



The Round-Up: February 27th 2006

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Speculative bubbles and the realization of risk:

[Bubbles Brewing in Shanghai, Tokyo, and London](#)

There is a bubble growing. Investors should be concerned about the risks, said Cheng Siwei, vice-chairman of Chinas National Peoples Congress in a January 31st interview with the Financial Times. But in a bull market, people will invest relatively irrationally. Every investor thinks they can win. But many will end up losing. But that is their risk and their choice, Cheng warned.

In what might develop into the third biggest stock market bubble in history, ranked alongside Japans Nikkei-225 of 1986-89, and the Nasdaqs 1999-2000 bull run, the Shanghai Composite A share Index, restricted mainly to Chinese nationals, has posted a 140% gain over the past 12-months, after soaring 46% in the fourth-quarter of 2006 alone. And without deliberate market intervention, the A-share market could inflate into a Nasdaq-like bubble.

[China Stocks Post Biggest Drop in Decade](#)

Chinese stocks plunged nearly 9 percent Tuesday, their biggest drop in a decade, rattling markets from Hong Kong and Singapore to as far away as New York amid concerns over a possible slowdown in China's economy.

Investors were also spooked by comments Monday from former Federal Reserve Chairman Alan Greenspan, who said a recession in the U.S. was "possible" later this year.

One day after sending Shanghai's benchmark index to a record, investors dumped stocks to lock in profits amid speculation about a fresh round of austerity measures from Beijing to slow the nation's sizzling economy. The Shanghai Composite Index tumbled 8.8 percent to close at 2,771.79, its largest decline since it fell 8.9 percent on Feb. 18, 1997, following the death of Communist Party elder Deng Xiaoping.

[Stocks Have Worst Day Since 9/11 Attacks](#)

Stocks had their worst day of trading since the Sept. 11, 2001, terrorist attacks Tuesday, hurtling the Dow Jones industrials down more than 400 points on a worldwide

tide of concern that the U.S. and Chinese economies are stumbling and that share prices have become overinflated.

The steepness of the market's drop, as well as its global breadth, signaled a possible correction after a long period of stable and steadily rising stock markets that had not been shaken by such a volatile day of trading in several years.

[U.S. recession is possible by year-end: Greenspan](#)

Former U.S. Federal Reserve chairman Alan Greenspan warned Monday that the American economy might slip into recession by year's end.

He said the U.S. economy has been expanding since 2001 and there are signs the current economic cycle is coming to an end.

“When you get this far away from a recession, invariably forces build up for the next recession, and indeed we are beginning to see that sign,” Mr. Greenspan said via satellite link to a business conference in Hong Kong. “For example in the U.S., profit margins . . . have begun to stabilize, which is an early sign we are in the later stages of a cycle.”

[The Oil Depletion Protocol: An Interview with Richard Heinberg](#)

It is very likely that governments won't respond to the challenges before us, and so the task of adaptation will fall to individuals, families, and small communities. But I'm not giving up on governments, because if they do act responsibly they can avert an enormous amount of suffering.

If they don't, we will be facing societal collapse on a scale never seen in human history. It is within that context that communities and families would have to pursue their decentralized efforts. It's not a pretty picture, and it could well include the emergence of local gangs and warlords, resource raids, and so on - the stuff of dystopian literature.

[Ontario may wait weeks for gas shortage relief](#)

A gasoline shortage that started with Imperial Oil's Esso stations in southern Ontario is spreading to competing companies as efforts to reestablish fuel supplies are hampered by weather.

A winter storm on Monday delayed repairs to Imperial Oil's Nanticoke refinery, which was hit by a fire two weeks ago. That incident cut production at the plant in half.

The problem, which was made worse by the recent CN Rail strike and a December fire at another Imperial Oil refinery in Sarnia, Ont., has started to force other companies to ration gasoline at the pumps. In some instances, pumps are being shut off because they have no fuel to sell.

Now Canadian Tire, Petro-Canada and Shell Canada stations are feeling the squeeze, which is in addition to closures by Imperial Oil.

[Some Montreal-area Esso stations run out of gas](#)

Pumps at some Esso stations in the Montreal area have run dry but the problem has nothing to do with gasoline shortages at Imperial Oil refineries in Ontario, the company says.

[No end yet to gasoline shortages](#)

"It takes time. It's a very unusual situation. A number of things have come together at the same time to produce a very tight supply in Ontario and Quebec," Shell Canada spokesperson John Peck said.

If the St. Lawrence Seaway were open, ships could bring fuel into southern Ontario easily, but the ice will remain for at least a month.

At least 60 service outlets operated by the big oil companies in the GTA are temporarily dry. The problem began with Imperial Oil, but has since spread to Petro-Canada and Shell.

Across Ontario, Imperial Oil has had to close about 100 Esso gas stations, or about 25 per cent, of its 400 stations because of supply problems.

Petro-Canada has imposed gas rationing at 80 outlets, limiting motorists to 75 litres per fill-up, and closed up to 30 stations, spokesperson Jon Hamilton said. Shell's Peck says four or five GTA outlets have run dry. Shortages at Imperial Oil are driving customers to fill up at other stations, pinching their supply.

"We are seeing very high demand at our retail sites," Shell's Peck said. "It's difficult to meet that demand. Our supply people are working flat out. We are seeing some runouts, but would be just be temporary."

[Cleaner coal could cost millions](#)

The payback for installing costly pollution-eating scrubbers at Ontario's coal-fired electricity plants is "not very good" given their limited life span, the head of Ontario Power Generation says.

It would take "three or four years" to get scrubbers running and cost between \$500 million and \$1.5 billion at a time when the plants are expected to close within seven years, chief executive Jim Hankinson said....

....The power authority has already recommended the coal-fired plants close in 2011 but be kept available for use until 2014 as a contingency plan in case increased nuclear, wind, natural gas and other power sources fall short of demand.

But Tom Adams of Energy Probe called those dates into question, saying he doubts they are realistic given that natural gas is now five times more expensive than coal.

That increases the likelihood coal plants will remain as a source of reasonably priced

power and makes it "highly questionable" to operate coal-fired plants without more scrubbers.

[GTA sitting on 'gold mine'](#)

The GTA is one of the world's biggest "gold mines" in potential energy efficiency savings, says environmental guru Amory Lovins.

It could start taking advantage of this lucrative resource without waiting for support or action from the federal government, Lovins said yesterday before a presentation to the Toronto City Summit Alliance.

[Attempt to be energy-efficient proves costly](#)

A local man thought he was doing the right thing by installing a windmill on his property. He figured it would help the environment and save him money.

But Max Woschnigg says a looming property reassessment will increase taxes on his Wellington Road 124 property and largely offset the energy savings he gets from his windmill.

"It's not fair," said Woschnigg, a retired home builder.

The 80-kilowatt wind turbine supplies all of Woschnigg's energy needs, saving him about \$3,600 a year.

But he said he has received a letter from the Municipal Property Assessment Corporation telling him to expect a reassessment that will increase his property value by \$59,000.

Woschnigg estimates that will cost him an extra \$3,000 a year in taxes, meaning a net saving of only \$600 annually on his investment.

[NWT wants say in Alberta's oil-sands industry](#)

Northerners downstream from Alberta's expanding oil-sands are so concerned about its effects on rivers and lakes they depend on that the Northwest Territories demanding a role in assessing future projects in the region.

"We [want] to be more involved in the oil-sands consultations and we [want] to have a voice in that process," said Bob Bailey, deputy environment minister for the Northwest Territories.

Most of the population of NWT lives on the Mackenzie River system, which is largely fed by inflows from northern Alberta. Aboriginal groups have already complained to Alberta's energy regulator that levels are dropping in Slave River, which feeds Great Slave Lake.

[Don't use Mackenzie gas for oil sands production, green groups urge](#)

The federal government should prevent the proposed Mackenzie Valley natural gas pipeline from providing fuel for oil sands production because of global warming issues, several environmental groups argued at a regulatory hearing Monday in Edmonton.

The amount of natural gas needed to power the oil sands could double by 2015, according to the National Energy Board. The additional gas required in the oil sands is roughly the volume expected to move down the Mackenzie pipeline, a 1,200-kilometre link that would connect the Mackenzie Delta in the Northwest Territories with northern Alberta.

"Why shouldn't the National Energy Board set some rules about contracts of the end-use of Mackenzie gas?" Stephen Hazell, executive director of the Sierra Club, said in an interview. "Why not try to make this a green pipeline rather than just feeding Canada's greenhouse gas emission by fuelling the tar sands?"

[Funds to help Fort McMurray region cope with wild oil-sands growth](#)

Alberta will inject \$396-million in emergency funding into health care, affordable housing and other services in the severely stressed oil-sands region of Fort McMurray, Premier Ed Stelmach announced yesterday.

The announcement was made in response to a government report released simultaneously that suggests the health system in the northeastern area of the province could "collapse" if new funds do not address wild growth.

The report included more than 50 recommendations to address the various forces hitting Fort McMurray, from "inadequate" housing to its tenuous supply of clean water, as the region buckles under a population that has nearly doubled in less than a decade.

About half of the new money is going to health care, including extra cash to nurses and other health workers so they can afford to live in Fort McMurray, which has the most expensive housing in Alberta. Money will also be spent on three new clinics. The cash will be doled out over three years.

[Fort McMurray: Can its mayor put the brakes on the boom?](#)

Melissa Blake lays out a map of northeastern Alberta to point out the massive oil-sands projects chewing through the earth north of Fort McMurray and wonders whether the boomtown of 64,000 may one day see homes razed to get at the black gold.

But the municipality's mayor turns her attention to the more pressing concern of the smaller oil plays creeping up on the city and smaller communities from the south.

"This is where I go, 'Holy cow,' " she says, singling out tiny Janvier (pop. 218) and Conklin (pop. 338), "these guys are surrounded by new leases."

According to some estimates, 177 billion barrels of oil are on record as recoverable right now, an amount exceeded only by Saudi Arabia, but Ms. Blake also cites optimistic

projections of 1.7 trillion barrels that could be recoverable in this region in the future. Already, \$100-billion in oil-sands development is on the books over the next decade.

[Defining a fair share of oil and gas revenue](#)

With all four fields being developed to their potential, provincial revenue from the oil and gas sector would peak at \$1.4 billion in 2012, generate more than \$1.0 billion to the provincial treasury for another 12 years [beyond that] and yield in excess of \$500 million per year for at least another eight years. ...

However, at this point the following caveat is important to bear in mind: these tremendous impacts may never be realized. They are contingent on Hibernia South and the Hebron project proceeding. If these developments do not proceed, then the revenue from the oil and gas industry will fall from \$23 billion to \$9 billion. In other words, while enhanced prosperity is within our grasp, there is a real risk it may not be realized. Furthermore, this risk is directly affected by decisions that are within the control of the Government of Newfoundland and Labrador.

[A Climate-Change Amplifying Mechanism](#)

During the past ninety thousand years there were alternating hot and cold periods lasting several thousand years each which resulted in a modification of global oceanic circulation. With the help of paleoclimatic and paleoceanographic indicators, scientists at CEREGE¹ have highlighted a feedback mechanism of ocean circulation on the climate which reinforces this heating or cooling.

This mechanism relies on a close link between the circulation of the North Atlantic and the tropical hydrology of Central America. This study, published in the February 22, 2007 edition of the review *Nature*, should allow us to better understand and therefore better predict the effects of climate change on oceanic circulation.

In the past, major and rapid climatic variations which took place notably during the last glacial period (Heinrich period) disturbed ocean circulation. Climatic archives (marine and lake sediment, polar ice, stalagmites) show the close relationship existing between climatic variations and oceanic circulation.

[Dumping of CO₂ threatens oceans with massive extinction, scientist says](#)

Caldeira is an expert on ocean acidification, which occurs when carbon dioxide molecules react with water. This, in turn, causes hydrogen ions to be emitted in great quantities, thus lowering the ocean's pH and making it more acidic.

And, he says, the last time the change in the ocean's pH was as great and rapid as it is now was during the extinction of the dinosaurs.

Last month, scientists predicted ocean acidification would kill Australia's Great Barrier Reef in 25 years.

"At the level of acidification we're at today, you could say it's one more element along with over-fishing, coastal pollution and all the other factors harming marine life,"

Caldeira says. "But its effects are growing all the time.

"And unless there's a revolution in our energy systems, in several decades it will become the dominant factor."

[Al Gore's 'Inconvenient Truth'? -- A \\$30,000 Utility bill](#)

Armed with Gore's utility bills for the last two years, the Tennessee Center for Policy Research charged Monday that the gas and electric bills for the former vice president's 20-room home and pool house devoured nearly 221,000 kilowatt-hours in 2006, more than 20 times the national average of 10,656 kilowatt-hours.

"If this were any other person with \$30,000-a-year in utility bills, I wouldn't care," says the Center's 27-year-old president, Drew Johnson. "But he tells other people how to live and he's not following his own rules."

[New species, warm water and whales: the Antarctic's secrets revealed by melting ice](#)

The seas around the Antarctic peninsula are among the most mysterious places on Earth - what life there is has remained largely a mystery, thanks to a thick cover of ice for the past few millennia. But the collapse of some of these ice sheets has given scientists a rare opportunity for access, and yesterday they revealed that they had found a thriving underwater world that is being transformed by climate change.

[Ottawa's climate plans don't match promises, ex-watchdog says](#)

Speaking for the first time about the Conservatives since her surprise replacement as environment commissioner, Johanne G  linas said the flurry of government announcements over the past few months don't add up to the comprehensive climate change plan she was promised last fall.

Ms. G  linas said she is now free to speak publicly as a private citizen on environmental issues, but can't discuss the financial settlement she reached last week with her former employer, the Office of the Auditor-General.

[Carbon Dioxide Levels Are at 820,000-Year High, Scientists Find](#)

In November 2005, scientists working on the European Project for Ice Coring in Antarctica (EPICA) wrote in the journal Science that the carbon dioxide levels haven't been exceeded at any point in the past 650,000 years. Scientists have since analyzed the remainder of the 3,270-meter ice core, and are likely to publish their results "fairly soon," said Eric Wolff, of the British Antarctic Survey, which was a partner on the project.

"The top line answer that we've said for the 650,000 years would be the same, except we could lengthen the time period to 820,000 years," Wolff said in an interview in

London at an event to mark the start of International Polar Year, a concerted drive to gather scientific data about Antarctica and the Arctic. ``The concentrations that we're seeing now are still the highest."

Carbon dioxide in 2005 reached a concentration of 379.1 parts per million, the World Meteorological Organization said on Nov. 3. That's the highest level ever recorded, and an increase of more than a third from 280 ppm since industrialization began in the late 1700s. the historic level for 650,000 years fluctuated in a band broadly between 180 ppm and 300 ppm.

[Baltic gas pipeline sparks fears in Nordic countries](#)

A gas pipeline project linking Russia to Germany under the Baltic Sea that has already prompted an outcry in Poland is also raising environmental and national security concerns in the Nordic countries.

The project proposes the construction of a 1,200-kilometer (740-mile) pipeline off Finland's southern coast, passing to the east of the Swedish island of Gotland and to the south of the Danish island of Bornholm.

Denmark, Finland and in particular Sweden fear the pipeline construction could damage the ecologically sensitive Baltic Sea, the seabed of which is peppered with munitions dumped by the allies at the end of World War II.

Some 40,000 tonnes of chemical weapons, such as mustard gas, lie on the bottom, including 13,000 tonnes of active chemical agents, according to the Helsinki-based Baltic Marine Environment Protection Commission.

[Private equity party fuelled by cheap debt](#)

The question for investors, as much for public companies that are in the crosshairs of cash-rich private equity hunters, is how long can the party last? The simple answer is as long as the debt markets continue to provide such cheap financing and relatively loose repayment terms. The more complicated answer will depend on what sort of returns private equity consortiums can generate from these mega-deals, and whether they can avoid the kind of blowups that would frighten their deep-pocketed investors and draw unwelcome scrutiny from regulators.

"I think the trend continues as long as there's liquidity in the debt markets. We expect that to continue at least through the year, if not longer," said Greg Peterson, a partner who specializes in private equity at PricewaterhouseCoopers in New York. "What we haven't seen yet is a test of what happens if one of them gets into trouble. A lot of these big companies, you can't turn them on a dime."

These supersized deals have come into vogue because of the sheer amount of money pouring into private equity. Pension funds, major money managers, and, increasingly, foreign investors, have flocked to private equity in search of historically higher returns. A research report from UBS this month suggested that \$500-billion in funds could be available for acquisitions this year, implying \$2.2-trillion worth of total buying power, when one factors in how much they would likely borrow to help fund these purchases.

[A private power play](#)

Last year the value of private equity deals in Europe and America touched \$440 billion, well up on the year before. At the same time, criticism of private equity's methods has mounted. The industry's usual approach is to buy underperforming firms, load them with debt, and restructure using generous packages as an incentive to management. After a few years, firms are returned to public markets for a fat profit. Now anxiety over the Anglo-American business model has spread from continental Europe to its home in America and Britain. Politicians, union bosses and even business leaders share concerns that private equity exploits loopholes in the tax system, destroys jobs and lacks the transparency of shareholder capitalism.

[Omers looks to increase presence in private equities](#)

OMERS said Monday it's sticking to its strategy to focus more on private equity, which is better positioned to generate strong, predictable returns. And it will seek partners, primarily overseas.

"This will be another outstanding year, certainly a very active year for private equity, and we will be participating," Mr. Haggis said.

OMERS provides retirement benefits to about 372,000 active and retired members on behalf of 900 local government employers across Ontario.

Its long-term plan is to boost its private equity, real estate and infrastructure holdings from to 37.5 per cent of its investment assets, from 24.2 per cent.

[Canada Pension Plan gets freer rein to invest in derivatives](#)

Ottawa and the provinces have quietly relaxed their leash on the board that manages Canadian Pension Plan investments, allowing it to expand its use of derivatives beyond "plain-vanilla" applications.

That removes a restriction in place since 1998 when the CPP Investment Board was handed the task of managing the country's public retirement funds. The board now manages about \$111-billion.

Finance Minister Jim Flaherty's department said it's removing the board's training wheels — and allowing more exotic uses of derivatives — because the agency has proven itself mature enough to operate without this constraint.

[US's Iraq oil grab is a done deal](#)

On Monday, Prime Minister Nuri al-Maliki's cabinet in Baghdad approved the draft of the new Iraqi oil law. The government regards it as "a major national project". The key point of the law is that Iraq's immense oil wealth (115 billion barrels of proven reserves, third in the world after Saudi Arabia and Iran) will be under the iron rule of a fuzzy

"Federal Oil and Gas Council" boasting "a panel of oil experts from inside and outside Iraq". That is, nothing less than predominantly US Big Oil executives.

The law represents no less than institutionalized raping and pillaging of Iraq's oil wealth. It represents the death knell of nationalized (from 1972 to 1975) Iraqi resources, now replaced by production sharing agreements (PSAs) - which translate into savage privatization and monster profit rates of up to 75% for (basically US) Big Oil. Sixty-five of Iraq's roughly 80 oilfields already known will be offered for Big Oil to exploit. As if this were not enough, the law reduces in practice the role of Baghdad to a minimum. Oil wealth, in theory, will be distributed directly to Kurds in the north, Shi'ites in the south and Sunnis in the center. For all practical purposes, Iraq will be partitioned into three statelets. Most of the country's reserves are in the Shi'ite-dominated south, while the Kurdish north holds the best prospects for future drilling.

[Seymour Hersch: The Redirection](#)

In the past few months, as the situation in Iraq has deteriorated, the Bush Administration, in both its public diplomacy and its covert operations, has significantly shifted its Middle East strategy. The redirection, as some inside the White House have called the new strategy, has brought the United States closer to an open confrontation with Iran and, in parts of the region, propelled it into a widening sectarian conflict between Shi'ite and Sunni Muslims.

[An Interview with Noam Chomsky: On Iran, Iraq, the Democrats and Climate Change](#)

There are several issues in the case of Iran. One is simply that it is independent and independence is not tolerated. Sometimes it's called successful defiance in the internal record. Take Cuba. A very large majority of the U.S. population is in favor of establishing diplomatic relations with Cuba and has been for a long time with some fluctuations. And even part of the business world is in favor of it too. But the government won't allow it. It's attributed to the Florida vote but I don't think that's much of an explanation. I think it has to do with a feature of world affairs that is insufficiently appreciated. International affairs is very much run like the mafia. The godfather does not accept disobedience, even from a small storekeeper who doesn't pay his protection money. You have to have obedience otherwise the idea can spread that you don't have to listen to the orders and it can spread to important places.

[An Early Environmentalist, Embracing New Heresies](#)

Stewart Brand has become a heretic to environmentalism, a movement he helped found, but he doesn't plan to be isolated for long. He expects that environmentalists will soon share his affection for nuclear power. They'll lose their fear of population growth and start appreciating sprawling megacities. They'll stop worrying about Frankenfoods and embrace genetic engineering.

[Honeybees Vanish, Leaving Keepers in Peril](#)

In 24 states throughout the country, beekeepers have gone through similar shocks as their bees have been disappearing inexplicably at an alarming rate, threatening not only their livelihoods but also the production of numerous crops, including California almonds, one of the nations most profitable.

I have never seen anything like it, Mr. Bradshaw, 50, said from an almond orchard here beginning to bloom. Box after box after box are just empty. Theres nobody home.

The sudden mysterious losses are highlighting the critical link that honeybees play in the long chain that gets fruit and vegetables to supermarkets and dinner tables across the country.

Beekeepers have fought regional bee crises before, but this is the first national affliction....

....As researchers scramble to find answers to the syndrome they have decided to call colony collapse disorder, growers are becoming openly nervous about the capability of the commercial bee industry to meet the growing demand for bees to pollinate dozens of crops, from almonds to avocados to kiwis.



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