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FRACKING IMPACT ON COMMUNITIES UNCLEAR: NOVA SCOTIA STUDY

Province's limited experience with fracking is cause for concern, says study

A new study on the potential for hydraulic fracturing in Nova Scotia says there just isn't enough research available to draw firm conclusions about the impact on communities.

The study says the use of high-volume fracking to extract oil and natural gas from shale deposits emerged as a profitable business only a decade ago, which means peer-reviewed studies are hard to come by.

"The literature regarding socioeconomic effects of unconventional oil and gas development on communities is just beginning to emerge," said the study's lead author, social ecologist Shawn Dalton.

"Because community research is often oriented toward problem-solving, there is a dearth of information regarding when shale oil and gas extraction ... has gone well, and a



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relative abundance of reports on challenges and problems — most of it centred on communities in the U.S."

Dalton's study said the American experience with fracking is unlikely to be repeated in Canada.

"Some of the incidents and


accidents that have happened in the States may be less likely to occur here," the report said.

"Canada's regulatory regimes tend to be more restrictive, and because of the observed experiences in the U.S., more safeguards

were adopted in Canada before horizontal, multi-fracked wells became common in this country."

However, the report makes it clear that Nova Scotia's limited experience with fracking is cause for concern.

Test wells 'poorly managed'



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Dalton says the cleanup of a handful of test wells that were fracked near Kennetcook about six years ago "has been poorly managed by government and industry."

"The community of Kennetcook remains the site of two open ponds containing fracking wastewater, and the company that created the ponds ... is no longer operating in Nova Scotia."

Dalton's study, released late Thursday, will form the basis of a chapter in a report to be produced later this year by an independent expert panel appointed by the province in February.

Nova Scotia is under pressure to develop its unconventional oil and gas resources because it is facing a dwindling population and fiscal challenges, the study says.

The report also says energy companies hoping to drill in unproved areas with little or no industry services — like Nova Scotia — are facing extreme risk due to high costs and "vociferous opposition" from protest groups like those found in New Brunswick.

"New Brunswick has moved ahead with ... hydraulic fracturing in unconventional reservoirs, but not without considerable resistance from various actors in the community," the study said.

"Who wants to be a lab rat?" Marilyn Cameron, an environmental activist and farmer in rural Nova Scotia, said the study supports the view that Nova Scotia's two-year-old moratorium on fracking should remain in place.

Cameron said Dalton's study says

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virtually nothing about agriculture or rural economies even though all of the areas in the province that have shown promise for shale deposits are in rural areas.

"She said we didn't have enough information," Cameron said Friday in an interview from her fruit and garlic farm in Grafton.

Cameron also criticized Dalton's recommendation to proceed with a so-called "human ecosystem framework" study should Nova Scotia grant a go-ahead to the fracking industry.

"How will monitoring prevent harm from happening?" Cameron asked. "Who wants to be a lab rat so that the industry can learn from our experiences?"

At the very least, Cameron said, the Nova Scotia government should seek the consent of rural residents before making any decisions.

ENCANA TO SELL BIGHORN ASSETS TO JUPITER RESOURCES FOR \$1.8B

Calgary-based energy company Encana will sell its Bighorn operations in Alberta to another Alberta-based company, privately-held Jupiter Resources for \$1.8 billion.

The deal includes about 1,500 square kilometres of land in Alberta containing total net proved reserves of about 1.1 trillion cubic feet of predominantly natural gas. But Encana said the deal also includes the company's working interests in all pipelines, facilities and

service arrangements in the area.

"Bighorn is a high quality asset that has not been receiving significant investment in 2014," Encana CEO Doug Suttles said in a statement.

"Going forward, it should serve as an excellent foundational asset for Jupiter Resources."

The deal is expected to close in the third quarter of this year.

The deal is the latest move by Encana to retrench to its core assets since Suttles took over and announced a cost-cutting program that includes axing job and slashing the company's dividend

Suttles says in future, the company will focus its efforts on a half-dozen high quality resource assets across the continent, instead of maintaining interests in up to 30 scattered all over.

In March, Encana reached a deal to sell Wyoming's Jonah field, one of the America's largest natural gas fields, for \$1.8 billion to an affiliate of TPG Capital, a global private investment firm.

In May, the company said it would spend about \$3.1 billion to buy the oil-rich Eagle Ford Shale assets in Texas.

\$23 MILLION SETTLEMENT PROPOSED IN CLASS-ACTION LAWSUIT AGAINST SUNRISE PROPANE

Sunrise Propane will pay out more than \$23 million if a proposed settlement in a class-action lawsuit is approved in court.

In 2008, a propane explosion in north Toronto killed a man and forced thousands from their homes, and a firefighter who responded to the emergency died of a heart attack.

The proposed settlement would give almost \$8 million to individuals to cover expenses such as personal injuries, lost income and uninsured losses.

Harvin Pitch of the firm Teplitzky Colson, which is one of several law firms representing the claimants, says another \$8 million is designed to go to insurance companies.

Pitch says the rest of the settlement will cover fees and administrative costs.

Pitch adds that the 6,500 claimants see the settlement as a "reasonable compromise."

CANADIAN OIL AND GAS PRICES LIKELY TO MAINTAIN MOMENTUM TO END OF 2014

Loss of Edmonton Par data and other benchmarks still cause for concern as Canada eyes export markets outside the U.S.

Deloitte's Resource Evaluation & Advisory group released its current Canadian domestic oil and gas price forecast today, noting that the strengthening prices experienced during the second quarter are likely to continue, resulting in a stronger second half of 2014 for Canadian oil and gas producers.

"April through June has seen a strengthening of Canadian oil and gas prices as the U.S. works to refill their

massive storage volumes and satisfy strong domestic demand," said Deloitte's Andrew Botterill, Senior Manager Resource Evaluation & Advisory. "This has increased our confidence in a stronger second half of 2014. But the long-range futures markets still indicate both oil and gas will remain softer for 2015 and beyond without increased exports to markets other than the U.S."

In the commentary accompanying Deloitte's June 30, 2014, forecast, Mr. Botterill focuses on the continuing disappearance of traditionally steadfast Canadian benchmarks such as Cromer Medium, Shell Edmonton Par and others. In recent years, companies have elected not to publish the oil and gas prices being paid at the refinery gate, thereby eliminating daily spot price benchmarks for different grades of Canadian crude. Edmonton Par is the latest to become extinct. Comprised of prices from Shell, Suncor (formerly Petro Canada) and Imperial Oil, Shell and Suncor stopped publishing some months ago. Deloitte predicted Imperial would likely follow suit and, on May 1 this year, they did - effectively eliminating the daily spot data behind the Edmonton Par reference price.

"Without these benchmarks, is it harder for Canada to have a good understanding of daily markets," Mr. Botterill. "Canada relies heavily on exports to the U.S. and the relationship between WTI and Edmonton oil prices can fluctuate greatly. Knowing when volumes are trading at a premium or a discount to the U.S., and

understanding the economic drivers affecting this relationship, is vital for Canadian producers, investors and governments making decisions that affect our industry and our economy. At a time when Canada is looking to increase LNG and oil export volumes to markets other than the U.S., this adds more complexity to the way these volumes will be traded."

Deloitte's pricing team has developed an alternate Edmonton Par methodology that considers the near-term futures market and how it reflects the differentials between reference points in the next month.

Deloitte's June 30, 2014 forecast shows a WTI oil real price of US\$100.00/bbl for 2014, decreasing to US\$93.00/bbl for 2015 and eventually leveling out at US\$85.00/bbl by 2018. Deloitte has forecast a US\$7.00/bbl differential between WTI and Edmonton par that will decrease to US\$2.00/bbl over the long term to match pipeline tariffs between the two markets.

With respect to natural gas, Deloitte's June forecast shows natural gas at an Alberta AECO real price of C\$4.80/Mcf in 2014, dropping to C\$4.40/Mcf for 2015 and up to C\$6.00/Mcf by

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2024. Deloitte's NYMEX real price is at US\$4.60/Mcf throughout 2014, dropping to US\$4.35/Mcf for 2015 and up to US\$5.80/Mcf by 2024.

Canadian to U.S. exchange rate is forecast at \$0.90 and is in line with current Canadian bank forecasts.

FORT MCMURRAY FIRE STARTED AFTER MACHINERY HIT GAS LINE, SAYS OFFICIAL

Investigators say the huge fire that destroyed a Fort McMurray condo complex under construction started when machinery struck a gas line.

Assistant deputy chief Jody Butz said a soil stabilization mixer tore a 15-centimetre gas line, releasing gas into the air before also hitting the building's main power, telephone and cable lines – causing a spark that ignited the building.

Although the building had a sprinkler system installed, it was not yet working.

It took three hours for fire crews to get the flames under control. One firefighter received minor injuries while battling the blaze, but is expected back at work within a few weeks.

Butz said the building had been slated for low-income housing and noted it had been nearing completion when the fire struck.

Although no exact estimate for damages has been made, Butz said the cost will likely be in the millions.

NORTHERN GATEWAY PIPELINE HAS OTTAWA'S CONDITIONAL APPROVAL, BUT WHERE ARE THE OIL SHIPPERS?

Enbridge Inc. said it has not signed binding contracts with oil shippers for its Northern Gateway pipeline and that it cannot predict when it might secure commercial support for the project, adding to uncertainty over when the Pacific-bound pipeline will be built.

Claudia Cattaneo: British Columbians need to accept the judgment of Canada's institutions and trust Canada's energy sector to deliver on its commitments. Anything less presents a risk to the province

Calgary-based Enbridge told regulators its funding partners remain committed to the \$7.9-billion oil pipeline to Canada's West Coast. But as of this month, the company said it has not executed long-term, take-or-pay transportation service agreements with prospective shippers on the line, according to a two-page update filed with the National Energy Board.

A revised capital cost estimate for the 1,178-kilometre pipeline is expected by late 2014 or early 2015, Ken MacDonald, vice-president, law and regulatory with Northern Gateway Pipelines LP, said in the filing.

The company "is not in a position to provide a date upon which it

anticipates TSAs will be executed," but would continue to provide updates as per conditions of the project approval, he said in the document. An Enbridge spokesman said the company would complete a final cost estimate for Gateway before seeking binding transport agreements with would-be shippers.

Prime Minister Stephen Harper's government approved the Pacific-bound pipeline over the objections of some aboriginal groups and

environmentalists last month. The approval is subject to Enbridge satisfying 209 environmental, technical and financial conditions.

PACIFIC NORTHWEST LNG OPENS COMMUNITY OFFICE IN PORT EDWARD

A ribbon cutting ceremony in Port Edward marked the grand opening of the Pacific Northwest LNG Community Office.



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The old Port Edward Elementary school is now the home of the new community office and the president of Pacific Northwest LNG. Greg Kist says the new office will play an intricate role in the development of the project.

"The community office will be a source of information for residents to have their questions answered by our staff here. This office will also serve as a working office for the project staff, when they are ultimately on site on Lelu Island. A very important aspect of our project is to hire as many local people and businesses as possible for construction and operations throughout the project."

And there was no lack of support by Port Edward Mayor Dave Macdonald, who says Pacific Northwest LNG has provided an extensive amount of communication and community support over the past year.

"I'm so happy to see this day come, to have an office in Port Edward and the first thing I want to say is everybody at Pacific Northwest, whenever they're asked to do something, they do it for the community and for the area."

Prince Rupert's Mayor Jack Mussallem says LNG will be an economic driver for the North Coast.

"We are all very confident that with out a lot of disruption in the lives going forward, we will see economic development in our area and certainly Pacific Northwest LNG and their proposed development is part of that."

If given the green light, Pacific Northwest LNG will be built on

Lelu Island, providing jobs for over three thousand temporary workers. The company aims to come to a final investment decision by the end of this year.

MAJORITY FAVOUR BAN OR MORATORIUM ON FRACKING IN NOVA SCOTIA

The majority of people who offered opinions for a report on hydraulic fracturing in Nova Scotia say they want the province to ban or maintain a moratorium on the disputed industry.

There were 238 individual submissions to an expert panel that's looking at the environmental impact of hydraulic fracturing, or fracking, in Nova Scotia.

Of those, 92 per cent said they supported a moratorium or ban, while 0.5 per cent were against such prohibitions.

The discussion paper will form the basis of a chapter in a report to be produced later this year by the independent panel.

The most common concern for respondents was the effect fracking could have on water resources, followed by perceived risks to infrastructure and local industries, such as farming and forestry.

Jennifer West of the Ecology Action Centre in Halifax says she was pleased the paper recommended government take a precautionary approach, consult the public and do more research on fracking.

NO PLANS, EQUIPMENT IN PLACE TO DEAL WITH ANOTHER DISASTER LIKE LAC-MEGANTIC

An expert who examined the devastating train derailment in Lac-Megantic says no plans and equipment are in place to deal with a similar situation as the one-year anniversary of the tragedy approaches.

Rosa Galvez-Cloutier, a civil engineering professor at Université Laval, says she doesn't think much has changed since the massive explosion and fire that killed 47 people on July 6, although the federal government has tightened regulations.

"There was an evident lack of preparation at all levels," she said on Wednesday. "Prevention measures, preparedness and emergency plans need to urgently be updated."



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She says firefighters and security officials were overwhelmed by the inferno when the derailment happened.

"I think there was a panic and there was a lack of co-ordination," the Quebec expert said.

Galvez-Cloutier, who was at the scene, says she was surprised to see firefighters were still cooling the oil tanker cars after eight hours and they were even not fighting the fire.

She says what made it even more complicated was there was no information about the exact composition of the oil that was being burned.

Galvez-Cloutier says if firefighters knew that, they would have known what type of actions to take, such as using foam to combat the blaze.

"I know that Ultramar brought in, as a last resort, some foam to assist, but this was based on their goodwill, not a pre-planned emergency measure," she said.

Galvez-Cloutier made her comments online during a webinar hosted by the Science Media Center of Canada.

In its recent budget, the Quebec government announced annual funding of \$4 million to provide financial assistance for the training of part-time volunteer firefighters in municipalities.

It noted that the Lac-Megantic disaster showed part-time volunteer firefighters are often first responders in many municipalities in Quebec and the funding will "help ensure that Quebec's municipalities can respond effectively to such disasters."

During her presentation, Galvez-Cloutier also noted that important information about the environmental effects of the oil spill is still unknown.

"There was a destruction of the waste water treatment plant at Lac-Megantic city that released pathogens into the water and not much has been said about this," she said. "These pathogens can include E. coli viruses and other pathogens."

Jean-Paul Lacoursiere, a chemical engineering expert, says the highly-volatile crude was being shipped from North Dakota and the Bakken shale formation, from which the oil is extracted, extends into Saskatchewan and Manitoba.

"We are going to face (light) oil either from Alberta where it's occurring and from Saskatchewan and Manitoba and potentially from the Anticosti Island here in Quebec," the University de Sherbrooke professor said.

"That's the future of what's going to be transported -- that's what I see personally."

The federal government has prohibited use of DOT-111 tanker cars -- the kind that ruptured in Lac-Megantic -- for transporting dangerous goods.

"The roll-out of improved tank cars is going to be a significant improvement," Bill Hjelholt, a freight rail industry expert, told the webinar.

Ottawa has also strengthened emergency response requirements and ordered railways hauling dangerous goods to assess the risk of routes and reduce train speeds.

In addition, communities alongside

tracks are advised of hazardous goods carried by rail, but -- apparently for security reasons -- only after they have passed through.

Fast running water eroded this road in the R.M. and put the community on alert.

Officials ordered residents out by 9 p.m. last night and asked them to report to Tundra Oil and Gas place in Virden.

They also warned spectators to stay out of work areas for their safety or face police charges.

In total, 34 municipalities remain under a local state of emergency, including the City of Brandon. They're bracing for a sharp influx of water from Saskatchewan.

R.M. OF WALLACE ISSUES MANDATORY EVACUATION ORDER

The R.M. of Wallace issued a mandatory evacuation on Wednesday. The evacuation order doesn't cover the entire R.M., just areas southwest of Elkhorn and south of Virden.

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