



## The Round-Up: February 2nd 2007

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### [Mackenzie Valley more valuable if left undeveloped: study](#)

The Mackenzie River region in the Northwest Territories is worth 10 times more in its natural state than the value industrial development would bring, says a Canadian Boreal Initiative study released in Ottawa on Wednesday.

Entitled The Real Wealth of the Mackenzie Region, the study calculated the region's ecological goods and services to be worth \$448 billion if left undisturbed.

In comparison, it estimated the wealth generated by industrial development such as the proposed Mackenzie Valley gas pipeline and related resource extraction to be \$41 billion.

The report is the first watershed-based natural capital review ever conducted in Canada.

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### [Boreal forest said worth more than diamonds](#)

Boreal forests, the study noted, are able to store more carbon dioxide -- a greenhouse gas -- than any other similar ecosystem on Earth, including tropical rain forests. Trees and peat lands absorb and store carbon as part of photosynthesis and release oxygen.

The Canadian Boreal Initiative, an Ottawa-based environmental group, estimated that the value of annual carbon storage in the Mackenzie region is almost \$2-billion a year.

The number is a significant figure and the report is being released today in Ottawa as the federal government led by Conservative Prime Minister Stephen Harper considers how to curb carbon emissions and rework the widely criticized Clean Air Act.

### [Rural groups want in on wind energy](#)

Rural communities would form co-operatives to get into the wind energy business in a scenario presented Thursday to the province's standing committee on economic development.

Groups of farmers, businesses in rural communities and even municipalities are anxious and in a good position to develop small-scale renewable energy facilities, said Bob Williams, executive director of the Nova Scotia Co-operative Council.

"There's a lot of opportunity in the development of renewable energy within this province where the benefits can accrue to more Nova Scotians, to the farmers and to their communities and to municipalities," the executive director told members of the committee.

### [Harper sought money for 'Battle of Kyoto'](#)

Stephen Harper tried to kill the Kyoto accord in Parliament five years ago by characterizing carbon-dioxide emissions as an indispensable component of life, according to a letter aimed at raising funds for his former party....

...The letter asks party members to contribute between \$100 and \$500 to fight the battle.

"We can't stop Kyoto just in Parliament. We need your help at all levels," he wrote.

### [Harper puts green machine in motion](#)

Stephen Harper moved yesterday to mend his government's frayed international reputation on climate change by dispatching his Environment Minister to Paris for a key conference and promising to join an emergency UN summit on the issue.

The decisions came as the Prime Minister was battered for a second day in the House of Commons over a letter he wrote five years ago in which he called the Kyoto accord a "socialist scheme" aimed at sucking money from wealth-producing nations.

### [Federal climate crusader gets axe](#)

Green party Leader Elizabeth May, a long-time friend of Gélinas, said her departure has been in the works for months.

"It's been coming for some time. Ever since she filed her report on climate change there have been attempts to shut down her office and curtail her role," May said.

Gélinas released her latest audit last September into Ottawa's efforts to improve the environment.

The critical report acknowledged the Harper government's concerns about the international Kyoto accord but urged the Tories to establish a "believable, clear and realistic plan" to reduce greenhouse gases by setting short- and long-term emissions targets. It also criticized efforts by the previous Liberal government.

She also called for a "massive scale-up of efforts" to improve the state of the environment – a signature line that has been adopted by environmental activists trying to pressure the Conservative government into action.

## [A Low Emissions Economy?](#)

For years, the primary argument for not acting quickly to reign in carbon dioxide emissions has been that it would cripple our economy. That's the reason US President George Bush cited for backing out of the Kyoto Protocol and why Prime Minister Stephen Harper says that any action on climate change will have to happen without harming the Canadian economy.

But is there a way of cutting our carbon dioxide emissions without killing our standard of living? For their thoughts on that question, we were joined by three people.

Thomas d'Aquino is the Chief Executive and President of the Canadian Council of Chief Executives, and he was in our Ottawa studio.

Glen Murray is the Chair of the National Roundtable on the Environment and Economy and he was in our Toronto studio.

And Toby Heaps is the editor of Corporate Knights ... a magazine devoted to environmentally responsible business. He was also in Toronto.

## [U.S. key to climate change fight, says Charest](#)

"It is unthinkable that we can solve the problem of climate warming without the United States," Charest said, recalling that in the 1980s, emissions of sulphur dioxide, falling in Quebec lakes in the form of acid rain, were a major pollution problem.

It took the U.S.-Canada Acid Rain Treaty, signed by then-prime minister Brian Mulroney and then-president Ronald Reagan, to set the stage for the American Clean Air Act of 1990, he recalled.

At discussions in Davos on Wednesday, climate change was described as "the biggest market failure of all time."

Charest said the Clean Air Act offers market mechanisms that could be applied to deal with the greenhouse gases blamed for climate change.

"We are very much at the beginning of a market mechanism in the reduction of greenhouse gases," he said, adding that the success in dealing with acid rain shows this approach can work.

## [Greenhouse gases up 90% from coal stations](#)

New pollution figures confirm the need to shut Ontario's coal-fuelled generating stations as soon as possible, a watchdog group says.

Greenhouse gas emissions from the coal stations increased by more than 90 per cent from 1995 to 2005, according to a report from the Ontario Clean Air Alliance, a coalition of environment, energy, consumer and health organizations.

They now account for 40 per cent of the province's emissions of carbon dioxide - the main greenhouse gas - from industrial sources.

### [Suzuki to launch national green tour](#)

David Suzuki, Canada's best-known environmentalist, is adopting a technique used by former U.S. presidential candidate Al Gore in his crusade against global warming: go anywhere necessary to get an audience....

...."Polls are telling us that our environment is now the No. 1 concern for Canadians. But polls are just numbers. I want to hear first-hand what Canadians have to say and help them turn politicians' promises and talk into real solutions," Mr. Suzuki said yesterday.

### [Selling the Family Silver: Oil and Gas Royalties, Corporate Profits, and the Disregarded Public](#)

The broad study covers the history and geopolitics of the oil industry, rising prices and super profits, the issue of peak oil and gas, and the impact on the environment of greenhouse gas emissions from the burning of fossil fuels. Special attention is given to the integration of the industry on a North American basis and the implications for future Canadian needs.

'Royalties and taxes on the oil and gas industry in Canada are among the lowest in the world,' says Warnock. 'The result is that the high level of economic rent (or excess profit) from the extraction of these non-renewable resources is going almost exclusively to the owners of the oil corporations, most of whom do not even live in Canada.'

Peak production of conventional oil and natural gas has come to the Canadian prairies, Warnock adds. We are rapidly running out of natural gas. As Natural Resources Canada points out, Saskatchewan is facing a shortage of supply and much higher prices within a few years. Our governments do not appear to have produced any plan on how we are going to heat our homes and run our businesses.

### [Hibernia spat led to better royalty regime](#)

In the Hibernia South case, apparently, the provincial government did not initiate contact with the operators nor, apparently, did it raise concerns over incomplete information in the Hibernia application until after the project application was rejected.

The provincial government has still not indicated its goal for Hibernia South. Industry sources suggest the provincial government is seeking to treat the 300 million barrel development as a new project which would involve a new royalty and benefits agreement and a new production platform.

### [Richard Heinberg: "How Will You Heat Your Homes in Saskatchewan?"](#)

So what are Canadians going to do? Natural Resources Canada projects that net exports of natural gas to the United States will decline from 3,700 billion cubic feet in 2005 to 1,300 billion cubic feet by 2020. As Heinberg reminded us last night, there is the unpleasant fact of the proportionality sharing clause in the North American Free Trade Agreement (NAFTA). This states that Canada cannot reduce its exports to the United States below the average of the most recent three years. We are dreamers, he suggested, if we believe that the U.S. government will be willing give this up.

### [Okotoks, Alberta: A Solar Powered Neighbourhood and a Commitment to Zero Growth](#)

For a committed environmentalist like Liz Reese this is the place to be. It is the only solar-powered neighbourhood in North America. She and Lyle McCrea were so excited to be part of this new environmentally-advanced neighbourhood that they bought their place while they were still in Seattle after only seeing pictures of it.

### [Energy trust battle not over](#)

Oil and gas may not be a renewable resource but hope among energy income trusts that they will not be taxed springs eternal.

The head of a coalition of energy funds suggested Wednesday they will continue their fight to maintain their tax-free status despite Finance Minister Jim Flaherty's clear and specific rejection this week of their appeal for an exemption from his new tax on trusts.

Gordon Kerr, head of Enerplus Resources Fund and co-chairman of the coalition of Canadian Energy Trusts, indicated he and other energy income trust owners and investors are hoping to use this week's Commons committee hearings into the issue to bypass Flaherty and make their case directly to other MPs for political support.

### [Changes in income trust rules should have come sooner: Dodge](#)

The governor of the Bank of Canada says income trusts are the wrong structure for most Canadian business and the federal government should have long ago changed the tax system that made them so attractive.

David Dodge said Thursday the Tory government's announcement last October that the trusts would be taxed in the same way as regular corporations levelled the corporate playing field and helped eliminate inefficiencies in capital markets.

He told a Commons committee that income trust status is fine for companies that simply have to manage existing assets, but it's wrong for most firms where innovation and new investment are important factors.

### [Klein to PM: reverse trust tax](#)

Klein said he doubted the dire warnings about how income trusts would suck funds out

of the federal treasury if left untouched.

Finance Minister Jim Flaherty this week said the government's move to tax income trusts within the next four years was irreversible.

He said the government lost \$500 million in tax revenue in the first 10 months of last year because of income trusts, an amount he called a "conservative" estimate.

Klein's income trust comments are by no means the first time he has been publicly at odds with Harper.

Deputy Tory leader Peter MacKay even suggested Klein duct tape his mouth during the last election after the then-premier said he feared Harper was doomed to lose again because he was perceived as too right-wing.

### [Future flood of 'climate refugees' ahead?](#)

Global climate change could pose serious challenges for police in B.C. -- from public disorder during natural disasters to climate refugees fleeing flooded countries, according to an internal RCMP report obtained by The Vancouver Sun.

The report, External Trends Influencing Policing in B.C., was prepared in September 2005 for senior B.C. Mounties attending an annual planning meeting, and covers several topics.

It was obtained by The Sun through the Access to Information Act.

### [Corporate Rights Deal to Make Us April Fools](#)

By now most Tyeer readers will have heard of TILMA, the corporate rights agreement signed by Gordon Campbell and Ralph Klein in April of last year. The agreement -- the Trade, Investment and Labour Mobility Agreement -- was first pitched as a deal that would create a western "powerhouse" of the two fastest growing provinces.

But that populist bromide didn't last long when it was discovered this fall that TILMA is actually being peddled to every province in the country and is backed heavily by the Harper government.

What TILMA is actually intended to do is to advance another, much larger agenda, the one often referred to as "deep integration" and now a formal agreement between the three NAFTA partners. It's called the Security and Prosperity Partnership of North America (SPP). The SPP will see Canada effectively harmonize virtually every important area of public policy with the U.S.: defence, foreign policy, energy (they get security, we get greenhouse gases), culture, social policy, tax policy, drug testing and safety and much more.

But to "harmonize" Canadian public policy with the U.S. requires massive deregulation across the country. Much of that regulation is provincial and municipal, over which Ottawa has no control. That's where TILMA comes in.

[Investor uses NAFTA to sue Ottawa over landfill site](#)

A Pennsylvania investor has served notice that he intends to use NAFTA to sue Canada for \$355.1-million, alleging that Ontario unfairly shut down a plan to have a former provincial iron mine serve as a landfill site for Toronto garbage.

Vito G. Gallo, the U.S. investor, alleges in a notice filed with the federal government that the Ontario government's 2004 move to ban dumping at the Adams Mine site was tantamount to expropriation.

He's arguing Canada breached the controversial Chapter 11 of the North American free-trade agreement, a section that allows investors in Canada, Mexico and the United States to sue other NAFTA member governments if their investments have been unfairly damaged by law or regulation.

[Canadian economy sputters](#)

The Canadian economy grew a less-than-expected 0.2 per cent in November as losses in the energy sector offset surprising strength among manufacturers, notably auto makers.

The number fell short of the 0.3-per-cent gain that economists had expected, sending the Canadian dollar lower, after the country's gross domestic product was flat in October.

[American consumers drive growth](#)

The U.S. economy snapped out of a sluggish spell and grew at a faster-than-expected 3.5 per cent pace in the final quarter of last year as consumers ratcheted up spending despite a painful housing slump.

The fresh snapshot of business activity, released by the Commerce Department Wednesday, underscored the resilience of the economy; it has managed to keep on moving despite the ill effects of the residential real-estate bust.

[Personal savings in U.S. drop to 74 year low](#)

People in the U.S. once again spent everything they made and then some last year, pushing the personal savings rate to the lowest level since the Great Depression more than seven decades ago.

The Commerce Department reported Thursday that the savings rate for all of 2006 was a negative 1 per cent, meaning that not only did people spend all the money they earned but they also dipped into savings or increased borrowing to finance purchases. The 2006 figure was lower than a negative 0.4 per cent in 2005 and was the poorest showing since a negative 1.5 per cent savings rate in 1933 during the Great Depression.

[The Rude Awakening, Jan 18th 2007: Bonus envy](#)

The owners of brokerage shares, therefore, do well to remember that Wall Street is forever and always about money. It is about making as much money as humanly possible, in as many different ways as legally defensible. Wall Street is not about charity or altruism or the "greater good." Wall Street is also about survival of the fittest - the "fittest" being those who maneuver themselves into obscenely overcompensated positions. Do these alpha-bankers and alpha-traders deserve their millions? In a primal sense, yes...just like a great white shark deserves a slow-moving harbor seal...or a falcon deserves a hapless bunny...or a coyote deserves the neighbor's dozing Pomeranian.

But these metaphors become a bit sinister when one realizes that the "hapless bunny" and the "dozing Pomeranian" are the common shareholders.

The big brokerage firms make most of their money by speculating with capital that does not belong to them, or by levying fees and commissions on capital that their clients put at risk in the financial markets. In other words, shareholders and clients bear most of the risks. Yet whenever any form of success arrives, Wall Street's elite always garner an outsized share of the rewards. That's asymmetry. And in this case, asymmetry might just be another word for "greed."

[Whiskey and Gunpowder, Feb 1st, 2007: Central Bankers Cry Wolf](#)

Is this the case of the Fed that cried wolf one time too many? Oddly enough, I do not believe Trichet or Weber, or Poole, either. Like everyone else, I think the Fed will be there and willing to lend a hand to attempt to bail out the speculators. But unlike everyone else, I think that credit expansion and risk taking have reached such astronomical proportions that when it all implodes, the central bankers will be powerless to stop it.

As for the catalyst, there seems to be too much consensus on the catalyst. "The catalyst may come in Japan, as the central bank there raises benchmark borrowing costs from the current 0.25%," Weber said.

I am not sure what will pop this global credit bubble, but I suspect it will not be higher U.S. interest rates or a rising yen. More than likely, it will be either pure exhaustion, something totally off everyone's radar, or simply the reverse of some scenario that everyone expects.

In 1980, it took \$1 of new debt to create \$1 of GDP; in 2000, it took \$4; and today, it takes \$7. All of that extra credit is serving no productive means. It is pure speculation and it will be unwound. Nonetheless, the sheep are still grazing.

There is a lot of unjustified faith in this Fed for what little power it has relative to where things stand in the current credit expansion cycle.

[Once a Dream Fuel, Palm Oil May Be an Eco-Nightmare](#)

Just a few years ago, politicians and environmental groups in the Netherlands were



thrilled by the early and rapid adoption of sustainable energy, achieved in part by coaxing electrical plants to use biofuel in particular, palm oil from Southeast Asia.

Spurred by government subsidies, energy companies became so enthusiastic that they designed generators that ran exclusively on the oil, which in theory would be cleaner than fossil fuels like coal because it is derived from plants.

But last year, when scientists studied practices at palm plantations in Indonesia and Malaysia, this green fairy tale began to look more like an environmental nightmare.

Rising demand for palm oil in Europe brought about the clearing of huge tracts of Southeast Asian rainforest and the overuse of chemical fertilizer there.

Worse still, the scientists said, space for the expanding palm plantations was often created by draining and burning peatland, which sent huge amounts of carbon emissions into the atmosphere.

### [Canada to monitor pollution blowing in from China](#)

Canadian scientists are mounting an intercontinental effort to measure China's impact on North America's air quality, proposing to create a network of air-testing stations around the Pacific Rim, including one atop Whistler Mountain.

The deadly effects of air pollution on China's own environment are well known.

Cities are often shrouded in toxic clouds poisoning the land and water, and experts believe as many as 400,000 Chinese die prematurely every year due to the country's industrial pollution.

### [Plan for nuclear cartel faces reality check](#)

Unveiled by the Bush administration early last year, GNEP envisions a system in which developing nations would receive nuclear power plants and fuel from the West in return for agreeing not to develop their own nuclear technology. The plan hinges on the controversial element of reprocessing spent nuclear rods to produce fuel that can be burned at GNEP plants, an activity that has never been done commercially in the United States.

GNEP supporters say not only will it power up the Third World, it will boost the U.S. nuclear industry, greatly reduce nuclear waste and air pollution and avoid the further spread of nuclear weapons.

Opponents say the program has the same problem as conventional nuclear power: Its impossibly expensive. But its GNEPs added element of nuclear fuel reprocessing, shelved for more than 30 years as unsafe and unnecessary in the United States, that really inflames critics of the program.

### [The 10-year world boom](#)

The last 10 years have seen the global economy shrug off the Iraq war, massive U.S. balance of payments deficits, global fiscal imbalances, warnings of inflation and recession, the collapse of world trade talks, the rise of China as a trade power, an oilprice shock, inverted yield curves, uneven central bank policies, a housing slump, the rise of financial-market derivatives and any number of other alleged high-risk phenomena that prospectively might tip the world economy into some dark period of faltering growth or even recession.

There are those who see 2007 as a potential recession year for the United States, one that could spill over into the world economy. But no such prospect is obvious in the latest numbers or trends. When some portent of gloom rises -- housing or auto market slumps -- along comes an offsetting shift in oil prices. As oil prices fall, consumers are suddenly left with loose cash to spend on other things.

### [Inside the BNP: papers and tapes reveal election strategy](#)

The BNP - British Nationalist Party - represents the extreme right of British politics.

BNP leaders believe they need to increase the number of potential supporters, convinced that many would consider turning to the party at a time of deep economic crisis. Mr Griffin is convinced that the support of just 18% of the British electorate would put the party just "one crisis away from power".

This strategy was laid out by Mr Griffin in a speech to a closed meeting of American white supremacists and European far-right party activists in New Orleans last year. In a recording of the speech obtained by the Guardian, he tells his audience to prepare now for "an age of scarcity that will be a once-in-200-years opportunity".

He not only believes that an economic crisis of catastrophic proportions would present a great opportunity for the BNP: he appears to be convinced that such a crisis is inevitable, the result of global warming, fuel shortages and mounting debt.



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