



## The Round-Up: July 24th 2007

Posted by [Stoneleigh](#) on July 24, 2007 - 1:00am in [The Oil Drum: Canada](#)

Topic: [Miscellaneous](#)

Tags: [biofuel](#), [carrying capacity](#), [climate change](#), [derivatives](#), [financial engineering](#), [migration](#), [money supply](#), [nuclear](#), [oil sands](#), [pipelines](#), [population](#), [water](#) [[list all tags](#)]

Water concerns are emerging in North America as the world warms. The US wants a continental approach to water supply, but Canadians disagree. Meanwhile, in parts of England, there's "water, water everywhere, but not a drop to drink".

The 'true north' tries to be 'strong and clean', but can't seem to do a proper energy audit. Arctic gas pipelines move a step closer to reality. Power supply in Ontario tightens further, while Cameco discovers uranium in the soil. Can we harness tornado-power next?

The insatiable debt-monster of Wall street spreads from subprime to Alt-A, bond ratings spawn legal action, and Fannie Mae and Freddie Mac attempt a subprime bail-out. The savings rate stays negative south of the border, as Americans keep borrowing just to stay on the treadmill.



### [Oil pipeline accident causes spill in Burnaby, B.C.](#)

The oil gushed for a reported 25 minutes before crews were able to staunch the flow.

"We had a vehicle hit an oil head," Cpl. Jane Baptista, of the Burnaby RCMP, told The Canadian Press on Tuesday.

"There was some oil spilled over the road. We have hazmat (hazardous materials) and Burnaby Fire Department on scene. Police have assisted with some evacuation of some residents there." ....

...There are fears that a major environmental problem may be developing.

Local radio station News1130 reported that witnesses are described the scene as a "river of oil."

### [Could climate change herald mass migration?](#)

And as the Southwest and parts of the Southeast grapple with historic drought, water supply depletion – earlier this year, Lake Okeechobee in Florida, a primary water source for the Everglades, caught fire – and the creeping sense that, with climate change, things can only get worse, a new reality is dawning: that logic, finally, will have a larger role to play in human migratory dynamics, continent-wide. With it come not just doomsday scenarios, but for certain urban centres left for dead in the post-industrial quagmire, a chance at new life.

"Sticking a straw in the Great Lakes is not a solution to Phoenix's water problems," says Robert Shibley, director of the Urban Design Project at the State University of New York at Buffalo. "Maybe it's time to really think about what constitutes need and stop spending money to build carrying capacity in places that don't have it by nature, and start investing in places that do."

Shibley has long been a champion of Buffalo's dormant potential – a potential reduced by half or more through the latter part of the 20th century, as the population fell below 300,000 from a historic high of more than 700,000.

He suggests that in the Great Lakes basin, where less than half a per cent of the world's population sits within easy reach of a quarter of the planet's fresh water, the opportunity for harmony exists. In a perfect world governed by reason, Shibley says, the only robust economic centre in the region would serve as its heart. And that would be Toronto.

### [Our Marshes Are Dying](#)

Peter Banca looked out a window of his Stony Creek home, across his sloping lawn to the green swath of marsh named for his father, a look of surprise on his face.

"I had no idea," he said when confronted with the prediction that the marsh would disappear in a few decades. But he knew the implications immediately.

Banca marsh has been losing 10 or more feet of its seaward edge each year to what some scientists call sudden wetland dieback - a so-far unexplained phenomenon in which marsh grasses die off, leaving mud, pocked with holes, to wash away with the tide. Even away from the edge, pockets of marsh grass are fading into barren mud sinks.

The fate of Banca marsh, and of tidal wetlands around the world, may be tied to rising sea levels and global warming in intriguing ways.

## [Quenching America's thirst not a priority for Canada](#)

With drought and rapid population growth straining resources in the U.S. Southwest, it's not surprising that some Americans see Canada's abundant fresh water as a "continental resource." But Canadians fear if left unchecked, the United States will drink Canada dry.

Though diverting Canadian rivers is not on any official agenda, whenever Americans like Paul Cellucci, former U.S. ambassador to Canada, suggest this might be a solution to America's water woes, Canadians of all stripes go apoplectic....

....By some accounts, Canada holds an estimated 21 percent of the world's fresh water, including its share of the Great Lakes. But that figure is misleading. Most of Canada's water is locked up in glaciers and most of the remaining fresh water flows uselessly into the Arctic Ocean, far from southern population centers.

"That leaves about 2.6 percent for Canadians, and that means there is no excess water in Canada for export," said Maude Barlow, chairwoman of the Council of Canadians lobby group and author of "Blue Covenant — The Fight for the Right to Water."

## [Water losing fight vs. growth](#)

Decades ago, experts warned that Florida had a choice: water or growth.

Growth won....

....Now millions of Floridians from Miami and Naples to Jacksonville live under watering restrictions. Statewide, residents face at least a \$9 billion tab in the coming decades to capture, cleanse and store the water that future Floridians will need.

In South Florida, expanding the water supply is a major goal of the multi-decade \$10.9 billion Everglades restoration. But even with that project's promised hundreds of billions of gallons, the region faces the prospect of permanent limits on water use.

All this in a state that gets an average of 53 inches of rain a year - 15 inches more than Seattle - plus enough water underground to supply every family on Earth with an Olympic-sized pool.

## [Human activity behind global changes in rain: study](#)

Environment Canada researchers analyzed global rainfall patterns over land from 1925 to 1999, breaking it down into bands of 10 degrees in latitude. The bulk of Canada's landmass sits between the 40th and 70th parallels.

They found 10 per cent more rain and snow in northern regions including Canada, Russia and Europe, and the southern tropics region below the equator.

Meanwhile, there has been drying away from the equator to 30 degrees North, including Mexico, Central America, sub-Saharan Africa, southern India and Southeast Asia.

Researchers say the main cause behind the shifting patterns is human activity, including a steady rise in greenhouse gas emissions and sulphate aerosols from the burning of fossil fuels.

Sulphate aerosols have a cooling effect. Zwiers wants to separate out the effect of sulphate aerosols in future research.

### [Climate change linked to a millennium of war in China](#)

The wars and rebellions that punctuated China's ancient dynasties have inspired epic books and films. Now it seems the course of the nation's history may have been influenced by a rather more mundane force: the weather.

China's archives track the lives of the country's clans over the last millennium in voluminous detail. This inspired David Zhang at the University of Hong Kong and his colleagues to scour the documents for links between conflict and climate. They found that periods of cold weather preceded 12 of the 15 major bouts of warfare they studied.

The link makes sense, they say, since cold weather would have prompted food shortages in what was then an overwhelmingly agrarian society. Peasant uprisings would follow, destabilising governments and inviting invasions from neighbouring regions (Human Ecology, vol 35, p 403).

### [England under water: scientists confirm global warming link to increased rain](#)

More intense rainstorms across parts of the northern hemisphere are being generated by man-made global warming, the study has established for the first time an effect which has long been predicted but never before proved.

The study's findings will be all the more dramatic for being disclosed as Britain struggles to recover from the phenomenal drenching of the past few days, during which more than a month's worth of rain fell in a few hours in some places, and floods forced thousands from their homes....

...About 150,000 residents in Gloucestershire were left without drinking water when the Mythe Water Treatment Works in Tewkesbury became inoperable after flooding. Another 200,000 people are at risk of losing their supplies. The water shortages may last until Wednesday and 600 water tanks were being drafted to the area.

### [UK: Science chief - cut birthrate to save Earth](#)

The new head of the Science Museum has an uncompromising view about how global

warming should be dealt with: get rid of a few billion people. Chris Rapley, who takes up his post on September 1, is not afraid of offending. 'I am not advocating genocide,' said Rapley. 'What I am saying is that if we invest in ways to reduce the birthrate - by improving contraception, education and healthcare - we will stop the world's population reaching its current estimated limit of between eight and 10 billion.

'That in turn will mean less carbon dioxide is being pumped into the atmosphere because there will be fewer people to drive cars and use electricity. The crucial point is that to achieve this goal you would only have to spend a fraction of the money that will be needed to bring about technological fixes, new nuclear power plants or renewable energy plants. However, everyone has decided, quietly, to ignore the issue.'

### [Canada: Energy pussycat](#)

Surely an "energy superpower" would be a country that, at the very least, is assertive in taking care of its own energy needs.

Not Canada. Indeed, Canada has been almost negligent in this regard, having surrendered an astonishing degree of control over our energy to the United States in the 1993 North American Free Trade Agreement (NAFTA). Since then, Canada has been more energy pussycat than superpower.

Now, 14 years later, Canada's energy is once again on the table, this time as a key part of a deal called the Security and Prosperity Partnership (SPP) being negotiated between Canada, the U.S. and Mexico. The SPP negotiations have been underway since 2005 – with heavy input from business – but the process has completely excluded the public.

This pattern will be repeated next month when George W. Bush arrives in Montebello, Que., for an SPP summit with Harper and Mexican President Felipe Calderon. The leaders will get advice from an SPP council of business leaders but the public won't be allowed anywhere near the meeting – as the citizen group Council of Canadians discovered when it was blocked from booking a hall for a public meeting six kilometres from the summit.

One of the goals of the SPP negotiations is achieving "North American energy security." This boils down to ensuring that the U.S. – which has inadequate reserves to meet its voracious consumption – will have guaranteed access to Canada's reserves.

### [The true north strong and clean](#)

Doug Richardson, chief executive of General Fusion, has plans to build a prototype reactor in several years. Such a project would need a huge capital investment from investors -- at least \$50-million. And while venture-capital funds of this magnitude in Canada are scarce, Mr. Richardson happens to be operating in the sexiest area of the North American venture-capital world: clean tech.

Clean tech -- not to be confused with the 1980s buzzword "green tech" -- is being touted as the new technology boom encompassing everything from energy generation to wastewater management and recycling. Sustainable development has quickly become

the next big investing theme thanks to a maturation of software and computer technology that has made seemingly outlandish ideas possible.

### [Home energy audits flawed](#)

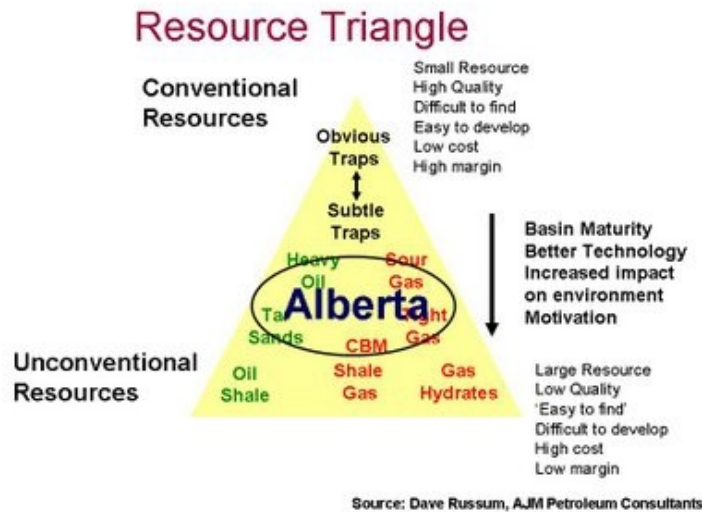
The federal government's new program to evaluate the energy efficiency of Canadian homes and recommend upgrades has major flaws that will take months to fix, a Star investigation has learned.

After auditing the same Toronto house, four companies came up with four different energy ratings – ranging from 37 to 46 out of 100 – and called for renovations ranging from \$3,000 to \$25,000.

And while they all said replacing the old, wheezing furnace with a smaller high-efficiency model was a priority, as well as patching cracks that leak heat, other recommendations varied, from upgrading the fireplace to replacing three exterior doors. One auditor incorrectly stated the basement lacked insulation.

That means homeowners could spend big money on ill-advised retrofits and waste as much as \$10,000 in grant money from the federal and provincial governments.

### [A Natural Gas Crisis Coming?](#)



This resource triangle illustrates that conventional resources (the apex of the triangle) represent a relatively small volume of the total hydrocarbons in an area or basin. Unconventional hydrocarbons depicted by the lower part of the triangle tend to occur in substantially higher volumes. Early exploration and production is focussed on the apex of the triangle. Industry only pursues opportunities lower in the triangle when the opportunities at the top of the triangle are inadequate to meet demand and consumers are prepared to pay to make the opportunities economic. The oval illustrates that the Alberta oil and gas industry has moved significantly down the triangle in pursuing both oil (heavy oil, tar sands) and gas (coalbed methane, tight gas).



### [Shell ordered to suspend Arctic offshore drilling](#)

A U.S. federal appeals court has ordered Royal Dutch Shell Plc to suspend oil exploration operations in the Beaufort Sea off the north coast of Alaska pending a legal challenge being brought by environmental activists and Alaska native groups.

The ruling deals a serious blow to Shell's plan to drill up to four exploration wells during the brief Arctic summer to test a \$44 million bet the company placed on the region in 2005.

### [Ottawa targets pipeline red tape](#)

Natural Resources Minister Gary Lunn says he'll press his American counterpart when they meet Monday to ensure speedy regulatory review of the major pipeline projects needed to carry growing volumes of oil sands crude to U.S. markets.

Mr. Lunn will host U.S. Energy Secretary Samuel Bodman and Mexican Energy Secretary Georgina Kessel Martinez in Victoria this morning for talks in advance of the three national leaders meeting next month near Ottawa.

In a telephone interview, the minister said the trilateral session will focus on measures to improve the working of the continental energy market.

### [A different scene proposed for Inuvik](#)

Massive pieces of equipment will travel to Inuvik from international oceans if the proposed Mackenzie Gas Project goes ahead, according to the revised project plans.

Imperial Oil - the lead proponent of the project - filed a revised figure in May for what they estimated the project would cost.

### [Ottawa, Dene Tha' reach deal on Mackenzie gas pipeline](#)

The federal government and the Dene Tha' First Nation in northwestern Alberta said Monday that they have signed an agreement resolving concerns related to the proposed Mackenzie Valley natural gas pipeline.

The deal removes one stumbling block for the consortium, led by the Calgary-based Imperial Oil, that wants to build a 1,200-kilometre pipeline from the N.W.T. community of Inuvik on the Beaufort Sea to Alberta.

In November 2006, a federal court judge ruled that Ottawa failed to consult with the Dene Tha' First Nation (DTFN) over the pipeline, which would run through a small portion of their traditional territory. The judge ordered that social and environmental hearings be put on hold until the Dene Tha's concerns could be addressed.

### [Ottawa pays \\$25-million to settle Mackenzie dispute](#)

Ottawa is paying a small first nation in northern Alberta \$25-million to settle a case in which the Federal Court ruled that Ottawa did not adequately consult the band about the proposed Mackenzie Valley natural gas pipeline that would terminate on their traditional land.

The federal government has been stung repeatedly over its mishandling of aboriginal consultations following two landmark 2004 Supreme Court decisions in cases from British Columbia that ruled the Crown had a moral and legal obligation to conduct meaningful consultations when industrial development is proposed for aboriginal land where the title is in dispute.

### [Paramount told to renegotiate on NWT natural gas project](#)

Canada has once again failed to conduct meaningful consultations with an aboriginal group over a proposed natural gas project in the Northwest Territories, indicating that a crucial issue in domestic industrial development is far from resolved, according to Bob Freedman, a leading lawyer on the issue.

On Friday, the Federal Court ruled on two applications from Ka'a'Gee Tu First Nation, filed against the federal government and Paramount Resources Ltd., a Calgary-based company looking to expand its presence in the southern NWT. The court found that the government didn't properly consult with the Ka'a'Gee Tu, ordering all sides back to the table to renegotiate the terms of Paramount's project.

### [Alaska seeks bids for North Slope gas pipeline](#)

The proposed Mackenzie Valley natural gas pipeline could face some competition for southern markets, after Alaska officially announced it's seeking bids to build a North Slope pipeline through the state.

Alaska Gov. Sarah Palin announced Tuesday that the state is ready to receive applications to build the 5,600-kilometre pipeline, which is expected to cost more than \$20 billion US.

The pipeline would transport the North Slope's vast natural gas reserves to markets in the U.S. Midwest. In February, Palin pledged to put up \$500 million for the project, to be given to the company that submits the best application.



### [Energy Alberta's nuclear maverick revamping power plant application](#)

The head of Energy Alberta Corp., an upstart western company pushing nuclear power in the Prairies, isn't taking the summer off, as planned.

Instead, Wayne Henuset is revamping a site application to the Canadian Nuclear Safety Commission from his office in the suburbs of southeast Calgary.

The affable former oil-and-gas entrepreneur had, with partner Hank Swartout, banded a date in mid-June to the media for setting the regulatory ball rolling on their \$6.2-billion nuclear power plant project.

### [Pickering loses third reactor to downtime](#)

A third reactor at Pickering generating station was taken out of service yesterday, leaving Ontario's electricity system with a dwindling supply of power to get it through the summer heat.

Ontario Power Generation said Pickering B reactor unit 5 was taken out of service "for a short maintenance outage." The company plans to inspect and service valve and pump seals on the reactor's primary heat transport system.

Pickering A units 1 and 4, refurbished in 2005 and 2003 respectively, have been down for maintenance since early June and are expected to remain offline for most of the summer as work continues on a backup electrical system.

### [Cameco closes Ontario plant after uranium found in soil](#)

Uranium mining and processing giant Cameco Corp. said Friday it had shut down its Port Hope conversion facility in Ontario after discovering uranium in the soil near the plant.

The company first discovered the uranium on July 13 and made the decision to shut the facility down while the company and third-party consultants try to figure out how the uranium got into the soil and how to contain it.

In an interview Friday, Cameco spokesperson Lyle Krahn said the decision to shut down the Port Hope conversion facility was made by the company and not the Canadian Nuclear Safety Commission.

"The decision to suspend production initially and the decision to suspend production for a minimum of two months ... were both at our initiative and not the regulator," Krahn said. "We continue to keep them (commission officials) informed and they are requesting information and monitoring the situation as we move along."

Cameco said it plans to meet scheduled deliveries for the remainder of the year, based

on existing inventory.

### [Nuke plants ill-equipped for fires](#)

Ten of the nation's 11 companies that operate nuclear power plants are not even equipped to fight a fire in their nuclear facilities, according to a government investigation.

The nation has 55 nuclear plants.

The investigation was ordered after a transformer at the Kashiwazaki-Kariwa nuclear power plant in Niigata Prefecture caught fire following the July 16 earthquake.

Officials said the companies did not have firefighting squads on duty around the clock and would have to summon such personnel if a fire broke out at night or during a holiday period.

### [Lack of ideas at the top over energy](#)

If there's one thing that stands out about the Ontario Power Authority (OPA), it's stagnant thinking in upper management. It had to be pushed and harried into accepting standard offer contracts, which make modest renewable energy projects feasible. It still hasn't thrown

its sizable weight fully behind demand reduction. A long time passed before it finally acknowledged that electricity from biomass was an important alternative. There's little indication that it has been looking ahead to peak oil and gas and planning new ways of accommodating energy demands. Most important, it hasn't strayed much from the 100-year-old template for generating electricity, which is designed around massive generating stations and extremely long and wasteful transmission lines.

It's not as if Ontario has the luxury of time to sort out the future. Not only are peak oil and gas imminent but, as noted last week, global warming may proceed faster than anticipated.

### [Enbridge wind farm wins okay](#)

Enbridge Inc. plans to start construction this summer on a major wind-power project in Bruce County, now that the Ontario Municipal Board has overruled residents fearing noise and unsightliness.

The 182-megawatt project, one of the largest wind farms in Canada, is expected to be completed by the end of next year. The municipal board ruled in favour of the project this week and the Ministry of the Environment has indicated the development complies with provincial noise guidelines.

### [Taming tornadoes to power cities](#)

Michaud has spent the past 40 years studying tornados and hurricanes, and is convinced it's possible to engineer and control powerful, full-scale whirlwinds and harness their energy to produce emission-free electricity.

Forget wind farms and their intermittent operation: the future of electricity generation could be tornado power on demand.

Michaud has adapted this process to create what he calls a vortex engine, and has patented the invention in both Canada and the United States. Recently, he formed a company called AVEtec Energy Corp. with an aim to turning this unconventional – and to many, unthinkable – approach to electricity generation into a commercial reality.

His challenge now is to persuade venture capitalists, energy executives and at least one community to back the construction of a full-scale vortex engine, capable of producing a power-packed funnel cloud that stretches kilometres into the atmosphere and runs on waste heat, ideally from a power plant.

### [\\$100 Oil Price May Be Months Away, Say CIBC, Goldman](#)

The \$100-a-barrel oil that Goldman Sachs Group Inc. said would prevail by 2009 may be only a few months away.

Jeffrey Currie, a London-based commodity analyst at the world's biggest securities firm, says \$95 crude is likely this year unless OPEC unexpectedly increases production, and declining inventories are raising the chances for \$100 oil. Jeff Rubin at CIBC World Markets predicts \$100 a barrel as soon as next year.

"We're only a headline of significance away from \$100 oil," said John Kilduff, an analyst in the New York office of futures broker Man Financial Inc. "The unrelenting pressure of increased demand has left the market a coiled spring." New disruptions of Nigerian or Iraqi supplies, or any military strike against Iran, might trigger the rise, Kilduff said in a July 20 interview.

### [Mexico, Venezuela oil slumps could hit U.S. supply](#)

Falling oil production in Venezuela and Mexico, Latin America's biggest suppliers of crude to the United States, could deepen U.S. reliance on shipments from the Middle East and Africa.

The outlook comes as a setback to the White House, which is hoping to reduce U.S. oil dependence on unstable regions.

"The best Mexico and Venezuela can hope for right now is to keep their production flat, but the more likely scenario is that we will see a decline," said Fadel Gheit, an analyst

with Oppenheimer and Co. "Someone has to fill that gap, whether it is Russia, the Middle East or West Africa."

### [Chinese firm still interested in oilsands](#)

China's biggest oil company appears to have changed its tone on its Canadian oilsands strategy, saying it plans to expand its co-operation with Canadian partners after a company official's comment in Calgary that it will slow down investment.

China National Petroleum Corp. has made an extensive study on oilsands resources and technology, and acquired exploration rights to 11 oil blocks in Alberta early this year, the parent of Hong Kong-listed PetroChina Co. said.

### [The Future Of Biofuels Is Not In Corn](#)

"Rural communities won't benefit from the Farm Bill becoming a fuel bill. In the long run, family farmers and the environment will be losers, while agribusiness, whose political contributions are fueling the ethanol frenzy, will become the winners," said Food and Water Watch Executive Director Wenonah Hauter.

"Rising oil prices, energy security, and global warming concerns have led to today's 'go yellow' hype over corn ethanol," explained Scott Cullen, Senior Policy Advisor for the Network for New Energy Choices. "But all biofuels are not equal. Expansion of the corn ethanol industry will lead to more water and air pollution and soil erosion of America's farm belt, while failing to significantly offset fossil fuel use or combat global warming."

The report, *The Rush to Ethanol: Not all BioFuels are Equal*, is a comprehensive review of the literature on the environmental and economic implications of pinning our hopes on corn ethanol to reduce dependency on fossil fuels.

### [Scotland: One-tenth of farm land earmarked by power firm for 'energy crops'](#)

More than one-tenth of Scotland's agricultural land could be used to grow crops for fuel under a scheme launched yesterday by one of the leading utility companies.

The move is a bid to cut emissions of greenhouse gases.

ScottishPower said it was seeking contracts with farmers to produce 250,000 tonnes of energy crops, which are fast growing cereals or willow coppice, to displace coal burned at its Cockenzie and Logannet power plants.

### [UK: 'Dutch disease' could shake the pound](#)

But has Britain itself metamorphosed into little more than a bank, just as Iceland has become a hedge fund? IMF data show that -- on paper -- the UK is now the world biggest "creditor" with claims of \$7.05 trillion.

This is not because we have any savings to lend out. Household debt is running at £1,300 billion, or 165 per cent of disposable income -- worse than America. No, this is the world's money, courtesy of the global credit bubble. Hats off to the City for netting these flows.

If you step back, however, is it not obvious that Britain has succumbed to a mutant strain of the Dutch Disease, the fate that befell Holland after it briefly struck rich on North Sea natural gas in the 1960s?

Countless countries have been through versions of this boom-bust saga: 19th-century Brazil with rubber, or 1970s Norway with oil, or imperial Spain with metals. The currency rises too far, warping the economy. The underlying commodity crashes.

Our disease is the great nexus of banks, hedge funds and private-equity firms stretching from Mayfair to Canary Wharf, collectively known as "Richistan" and so flush it could afford to pay £1 million or more in bonuses to 4,000 of its own last year.

Add the attendants -- accountants, florists, lawyers, chefs, estate agents and nannies -- who live off the machine and it becomes big enough to push the economy off kilter.

Richistan is the clearing house for globalisation, but aren't Dubai, Mumbai, Shanghai and a revived Tokyo all trying to create their rival cities to bag regional business? And what happens if the global mood changes?

### [Wall St smarties do it again: man-made monster escapes](#)

When the rocket scientists on Wall Street outsmart even themselves, bad things can happen. The 1987 stockmarket crash was fuelled by an institutional investment strategy that its creators ironically had termed "portfolio insurance".

The collapse of the giant hedge fund Long-Term Capital Management in 1998 was triggered by a sequence of market events that the fund's engineers believed couldn't occur in billions of years.

Today's version of Frankenstein turning on its creator is the mortgage loan mess. Wall Street in recent years has taken a simple concept - bundling mortgages and selling them to investors as interest-paying bonds - and concocted an alphabet soup of securities so incredibly complex they defy understanding by all but a handful of PhDs.

That complexity now is coming back to haunt the buyers of those securities, who for the most part are hedge funds and other big investors, not individuals. If you aren't sure what it is you own, you can't be confident about the thing's value. And in financial markets, if confidence dies, little else matters.

### [Homeowner Distress: Bernanke vs. the WSJ](#)

The two charts present different pictures of homeowner distress. Bernanke's chart shows loans that are 90 days delinquent (as of April and May); the WSJ's chart shows loans already in foreclosure. The WSJ chart clearly shows what we already know: the mortgage problems have spread to Alt-A.

### [Housing market 'wilting in the heat'](#)

Home builders had hoped the spring would provide some relief to a troubled housing market, but that key selling season has been a bust and demand has weakened even further so far this summer, Wall Street analysts said Monday.

"Our recent conversations with builders around the country find that housing demand has continued to wilt in the summer heat, with conditions sequentially worsening in the past four to six weeks," wrote Deutsche Bank analysts Nishu Sood, Lou Taylor and Rob Hansen in a research note.

"Pricing pressure persists, with many markets in list-price reduction mode, as builders struggle to find demand that continues to slow as a result of mortgage-market contraction," they added.

### [The Foreclosure Story: What does the Process Look Like?](#)



We all know that foreclosures are on the rise throughout the nation. Most people realize that a foreclosure means that you will lose your home. But how does this process look like? In reality, the foreclosure process is a drawn out and lengthy ordeal. It is a gut wrenching and personal nightmare for most folks. So this article is a story about a couple.

### [Trouble in Hedgefundistan: "Its gonna get a lot worse"](#)



In itself, a correction in real estate is not enough to bring down the whole economy. Unfortunately, the contagion from the subprime meltdown has spread to the stock market, the insurance industry, banking and pensions. Not even Secretary of the Treasury, Henry Paulson or Fed-master Ben Bernanke are claiming that the subprime problems are “contained” anymore. Just this week, the scholarly looking Bernanke said to Senators on the Hill that the housing market has “deteriorated significantly”.

It's about time. If anyone still has any doubts about the magnitude of fiasco, I recommend they look over these [eye-popping charts](#) which tell the whole story. The housing blowdown will spread the carnage from “sea to shining sea”.

The faltering housing market has drawn attention to an even more colossal credit bubble that is limping towards earth as loan requirements tighten and liquidity dries up.

The prevailing fear on Wall Street is that we may be seeing the beginning of a global credit crunch.

### [Moody's Finance Chief Sued by Investor Over Subprime Ratings](#)

Moody's Corp. Chief Financial Officer Linda Huber was sued by an investor who said Huber failed to disclose that Moody's assigned “excessively” high ratings to bonds backed by subprime mortgages.

Moody's investors paid artificially high prices for the company's stock because of Huber's “false and misleading” statements, Raphael Nach said in a complaint filed today in federal court in Chicago. Nach seeks to represent all investors who bought Moody's stock between Oct. 25, 2006, and July 10, 2007, and he asks for unspecified damages.

Moody's, Standard & Poor's and Fitch Ratings have been criticized by investors because their ratings on bonds backed by mortgages to people with poor or limited credit didn't reflect the highest default rate in 10 years. Some bonds backed by subprime mortgages fell by more than 50 cents on the dollar this year without their credit ratings changing.

### [AAA Grades on Subprime CDOs May Give Cold Comfort: Mark Gilbert](#)

Bundling mortgages into asset-backed bonds and then agglutinating those bonds into collateralized debt obligations sliced into different flavors of risk always smacked of a sophisticated pyramid scheme. As the foundations crumble, even the apex of the CDO market is looking shaky.

Investors who thought they were boxing clever by buying only AAA rated securities are about to discover that the top grade offers scant protection when a leveraged market melts down.

And the contagion threatens to infect the leveraged-buyout market, the stock market and, ultimately, the real economy.

### [CEOs See 'No Clear Signs' of Crisis as Woes Intensify](#)

On Wall Street, where the most lucrative credit markets are barely limping thanks to the worst housing slump in a decade, there isn't a chief executive officer who will tell you there is a crisis.

A few weeks after Merrill Lynch & Co. CEO Stanley O'Neal said he saw "no clear signs" that rising delinquencies on subprime U.S. mortgages were hurting the rest of the debt markets, borrowing costs for non-investment grade companies rose to the highest in nine months. ServiceMaster Co., US Foodservice and 19 other companies have canceled bond sales because nobody wants to buy them.

JPMorgan Chase & Co. CEO Jamie Dimon told investors on a July 18 conference call that waning demand for loans used in leveraged buyouts was "a little freeze." Two days later, an index that measures the default risk of the loans weakened to a record....

...."As a CFO you're paid to be optimistic when you talk to the Street," said Brad Hintz, a former Lehman CFO who is now an analyst at Sanford C. Bernstein & Co. in New York. "The brokerage industry has been running on eight cylinders, but it's not going to be running on eight cylinders."

### [Fannie, Freddie deepen involvement in subprime loan market](#)

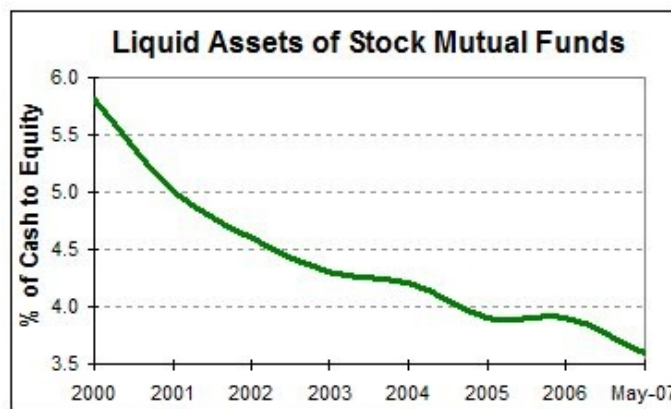
Fannie Mae and Freddie Mac are riding to the rescue of the subprime lending market.

The two large housing finance agencies are beefing up their business of guaranteeing subprime loans at a time when slack lending standards and falling home prices have translated into rising delinquencies and foreclosures among subprime borrowers.

Their involvement will provide alternatives for borrowers anxious to refinance out of existing mortgages that have or will reset to higher monthly payments.

Until recently, Fannie Mae was only involved marginally in guaranteeing subprime loans, while Freddie Mac had sidestepped the market altogether. But, the agencies are now stepping into the breach caused by a surge of defaults, foreclosures and subsequent caution that's set in on Wall Street where the bulk of the loans were packaged into tradable securities.

### [Money, Money Everywhere, and Not a Penny to Invest...](#)



The variable that the monetarists ignore is debt. They believe that as long as the cost of the debt (interest rate) is low, debt is irrelevant. But what they ignore is the size of the debt and the relationship of debt to the economy and markets. They ignore how heavy a burden debt is for the economy. Japan's example should be a clear example to everyone what can happen when debt levels get too heavy for an economy.

So, what does all of this have to do with the title of the report?

Wall Street talks about "excess liquidity" and a "liquidity build-up" as sources for future economic growth and stock market gains. But is there really a build-up of liquidity going on?

Since liquidity is the fuel for the economy, it makes sense to compare it to the economy, to see how full the tank is. Since 2000, the Fed has been feverishly pumping "excess liquidity" into the economy. But the ratio of M1 (liquidity, cash in the economy) to GDP (the economy) has been declining. Our research shows this is the lowest level of liquidity relative to the economy in the past 45 years. The economy is far from awash in cash.

But what is worse is the debt load the economy has to endure. Relative to the economy, the debt load has never been higher. The last time it was even close to this level, the Depression in the 1930's followed.

### [Debt Market Is Squeezing Private Equity](#)

After two years of rapid-fire deal making, private equity firms are finding it harder to get the job done.

Some 15 to 20 debt offerings — analysts' estimates vary — have been modified or postponed as anxious investors have demanded better terms for high-yield loans and bonds, the lifeblood of the leveraged buyout. Private equity firms have had to raise interest rates and sweeten the repayment — or risk having to withdraw the offerings entirely.

“It's the issuers who are over a barrel right now,” said Justin B. Monteith, an analyst with the research firm KDP Investment Advisors. “The market could go lower as people see how far they can push the issuers.”

Anxiety over securities backed by risky mortgage loans and rising interest rates has roiled the credit markets for several months. Now the contagion from those troubles seems to be spreading into other parts of the marketplace....

...In short order, one of the friendliest environments that private equity firms have seen in years has quickly grown hostile. Once they could command extraordinarily lenient terms from investors, making the debt used to fuel leveraged buyouts quite cheap. So-called covenant-lite loans, which have few restrictions on repayment, blossomed, as did pay-in-kind toggles, bonds that could be repaid by issuing more debt.

Now, analysts say, investors have shunned that easy debt, forcing buyout firms to pay more to get their deals done.

### [Citi May Be Stuck With Bridge Loans](#)

On four deals in the second quarter, Citigroup was unable to sell debt to investors, leaving the world's biggest bank and its peers holding so-called bridge loans on their balance sheets, said CFO Gary Crittenden. Citigroup and other lenders will have to pay more to get investors to swallow the risky debt, and the bank took a revenue hit in the second quarter as a result, he said.

In the third quarter, Citigroup is likely to find itself in similar situations with other deals, which likely "will impact our revenue," Mr. Crittenden said in an interview. He added on a conference call with analysts that the bank has some exposure to so-called equity bridges, in which the bank takes direct equity stakes in companies that are being bought out with the aim of later selling those stakes on to other investors. Such positions are considered especially risky.

### [Money is Also Destroyed](#)

If money can be created from thin air, the opposite is also true: it can be destroyed as

well. Usually it is the Federal Reserve System that does the creating, but the destruction comes by other means. Bear Stearns' hedge fund investors have found this out the hard way. Two of its funds recently went belly up, taking 100% of investors' capital with them. One of the funds, the Bear Stearns High-Grade Structured Credit Strategies Enhanced Leverage fund, reported \$638 million of investor capital in the first quarter. Today nothing remains.

How can money so quickly and effectively be destroyed? To understand this, we have to understand how the money was created in the first place....

....In fact, a key point here is that the Fed is not really creating money, but credit. In truth, money is a physical commodity. Credit is simply the ability to buy something. Today credit functions as money, so it is difficult to tell the difference, but this was not, and will not always be the case.

If the Fed had actually printed bills (rather than made electronic book entries) for each dollar it created, those dollars would still be circulating in the economy and inflation would be much higher. As it is, the Fed can create credit, and those closest to the source of that credit creation – banks and government contractors – reap the greatest benefits. As the credit works its way through the system, it 1) causes general inflation, and 2) finds its way into weaker, less experienced hands – the likes of Mr. Jones and his subprime mortgage, or the average investor chasing internet stocks. In these weak hands, it can easily be manipulated to destruction.

### [Subprime exposure weighs on forecast for CIBC](#)

Continued weakness in securities related to U.S. subprime housing will likely force the Canadian Imperial Bank of Commerce to mark down its exposures in this area, an RBC Capital Markets analyst said in a note Monday.

Analyst Andre-Philippe Hardy lowered his expectations for CIBC's third-quarter earnings as a result of his subprime concerns.

Most of the bank's securities are held in its mark-to-market trading book, he said in the note to clients.

### [DeFazio asks, but he's denied access](#)

"I just can't believe they're going to deny a member of Congress the right of reviewing how they plan to conduct the government of the United States after a significant terrorist attack," DeFazio says.

Homeland Security Committee staffers told his office that the White House initially approved his request, but it was later quashed. DeFazio doesn't know who did it or why.

"We're talking about the continuity of the government of the United States of America," DeFazio says. "I would think that would be relevant to any member of Congress, let alone a member of the Homeland Security Committee."

Bush administration spokesman Trey Bohn declined to say why DeFazio was denied access: "We do not comment through the press on the process that this access entails. It is important to keep in mind that much of the information related to the continuity of government is highly sensitive."

Norm Ornstein, a legal scholar who studies government continuity at the conservative American Enterprise Institute, said he "cannot think of one good reason" to deny access to a member of Congress who serves on the Homeland Security Committee.

"I find it inexplicable and probably reflective of the usual, knee-jerk overextension of executive power that we see from this White House," Ornstein said.

### [Despite outcry, many Americans can't live without China goods](#)

Sara Bongiorno, a journalist and author of "A Year Without 'Made in China,'" which tells of a yearlong effort by her family in 2005 to avoid buying any Chinese-made products, said the experiment showed how intertwined the two big economies are.

"We can live without Chinese imports, sort of," she wrote, while adding: "Swearing off Chinese products forever seems impractical, since it might mean we'd never again buy a cell phone, a squirt gun, or one day maybe even a television. We don't want to give up those things for good."

### [In West China, Saving the Go Go Juice](#)

In the western world a truck would follow the workers as they proceeded through the fields to collect the harvest, but here the truck stays parked and the produce is walked to the truck. Everything is brought to a central area. That truck stays in the same spot until full—engine shut off instead of idling and moving--and then heads to the wholesale market. The harvesting, planting and fertilizing are all done by hand with dozens of workers in each field at a time. Pesticides and fertilizers are applied by hand walking with a pack sprayer on the back, a completely manually powered pumping system. Irrigation is similar with workers loading water into buckets of various sizes and carrying it to the plants or pouring it into the irrigation troughs. Again most of the fuel usage is taken out of the farming process. I only ever saw tractors called tuo-la-ji--a two wheeled machine doing work in place of humans--and that was plowing the fields.

### [Going West in China](#)

The Chinese government continues the Go West Campaign. It is designed to convince those who are heading into big cities looking for work to go to the western cities and spur the same economic boom that is occurring along the east coast. This includes upgraded and new infrastructure, additional energy generation, and the intensification of natural resource extraction in the western regions.



Every road throughout the nation is being refinished with concrete. From highways to one lane roads that were formerly dirt, nearly every road in every province is being upgraded to allow movement of goods and people at a faster pace. This would account for China's usage of 45% of the world's cement year upon year. This is expected to grow at an average annual rate of 8.5% (or 90 million metric tons) during the 2006-2007 period....

...The new hydroelectric power sources will be for mining operations in the western portions of China as resource extraction heats up. China's internal mining capacity will only keep consumption of metals for manufacturing at the break even point. Mining as an industry has seen 20% growth year on year. Antimony and Molybdenum along with Gold, Silver, Copper, Aluminum, Zinc, Nickel and Lead are leading the growth.

Roads leading to the Myanmar border are being expanded to four lanes as new sea ports and oil loading platforms are within easy reach and accessible in the Bay of Bengal from the west of China.

### [Gas pipeline in Brazil seen as a model](#)

"Prior to the discovery at Urucu, all petroleum produced in South America came from oil fields close to the Andes. But Urucu is situated more than 1,000 miles to the east ... and everything in between must now be considered to have hydrocarbon production potential," says Tim Killeen a senior researcher at Conservation International. "If this is not done right, we are going to lose the most important part of the most important forest on the planet."

The Urucu pipeline project is especially key since it comes at a time when Latin American leaders are looking toward energy integration projects – such as Venezuelan President Hugo Chávez's "Pipeline of the South," the 5,000-mile, \$20 billion pipeline that would transport gas across the entire continent – plans that some have compared to the cutting up of the American West to lay down railways.

### [Tibet's warming trend gaining pace, study says](#)

Tibet, the mountainous region whose snows and glaciers give birth to several of Asia's major rivers, is warming at an alarming rate, China's state media reported Sunday, citing a new survey....

...The report is the latest sobering indication of climate change on the plateau, which scientists say could have a severe impact on the sustainability of water supplies in the region due to accelerated warming of glaciers and decreasing snow cover.

Another official study in January said the region's glaciers have been melting at an average rate of 131.4 square kilometres (50 square miles) per year over the past 30 years, and could be reduced by half by 2090.

Among the many rivers that start from the Tibet plateau are the Yangtze, Ganges, Mekong, Brahmaputra, and Indus.

## [FEMA Knew Of Toxic Gas In Trailers](#)

The Federal Emergency Management Agency since early 2006 has suppressed warnings from its own field workers about health problems experienced by hurricane victims living in government-provided trailers with levels of a toxic chemical 75 times the recommended maximum for U.S. workers, congressional lawmakers said yesterday.

A trail of e-mails obtained by investigators shows that the agency's lawyers rejected a proposal for systematic testing of the levels of potentially cancer-causing formaldehyde gas in the trailers, out of concern that the agency would be legally liable for any hazards or health problems. As many as 120,000 families displaced by hurricanes Katrina and Rita lived in the suspect trailers, and hundreds have complained of ill effects.

On June 16, 2006, three months after reports of the hazards surfaced and a month after a trailer resident sued the agency, a FEMA logistics expert wrote that the agency's Office of General Counsel "has advised that we do not do testing, which would imply FEMA's ownership of this issue." A FEMA lawyer, Patrick Preston, wrote on June 15: "Do not initiate any testing until we give the OK. . . . Once you get results and should they indicate some problem, the clock is running on our duty to respond to them."

## [An Earth without people](#)

What would happen to the world if all of humanity suddenly disappeared?

Would the world live on without us? Would it be better off? What sort of lasting imprint would we leave behind, with all our great cities and monuments, our polymers and plutonium, suddenly and forever abandoned by a certain dominant mammal?

Veteran journalist Alan Weisman takes that thought experiment and runs with it to fascinating effect in his compulsively readable new book, *The World Without Us* (HarperCollins, \$32). This is an environmental work, steeped as much in science as bleak speculation, but it departs from many of the contemporary jeremiads in its lyrical writing and oddly non-threatening premise.



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