

The Oil Drum: Canada

DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

The Round-Up: September 14th 2007

Posted by [Stoneleigh](#) on September 14, 2007 - 7:09am in [The Oil Drum: Canada](#)

Topic: [Miscellaneous](#)

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Today's Round-Up focuses on disappearing acts. First, out of \$12 billion in \$100 bills that were physically flown from the New York Fed to Baghdad, \$9 billion are missing. Second, more of life on earth is vanishing - the updated Red List of endangered species shows a large increase in species in critical condition.

In the world of finance, the next month is full of key moments, where debts will have to be covered, paper of various sorts matures, hedge funds will need to fork over lots of cash to investors who want out, and take-over deals will come under scrutiny. It looks like trillions of dollars could disappear from the markets before the end of the year.

And Greenspan had no idea. None. Now there's a mystery.

[Billions over Baghdad](#)



Illustration by John Blackford. By Peter van Agtmael/Polaris (desert), Konstantin Inozemtsev/Alamy (money)

Between April 2003 and June 2004, \$12 billion in U.S. currency much of it belonging to the Iraqi people was shipped from the Federal Reserve to Baghdad, where it was dispensed by the Coalition Provisional Authority. Some of the cash went to pay for projects and keep ministries afloat, but, incredibly, at least \$9 billion has gone missing, unaccounted for, in a frenzy of mismanagement and greed. Following a trail that leads from a safe in one of Saddam's palaces to a house near San Diego, to a P.O. box in the Bahamas, the authors discover just how little anyone cared about how the money was handled.

Hidden in plain sight, 10 miles west of Manhattan, amid a suburban community of middle-class homes and small businesses, stands a fortress-like building shielded by big trees and lush plantings behind an iron fence. The steel-gray structure, in East Rutherford, New Jersey, is all but invisible to the thousands of commuters who whiz by every day on Route 17. Even if they noticed it, they would scarcely guess that it is the largest repository of American currency in the world.

On Tuesday, June 22, 2004, a tractor-trailer truck turned off Route 17 onto Orchard Street, stopped at a guard station for clearance, and then entered the eroc compound. What happened next would have been the stuff of routine procedures followed countless times. Inside an immense three-story cavern known as the currency vault, the truck's next cargo was made ready for shipment.

With storage space to rival a Wal-Mart's, the currency vault can reportedly hold upwards of \$60 billion in cash. Human beings don't perform many functions inside the vault, and few are allowed in; a robotic system, immune to human temptation, handles everything. On that Tuesday in June the machines were especially busy. Though accustomed to receiving and shipping large quantities of cash, the vault had never before processed a single order of this magnitude: \$2.4 billion in \$100 bills.

'Life on Earth is disappearing'

Stark warning of extinction list

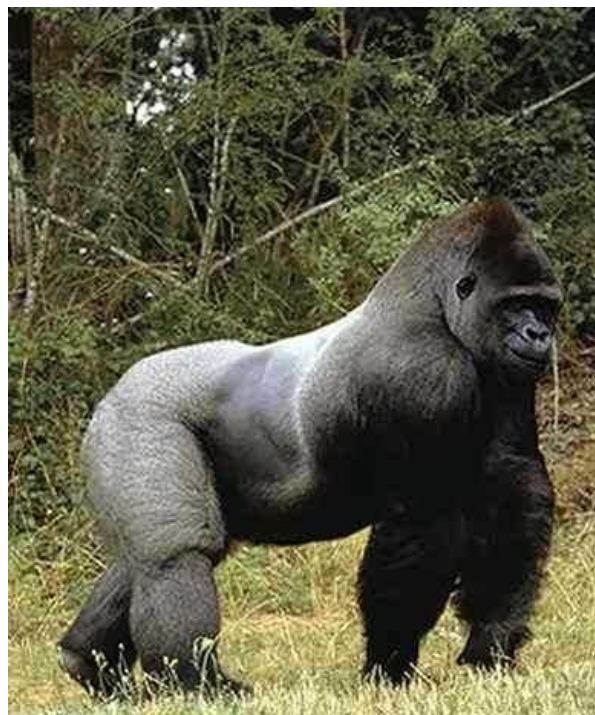
Gorillas, vultures, corals, Asian crocodiles and even seaweeds are joining thousands of other species on the slide towards extinction, according to the latest edition of the Red List, the international catalogue of threatened wildlife, published yesterday.

In the past 12 months there have been nearly 200 added to the list, which is published by the Swiss-based International Union for the Conservation of Nature (IUCN), taking the number of threatened species worldwide from 16,118 to 16,306. This means that one in four of the world's mammals, one in eight birds, one third of all amphibians and 70 per cent of the world's assessed plants on the current list are in now in jeopardy. "Life on Earth is disappearing fast and will continue to do so unless urgent action is taken," the IUCN said yesterday.





The Red List is recognised as the most reliable evaluation of the conservation status of the world's species. It classifies them according to their extinction risk, through the categories extinct, critically endangered, endangered and vulnerable. Once an organism is classified as critically endangered, extinction is very close.



A grim statistic contained in the latest list is that the western gorilla (*Gorilla gorilla*) has moved from endangered to critically endangered, after the discovery that the main subspecies, the western lowland gorilla (*Gorilla gorilla gorilla*), has been severely depleted by the commercial bushmeat trade, and the Ebola virus. Their population has declined by more than 60 per cent over the past 20 to 25 years, with about one third of the total population found in protected areas killed by the Ebola virus over the past 15 years.

The change has been revealed in a depressing reassessment of the status of the great apes, which shows the orang-utan, in particular, to be in desperate trouble. The

Sumatran orangutan (*Pongo abelii*) remains in the critically endangered category and the Bornean orang-utan (*Pongo pygmaeus*) in the endangered category. Both are threatened by habitat loss due to illegal and legal logging and forest clearance for palm oil plantations.

[Crucial month as credit crisis reaches critical stage](#)

What started as an isolated problem of mainly poor American borrowers defaulting on their mortgages is slowly but surely gumming up the whole financial system as nervous banks stop lending money. A hundred years ago it might have triggered a run and a pistol shot in the bedroom, but even in today's more sophisticated markets the City's nerves are obvious.

Hans Jorg Rudloff, chairman of Barclays Capital, said the markets had suffered a heart attack this summer. He said the next four to six weeks would be crucial in determining whether frozen money markets would get back on their feet. "Trading of assets has to be resumed. If we stay stuck, the patient is going to die," he warned.

[Confidence vs. Liquidity](#)

Banks and lending institutions are essentially "all in". In fact, with leverage they are more than "all in" as a Duration Mismatch is Causing Severe Stress Everywhere Banks are very short of cash as what we are seeing is tantamount to margin calls in illiquid assets. But as Bove suggests, borrowing from the Fed at a marginally lower rates does not fix that problem....

....Liquidity (in the form of credit) and confidence are two sides of a double headed coin as well as two sides of a double tailed coin. Confidence and liquidity are both cowards that flee when problems arise. As long as there was confidence in housing there was plenty of credit for loans. Once confidence in housing dropped, liquidity did too. The same scenario is now playing out in junk bonds and LBOs. There is no liquidity without confidence and nor is there confidence without liquidity. Overconfidence and anything goes liquidity work hand in hand. One look at covenant lite deals, junk funding for stock buybacks, and enormous LBOs that make no economic sense should be proof enough. When confidence died, so did liquidity for the deals.

[Big 'asset bubble' may burst](#)

Speeches by U.S. President George Bush and Federal Reserve Chairman Ben Bernanke aimed at calming turbulent stock markets could merely delay what one international economic group is calling "nothing less than one of the biggest asset bubbles in history."

The Economist Intelligence Unit, a London-based arm of the group that publishes The Economist magazine, predicts a 30-per-cent chance of a U.S. recession, deteriorating global financial conditions and weakening U.S. demand -- and, if things get bad enough, severe economic repercussions for the world economy."

The day before the choreographed talks by Bush and Bernanke, a far more proactive message from Georgia Sen. Johnny Isakson warned that the U.S. Congress was prepared to tighten lending practices if the mortgage and banking industry doesn't.

[Alistair Darling attacks banks' reckless lending](#)

In an interview with The Daily Telegraph, the Chancellor signals the end of the era of easy money, calling on large international banks to think about returning to "good old-fashioned banking".

Alistair Darling, the Chancellor, today launches an attack on banks for lending too freely and allowing consumer debt to spiral to record levels.

People should consider the consequences more carefully before signing up to loan deals, he says.

His remarks will be seen as a watershed, marking the end of the credit boom that has characterised most of Labour's decade in office.

[Chancellor wants G7 to tighten credit rules](#)

Europe's leading finance ministers, led by Alistair Darling, Chancellor of the Exchequer, are to ask the G7 group of industrialised economies to examine a new, transatlantic regulatory agreement to help maintain global financial stability and avoid a repeat of the current liquidity crisis that has paralysed parts of the world's money markets....

...Top of the agenda this weekend, however, will be how to make the banking system more transparent and open from a regulatory standpoint so banks can have more confidence in lending to each other. The discussions will also look at the regulation of banks' off-balance sheet investment vehicles which lie at the heart of the current crisis. Questions will also be asked about the role of the credit rating agencies.

[SIVs repo what they sow](#)

As SIVs face judgement week in rolling over their short term debt, most will be presented with a stark choice: draw down on bank credit lines or sell assets. The first of those two options varies in its usefulness from SIV to SIV. Conduits - which are SIVs run by and for banks - have committed liquidity lines to cover all their short term debt. They, at least, have the luxury of knowing they can pay off their debts without selling assets at a loss.

But non bank-run SIVs typically have a credit facility only capable of covering peak outflows for just one week in any given year. So once those credit lines are exhausted they're right back where they were before. In their case, drawing down credit from banks is a bit like trying to stop arterial spray with an elastoplast.

[Bank of England plans unprecedented bailout of mortgage lender](#)

The Bank of England will on Friday bail out Northern Rock by providing emergency funding to the beleaguered mortgage lender, which has fallen victim to the liquidity squeeze in the banking sector.

In an unprecedented move, the bank, working with the Financial Services Authority and the Treasury, will step in to prop up Northern Rock by providing it with a short-term credit line that will allow it to carry on operating. The bailout, which has been approved by the chancellor of the Exchequer, is the most dramatic illustration to date of how the British banking sector is being hit by the wave of market turmoil that has paralysed the money markets.

It will lift the uncertainty that has been hanging over Northern Rock's future for much of the past month because it could not access the wholesale funding upon which it is heavily dependent. The bank is also expected to reassure thousands of the bank's customers that their deposits are secure.

[As world financial order tumbles, Wall Street tires of accountability](#)

Having brought the international financial system nearly to its knees by foisting unregulated junk derivatives on an unsuspecting world, Wall Street is rebelling against regulation, transparency, and accountability. The rebellion is laid out in the Wall Street Journal story appended here, which describes the new private stock markets under development. Look for the Brooklyn Bridge IPO to open at \$12.

[Central banks split over credit squeeze](#)

A clear divide between the world's leading central banks over how best to respond to the credit squeeze emerged on Wednesday after Mervyn King, Bank of England governor, warned that efforts by his counterparts to shore up the financial system could sow "the seeds of a future financial crisis".

In a trenchant defence of the Bank's refusal to address the abnormally high interest rates for longer-term lending between banks, Mr King questioned the effectiveness of the kind of measures taken by the European Central Bank and said their approach could encourage "excessive risk-taking".

[Pirate Capital Bars Withdrawals From Two Hedge Funds](#)

Pirate Capital LLC, the hedge-fund manager run by Thomas Hudson, barred withdrawals from its two Jolly Roger Activist funds after the firm's assets declined by almost 80 percent in the past year.

Pirate designated the four stocks held by the funds as "special investments," meaning that clients won't be able to get money back until they are sold, according to an Aug. 31 letter to investors.

[Japan Hedge Funds Have Worst Month in 7 Years](#)

Hedge funds investing in Japan had their worst monthly performance for seven years in August, as global stock-indexes fell on fallout from U.S. subprime mortgage defaults, according to Eurekahedge.

The Eurekahedge Japan Hedge Fund Index, which tracks 124 funds investing in Japan, fell 3.4 percent in August -- the biggest drop since it started in January 2000, according to Eurekahedge, a Singapore-based hedge-fund research and publishing company.

[Fed mulls options in tackling liquidity problem](#)

As Federal Reserve policymakers look ahead to next week's decision on interest rates, staff at the central bank are continuing to work on other potential steps that could be taken to address liquidity problems in financial markets.

The possible steps range from the relatively orthodox – a disproportionately large cut in the discount rate at which the Fed lends directly to banks – to more unorthodox measures.

At issue is whether it would be worth the Fed dusting down some rarely used tools – or improvising new ones – to help it reach beyond the banking system and channel liquidity to where it is needed most....

....Mr Berner said **the Fed's main concern would be to ensure it did not end up taking any credit risk** and that any unorthodox arrangements were truly temporary.

"It is like a military operation – you need an exit strategy," he said.

[Partying Past The Subprime Hangover](#)

Americans are still borrowing money, in other words – even at higher rates and on stiffer terms.

This is hardly good news. It can hold an economy together for a while, we guess – but not for very long.

Not that the feds aren't determined to hold off the much-needed correction – in the worst possible way. What is the worst possible way to postpone a correction caused by too much debt? Give them more credit, of course!

So far, the central banks have cut the discount rate...and word on the street is that they'll probably cut the key Fed funds rate the next time they meet. And here comes Senator Charles Schumer of New York with more flim-flam – a bill to allow Fannie Mae (NYSE: FNM) and Freddie Mac (NYSE: FRE) to buy larger mortgages. Fannie and Freddie were set up to help people of modest means buy houses, by taking the credit risk off the hands of those who deserve it and spreading it out among investors and taxpayers. But we live in an age of Marxism for everyone. So now the rich, too, will get more credit from the taxpayers. That is the real genius of the present bubble – it allows buyers to buy what they don't need with money they don't have...while the financial intermediaries – lenders and speculators – are able to make their fees and pass along the risks to pensioners, investors, and taxpayers.

[Credit rout far from over](#)

Speaking in an interview, Ray McDaniel, chairman and chief executive of Moody's Corp., said the crunch time for the U.S. sub-prime mortgage sector -- the driving force behind the meltdown -- is only now getting going.

"We are just at the beginning of the peak mortgage reset period," Mr. McDaniel said, referring to a key feature among U.S. subprime mortgages where short-term "teaser rates" get bumped up to much higher longer-term rates, that increasingly are proving unaffordable for the homeowners.

On a visit to Toronto, the head of the New York-based debt rating giant said a major chunk of the massive subprime mortgage market in the United States will convert to higher, often double-digit rates, over the next six months.

"I think we have a period still to go where this has to work out. Unfortunately, the most stress is going to be on people with fewer resources," Mr. McDaniel said.

Mr. McDaniel said one casualty is the huge asset-backed commercial paper market in the United States, which has already shrunk 10% over the past six weeks.

[Bernanke is doing an excellent job: Greenspan](#)

Mr. Greenspan said he knew about questionable lending practices that were leaving subprime borrowers with adjustable rate loans vulnerable to harm from rising interest rates, but did not recognize those loans would trigger broader problems, CBS said. Such loans are extended to borrowers with poor credit.

"While I was aware a lot of these practices were going on, I had no notion of how significant they had become until very late," Mr. Greenspan said.

"I really didn't get it until very late in 2005 and 2006," he added.

[Greenspan Concedes Mortgage Dilemma](#)

Some blamed Greenspan's interest rate policies for feeding the housing frenzy. Sales had hit record highs and house prices galloped from 2001 to 2005. Then the market fell into a deep slump.

The Greenspan Fed from early 2001 to the summer of 2003 had slashed interest rates to their lowest level in decades. It was done to rescue the economy from the blows of the bursting of the stock market bubble, the 2001 recession, the terror attacks and a wave of accounting scandals that shook Wall Street.

Critics say the Fed kept rates too low for too long, encouraging a Wild West mentality in housing.

[Greenspan In Trouble For Double Bubbles](#)

"By failing to crack down on the mortgage industry, he allowed subprime hucksters to peddle dubious loans, which the financial industry's math whizzes packaged for investors."

Based on his experience during the dot-com boom and bust, Greenspan should have known that "the best way to control a speculative boom is to prevent it from developing in the first place," Cassidy adds.

"For a Fed chairman to have one speculative bubble inflate during his tenure is an indictment; to have two of them qualifies him as a serial bubble blower." The disparaging article comes as Greenspan's eagerly anticipated memoir, "The Age of Turbulence," is being released.

[European Bank still assessing credit fallout](#)

European Central Bank emphasized on Thursday it needed more time to assess the fallout from recent turbulence on global credit markets but policymakers said they are ready to tackle inflation dangers if needed.

As the euro scaled a fresh record high against the U.S. dollar, the ECB highlighted the current uncertainty fuelled by problems with risky U.S. mortgages that spread around the global financial system.

[Analysis of a Society That Forces You Into Debt](#)



We live in a society where folks are forced to go into debt. Instead of addressing our negative savings rate, corporate America decides to create credit products that will put you even further in debt. They use the machines of marketing to subtly make you feel that having 10 credit cards, student loan debt, and steroid induced mortgages is okay. In fact, if you don't have these products you are some loser flunky that simply doesn't understand success 2.0 in this country.

[College Students, Welcome to a Lifetime of Debt!](#)

Colleges and universities today are turning teenagers into full-fledged citizens of our economy by introducing them to a lifetime of debt.

Welcome to Fleece U., where our mission is to take feckless teenagers such as yourselves and turn them into full-fledged citizens of our economy, meaning, of course, debtors.

[Commercial Real Estate Abyss](#)

With leasing sluggish, especially in the northwest suburbs, lowering rents to attract tenants will lower properties' financial performance and threaten property values. This makes it difficult to pay off loans that in recent years have covered as much as 95 percent or more of a building's cost. As rents diminish and credit rating agencies lower the extravagant asset value assessments of recent years, an owner could be holding a building that is worth less than the amount owed on it.

"For landlords, it's a vicious cycle," said Joseph Cosenza, vice chairman of the Inland Real Estate Group of Cos. in Oak Brook. The more landlords lower rents, the more property values sink.

Then, "if a landlord can't sell a building and can't afford to pay the 95 percent leverage on it plus operating expenses, they're likely to default," he added. "If they give buildings back to the lender that could cause credit problems throughout the country."

[Countrywide lines up \\$12-billion financing](#)

Countrywide Financial Corp. , the largest U.S. mortgage lender, said Thursday that it had lined up \$12-billion (U.S.) of secured financing to help cope with a housing slowdown that has reduced loan demand and will lead to widespread layoffs.

The company's shares rose as much as 9.8 per cent in early trading.

Countrywide said it had recently lined up the financing through new or existing credit facilities. Last month, it drew down \$11.5-billion from credit facilities because it was unable to sell short-term debt to fund regular operations.

[Sub-prime woes hit US lender GMAC](#)

The sub-prime mortgage downturn has now hit a number of firms Finance firm GMAC has had to take out a \$21.4bn (£10.1bn) loan as it becomes the latest lender to reveal the impact of the US sub-prime mortgage crisis....

....The crisis in the sub-prime mortgage sector has caused a shortage of global credit as banks are unwilling to lend money until the full impact of the situation is known.

Banks have also been putting aside funds to cover any of their own exposure to the sub-prime downturn.

[Mortgage Lender's Bankruptcy May Threaten Thousands of Homeowners](#)

Thousands of homeowners face an "imminent risk" of losing their homes because of clashes between American Home Mortgage Investment Corp. and its former financial backers, according to Freddie Mac, a government-chartered housing financier.

In documents filed with the U.S. Bankruptcy Court in Wilmington, Del., Freddie Mac said it seized \$7 million that homeowners sent to American Home to cover principal and interest payments, property taxes and insurance just before the company's Aug. 6 collapse. American Home quit making payments to tax authorities and insurance companies Aug. 24.

Freddie Mac said 4,547 loans valued at nearly \$797 million are at stake. It said it doesn't have the loan files necessary to pay insurance premiums and property taxes on them, however. "Therefore, there is the imminent risk that borrowers' insurance policies may lapse for nonpayment, subjecting the borrowers to a risk of loss of their mortgaged properties," Freddie Mac said.

Property-tax bills will go unpaid, Freddie Mac said, "resulting in increased tax liabilities and possible tax-foreclosure sales."

[Massive Motown foreclosure auction: 700 homes at once](#)

Nearly 700 homes in the Detroit area will be auctioned on Sept. 21 through Sept. 23, one of the biggest home auctions ever.

Rising default rates in the economically hard-hit, auto-industry town have riddled the Detroit housing market. There's an abundance of bank-owned properties available for sale.

A cute cottage in Highland Park may sell for less than a decent used car.

[The Insurance Hoax](#)

The 60 million U.S. homeowners who pay more than \$50 billion a year in insurance premiums are often disappointed when they discover insurers won't pay the full cost of rebuilding their damaged or destroyed homes. Property insurers systematically deny and reduce their policyholders' claims, according to court records in California, Florida, Illinois, Mississippi, New Hampshire and Tennessee. The insurance companies routinely refuse to pay market prices for homes and replacement contents, they use computer programs to cut payouts, they change policy coverage with no clear explanation, they ignore or alter engineering reports, and they sometimes ask their adjusters to lie to customers, court records and interviews with former employees and state regulators show. As Mississippi Republican U.S. Senator Trent Lott and thousands of other homeowners have found, insurers make low offers--or refuse to pay at all--and then dare people to fight back.

"It's despicable not to make good-faith offers to everybody," says Robert Hunter, who was Texas insurance commissioner from 1993 to '95 and is now insurance director at the Washington-based Consumer Federation of America. "Money managers have taken over this whole industry. Their eyes are not on people who are hurt but on the bottom line for the next quarter."

[Soup Kitchen, USA](#)

"Credit booms do not end in inflation as most people believe. Credit booms ARE inflation that end in deflation. This credit boom is not any different."
Mike Shedlock, "Mish's Global Economic Trend Analysis"

Maybe the charade could have carried on a bit longer if not for the belligerent Bush foreign policy that has alienated friends and foes alike. But, then, maybe not. After all, the Fed's loose monetary policies added to Bush's extravagant spending---\$3 trillion added to the National Debt in just 6 years--- doomed the country from the beginning. Deficit spending has been the central organizing principle from day 1. Now comes the hangover.

Bernanke is expected to drop the Fed funds rate on September 18. The move will

provide more "easy credit-crack" for the addicts on Wall Street but it could also trigger a run on the dollar. That's what keeps the Fed-chief up at night.

[Consumers turn to plastic as home loans slow](#)

Consumers are carrying a record \$907 billion in credit card debt, and that looks likely to jump now that the housing slump has blunted another popular financing tool -- home equity loans.

Americans cashed out hundreds of billions of dollars in home equity as credit came cheap in a five-year housing boom that ended about 18 months ago.

Now, with the subprime mortgage mess triggering tighter financing terms and home prices falling in some regions, the home-as-ATM trend is slowing, threatening to curb the consumer spending that drives two-thirds of the U.S. economy.

[DBRS changes tune on asset-backed paper](#)

A month after a string of major banks declined to heed pleas for emergency liquidity from beleaguered issuers of asset-backed commercial paper, the only rating agency offering opinions on the market says it is changing its mind about how it evaluates such liquidity arrangements.

Dominion Bond Rating Service yesterday announced that in order to get its highest score, issuers of asset-backed commercial paper (ABCP) will now be required to get so-called global-style liquidity, where the providers have no option but to step in with support in the event of a market meltdown.

[A former saviour's rescue skills are sought again](#)

Now Mr. Crawford is being asked to work his magic again. This time he has been appointed to advise some of Canada's biggest pension and money market fund executives who are struggling to rescue an estimated \$35-billion of asset-backed commercial paper ravaged by a global liquidity crisis. At stake is the financial health of investors - primarily pension funds such as the Caisse de dépôt et placement du Québec - which are major owners of the commercial paper.

Like Dome Petroleum 25 years ago, the commercial paper crisis is a big, scary international mess. Although Mr. Crawford currently has the backing of a majority of the commercial paper's owners and the quiet support of the Bank of Canada and the Department of Finance, more than a few players fear the crisis may be too formidable, complex and fragile even for the veteran problem solver.

[Extended mortgages keep housing market pumped](#)

The residential housing market is on steroids.

This is not a metaphorical comment on how strong the market is. In fact, the financial equivalent of steroids is helping to keep people buying homes despite the fact that they're getting increasingly less affordable.

The technical name for the homebuyer's little helper is the extended amortization mortgage, which lengthens the time it takes to repay a home loan to 30, 35 or 40 years from the traditional 25. These mortgages shrink your payments, even while they extend them in years and lard in tens of thousands of dollars in extra interest. Net effect: Home buying is more affordable.

Extended amortization mortgages are such a factor in the marketplace that RBC Economics cited them in a report yesterday, saying housing affordability experienced one of the largest and broadest quarterly drops since the mid-1990s. Prices are soaring way beyond income gains, but extended mortgages are taking the edge off by keeping actual payments manageable.

[Dodge targets rating agencies over credit crunch](#)

David Dodge, the Bank of Canada governor, signalled yesterday that he remains on high alert in monitoring the global liquidity squeeze, warning that markets are not out of the woods yet.

In his first public comments since the liquidity squeeze walloped markets last month, the governor took aim at rating agencies for not being clear in their analysis of non-traditional securities; investment dealers for selling less-than-transparent debt products; and investors for not doing their homework.

[But homes in Edmonton, Saskatoon most overvalued](#)

The report, written by Bank of Nova Scotia economist Adrienne Warren, looked at 15 cities across the country and calculated the percentage that real house prices have deviated from their historical averages. It found that in all markets, with the exception of St. John's, current inflation-adjusted price levels are well above their long-term trend.

The average deviation across the country was about 8 per cent, but with wide regional variations. Edmonton, where the oil boom has spurred a massive jump in housing sales, starts and prices, led the pack, with a deviation of 25 per cent. Saskatoon, another Western city that has climbed aboard the resource price rally, has deviated 21 per cent.

"The further domestic home prices climb above underlying economic fundamentals, the greater the risk of an eventual correction," the report said.

[Dodge chides markets](#)

Credit-rating agencies, investors and dealers need to change their ways so that they can get a grip on the complexity of today's financial markets, Bank of Canada Governor David Dodge says.

"Investors should not rely simply on the pronouncements of rating agencies to deliver their seal of approval!" Mr. Dodge said in a speech in London that detailed how Canada's central bank saw the credit crunch unfold and seize capital markets around the world.

Mr. Dodge characterized the problems as "a fairly major bump in the road," and blamed the credit problems on a widespread lack of knowledge about the risks involved in the trading of increasingly complex securities.

[American Economy: R.I.P.](#)

What does it mean that the US has a \$800 billion trade deficit?

It means that Americans are consuming \$800 billion more than they are producing.

How do Americans pay for it?

They pay for it by giving up ownership of existing assets--stocks, bonds, companies, real estate, commodities. America used to be a creditor nation. Now America is a debtor nation. Foreigners own \$2.5 trillion more of American assets than Americans own of foreign assets. When foreigners acquire ownership of US assets, they also acquire ownership of the future income streams that the assets produce. More income shifts away from Americans.

How long can Americans consume more than they can produce?

American over-consumption can continue for as long as Americans can find ways to go deeper in personal debt in order to finance their consumption and for as long as the US dollar can remain the world reserve currency.

The 21st century has brought Americans (with the exception of CEOs, hedge fund managers and investment bankers) no growth in real median household income. Americans have increased their consumption by dropping their saving rate to the depression level of 1933 when there was massive unemployment and by spending their home equity and running up credit card bills. The ability of a population, severely impacted by the loss of good jobs to foreigners as a result of offshoring and H-1B work visas and by the bursting of the housing bubble, to continue to accumulate more personal debt is limited to say the least.

[Vultures vanishing - even scavengers face extinction](#)

Even the vultures are in trouble. They are drowning in water troughs, colliding with power lines and going hungry because there are fewer dead animals to feed on.

The World Conservation Union released its annual Red List of Threatened Species yesterday, the most authoritative catalogue of species on the brink. The 2007 report contains sobering news about the escalating global extinction crisis, and the increasingly tenuous hold of vultures, great apes and other creatures and plants.

Of the 41,415 vulnerable species on the list, 16,306 are in danger of disappearing forever, up from 16,118 last year. At least 785 plant and animals species have already been wiped out, and now the white-headed vulture, found in sub-Saharan Africa, could follow them into oblivion.

[New oil world order](#)

[Energy Giants Must Accept \\$40-Days Are Gone](#)

Crude oil blasted through a record high of US\$80 a barrel yesterday, generating a lot of hoopla wherever it is produced. Curiously, though, Canadian energy stocks continue to languish well below their peaks, creating an uncomfortable gap for investors.

Either oil prices are headed down or energy stocks are about to zoom up. The best bet? Expect a bit of both.

The S&P/TSX energy index is up just 3.5% this year and has been drifting within a fairly narrow range for the past two years. Despite a 1.4% rally yesterday, the index remains almost 8% below its recent peak in July.

Meanwhile, oil -- the underlying commodity for most members of the index -- touched a record US\$80.18 a barrel in New York before settling back to US\$79.91, up US\$1.68. Even more impressive, it is up about 37% this year.

There is no mystery behind why the gap between commodity and producers exists. West Texas crude oil is priced in U.S. dollars, and the greenback is suffering against the Canadian dollar right now. Therefore, Canadian oil companies are not getting the full benefit of record-high oil when their cash flows are translated into loonies.

[Beware the new world energy order](#)

With crude oil prices strengthening and demand for oil continuing to rise, you'd expect three of the most powerful men in the global business to be thrilled with their good fortune.

Instead, Rex Tillerson, chairman and CEO of Exxon Mobil Corp., Jeroen van der Veer, chief executive of Royal Dutch Shell PLC, and Thierry Desmarest, chairman of Total S.A. -- brought together likely for the first time last Friday by Alberta utility magnate Ron Southern to address his Spruce Meadows Round Table -- are anxious about whether there's even a future for their business.

As Mr. van der Veer put it: "We got very serious problems."

[MGM pins hopes on Mackenzie resolution](#)

Tiny MGM Energy Corp. plans to drill three wells at a cost of \$60-million in the Mackenzie Delta this winter, as it waits for its large competitors in the North to "re-invent" the Mackenzie Valley Pipeline.

Chief operating officer Gary Bunio said MGM hopes the Imperial Oil Ltd.-led consortium proposing the \$16.2-billion project will find a way to reshape it so that it meets federal government approval.

"If you are going to be an explorationist in Northern Canada, you must be an optimist," Mr. Bunio said outside an investment conference organized by Peters & Co. "We hope the proponents will come to some resolution. Because if the pipeline doesn't go ahead, we will have to go and find another way to get our gas to market."

Rex Tillerson, CEO of Exxon Mobil Corp., boosted optimism for the project last week, when he said it has not been shelved but is very actively progressing."

Proponents have been working behind the scenes to restructure it after asking the federal government for fiscal breaks that the government did not agree to. Instead, Ottawa asked the group to "re-invent" the pipeline.

[Newfoundland's Williams announces more equity stakes in offshore oilfields](#)

Newfoundland And Labrador Premier Danny Williams surprised hundreds of people gathered at a luncheon in St. John's yesterday by announcing the province has reached a tentative deal to acquire a 5% equity stake in three additional offshore oil fields that are part of the White Rose project. The trio of fields contain an estimated 214 million barrels of oil and could mean an additional \$6-billion in new revenues for the province,

Mr. Williams told the St. John's Board of Trade. The announcement was part of an election-style speech that included the release of the Tory party's campaign song and an itemizing of the government's accomplishments over the past four years. On Tuesday, Mr. Williams released the province's 35-year energy plan, which called for a 10% ownership stake in future offshore oilfields.

[Newfoundland to take 10% stake in oil projects](#)

Newfoundland and Labrador plans to take a 10% stake in new oil and gas projects, the province's government said as it released details of a long-awaited energy plan.

The province, which now has three oil projects operating off its coast in the Jeanne D'Arc Basin and a fourth being planned, said its policy would be to buy the 10% stake when it meets long-term strategic objectives and pay its share of exploration and development costs. The planned share is more than twice the 4.9% stake Premier Danny Williams agreed last month to take in the 731-million barrel Hebron offshore oil project proposed by Chevron Corp. and its partners.

[Energy trusts in no hurry to become corporations](#)

Some of Canada's largest oil and gas trusts say they are in no hurry to flip back into corporations by 2011, when they will be taxed at the same rate as the explorers and producers (E&Ps) they compete against.

Penn West Energy Trust, ARC Energy Trust, Pengrowth Energy Trust and Enerplus Resources Fund have enough opportunities to sustain production and tax pools that are large enough to offer shelter once the tax rate climbs to 31% in a little over three years time, executives from the four big trusts said yesterday.

"The model is not going to change by 2011," John Dielwart, president and CEO of ARC, said at the Peters & Co. North American Oil & Gas Conference in Toronto.

[Natural gas giants keep tight grip on purse strings](#) [High Costs, Low Prices](#)

The natural-gas spending squeeze that sunk drilling activity levels in Western Canada during the past year will probably continue into 2008, some of Canada's largest producers signaled yesterday.

Industry stalwarts Canadian Natural Resources Ltd., Talisman Energy Inc., Devon Energy Corp., Apache Corp., and Husky Energy Inc., which are now in the process of preparing budgets for 2008, said that they will likely match this year's conservative spending levels, or tighten the purse strings even more.

EnCana Corp. said it will likely keep capital investment flat or grow it moderately next year.

"If prices [of natural gas] stay where they are, we will remain pretty conservative," Robert Peabody, chief operating officer of Husky, said outside an energy investment conference in Toronto organized by energy investment dealer Peters & Co.

In 2008, "if anything, [spending] will likely edge down as we move it to other parts of the portfolio where we think we can get a bigger bang for our buck."

[U.S. green groups decry big Quebec dam project](#)

A group of U.S. environmental organizations backed Canadian groups fighting a hydroelectric dam in Quebec on Wednesday, but construction has already begun, and the government-owned power utility building the dam says it is too late to stop the C\$5 billion (\$4.8-billion) project.

Eighteen U.S. environment groups, including an arm of the Sierra Club, called for a moratorium on construction of the 893-megawatt project on the Rupert River, one of Quebec's biggest rivers, which flows into James Bay in northeastern Quebec.

The dam will include two main power houses and will boost the Canadian province's ability to export power to the United States and neighboring Canadian jurisdictions.

The group says the project is unnecessary in a Canadian province with an abundance of installed hydropower, and warns about mercury contamination in the river.

[Nation's nuclear waste storage industry in a jam - and Utah in the spotlight](#)

The nuclear waste industry is preoccupied with one big question these days: What to do with trainloads of low-level nuclear waste that soon won't have anywhere to go. "This is a national problem, requiring a national solution," said Alan Pasternak, technical director for utilities, academic institutions and other low-level waste generators in California.

And it was a problem that got lots of attention last week at a conference of regulators and contractors in the business of arranging for disposal of radioactive rubbish from reactors, medical tests and procedures and research - not the highly contaminated spent fuel rods. Utah finds itself at the center of the discussion.

One reason is Salt Lake City-based EnergySolutions, the country's biggest nuclear waste company and operator of a South Carolina nuclear waste site that is being phased out. Another reason is that EnergySolutions operates the busiest of the nation's three commercial landfills for radioactive waste, in Tooele County, about 80 miles west of Salt Lake City.

EnergySolutions dropped plans to take hotter Class B and C waste in Utah four years ago. Two years after that, the Legislature outlawed the stuff altogether and dashed the hopes of a solution for the storage of low-level radioactive waste from nuclear plants, hospitals, universities and other users of hazardous radioactive material in 36 states.

[Farmers suffer pain of drought's grip](#)

June Weber is a Hurricane Katrina survivor who relocated to the small mountain town of Monteagle, Tennessee. Two years later her adopted home has been hit by drought, and she finds herself speaking heretical words: "I don't wish anyone ill, but what we really need is to have a hurricane come up here from the Gulf and sit on us."

The drought that has been spreading for months across the south-eastern US is so severe that even a hurricane blasting through the region would be unlikely to break it, climatologists say.

The cost to the regional economy is in the billions of dollars, according to Warren Kriesel, a University of Georgia agricultural economist.

Farmers are taking the brunt of the punishment, with unirrigated stands of peanuts, cotton and maize all damaged or dying. Cattle producers, who should be baling hay for winter feedstock, have been forced to buy feed because the pastures are shrivelled. While many farmers are covered by federal crop insurance, bad harvests and crop failures nonetheless spread economic hardship across rural communities, with the impact spreading to sectors as diverse as transport, tourism and grain storage.

[Farmers Growing Desperate For Rain](#)

St. Mary's County farmer Tommy Bowles has been pumping water to his pumpkin patch and corn maze to prepare for pre-Halloween crowds. But he can't afford to irrigate all his crops, and the corn, soybeans and wheat are suffering in the heat and bone-dry soil.

"This is about the worst drought I've seen since I've been in farming -- and I've been farming for 33 years," Bowles, 52, said. "We just haven't really had any rain at all."

In August, all of Maryland and seven Virginia counties were declared federal drought disaster areas. Today, Virginia officials are expected to announce that eight additional counties, including Loudoun, received the U.S. Department of Agriculture designation, which allows farmers to qualify for low-interest loans.

The hot, dry weather is being felt across the country. Experts call it the worst drought to hit the United States in years, parching wide swaths of the country, from Georgia and Alabama to New England and west to Minnesota and Wisconsin. "This is a real doozy," said Mark Svoboda, a climatologist at the National Drought Mitigation Center in Nebraska.

[Problem dams on the rise in US](#)

The Kaloko dam in Hawaii stood 116 years until last year when it collapsed after heavy rains, killing seven.

Potential disaster was averted in April in Hollis, N.H., when a dozen families were evacuated and engineers made a controlled breach of an old pond dam to keep it from failing.

Such incidents are warning signs that many of the nation's more than 87,000 dams are in need of repair. Last month's high-profile collapse of the I-35 bridge in Minneapolis focused America's attention on bridge problems. The nation's dams are worse off.



In 2005, the last time the American Society of Civil Engineers rated America's infrastructure, bridges received a "C" grade; dams earned a "D."

Even that rating may be generous, a Monitor analysis of dam-inspection data shows. Since 1999, the number of "high-hazard" dams rated "deficient" has more than doubled, according to data from the Association of State Dam Safety Officials (ASDSO) in Lexington, Ky. High-hazard dams are those whose failures could cause fatalities.

In 1999, the US had 546 such dams rated deficient. By last year, it had 1,333.

A second category of "significant-hazard" dams (so-called because they threaten substantial property loss) saw a rise from 339 to 949 deficient dams over the same period. In all, 2.6 percent of the nation's dams are deficient, according to the ASDSO.



**High-hazard dams are those whose failures could cause fatalities.*

[Sacrifice and scapegoating in America](#)

Scapegoating of blacks always proceeds in cycles of collusion between government and media. In 2005, we witnessed the cycle condensed into a single week in New Orleans:

- Stage One is universal neglect and overt racism. After the storm, FEMA's refusal of help led to scenes of degradation in the Superdome.
- Stage Two: TV emphasized anarchy and crime over cooperation, showing whites "finding food," while blacks were "looting." Barbara Bush and televangelists offered their racist commentaries, reinforcing stereotypes.
- Stage Three evolved. In the old fear of madness at the gates, suburbs refused entry to the "refugees." Police neglected rescue duty to protect private property. With 500,000 blacks homeless and invisible, conditions were set for the return to Stage One, further federal neglect.

America has found countless scapegoats, but why are we periodically compelled to lynch only one of them? Our myths remain polarized along racial lines: civilized vs. primitive, abstinence vs. promiscuity and sobriety vs. intoxication, all forming the opposition between composure and impulsivity. Similar percentages of whites and blacks engage in sex, drugs and violence, yet whites are privileged to assume that blacks are more susceptible to such "vices."

The black man is "American Dionysus." This image is rooted in the enigmatic outsider of The Bacchae. He may appear effeminate; or he may tremble with the potential violence of one who has nothing to lose. Despite the superficial veneer of misogynistic Hip-Hop lyrics, he has come from beyond the gates to liberate the women, leading them to the mountains to dance among themselves, free of patriarchal control.

[An Amish spark of ingenuity](#)

The Amish, a German sect that has been in this country for about 250 years, is a religious community, governed by a set of rules for living. The women in their long, plain

dresses and bonnets wash clothes by hand and hang them out in the breeze to dry. Those who still farm the land use horse-drawn plows.

When the world presents them with a new technology, they make a judgment about it based on the Ordnung, a set of written and unwritten rules for Amish life that are interpreted differently from one Amish community to another. The criteria are many, but boil down to this: Does it weaken the family structure? Does it make family members less reliant on each other? If so, it is forbidden.

Electricity brought into the Amish community via power lines is generally forbidden because it would be too direct a connection to the outside world. But generating power for themselves -- especially in a family business, where the family members come together for a common purpose -- is more than acceptable. Daniel Miller's brother Larry runs the bakery and other brother Harry Jr. runs the bulk food store.

At the Millers' complex, solar panels behind the buildings and a windmill atop the furniture store create energy that is stored in truck-sized batteries, in the same way an automobile generator charges a car battery. In the furniture store, a cash register, a credit-card machine and a copier all run off the energy produced by the solar panels. In the bakery, the ovens run on gas. The cheese slicer in the bulk store is powered by compressed air. "The world may run out of oil and gas," Daniel Miller said. "But we will always have the sun and wind."

[Parking Spaces Outnumber Drivers 3 To 1, Drive Pollution And Warming](#)

From suburban driveways to the sprawling lots that spring up around big retailers, Americans devote lots of space to parking spaces a growing land-use trend that plays a role in heating up urban areas and adding to water pollution, according to a recent study.

Purdue University researchers surveyed the total area devoted to parking in a midsize Midwestern county and found that parking spaces outnumbered resident drivers 3-to-1 and outnumbered resident families 11-to-1. The researchers found the total parking area to be larger than 1,000 football fields, or covering more than two square miles.

"Even I was surprised by these numbers," said Bryan Pijanowski, the associate professor of forestry and natural resources who led the study in Purdue's home county of Tippecanoe. "I can't help but wonder: Do we need this much parking space?"

[Man-made chemicals blamed as many more girls than boys are born in Arctic](#)

- High levels can change sex of child during pregnancy
- Survey of Greenland and east Russia puts ratio at 2:1

Twice as many girls as boys are being born in some Arctic villages because of high levels of man-made chemicals in the blood of pregnant women, according to scientists from the Arctic Monitoring and Assessment Programme (Amap).

The scientists, who say the findings could explain the recent excess of girl babies across

much of the northern hemisphere, are widening their investigation across the most acutely affected communities in Russia, Greenland and Canada to try to discover the size of the imbalance in Inuit communities of the far north.

In the communities of Greenland and eastern Russia monitored so far, the ratio was found to be two girls to one boy. In one village in Greenland only girls have been born.

The scientists measured the man-made chemicals in women's blood that mimic human hormones and concluded that they were capable of triggering changes in the sex of unborn children in the first three weeks of gestation. The chemicals are carried in the mother's bloodstream through the placenta to the foetus, switching hormones to create girl children.

Lars-Otto Reiersen, executive secretary for Amap, said: "We knew that the levels of man-made chemicals were accumulating in the food chain, and that seals, whales and particularly polar bears were getting a dose a million times higher than that existing in plankton, and that this could be toxic to humans who ate these higher animals. What was shocking was that they were also able to change the sex of children before birth."

[Ozone cuts could beat Kyoto in aiding climate](#)

Curbs on chemicals that damage the ozone layer could have a side-effect of reducing far more greenhouse gases than the main U.N. plan for confronting climate change, the U.N. Environment Programme (UNEP) said on Thursday.

About 191 governments will meet in **Montreal from Sept. 17 to 21** to seek ways to speed up freezing on production and phasing out ozone-depleting HCFC gases, widely used in fridges and air conditioners, that also trap heat in the atmosphere.

[Study questions comeback of gray whale](#)

One of the great success stories of the ocean, the return of the Pacific gray whale, may have been based on a miscalculation, scientists reported Monday in a study based on whale genetics.

What was assumed to be a thriving whale population actually is at times starving from a dwindling food supply, said study co-author Stephen Palumbi, a Stanford University marine sciences professor. And global warming is a chief suspect.

Scientists may have underestimated the historical number of gray whales from Mexico to Alaska, according to the study published Monday in the Proceedings of the National Academy of Sciences. And that may have led to a misdiagnosis of what is behind surprising die-offs over the past few years and the appearance of many so-called "skinny" whales.

Earlier this month the National Marine Fisheries Service reported that at least 10 percent of gray whales returning to one of their four main calving and breeding lagoons off Baja California showed signs of being underfed. Some of the whales even had bony shoulderblades.

"This is a hint of a problem," Palumbi said. "Our antennas should be up. Our antennas should be asking if the ocean is capable of supporting life the way it used to."

[Grey whales 'starving' at breeding grounds](#)

Doubts over the future of a whale thought to have been brought back from the edge of extinction have emerged in a new study.

The grey, which grows up to 45-46 feet in length and can weigh 40 tons, had been hunted relentlessly in the late 19th Century to the point where its existence was threatened.

But it was given full protection in 1947 by the International Whaling Commission (IWC) and since then had seemingly made a remarkable recovery and was back close to its original population size.

However, researchers at Stanford University and the University of Washington have found that the current population may be less than 25 per cent of the original number which they estimated at 96,000 animals.

Large numbers of greys (*Eschrichtius robustus*) have recently found to have been starving when they arrived at their breeding grounds and it was assumed this had been caused by increased numbers competing for limited food supplies.

[Crop Yields Expand, but Nutrition Is Left Behind](#)

Farmers today can grow two to three times as much grain, fruit, and vegetables on a plot of land as they could 50 years ago, but the nutritional quality of many crops has declined, according to a new report from The Organic Center, a group based in Boulder, Colorado.

"To get our recommended daily allowance of nutrients, we have to eat many more slices of bread today than people had to eat in the past," notes report author and Worldwatch Institute food expert Brian Halweil. "Less nutrition per calorie consumed affects consumers in much in the same way as monetary inflation; that is, we have more food, but it's worth less in terms of nutritional value."

[Wheat Rises to Record \\$9 a Bushel on Global Crop Concerns](#)

Wheat prices rose to a record, passing \$9 a bushel in Asian trading, on concerns that declining global output will further shrink inventories at a 26-year low.

Reserves of the grain in Canada, the world's second-largest wheat exporter, plunged 29

percent at the end of July from a year earlier, Statistics Canada said yesterday. The U.S. may cut its forecast for the crop in Australia to 18 million tons, from 23 million metric tons in a report today.

Wheat prices have more than doubled in the past year, raising costs at companies such as Premier Foods Plc, the U.K.'s biggest maker of cakes, Nissin Food Products of Japan and Sara Lee Corp. The grain is used as livestock feed and to make cakes, noodles and bread, with one bushel enough to make 73 loaves.

``It is feeding through to the consumer, it's gone up high enough to do that," said Tobin Gorey, commodity strategist with Commonwealth Bank of Australia Ltd. in Sydney. ``The market is in a real frenzy. The news flow continues to be negative."

[Warming May Trigger Agricultural Collapse](#)

India could lose up to 40 percent of its agricultural output because of global warming even as it becomes the world's most populous country, warns a new study.

Global farm productivity faces "serious damage" this century, and poor countries will bear the worst of it, unless emissions of greenhouse gases blamed for climate change are held in check, says veteran climate economist William Cline.

He further contradicts analysts who have said that global warming could boost yields.

"My work shows that while productivity may increase in a minority of mostly northern countries, the global impact of climate change on agriculture will be negative by the second half of this century," said Cline, who has studied the economic aspects of climate change since the early 1990s.

"There might be some initial overall benefit to warming for a decade or two but, because future warming depends on greenhouse gas emissions today, if we delay action it would put global agriculture on an inexorable trajectory to serious damage," he added.

Cline sees global agricultural productivity falling by 3-16 percent by the 2080s, with worse damage in the following century because of even greater warming.

[Ocean time bomb](#)

Acid caused by greenhouse gases is ravaging marine life. Graham Phillips examines this devastating threat to our seas.

Much of the carbon dioxide that is belched into the skies by cars and industry ultimately ends up in our oceans. There it dissolves in a process called ocean acidification.

Science has become aware of it only over the past few years, but the consequences of this hidden side effect of our greenhouse gas emissions could be devastating. Perhaps

even bigger than climate change.

The acidification of our seas threatens to ravage marine life around the globe and ultimately even damage land dwellers, including us.

A disturbing aspect of this phenomenon is that it has been going on under our noses for decades and we haven't been aware of it. And even worse, much of the carbon we've put into the atmosphere during those years of ignorance is poised to further acidify our oceans over coming decades. And, unfortunately, there is little we can do about it.

[Scientist Measures an Overlooked Greenhouse Gas](#)

Alaska scientist Katey Walter studies an aspect of climate change that has been largely overlooked: methane emissions.

Methane is a greenhouse gas that is 23 times more powerful than carbon dioxide, which means it is much more efficient at trapping heat. As a result, methane feeds into a loop of global warming.

As global temperatures rise, permafrost thaws. Ponds and lakes form in the depressions left behind by melting chunks of ice in the ground. In the bottoms of ponds and lakes, bacteria feed on the carbon that previously had been frozen underground and burp it out as methane.

And because methane emissions from lakes haven't been carefully studied, scientists worry that projections for global warming could be far worse than currently estimated.

Walter, who teaches at the University of Alaska in Fairbanks, says that methane is being released from lakes in the far north Alaska, Siberia, elsewhere at a far greater rate than anyone has estimated.

[World Likely to Pass Dangerous Warming Limits](#)

The world will probably exceed a global warming limit which the European Union calls dangerous, scientists at Britain's MetOffice Hadley Centre said on Tuesday, presenting a new, 5-year research programme. But not all scientists agree, demonstrating a shift in debate from whether climate change is happening -- on which there is near consensus -- to how bad it will get and what to do about it.

European Union (EU) leaders reiterated in March "the vital importance" of restricting global warming to no more than 2 degrees Celsius above pre-industrial levels.

[Expert says climate change will spread global disease](#)

Climate change will have an overwhelmingly negative impact on health with possibly one

billion more people at risk from dengue fever within 80 years, an expert said Tuesday. While there would be some positive effects, "the balance of health effects is on the negative side," Alistair Woodward, a professor at the University of Auckland, told a regional meeting of the World Health Organisation.

Woodward was a lead writer for the fourth assessment report of the Inter-Governmental Panel on Climate Change.

Giving examples in a speech, he said that in China's Jiangsu province the winter freezing zone has moved northwards. The water snail that transmits schistosomiasis had also shifted northwards, putting perhaps 20 million people at risk of the parasitic disease also known as bilharziasis.

[Indonesia tries to get 235 million people to change they way they cook](#)

Een Toni lines up alongside hundreds of other housewives every day to buy kerosene to fuel her stove, only to return home with an empty container. Supplies to the capital have been largely cut as Indonesia tries to get people to use natural gas instead.

The government for decades subsidized kerosene, which remains the cooking fuel of choice across much of the developing world, to make it affordable for the poor.

It says it will save US\$3.7 billion a year if it can get the nation of 235 million people to make the switch. And if Indonesia eventually exports kerosene, which is commonly upgraded into jetliner fuel, it would even be in the position to earn money.



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