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CN, CP TO PHASE OUT OLD DOT-111 TANK CARS

Canada's two largest railways say they are phasing out or retrofitting their own small fleets of older DOT-111 tank cars — the kind involved in the horrific explosion and fire in Lac-Megantic, Que. last summer.

Canadian National Railway said Tuesday that it will phase out its 183 DOT-111s used to transport internal supplies of locomotive diesel fuel over the next four years as part of a move to improve rail safety.

The Montreal-based company plans to invest $7 million this year to replace all 40 tank cars it owns and will gradually replace the remaining 143 cars as their leases expire.

"For CN, tank car design is one of the most important systemic issues arising from the Lac-Megantic accident," CEO Claude Mongeau said, referring to last summer's railway crash that killed 47 people in rural Quebec.

He said tank car robustness is a central question.

Canadian Pacific Railway (TSX:CP) said it was in the process of retrofitting the less than 200 tank cars it uses.

"We're actively finalizing a plan to retrofit the older tank cars in our internal fleet to safer standards and that's something we're moving on immediately," spokesman Ed Greenberg said in an interview.

The Calgary-based railway is finalizing the repair schedule. No cost estimate was immediately available.

Canadian investigators have reported that 60 of 63 oil-laden cars that derailed in Lac-Megantic last July 6 "released product due to tank car damage."

All were older-model DOT-111s.

The Association of American Railroads has recently recommended the retrofitting or phase-out of the old DOT-111 cars used to transport flammable liquids and a reinforced standard for new tank cars.

The DOT-111 tank car is considered the workhorse of the North American fleet and makes up about 70 per cent of all tankers on the rails. The cars have a service life of between 30 and 40 years.

Since October 2011 all new tanker cars have been built to safer specifications. But there is a long backlog on new car orders because there are only a handful of manufacturers in North America.

A government-commissioned report has said there are about 228,000 DOT-111 cars in service throughout North America, with about 92,000 of them carrying flammable liquids.

About 26,000 of the reinforced models have been put into service and that's expected to rise to 52,500 next year.

Retrofitting older cars can cost more than $70,000 each, while new tank cars cost well over $100,000.

CN (TSX:CNR) said it delivers 99.998 per cent of dangerous goods to destination without a release caused by an accident despite a 50 per cent increase in freight volumes between 2003 and 2013.

Other features of its plan to improve railway safety include moves to prevent accidents and strengthen emergency response capabilities by sharing relevant information with communities.

The railway plans to acquire additional monitoring equipment to enhance the early detection of defects in cars to mitigate the severity of accidents.

It has also extended to its Canadian operations the U.S. policy regulating train dispatches, track inspections and restrictions on train speeds for freight trains carrying one car loaded with toxic inhalation hazardous materials, or 20 cars loaded with any dangerous goods.

CN says it is "revitalizing" its training programs and will open two new training facilities in Winnipeg and Chicago later this year.

It is also seeking implementation of mutual aid intervention protocols with the participation of other carriers and producers of dangerous commodities. This would codify emergency response standards and expand response resources in order to be prepared to handle any future rail incidents involving dangerous goods.

Canadian Pacific said it also has taken steps to strengthen its safety efforts.

"In terms of our operating rules we have taken steps to strengthen those areas," Greenberg said, adding that "we have increased track inspections across our network and implemented enhanced training for our employees as part of this approach to continue to look for ways to be an even safer railroad."

According to the rail industry, there were only 500 carloads of crude oil shipped by rail in Canada in 2009, while in 2013 there were 160,000 carloads. In the U.S. there were 400,000 carloads in 2013, up from 10,800 in 2009.

WHO DOES LOONIE'S SLIDE HELP MOST? OIL FIRMS AND INVESTORS

If you're among a select group, such as a big oil firm or investor with shares in multinational companies abroad, you're likely cheering on the loonie's fall.

For the rest of us, life is getting a little more costly.

"The benefits of a weaker loonie are likely to be small compared with its costs," is the assessment of Philip Cross, once the top federal statistician and the latest commentator to weigh in on whether a Canadian dollar in decline will help or hurt the country.

Cross, who was chief economist at Statistics Canada before quitting in 2012, is decidedly in the latter camp.

In a new research report, Cross argues that a loonie that's now barrelling toward 85 cents US will lift costs for households that are already heavily indebted while providing only a "limited" benefit to private businesses.

Consumer impact

The negative impact of the Canadian dollar's retreat against the U.S. dollar is already being felt, he and others say.

In an integrated North American

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economy that prices goods trading hands across the border using US greenbacks, a gulf is opening up between what households are paying for essential products.

Gas prices are one area where consumers are feeling the pinch. Americans saw pump prices rise a modest 0.1 per cent in January compared to a year earlier, Cross' report says. In Canada, they were up a whopping 4.6 per cent.

Food is another essential product climbing in price. Cross' report, published by the Fraser Institute on Thursday, noted that produce prices were up 4.1 per cent this year, compared to a slight dip in American produce costs.

Executives at Loblaw, the largest grocery chain operator in the country, noted on a recent conference call their produce and meat costs were rising as a result of the exchange rate, and were flowing the price increases onto customers.

And a punishingly cold winter isn't the only factor behind spiking natural gas rates that determine the size of most Canadians' heating bill. The spot price for natural gas has surged to a five-year high, while distribution firms like Direct Energy and Enbridge have or are planning sizable rate increases.

Enbridge, the largest supplier of natural gas in Ontario and Eastern Canada, is seeking a 40 per cent increase in gas prices as of April 1.

"Other consumer goods where prices will rise include those that consume a significant amount of energy, such as air travel," Cross said.

'Limited' business upside

The higher costs for average Canadians could be considered an acceptable outcome among economy watchers if it means that businesses can begin taking advantage of the lower exchange to ramp up exports – something the Bank of Canada and others desperately want to happen.

Cross argues that's an unlikely outcome for two reasons.

While the report says the benefits of the currency slide go "primarily" to exporters, it won't help large swaths of companies who've grown accustomed to making things for a "booming" domestic economy in recent years, Cross said.

It's unlikely these firms "will reverse these strategies unless they are convinced the exchange rate will stay low for an extended period of time."

New export strategies will also likely require new processes and equipment, which require purchasing things like software and machines from abroad.

"Faced with higher prices, firms will trim their outlays for machinery and equipment, which ultimately will depress productivity and workers' future wages," the gloomy report warned.

One group of companies that stand to gain most easily in the current dollar environment: resource firms such as oil and gas companies, which sell their energy and commodities on US dollars on global markets.

This industry will welcome the boost to profits from the lower dollar," Cross said. "But [it] hardly needs it in the current environment of rising prices for its output."

Deep-pocketed investors win

Those lucky enough to own investments like shares or bonds denominated in U.S. dollars also stand to make some quick money from the loonie's decent.

When those investments are sold and the value "repatriated" back into Canadian dollars, there will be more of them now, Cross said.

While the bigger cash position of those holdings could trickle down to the rest of the economy through higher spending and investment at home, the report isn't convinced the contribution will be overly material.

"This is a dubious benefit for the Canadian economy," Cross said.

OILSANDS GIANT SUNCOR TO APPEAL RANDOM DRUG TEST RULING

Alberta arbitration board rejects random drug tests in the workplace

Suncor Energy will appeal an arbitration panel ruling that rejected the oilsand giant's application to randomly test its workers for drug and alcohol use.

"We are disappointed with the decision and will be appealing," said Suncor spokesperson Sneh Seetal in an email. "In our view, and based on the evidence we presented, this is an unreasonable outcome."

Two years ago, the Alberta company announced it was going to submit employees and contractors to random drug testing.

The union representing 3,400 Suncor workers challenged the program.

In a recent ruling, arbitration chair Tom Hodges ruled random drug tests violates the privacy rights of workers.

Roland Lefort, president of Unifor local 707A, said the union will continue to work with Suncor to make sure the workplace is safe.

But Seetal said despite current safety measures, drug and alcohol use remains a concern.

"In the last seven years, there have been three deaths at our site where alcohol and drugs were a factor," Seetal said. "We believe one death is one too many."

CANADIAN INTERNATIONAL OIL CORP. ANNOUNCES COMPLETED PRIVATE PLACEMENT, PARTNERSHIP WITH RIVERSTONE HOLDINGS

Canadian International Oil Corp. ("CIOC") announced today an equity commitment of C$200 million from energy private equity firm Riverstone

Holdings LLC ("Riverstone"). The Riverstone commitment comprises C$133 million from Riverstone Global Energy and Power Fund V ("Fund V") and C$67 million from Riverstone Energy Limited ("REL"). This investment will be used to fund CIOC's development program in the Western Canadian Deep Basin.

Since its founding in 2010, CIOC has aggregated one of the largest and most advantaged land positions in the emerging Montney and Duvernay formations of Western Canada's Deep Basin. The company controls and operates 100% of this asset base, which comprises approximately 400,000 acres and currently produces approximately 3,000 boe per day, and includes one of the highest performing liquids wells in the Montney trend. CIOC is currently in the process of further delineating its resource base through a combination of development wells and step-out pilot drilling.

Scott Sobie, President & CEO of CIOC, commented, "We are extremely excited to work with Riverstone as we embark on the next phase of our development strategy. Riverstone is a highly regarded energy investor, and we look forward to our partnership going forward. We are strongly encouraged by the initial results of our 2013 program in our Montney acreage, and we expect to expand it significantly in 2014 with Riverstone's support."

Robert Tichio, a Partner of Riverstone, said, "Our significant equity commitment to CIOC reflects our confidence in Scott and the CIOC team as well as in the rich opportunity set we see in the Deep Basin. This investment exemplifies Riverstone's strategy of partnering with proven management teams with extensive, basin-focused operating expertise."

TD Securities acted as Lead Advisor to CIOC for the offering along with GMP Securities L.P., CIBC World Markets Inc. and BMO Capital Markets acting as Strategic Advisors.

About Canadian International Oil Corp.

Founded in 2010, CIOC is a privately held oil and gas company based in Calgary. CIOC's primary asset base is approximately 400,000 acres in the Deep Basin of West Central Alberta.

About Riverstone Holdings LLC

Riverstone is an energy and power-focused private investment firm founded in 2000 by David M. Leuschen and Pierre F. Lapeyre, Jr. with approximately $27 billion of equity capital raised. Riverstone conducts buyout and growth capital investments in the exploration & production, midstream, oilfield services, power and renewable sectors of the energy industry. With offices in New York, London and Houston, the firm has committed approximately $25.6 billion to 107 investments in North America, Latin America, Europe, Africa and Asia.

About Riverstone Energy Limited

REL is a closed-ended investment company that invests exclusively in the global energy industry, with a particular focus on the exploration & production and midstream sectors. The company is uniquely positioned to benefit from the large number of investment opportunities being driven by the North American energy revolution and the continued growth in global energy demand. REL aims to capitalize on the opportunities presented by Riverstone's energy investment platform. REL is a member of the FTSE 250 and its ordinary shares are listed on the London Stock Exchange, trading under the symbol RSE.

COMPANIES ORDERED TO CLEAN FORMER SOUR GAS SITE IN ALBERTA

The Alberta government has ordered ConocoPhillips Canada Resources Corporation and Bonavista Energy Corporation to clean up the site of a former sour gas plant.

The government says ConocoPhillips Canada is the holder of the Environmental Protection and Enforcement Act approval for the reclamation of the Crossfield sour gas processing plant and is the surface lease holder.

It says Bonavista Energy Corporation obtained the Alberta Energy Regulator well licence from ConocoPhillps Canada in January 2003.

In 2010, a report summarizing the monitoring data was completed.

The report identified petroleum hydrocarbons, chloride and metals in groundwater and soil exceeding the provincial guidelines on the well and plant site and extending beyond those boundaries.

The Alberta government says no further site investigations, soil/groundwater sampling events or remedial work have been undertaken by ConocoPhillips Canada or Bonavista since 2010.

The enforcement order requires that ConocoPhillips Canada and Bonavista must submit a written delineation plan, prepared by a qualified environmental professional, to the government for approval.

They must also submit a written remediation plan, prepared by a qualified environmental professional.

The companies must also submit regularly scheduled status reports and upon completion of the work, a final report.

RIVERSTONE INVESTS IN CANADIAN OIL EXPLORER CIOC

Energy-focused private investment firm Riverstone Energy Limited (REL) has announced an investment in Canadian International Oil Corp (CIOC), a private exploration and production company focused on liquids-rich unconventional resources in Western Canada.

Since listing in London in October 2013, REL has invested in five energy companies spanning conventional and unconventional oil and gas activities in the Gulf of Mexico, the Continental US and now Western Canada.

REL, along with parent company Riverstone Holdings, has committed a total of C$200m to CIOC, C$67m of which will come from REL. An initial capital call of C$100m will be funded on Thursday to support near-term drilling.

CIOC, established in 2010, has one of the largest and most advantaged land positions in the emerging Montney and Duvernay formations of Western Canada's Deep Basin, according to REL.

The company controls and operates 100% of its asset base, which comprises 400,000 acres and currently produces around 3,000 barrels of oil equivalents per day.

"This investment provides additional scale and diversification to REL's asset base, allows REL to deploy capital immediately in one of the most prolific trends in North America, and demonstrates continued delivery of the strategy that we presented to REL investors," said Pierre Lapeyre and David Leuschen, Co-Founders of Riverstone.

The stock was up 0.46% at 893.05p in early trading on Thursday.

CITY RAISES PIPELINE CONCERNS

Seeks assurances proposed line poses no threat to water supply

The City of Winnipeg is seeking assurances the proposed Energy East oil pipeline poses no threat to its water supply.

Energy giant TransCanada has applied for federal permission to build a 4,600-kilometre pipeline that would carry 1.1 billion barrels of crude oil every day from Alberta and Saskatchewan to refineries in Eastern Canada.

The Energy East proposal calls for the construction of new stretches of pipeline in Manitoba as well as the conversion of existing natural-gas pipelines to carry bitumen.

At a public meeting last week, the city expressed several initial concerns about the project. Chief among them is the proposed route calls for the oil pipeline to skirt the northern shore of Falcon Lake, which drains through Falcon River into Shoal Lake, the source of Winnipeg's drinking water.

"In the event of an oil spill, the bitumen would flow through Falcon Lake to Shoal Lake," said Winnipeg's water and waste director, Diane Sacher.

'In the event of an oil spill, the bitumen would flow through Falcon Lake to Shoal Lake. Ensuring the integrity of our water supply is always our concern'

-- Diane Sacher, Winnipeg's water and waste director

"Ensuring the integrity of our water supply is always our concern."

The Winnipeg Aqueduct, which runs 137 kilometres from Indian Bay on Shoal Lake to the city, was completed in 1919. Cottage development along Falcon Lake led the city to construct a causeway and channel that divert the Falcon River outflow into Snowshoe Bay, which is south of Indian Bay and farther away from the Winnipeg Aqueduct intake.

This ensures any contamination of Falcon River would be diluted before its outflow has the potential to mingle with the waters of Indian Bay and enter the aqueduct intake.

Despite the indirect nature of the theoretical threat, the city and Manitoba Conservation and Water Stewardship plan to prepare a brief outlining environmental concerns and present it to the National Energy Board, which is in the early stages of considering the Energy East proposal.

TransCanada has already started talking to the city about its concerns, spokesman Philippe Cannon said in a statement.

"It is common knowledge that we are doing numerous analyses and assessments on land (and) the environment, and we are also conducting risk assessments," Cannon said.

"Special measures will be used when crossing rivers and other sensitive areas to help further protect the environment. Some of these include adding thicker-walled pipe and placing extra sensors and valve systems closer together in these important areas.

"We will also monitor the pipeline 24 hours a day with the ability to remotely shut it down within minutes anywhere along the route."

The concern about an oil pipeline alongside Falcon Lake versus the existing natural-gas pipeline is what happens after a spill.

Gas pipeline ruptures usually involve an explosion followed by the evaporation or combustion of the escaped methane. Crude oil does not disappear immediately following a spill.

"Obviously, if it's an oil spill, it's going to have a different type of impact on the environment than if it was gas," said Philippe Reicher, vice-president of external relations for the Canadian Energy Pipeline Association, speaking by phone from Calgary.

He noted all pipeline applications to the National Energy Board must include very specific emergency-response plans, tailored to every location along a pipeline.

The close proximity of the Trans-Canada Highway to the Energy East pipeline section proposed for the north side of Falcon Lake would be a benefit from an emergency-response perspective, he said.

Sacher said the city has also expressed concerns about a potential spill south of Winnipeg restricting access to the Brady Road Landfill -- and the potential for damage to the Winnipeg Aqueduct itself, farther east.

Submissions to the National Energy Board will not be completed until 2015, Sacher said. Energy East does not plan to be operational until 2018, according to TransCanada.