held a secret meeting last year with the lone NDP MP on the committee, Pat Martin. There, Mr. Baird agreed to support more than 20 NDP amendments in exchange for Mr. Martin's support for the bill as a whole. The deal was also contingent on the NDP keeping the pact under wraps until it made it through the committee.

Now in the Clean Air Act committee, the lone NDP MP is Nathan Cullen, but his aides

clearly have a relationship with Mr. Baird's aides — the same officials who acted as envoys to the NDP on the ethics bill.

For instance, when the Bloc Québécois suggested a timeline for the committee, one of Mr. Baird's officials quickly met in the back of the room with an NDP aide. Moments later a joint NDP-Tory counterproposal emerged.

“Clearly they've cut a deal,” grumbled Liberal MP David McGuinty.

What is not clear, however, is if the Tory-NDP co-operation is limited to details, or whether it includes a compromise on much larger policy issues such as the Kyoto Protocol.

Mr. Baird, who wore a green tie for his first Question Period as Environment Minister, was offering few details Monday as to what changes he is prepared to live with.

### [Harper's Green Mirage](#)

There is nothing like a stiff change in public opinion to send our politicians back to the ideological drawing board. However, before we embrace his newly minted green credentials, let's have a look at what Mr. Harper has actually done on the environment in his last year in office. Some notable milestones:

Three months after his election, Harper quietly cancelled 15 federal programs meant to reduce greenhouse gas emissions. This announcement was made on a Thursday afternoon before the Easter long weekend, presumably in an effort to sweep this important policy shift under the carpet.

The axed programs included the "One Tonne Challenge" as well as the Energuide program, which provided incentives to retrofit 300,000 Canadian homes since the late 1990s -- saving on average 30 per cent in energy use. Also cut were 40 public information offices across the country and several scientific and research programs on climate change.

These cuts were made in spite of the fact that a recent Treasury Board review had determined the majority of these programs were cost effective.

That same day, Environment Canada scientist Mark Tushingham, who had penned a novel set in the near future about how climate change could affect Canada, was forbidden by Rona Ambrose's office to speak at his own book launch. His editor had driven from New Brunswick to Ottawa for the abruptly cancelled event at the National Press Club.

### [NAFTA group lambasts federal officials](#)

A spokesman for NAFTA's environmental watchdog has blasted Canada for failing to release two reports that examine Ottawa's alleged failure to enforce its own environmental laws.

But the office of Environment Minister John Baird denies any intention to suppress the reports, and says Canada is working with its NAFTA partners to make them public.

### [John Baird, Light Rail Killer](#)

Last week, John Baird, the Conservatives' new Environment Minister, hopped a ride on a low-emissions hybrid bus to a press conference in Western Ottawa. Once there, the Ottawa based Minister, described by many as the rising star of his party, announced \$230 million in funding for the development of green technologies, part of a downpour of environmental initiatives rained down by the government last week.

Ironically, though, thanks in part to Baird, that low-emissions bus is the most eco-friendly vehicle the nation's capital will see for a long time. Only two months before his fabled climate change wake-up call, Baird not once, but twice, took decisive actions that helped kill a massive electric light rail project for his hometown. The project's failure will not only cost the city hundreds of millions of dollars and potentially open the federal government up to a major law suit, it will also mean an extra 131,000 tonnes of CO<sub>2</sub> emissions per year poured into Ottawa's atmosphere.

### [Tories' gas goals will be late](#)

Short-term targets for cutting greenhouse emissions are seen as vital to altering perceptions that the Conservatives are weak on the environment.

The government's Clean Air Act was denounced by opposition parties and environmentalists because it did not set any target for cutting emissions before 2050.

Ambrose responded to that criticism by stressing the government's intent to announce mandatory short-term targets early this year.

A delay in announcing the targets would give the government a freer hand in attempting to salvage the Clean Air Act, which goes before a Commons committee Monday.

### [Welcome to the new climate](#)

Here in Canada, where only a year ago the environment was a blip on the radar screens of pollsters, the issue has suddenly emerged as the most important one facing the country, according to polling conducted for The Globe and Mail and CTV.

As first reported Friday, the environment was cited as the top issue by 26 per cent of respondents in polling conducted in mid-January, supplanting the perennial favourite, health care, now the No. 2 issue, at 18 per cent. The shift amounts to the equivalent of a public-opinion earthquake — last May the environment was on the minds of a mere 3 per cent of Canadians.

What is more, Canadians feel so passionately about the topic that they say they don't want half-measures. The Globe's polling has found support for an array of tough actions against global warming: 56 per cent even say they would support rationing the amount of fossil fuels an individual can use each year.

This tipping point has arrived quickly and convincingly.

### [Canada worried by plunging caribou population](#)

The caribou population in Canada's vast Northwest Territories is falling rapidly and the increasingly warm climate could slow the animals' chances of recovery, a wildlife specialist said on Friday.

Herds of barren-ground caribou -- which for centuries have been a crucial source of food and furs for local aboriginals -- have dropped by between 40 and 86 percent over the last 10 years. The largest single herd fell from 472,000 animals in 1986 to 128,000 in 2006 and is still declining.

"The level of concern is very high in the Northwest Territories," said Ray Case of the territories' environment and natural resources ministry.

### [Ice island the size of London threatens rigs](#)

Scientists blame global warming. "This is the most dramatic climate-related event we've seen in recent times in the high Arctic," said Professor Warwick Vincent of Laval University in Quebec. "We think it was associated with record warm temperatures and record minimum sea ice. Of course these days, every year sets a new record. The ice island has already moved 50km [30 miles] to the west, and could eventually end up in shipping and oil-exploration areas."

Scientists in Canada and the US have stepped up their monitoring of the ice as they attempt to predict where and when it is likely to go next. A team of researchers will visit the ice island in March, before it starts to move in the summer. It is thought most likely to follow a clockwise current in the Arctic Ocean, known as the Beaufort Gyre, that could see it reach the eastern coast of Greenland in 10 years. The warmer waters of the Atlantic would prevent it from travelling further south.

Climate change is altering the region's landscape. The Ayles ice shelf, thought to be 4,000 years old, was one of just six remaining on Ellesmere Island, Canada's most northern landmass. The ice shelves there have shrunk by up to 90 per cent in the past century - a loss of 3,500 square miles of ice, along with an unknown number of life forms.

Experts now claim the next 10 years could see massive changes in sea ice in the region. Researchers from the Canadian Ice Service have already seen average temperatures for the past few months 7C higher than they would normally expect.

"There is a lot more fracturing of the sea ice than we'd normally see at this time of year," said Dr Copland. "When you look at Arctic sea ice, it has been reducing dramatically over the past 30 years and it is hard to explain why that would happen without invoking climate warming."

### [Oil and gas boom expected in Arctic as pack ice melts](#)

The melting of the Arctic Ocean's pack ice over the coming decades could spark an oil

and gas rush in the region, according to experts who warn of the dangers of a sudden and unrestrained exploitation.

Researchers and diplomats meeting this week in the northern Norwegian town of Tromsø to discuss the challenges facing the Arctic, global warming will eventually open up new maritime routes in the far north and make it possible for oil and gas companies to begin drilling in the area.

"By 2040 or 2050, the Arctic Ocean will be navigable and that will mean significant developments very soon," said Martin Fortier, a Canadian researcher who heads ArticNet which studies the effects of climate change in the far north.

Experts estimate that the Arctic region is home to a quarter of the world's remaining oil reserves.

It is also home to massive gas fields which are virtually unexploited, including those in the Barents Sea and in particular the Russian Shtokman field, which has reserves estimated at 3,200 billion cubic meters.

"The Arctic is part of the solution of the energy problem," Norwegian Oil and Energy Minister Odd Roger Enoksen told the Arctic Frontiers conference.

### [Australia's barrier reef could die within decades: UN report](#)

A confidential draft of the report, prepared by the Intergovernmental Panel on Climate Change (IPCC), was leaked to Australia's The Age newspaper.

It warns warmer, more acidic seas could severely bleach coral in the world-famous reef as early as 2030. Recovery from such bleaching could take decades, the draft report warns.

However, if seas continue to warm, the coral could be killed outright, says the report.

### [Climate change more extreme than thought, US study to show](#)

The six-month study was conducted for a US national security entity and will be published officially in coming weeks, said Peter Schwartz, chairman of Global Business Network, a San Francisco-based consultancy that completed the work last month. "The rate of climate change is much faster than we all think," Schwartz said at the annual meeting of the World Economic Forum in Davos, Switzerland. "There will be many extreme large weather events. It is more urgent and catastrophic than we previously thought." The US and other nations may experience adverse effects of climate change within 10 years, Schwartz said.

### [A carbon trader who lost her faith](#)

She is nonetheless an unapologetic contrarian, and today she is preaching another disputed view: that the emissions trading markets she once saw as the glittering hope for companies in need of greenhouse reduction credits are bunk.

"They're expecting us to exchange Canadian dollars for Zellers coupons," she said.

She says markets such as the European Union's emission trading scheme, which in 2006 saw \$27.3- billion in trades, are primed to crash -- their currency in trade, carbon credits, nearly useless because the market has been oversupplied with allocations by politicians wary of harming industry with deep emissions cuts.

### [US answer to global warming: smoke and giant space mirrors](#)

The US government wants the world's scientists to develop technology to block sunlight as a last-ditch way to halt global warming, the Guardian has learned. It says research into techniques such as giant mirrors in space or reflective dust pumped into the atmosphere would be "important insurance" against rising emissions, and has lobbied for such a strategy to be recommended by a major UN report on climate change, the first part of which will be published on Friday.

The US has also attempted to steer the UN report, prepared by the Intergovernmental Panel on Climate Change (IPCC), away from conclusions that would support a new worldwide climate treaty based on binding targets to reduce emissions - as sought by Tony Blair. It has demanded a draft of the report be changed to emphasise the benefits of voluntary agreements and to include criticisms of the Kyoto Protocol, the existing treaty which the US administration opposes.

### [Don't be fooled by Bush's defection: his cures are another form of denial](#)

The demand that money and research be diverted into these quixotic solutions is another indication that Bush's avowed conversion to the cause of cutting emissions is illusory. He is simply drumming up new business for his chums. In his state of the union address last week, he spoke of "the serious challenge of global climate change" and announced that he was raising the government's mandatory target for alternative transport fuels fivefold. This is wonderful news for the grain barons of the red states, who will grow the maize and rapeseed that will be turned into biofuel. It's a catastrophe for everyone else.

An analysis published last year by the Sarasin Bank found that until a new generation of vegetable fuels, made from straw or wood, is developed, "the present limit for the environmentally and socially responsible use of biofuels [is] roughly 5% of current petrol and diesel consumption in the EU and US". Bush now proposes to raise the proportion to 24% by 2017. Already, though the rich world has replaced just a fraction of 1% of its transport fuels, the UN Food and Agriculture Organisation reports that using crops to feed cars has raised world food prices, with serious consequences for the poor. Biofuels fall into the same category as atmospheric smoke and mirrors - a means of avoiding difficult decisions.

### [Suzuki slams Irving's plans for second refinery](#)

Irving Oil announced Thursday that it is registering its plan to build a second oil refinery for an Environmental Impact Assessment, and Premier Shawn Graham has already said his government supports the expansion, even though the provincial government will administer the assessment.



The refinery would produce 300,000 barrels of oil a day, doubling Irving Oil's refining capacity in Saint John.

The project fits into the Liberal election promise to make Saint John an energy hub. It is expected to create about 1,000 jobs in the city.

Friday morning, David Suzuki told CBC News provincial politicians are not considering the long-term impact of the project on the environment.

"The political reality is that when a politician says I want to do blah, blah, blah, he's doing that with an eye to the next election. He's not doing it with respect to our children or our grandchildren," Suzuki said. "The reality is the Irvings are in business to make money, and don't tell me they're looking long-term. You can't have a non-renewable resource that's being used in a sustainable way."

The fossil fuel industry is acting like the oil supply is going to last forever, Suzuki said, but it's a sunset industry and clean, sustainable energy is needed for the future.

### [Farmers say laws aren't protecting arable lands](#)

Some farmers in Kings County are concerned that bylaws will not continue to prevent non-agricultural development of prime farmland, which could have dire consequences for the food supply.

Leslie Wade of Coldbrook, whose family farms 405 hectares, said in a recent interview she believes Nova Scotians need to protect their food sources because climate change, soil depletion and a looming oil shortage will increase the need for locally grown food.

"In the Valley we have the best farmland in Eastern Canada, and it is one of the three best farming regions in all of Canada," Ms. Wade said. "We need to protect our food source."

### [Trust tax loss could exceed \\$1-billion](#)

Federal Finance Minister Jim Flaherty, preparing to defend his income-trust tax before a parliamentary hearing Tuesday, says trusts may be costing Canada as much as \$1.3-billion annually in lost tax revenue, far more than a "conservative estimate" he provided last fall.

"The more I look at this — and I spent a good part of the weekend reviewing it again — I am more convinced than ever that this was the right decision," he said in an interview as Parliament resumed sitting Monday following a winter break.

"Some of the information demonstrates to me that in fact the tax leakage on that issue is greater than anticipated," he said.

The levy, which applies to new trusts this year and currently existing ones in 2011, was sold by the Tories as a means to ensure these structures pay the same tax as corporations.

Mr. Flaherty dismissed calls to extend the tax-free grace period for existing trusts to 10

years from four, saying it would cost Ottawa another \$3-billion in revenue and provinces billions of dollars more.

### [Bush Directive Increases Sway on Regulation](#)

In an executive order published last week in the Federal Register, Mr. Bush said that each agency must have a regulatory policy office run by a political appointee, to supervise the development of rules and documents providing guidance to regulated industries. The White House will thus have a gatekeeper in each agency to analyze the costs and the benefits of new rules and to make sure the agencies carry out the presidents priorities.

This strengthens the hand of the White House in shaping rules that have, in the past, often been generated by civil servants and scientific experts. It suggests that the administration still has ways to exert its power after the takeover of Congress by the Democrats.

The White House said the executive order was not meant to rein in any one agency. But business executives and consumer advocates said the administration was particularly concerned about rules and guidance issued by the Environmental Protection Agency and the Occupational Safety and Health Administration.

### [Rust is the biggest threat to US water](#)

EPA rules require that water leaving a city's water plant be tested for microorganisms like cryptosporidium and legionella that thrive in degraded water systems.

EPA also requires tests for a slew of other contaminants, including lead, copper and arsenic, which can lead to any number of gastrointestinal or other illnesses.

But once water has been purged of such impurities, different ones can enter the water supply as it courses through miles of old pipe.

"We estimate in the next 20 to 30 years water utilities will have to invest US\$250 to US\$350 billion just to replace the pipes that are in the ground today," said Jack Hoffbuhr, executive director of the American Water Works Association, the industry's trade group.

The cost of improving US water infrastructure may triple the cost of water by 2030, according to the association.

### [Does nuclear power make financial sense?](#)

Now, nearly three decades after the last new plant was approved, proponents of nuclear power say the economics of atom-splitting energy have dramatically improved. In fact, they argue, financial forces have become a driving force behind a new enthusiasm for nuclear energy as the power industry scrambles to meet growing demand for electricity with an aging fleet of generating stations.

But the industry still needs to raise tens of billions of dollars before the proposed round of new plants can be built. That means persuading Wall Street investors to put up the money and state utility regulators to bless the higher rates needed to pay for these multi-billion-dollar projects.

Despite billions of dollars in federal incentives to jump-start construction of a half dozen new nuclear plants, any new wave of nuclear construction will have to satisfy those two groups if its ever going to get off the ground, said Dimitri Nikas, a utility industry analyst at Standard & Poors, one of the bond rating agencies that will be advising investors on the credit risk involved in financing these projects.

The biggest battle will be with utilities getting enough certainty that they will be able to recover their investment and regulators ... getting certainty that this is indeed the lowest cost and the most appropriate way to address increasing power demand, the greenhouse gas risk and costs that will continue to increase," he said.

### [Considering the Real Costs of Our Energy Economy](#)

As concerns over climate change have mounted in recent years, nuclear energy has been touted as a viable alternative to our current dependency on carbon-intensive energy sources.

The truth however, is that when the real costs of nuclear power are considered, the energy source is quickly taken out of the running.

In fact, on a level playing field with no taxpayer subsidies, nuclear power is dead. If utilities pay the full costs of nuclear waste disposal, of insurance against an accident, and of decommissioning plants that are worn out, the cost of nuclear power will far exceed that of other promising alternatives.

This notion of real costs is something that our fossil-fuel-based throwaway economy does not take into account.

### [A "Private" Moment on Wall Street](#)

The "Great Battle for Energy Equities" will begin heating up very soon. Major oil companies around the globe will find themselves directly competing with private equity firms and their ultra-rich clients for the energy assets of publicly-listed stocks.

It's worth noting that four of the five largest merger and acquisition deals in 2006 were private equity deals. And private equity firms already have \$146 billion stockpiled for a new round of acquisitions in 2007, according to PriceWaterhouseCoopers.

With such a sizeable war chest, private equity firms will continue what is nothing less than, "a significant privatization of the American capital system," according to William Krisch at private equity law firm, Paul, Hastings, Jansofsky and Walker LLP.

Because so many cash-laden private equity firms are prowling the financial markets, appetizing prey has become scarcer. But many of the oil services and oil exploration stocks remain extremely enticing acquisition prospects.

### [Energy bill removes local say in siting dangerous LNG facilities](#)

Congress is about to enact an energy bill that would severely limit the power of coastal states and municipalities to veto construction of massive -- potentially dangerous -- liquefied-natural-gas (LNG) terminals in their harbors. If the bill is signed into law by President Bush, federal authorities will gain the power to overrule states and municipalities in choosing locations for these terminals.

The terminals, costing up to \$1 billion each, are to be built at U.S. ports, which would receive giant LNG-cargo ships and convert the refrigerated liquid back into gas, for delivery across the country.

Because such facilities could pose a risk of explosion and would represent a tempting target for terrorists, many coastal communities are understandably reluctant to allow their construction in local waters. Yet if this measure is adopted, these municipalities and states will lose their say over the terminals' placement. The bill, if enacted, would set a dangerous precedent; it should be rejected.

Supposedly, the push to endow the federal government with authority over the location of LNG terminals is to address a specific problem: the stagnation in North American natural-gas production and the desperate U.S. need for foreign supplies to meet soaring demand. By building more terminals, it is asserted, the United States could expand its imports of liquefied gas by sea.

But though a case could be made for greater reliance on imported gas, there is far more at stake here than the availability of imported fuel. To increase the nation's net supply of energy, the Bush administration would also like to build more oil refineries, coal plants, and nuclear reactors -- facilities that are likely to face strong opposition on environmental grounds from the communities in which they would be built. And if the energy bill is adopted, it will set a precedent for expanded federal authority over the siting of all energy facilities -- including nuclear-power plants -- and the gradual elimination of local control over such decisions. Indeed, the proposed legislation includes \$1.5 billion in federal subsidies for the development of nuclear reactors, and it is unlikely that any of these would be built unless the federal government could determine their location.

### [Ethanol fires hope for China's poor Guangxi](#)

Over the past year, small new farmhouses have sprouted, looking incongruous among the southern region's fields of sugar cane and karst mountains -- similar to those in Guilin, one of top tourist attractions in China.

High prices for the commodity in past few years had encouraged farmers to plant cane to the utmost. It has helped pad the pockets of farmers in an impoverished region left behind by the country's economic miracle.

Now, hope runs high in China for Guangxi's about 30 million farmers to jump on the biofuel fever. Beijing has begun encouraging ethanol made from non-grain crops, such as cassava -- known also as tapioca -- the region's other main crop.

[Brazil Eyes Ethanol Export Boom after Bush Speech](#)

Brazil's Sugar Cane Industry Union (Unica) said support for biofuels in the United States will help Brazil's pioneering ethanol industry. Brazilian ethanol experts say the use of sugar cane, which can produce ethanol more efficiently than crops such as corn, gives the South American country a competitive advantage in the world's search for new sources of energy.



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