



## The Round-Up: April 13th 2007

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### [Canada must nationalize its oil and gas industry: Quebec accounting professor](#)

Lauzon has been calling for the nationalization of Canada's oil and gas industry over the last several years.

He told a news conference the analysis has shown that major oil companies continue to eliminate their competition by either buying or merging them and most of the profits go to the shareholders rather than investing and building refineries.

"Currently Canada, self-sufficient in oil and gas as the third-largest producer of natural gas and the sixth-largest for oil, has prices imposed on it due to events that happen in Iran, Iraq or Saudi Arabia," he said.

"Among oil-producing countries, Canada is going the wrong way. It's the only western country to privatize this essential resource, largely to foreign interests," Lauzon said.

Petro-Canada (TSX:PCA) of Calgary was created as a government-owned company during the Trudeau era in response to an oil shortage during the mid-1970s due to a crackdown on supplies by the OPEC oil cartel.

However, subsequent Liberal and Conservative governments have since divested their ownership in Petro-Canada, which remains a major integrated oil company with exploration, production, refining, distribution and retail operations.

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### [What ails Canada](#)

The result is a G8 country that acts like a colony, circa 1900, waiting to be plundered by the Americans, the Europeans, even the Latin Americans -- Inco went to Brazil's CVRD. The imperial troops meet little resistance from local CEOs, shareholders, regulators and politicians. Among the 100 top brands on the planet, there is no Canadian name (though you've got to think BlackBerry will soon be a contender). The Netherlands, a country you could sink in a northern lake, has no fewer than four: Philips, Shell, ING, Heineken.

Entire industries considered "Canadian" to the core, part of the national fabric and identity, have disappeared. With Molson and Labatt, even little Sleeman, gone, there is no Canadian brewer of any size. With Inco and Falconbridge gone, there is but one Canadian base metals miner left: Teck Cominco. The forest products industry in a land

of forests is a mishmash of half-bankrupt zombies. Canada does not even make chainsaws. The steel industry is disappearing. The luxury hotel industry, Four Seasons and Fairmont, are in foreign hands. Hudson's Bay Co. is owned by a reclusive South Carolinian.

### [Hydro-Quebec record dividend generated by 66.1% revenue surge](#)

Hydro-Quebec's net income jumped by 66.1% in 2006 due largely to the sale of foreign assets and strong power exports, which allowed the utility to pay record dividends to its owners, the Quebec government. The utility said in a statement yesterday that net income totalled \$3.74-billion last year, up from \$2.25-billion in 2005.

### ['Best damn gas trader on the planet' took home up to \\$2-billion](#)

John Arnold sits atop what Trader Magazine calls "capitalism's ultimate honour roll," having taken home as much as \$2-billion (U.S.) last year from successful natural gas trading, some of which came at the expense of failed Canadian trader Brian Hunter.

Mr. Arnold, head of Houston-based hedge fund Centaurus Energy LP, is ranked No. 1 on Trader Magazine's fourth annual list of the 100 highest-paid traders. The 33-year-old made his name as a whiz kid trader at Enron Corp. before starting his own firm after Enron imploded. He has produced eye-popping results - reportedly routinely tripling his holdings annually - and 2006 was his best year yet, bringing him an estimated \$1.5-billion to \$2-billion.

### [Japan Canada Oil Sands presses ahead](#)

Japan Canada Oil Sands Ltd. (Jacos) is pressing ahead with a three-year seismic and delineation program to drill more than 100 delineation wells and shoot over 65 square kilometres of new 3D seismic data at its lease in Athabasca's oilsands.

The efforts will be the first step toward setting up a commercial venture with capacity of up to 35,000 barrels per day -- and which ultimately could help the oil starved industrial giant meet its demand for energy.

With a GDP growth of 2.8 per cent, Japan imported an average 5.84 million bpd of crude oil in 2006, a number that will only increase going forward.

"We came to Canada as part of Tokyo's plans to diversify energy sources, which has been 90 per cent dependent on the Middle East for its oil imports," Brian Harschnitz, Jacos' vice-president of operations, said on Wednesday.

### [Wildcat growth in oil patch begins to trouble Albertans](#)

Donald Kvill, a geology professor at Athabasca University, said in a submission to the review that he has followed the oil sands since the 1960s and is happy Alberta has such

a large resource, but he warned, "The exponential growth is now becoming troublesome . . . [and] carries with it incredible environmental problems, many of which have not been worked out yet, and we do not need the additional revenue."

Another submission, from citizen Dave Kalbfleisch, said: "I was once impressed by the larger-than-life technical marvel that is oil sands mining. As an investor, I found the oil sands story to be very enticing. But when we look beyond the financial picture, oil sands development is a very sad story indeed. I'm not impressed by the giant trucks any more."

The concern is similar to that expressed in a poll conducted by Environics Research Group, whose results were published in late March. The surveys, which polled 1,001 Albertans in late February and early March, found that almost nine out of 10 citizens feel quality of life in the province is good or excellent but also showed that 51 per cent of people said they aren't better off because of the boom.

### [Warming could spark N. American water scramble-UN](#)

Climate change could diminish North American water supplies and trigger disputes between the United States and Canada over water reserves already stressed by industry and agriculture, U.N. experts said on Wednesday....

....Severe weather already costs North America tens of billions of dollars annually in productivity and damaged property, and those costs are expected to rise, the U.N. report said. The broadest effects of climate change will be water problems across the entire continent -- including more frequent droughts, urban flooding and a scramble for water from the Great Lakes, which border both the United States and Canada.

### [Data indicate warming far worse than thought](#)

Scientists had previously predicted that the summer sea ice would disappear from the Arctic by 2040. But Wadhams measurements indicate that the thinning was already approaching 50 percent and that the ice could disappear by 2020.

Wadhams and Hughes undertook the expedition aboard the HMS Tireless, a Royal Navy submarine that was conducting joint exercises under the Arctic ice with the United States when a self-contained oxygen generation candle exploded March 21. The submarines nuclear reactor was not affected, the British Defense Ministry said, but two sailors died and another was injured.

It was a huge bang, and I was expecting to die, Wadhams told reporters by telephone after the explosion. But the ice he was studying was so thin, he said, that the sub was able to to smash its way through as it surfaced, limiting the damage.

The research teams sonar equipment was crushed as the Tireless surfaced, Wadhams said, but by then, it had already completed surveying more than 2,000 kilometers of the Arctic from Spitsbergen, a Norwegian island, to Alaska.

### [Cold Reality in the High Arctic](#)

Standing in a T-shirt 1200 kilometres south of the North Pole, Henry tells me that every year is warmer than the last. He didn't use to wear a T-shirt here ever. And it's the same elsewhere: Siberia, Norway, Alaska. The temperatures are climbing, he tells me, faster than has ever occurred in known geologic history. His data shows an average 6 C increase in winter temperatures at Alexandra Fjord since 1970, and a 1 degree per decade summertime increase.

The ocean is warming, too. The winter ice is melting earlier each year. More ominously, these rates are accelerating. And turning around, looking south past his splay of outdoor scientific apparatus that monitor the changes in the air and muskeg-covered delta below Twin Glacier, Henry tells me the glacier has retreated 300 metres since first photographed in 1959. It's now moving backward six metres every year.

"So," I say, "the Arctic's a sort of 'mine canary' of global warming?"

Henry laughs ironically. "Mine canary! It was the mine canary. What we thought was happening 25 years ago is happening. The mine canary's dead. We're into full-fledged climate change. We're quite a species. We've altered the planet's climate in two or three generations. It's not going to stop. It's going to get worse and worse."

### [Great Green North](#)

These days, as climate warms and the Arctic ice shrinks year by year, we may be undoing the change that began back in that warm, green Arctic 50 million years ago. Says Moran: "Understanding when and why the ice formed is even more important now that we humans are helping reverse the process."

### [Climate change effects on Asia 'too alarming to contemplate,' researcher says](#)

Climate change may lead to severe food and water shortages for an extra 130 million people across Asia by 2050 unless international action is urgently taken, according to a newly released U.N. report.

According to the Intergovernmental Panel on Climate Change, Asia will be hit hard as the world's climate changes in the coming decades, including threats that are "too alarming to contemplate," said Achim Steiner, executive director of the United Nations Environment Program.

"Unchecked climate change will be an environmental and economic catastrophe, but above all it will be a human tragedy," said Steiner in a statement. "It is absolutely vital that international action is taken now to avoid dangerous climate change."

### [Climate Debate Kept Secret](#)

Global warming may be the most talked-about subject in politics today, but the B.C. government is treating it as a top-secret matter.

Just a few weeks ago, the provincial Liberal government created a top-level "climate action" committee of cabinet ministers to begin drafting its ambitious, California-style plan to reduce greenhouse gas emissions.

But on March 29 Premier Gordon Campbell also signed off on a little-noticed change to the Freedom of Information Act, putting everything those cabinet ministers discuss under an official cone of silence.

### [Canadian research fund broke](#)

Even as a UN report calls for better research on adaptation to climate change, Canada's most important funding agency for climate research says it has run out of money.

Gordon McBean, chair of the Canadian Foundation for Climate and Atmospheric Sciences, says he can't even arrange a meeting with Environment Minister John Baird to discuss the situation.

Research already under way will be completed, said McBean, but no new projects can be taken on despite many good proposals.

### [Pine beetle crisis grows](#)

The Stelmach government declared a state of emergency Wednesday over the mountain pine beetle infestation in Alberta, and will seek crisis cash from both a provincial contingency fund and Ottawa.

The voracious beetle has infested about three million Alberta pine trees -- up from only 19,000 last year -- with the invasion stretching south all the way to Kananaskis Country and the eastern slopes of the Rockies.

### [Softwood deal apt to implode](#)

The six-month-old softwood trade agreement trumpeted by the Harper government as the solution to a major irritant between Canada and the U.S. likely will not survive its seven-year mandate, say the former chief negotiators for both sides.

"This agreement does not provide for long-term resolution of this dispute," said Doug Waddell, a former federal assistant deputy minister for international trade.

"The agreement will not be durable ... the dynamics going on in business are changing so quickly," added Grant Aldonas, former U.S. undersecretary for commerce.

### [Total destruction of forests predicted to cool Earth](#)

Large-scale deforestation long fingered as a contributing factor in climate change could cool Earth, say the researchers behind one of the first attempts to model the

phenomenon at a global scale.

Logging is often attacked because living trees help to mop up carbon dioxide, thereby buffering rises in greenhouse gases. But deforestation has different effects in different parts of the world.

In high latitudes, for example, removing the forests could help to cool these regions. This is because the trees, which absorb sunlight, would be replaced by snow-covered fields in winter that reflect the light. But in tropical regions, cutting back on forests would mean that less water is transferred from soils into the atmosphere, meaning fewer clouds and a warmer planet.

Ken Caldeira of the Carnegie Institution of Washington in Stanford, California, and his colleagues have now compared these two effects and declared that the effect of boreal deforestation dominates. Removing all the forests would put a slight brake on global warming, they predict enough to leave the world 0.3 C cooler in 2100, they report in Proceedings of the National Academy of Sciences.

### [Peak Soil: Why cellulosic ethanol, biofuels are unsustainable and a threat to America](#)

"We stand, in most places on earth, only six inches from desolation, for that is the thickness of the topsoil layer upon which the entire life of the planet depends" (Sampson 1981).

Loss of topsoil has been a major factor in the fall of civilizations (Sundquist 2005 Chapter 3, Lowdermilk 1953, Perlin 1991, Ponting 1993). You end up with a country like Iraq, formerly Mesopotamia, where 75% of the farm land became a salty desert.

Fuels from biomass are not sustainable, are ecologically destructive, have a net energy loss, and there isn't enough biomass in America to make significant amounts of energy because essential inputs like water, land, fossil fuels, and phosphate ores are limited.

### [How to Confine the Plants of the Future?](#)

So far, the business sector has tipped the scales in its favor. Despite science-based concerns voiced by farmers, environmentalists and even its own researchers, the United States Department of Agriculture has approved more than 100 applications to grow so-called biopharma crops of corn, soybeans, barley, rice, safflower and tobacco in the United States.

Developers say these crops are the best way to achieve the economies of scale and cost savings that will let them meet rising demand for drugs like human insulin.

They acknowledge that growing pharmaceutical crops is riskier than making drugs in factories. They know that the plants contain potentially toxic drugs and chemicals, and because they look like ordinary crops, they can be mistaken for food, both before and after harvest.

The most important thing, then, is to keep biopharma plants, pollen and seeds confined to the fields where they are planted. Otherwise, they may contaminate other crops, wild relatives and the environment.

### [A problem for the ages: prize-winning scholar grapples with nuclear waste](#)

One of this year's winner's of the \$100,000 Killam Prize - awarded to Canadian scholars doing distinguished research - Selvadurai has spent 25 years looking for practical solutions to a problem that won't go away - devising safe storage facilities for radioactive waste, be it high-level spent fuel from nuclear reactors or debris from hospitals and industrial equipment.

With 440 nuclear reactors in the world today, Selvadurai said, there's no point getting bogged down in a battle about whether people are for or against nuclear power

"The waste is there, and one has to find a way to dispose of it."

### [Air seeping from property bubble](#)

A gradual slowing of growth in Canada's "unsustainable" housing is good for the economy since it helps avert the kind of bubble burst that sent housing starts plummeting by one-fifth in the United States, an economist says.

Housing starts in March rose 7.6 per cent but the first quarter over all was down 10 per cent from last year, Canada Mortgage and Housing Corp. (CMHC) reported yesterday.

### [Home prices set for first drop in 40 years](#)

The National Association of Realtors said Wednesday it expects its measure of home prices to fall this year for the first time since the group began keeping track nearly 40 years ago.

In its latest monthly forecast, the real estate group said it expects a 0.7 percent decline in the median price of an existing home sold in 2007. A month ago it had been projecting a 1.2 percent increase. Half of all homes sell for more than the median and half for less.

### [The Mortgage Mess: The Soft Underbelly Beyond Subprime](#)

These numbers blow the doors off the "containment" theory. Rather than being limited to a few million mortgages, the risks of re-sets or sinking equity affect fully 75% of all households holding mortgages in the U.S.

### [Commercial-Mortgage Risk Forcing Change, Moody's Says](#)

Moody's Investors Service, one of the two largest credit-rating firms, will require more protection for investors in securities backed by mortgages on apartment buildings, offices and other commercial properties because of "a continued slide" in lending

standards.

Moody's is raising the minimum subordination levels on new commercial mortgage bonds that will be needed to achieve better debt ratings. The higher subordination levels -- or amount of lower-rated bonds needed in the transactions to take losses before the higher-rated securities -- will reverse years of falling investor protection, Moody's said in a statement today.

Surging delinquencies on subprime residential mortgages caused by looser lending practices are an "elephant in the room" that has called attention to standards on other loan types, Moody's said. As with home loans, commercial mortgages have been requiring less documentation and including the use of more interest-only loans and secondary financing, it said.

### [Rogers shorts U.S. builders, eyes more losses](#)

Investment industry icon Jim Rogers, who helped launch one of the world's best performing hedge funds, said on Tuesday that he is betting against U.S. home builders and expects the sector will suffer more losses.

"I am short home builders and Fannie Mae," Rogers, who co-founded the Quantum Fund with hedge fund industry legend George Soros, said at the Reuters Hedge Funds and Private Equity Summit on Tuesday.

"They will go down a lot more. You just don't clean out a speculative bubble in six months," added Rogers, who now invests only his own money.

### [Freddie, Fannie a 'Concern' To OFHEO](#)

The scandals revealed severe flaws in the systems the companies use to manage their business and generate financial reports. Although they have corrected past accounting errors, neither company is able to issue timely quarterly financial reports, a basic requirement of any company whose shares trade on the stock markets.

"They dug an extremely, extremely big hole," the director of the regulatory agency, James B. Lockhart III, said at a news conference. "They just basically ignored the infrastructure of these companies for years."

The companies' status as government-sponsored enterprises has helped them to continue borrowing at favorable rates through their difficulties, Lockhart said. If another big financial institution had similar problems, regulators might have stepped in, he said.

### [The "staggering" home inventory erases hope of a recovery in 2007](#)

Realtors, usually a confident lot, are making few attempts to sugarcoat the recent numbers. They've pored through historical data and have yet to find a worse absorption rate.



"It's pretty huge, pretty staggering," said Ann Guiberson, president of the Pinellas Realtor Organization, which represents about 7,200 agents and brokers.

At the current pace of sales, the supply of homes on the market in Pinellas, Pasco and Hillsborough counties stands at 18 months. Realtors haven't seen such an out-of-whack proportion of buyers to sellers in years.

What's it all mean? For starters, home values will likely stagnate or fall this year, a far cry from the bidding wars of 2005. Although the Florida Association of Realtors reports that Tampa area home prices fell 2 percent in the past year to a median of \$213,300, declines have exceeded 10 percent in many neighborhoods.

### [Buy-Backs: Keeping Lenders On The Hook](#)

To some extent selling a mortgage is a lot like selling a shirt. A purchaser has certain expectations and if the shirt is not up to par the buyer can bring it back for a refund.

With mortgages, the same arrangement applies with each mortgage sale. If a loan is not up to snuff, the seller meaning the lender who originated the loan in the first place can be forced to buy back the mortgage.

Clothing stores know that relatively few shirts will be returned and they also know something else: Paying for a few shirts will not bankrupt the company.

The situation with mortgage loans is different because mortgages are big-ticket items. A conventional, everyday loan today can easily be worth more than \$400,000. Return a few of these and you're out big money perhaps more than \$1 million.

That's a problem because many of the businesses most people see as lenders do not actually fund mortgages with their own dollars. They're middlemen who obtain loans from the wholesale marketplace and then resell those loans at retail to borrowers. If there's an unacceptable loan default, our "lender" may not have enough capital to buy back one mortgage much less three or four. Rack up enough problem loans and lenders facing buy-backs even big lenders can quickly go broke.

### [More homeowners fail to avoid foreclosures via bankruptcy](#)

According to a study released in March by Credit Suisse Group, more subprime borrowers are turning to bankruptcy court to stave off foreclosure, as softening housing prices make it harder for them to sell their homes to repay debts.

At the same time, the study shows, the number of borrowers who are actually able to bring current their mortgage payments through bankruptcy is declining, and more filers are ultimately turning their homes over to the lenders. The finding means investors in high-yielding mortgage-backed securities should expect higher losses on the underlying collateral.

At least part of the blame, says the report, lies with the bankruptcy law passed in October 2005. The law raised the bar for people to qualify for Chapter 7 fresh start bankruptcy proceedings. Chapter 7 can enable individual filers to wipe away debts such as credit-card and medical bills so they can continue to make their mortgage payments.

With access limited, more subprime borrowers are forced into Chapter 13, where some can't maintain their payment schedules for more than a couple of months.

### [Mortgage Bondholders May Bear Subprime Loan Risk](#)

The top Democrat and Republican on the House Financial Services Committee said investors in mortgage bonds should be liable for deceptive loans made by banks.

Democratic Chairman Barney Frank of Massachusetts and Spencer Bachus of Alabama, the committee's highest-ranking Republican, said such legislation would discourage lenders from extending loans to people with poor credit histories by making it more difficult and expensive for the banks to sell the mortgages.

"More money was being lent than should have been lent," Frank said in an interview from Washington. Frank, who last month predicted that the House would approve such a bill this year, said growth in the market for mortgage bonds "provided liquidity without responsibility."

### [Housing Boom Tied To Sham Mortgages](#)

Many experts have concluded that the nation's real estate boom of recent years was fueled in part by weakened lending standards that sparked excessive demand and drove up prices. Now, some are worried that the looser standards may have permitted a boom of another kind -- a big expansion of mortgage fraud.

No one knows exactly how extensive the crime has become, but new data from the federal government suggest that it has jumped tenfold since 2000. Prosecutors are finding cases all over the country in which sham transactions, based on fraudulent appraisals, led to homes changing hands at far above their real value. Mortgage lenders failed to carry out the most elementary safeguards.

In some neighborhoods, mortgage fraud became so extensive that it drove up overall home prices. That is what happened in Atlanta. Hill, 50, was convicted last month in what authorities call one of the biggest mortgage-fraud cases in U.S. history. It involved 400 fraudulent loan applications; nearly \$100 million in mortgages; and 120 closing attorneys, appraisers, mortgage brokers and others who prosecutors say were in on the scam.

### [Canadian subprime mortgage market to remain robust despite U.S. fallout, says Mortgage Architects](#)

Watch this space.

"All in all, the Canadian non-traditional mortgage market should thrive going forward," says Ord. "While subprime and alternative products exist in Canada, the safeguards in place in the Canadian marketplace - particularly in the form of regulations and strict qualifying criteria - make for a more stable environment, without question. Canadians are clearly not biting off more than they can chew, and the foundation of this market

remains solid."

### [IMF warns: Financial market risks have increased](#)

The stability of the global financial system is being bolstered by favourable economic conditions, but some financial market risks have crept up in recent months, the International Monetary Fund said on Tuesday.

"Global economic conditions have been supportive of a benign financial environment, but underlying risks and conditions have shifted somewhat since ... September 2006, and have the potential to weaken financial stability," the IMF said in its semi-annual Global Financial Stability Report.

Jaime Caruana, director of the IMF's monetary and capital markets department, said overall economic risks had diminished worldwide, but recent market corrections were a reminder that risks exist and things could turn for the worse quickly.

### [U.S. seeks control of Europe through missile shield - Gorbachev](#)

Deployment of U.S. missile-defense bases in Poland and the Czech Republic is an attempt by the U.S. to control Europe, the former Soviet president said Thursday.

"It is all about influence and domination in Europe," Mikhail Gorbachev said. "I believe it is wrong that America did not even bother to consult its NATO allies."

### [Revolution, flashmobs, and brain chips. A grim vision of the future](#)

This is the world in 30 years' time envisaged by a Ministry of Defence team responsible for painting a picture of the "future strategic context" likely to face Britain's armed forces. It includes an "analysis of the key risks and shocks". Rear Admiral Chris Parry, head of the MoD's Development, Concepts & Doctrine Centre which drew up the report, describes the assessments as "probability-based, rather than predictive".



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