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FIRST NATIONS FIGHT PETRONAS-LED LNG PROJECT OVER SALMON HABITAT

A group of First Nations is fighting the Petronas-led Pacific NorthWest LNG project, marking the first time that aboriginals have outright rejected a liquefied natural gas proposal in British Columbia.

Aboriginal leaders have voiced their support in principle for B.C.'s fledgling LNG industry in the past, as long as the projects meet environmental standards to protect the land and water, but Pacific NorthWest LNG is facing criticism for choosing a site that critics say will harm juvenile salmon.

The opposition by the group of First Nations underscores a significant shift in sentiment because LNG shipments have been viewed as posing much less risk to the environment, compared with deep-rooted worries about oil spills into the Pacific Ocean.

The First Nations leaders want the joint venture, led by Malaysia's state-owned Petronas, to withdraw plans to build on Lelu Island because of fears that construction of an LNG terminal will damage eelgrass beds in Flora Bank, where young salmon swim.

Petronas has already warned that it will suspend the project for 15 years unless tax and regulatory issues are resolved, so the focus on saving the fish adds yet another layer of complexity to a delicate situation.

First Nations leaders had previously maintained an open mind toward B.C. LNG, in contrast to their fears and anger about the proposed Northern Gateway oil sands bitumen pipeline.

But some aboriginal groups are emboldened by what they see as success in fending off Northern Gateway and delaying other energy projects. They are now attempting to to thwart Pacific NorthWest LNG – widely seen by industry analysts as the project that will make a final investment decision first, ahead of 17 other proposals to export LNG from the West Coast to Asia.

Leaders from the Wet'suwet'en, Gitanyow, Lake Babine and Gitxsan say Pacific NorthWest LNG's proposed site at Lelu Island in northwestern British Columbia is the wrong place to locate an LNG export terminal because of the harm to salmon habitat in the estuary of the

Skeena River, near Lelu Island. They say a new plan for a suspension bridge poses environmental risks that have not been properly evaluated, and their views have been largely ignored because their land and title is farther away from Lelu Island than other First Nations.

"You couldn't pick a worse place to put a B.C. project such as this," John Ridsdale, hereditary chief of the Wet'suwet'en Nation's Tsayu clan, said in an interview Wednesday. "The plan for Lelu Island is ludicrous."

Other First Nations, however, remain open to Pacific NorthWest LNG's plans to build an $11-billion export terminal near Prince Rupert, creating a difficult situation for the project to navigate.

In filings to environmental regulators, Pacific NorthWest LNG argues that it has consulted with aboriginals who are located closest to Lelu Island, notably the Metlakatla, Kitsumkalum, Kitselas, Gitxaala, Gitga'at and Lax Kw'alaams. Those First Nations have major concerns, but they have been willing to work with the project's officials to reduce environmental risks, according to the filings.

Spencer Sproule, Pacific NorthWest LNG's senior adviser of corporate affairs, said the venture is being subjected to a rigorous environmental review. "Our facility represents a generational opportunity for area First Nations in regard to long-term careers, business opportunities and skills training," Mr. Sproule said in a statement. "For the past two years, we have been in active consultation with First Nations that were identified by the governments of Canada and British Columbia as having levels of claim to the lands that we are proposing to construct our facility."

The Canadian Environmental Assessment Agency raised concerns in May about the fate of wild salmon, which are important for First Nations' food.

The Wet'suwet'en, Gitanyow, Lake Babine and Gitxsan, who voiced their criticisms at a news conference in Vancouver, say no amount of mitigation measures will satisfy them. Glen Williams of the Gitanyow suggested Pacific NorthWest LNG explore other sites near Prince Rupert.

Last month, the Petronas-led group proposed building a suspension bridge that would extend southwest for 1.6 kilometres away from Lelu Island. The suspension bridge, which would connect with a 1.1-kilometre-long jetty, is designed to vastly minimize dredging and avoid damaging the sensitive eelgrass beds for salmon in Flora Bank.

CANADIAN OIL LIKELY AN EARLY ITEM ON THE AGENDA FOR THE NEW U.S. CONGRESS

Canada's stalled Keystone XL pipeline project is poised to become one of the first orders of business in the new U.S. Congress, where Tuesday's Republican romp could end up impacting several cross-border industries.

There are hopes in Ottawa that the midterm results could spur movement on the controversial Canada-U.S. bitumen pipeline, as well as major free-trade negotiations and perhaps even meat-labelling rules that have hurt Canada.

Virtually every Republican asked about post-election plans has already mentioned Keystone XL as a top priority for the next Congress, a development that would be as detested by the environmental movement as it would be celebrated by oil-industry supporters.

One of the biggest pipeline-boosters is Mitch McConnell — the next Senate majority leader and, arguably, now the most powerful member of the U.S. Congress.

"We need to embrace the energy revolution going on in our country and promote it. It's hugely advantageous to America, not only in the realm of energy independence, but employment," the Kentucky Republican said, referring to the long-delayed project.

"The employment figures connected with Keystone are stunning if we would just get going."

Republicans have enough votes to force the issue to Obama's desk, and could do so through an endless assortment of procedural tactics — some easier for President Barack Obama to veto than others, should he choose to. If the pipeline is about to become a bargaining chit, however, Obama wasn't giving anything away Wednesday.

In fact, the president played down the project during a wide-ranging news conference at the White House.

The pipeline is undergoing a regulatory review, and is still the subject of a court fight in Nebraska over the route, he repeated. He listed conditions that are guiding his thinking about the project: Will it create jobs? Will it be good for Americans, and their pocketbooks? Will it really bring down gas prices? And will it affect greenhouse-gas emissions?

Obama has expressed skepticism in the past about the job-creation potential, and on Wednesday he appeared to question the project's overall significance to Americans.

"Keep in mind, this is Canadian oil; this isn't U.S. oil," Obama said.

"While that (Keystone) debate has been raging, we've seen some of the biggest increases in American oil production and American natural gas production in our history. We are closer to energy independence than we've ever been before or at least as we've been in decades."

Keystone may be the most politically explosive issue involving Canada, but probably isn't the most important.

Tuesday's Republican sweep could also have an impact on free-trade negotiations toward a new 12-country Trans-Pacific Partnership deal, said Gary Doer, Canada's ambassador to the U.S. A Republican-controlled Senate is likelier to give Obama fast-track authority to negotiate than did his own Democrats, who were divided on the issue.

Doer said he is also hopeful that the next Congress might reconsider country-of-origin meat labelling, which has raised the prospect of a tariff war pitting Canada and Mexico against the U.S.

With a Democrat holding veto power in the White House, and Democrats holding enough seats in Congress to filibuster most types of bills, the parties will need to co-operate, Doer said in an interview.

"The biggest issue here is not just the seat count and control of the Senate, but the will of the American public to get on with it. And I think that would be useful for all Canadian issues," he said.

"Gridlock is not good for Canada — and it's not good for the United States."

Gridlock has been the norm lately.

A historically unproductive Congress has struggled to produce even routine legislation, to maintain highways and make payments on the national debt. The Republican-controlled House and Democratic-controlled Senate blocked each other at every turn.

The Republican party now has real power, for the first time in years. It must now decide how to use it: try governing with President Barack Obama, or seek to destroy what's left of his presidency.

The Republicans can now hope to get bills through Congress, and to the president's desk. They could also use their power in other, more aggressive ways.

The Senate majority party can block nominees to the courts, to cabinet, and to ambassadorships. It can compel witnesses to testify at hearings. It can pack poison pills into legislation and try force-feeding them to the president — a major budget bill, perhaps, laced with a little toxin that might weaken Obama's signature health reform.

The grassroots will press its leaders to fight. In their public appearances Wednesday, the Democrat in the White House and the Republicans in Congress agreed to work together — when possible.

"I'm pretty sure I'll take some actions that some in Congress will not like. That's natural. That's how our democracy works," Obama said.

"But we can surely find ways to work together on issues where there's broad agreement among the American people."

A NEW OIL BOOM IN MEXICO'S AGING 'GOLDEN BELT'

Small Firms Prepare to Drill Mature Fields as Pemex's Monopoly Dissolves

More than a century ago, an enterprising Californian struck oil near this Gulf of Mexico port city, the first of many finds that tagged this area as "the Golden Belt" and propelled Mexico into the top ranks of oil producers.

Now the cradle of Mexico's oil industry is set to kick-start a new energy boom, after President Enrique Peña Nieto's government invited private companies to explore for and extract oil, ending more than seven decades of government monopoly.

While the biggest boost to Mexico's oil output is likely to come from deep-water fields in the Gulf of Mexico, those fields could take up to a decade to start pumping. Long before then, production is widely seen coming from aging oil onshore fields in this region, which once attracted the famous Standard Oil Co. monopoly.

"A boom is coming," Joel Vázquez, the head of Mexican-Canadian drilling company DCM, said at his downtown office here. "Not a week goes by without an oil company contacting us asking about making a joint venture or saying they're interested in investing here."

In the coming weeks, Mexico's government plans to unveil terms for the first auctions of oil-exploration blocks under the new energy law. Bidding, set for next year, is expected to attract heavy interest from big and small companies alike. Of the 169 blocks up for grabs, 47 lie within 70 miles of Tampico.

Many older fields will require new technologies to boost oil recovery, such as horizontal drilling and hydraulic fracturing. But they hold little interest for state-run Petróleos Mexicanos, which doesn't have such expertise.

"We know there is a lot potential here, but for Pemex, the enhanced recovery from wells wasn't economically viable," said Deputy Energy Minister Lourdes Melgar.

Big energy companies including BP PLC and Royal Dutch Shell Shell PLC are widely expected to focus on the deep-water fields, while tapping the mature fields will mostly fall to smaller companies.

Canada-based Pacific Rubiales Energy Corp. , which has had success in Colombia, said it had set aside $1 billion to invest in Mexico, possibly for mature fields. Mexican startup Sierra Oil & Gas SRL has received $525 million in investment commitments and plans to focus on shallow waters and mature onshore fields.

Most of Pemex's 2.4 million barrels a day in crude-oil production comes from deposits in the southern Gulf of Mexico. The northern region that includes reserves around Tampico, generates about 129,000 barrels a day.

Those mature fields, along with shallow gulf waters and onshore fields in southeastern Tabasco state, are expected to contribute most of Mexico's expected 500,000 barrels a day in increased output between now and 2018, Ms. Melgar said.

DCM, a joint-venture of Mexico's Grupo Diavaz and Canada's CanElson Drilling Inc., is in charge of drilling the Ébano oil field, an area of green woodlands encircled by swamps. The field, 40 miles west of Tampico, is where Mexico's first oil well was drilled in 1901 by Mexican Petroleum Corp. founder Edward Doheny.

Until now, contractors have been limited by Mexican law to getting fees from Pemex for service work, such as drilling wells and maintaining them.

Under the new law, Pemex is working to turn fee-based service contracts into more profitable deals to share oil production, hoping to attract investment and increase drilling. DCM's Mr. Vázquez predicted that oil output at Ébano would increase over the next five years to about 40,000 barrels a day from 11,000 now.

Mexican contractors such as DCM eventually could bid for small blocks. “We will be able to work as service contractors for big private oil firms and at the same time be their competitors,” Mr. Vázquez said.

At the Ébano field recently, DCM engineer Alejandro Carrasco stopped his pickup truck on a dirt road and pointed at the two drilling rigs piercing the horizon. “The idea is to turn this into a sea of drilling towers,” he said.

The government bets that opening the energy sector could be the key to emulating the success of the U.S. fracking boom.

The area around Tampico forms part of a long stretch of land in Tamaulipas and Veracruz states that the Energy Ministry estimates contains as much as 35 billion barrels of oil equivalent, making it home to some of Mexico’s biggest shale-oil deposits. The U.S. Energy Information Administration estimates that Mexico has the world’s eighth-largest shale-oil resources.

Not that getting the oil will be easy.

Chicontepec, a geologically difficult basin 125 miles south of Tampico, produced just 47,000 barrels of oil a day in September. Pemex had targeted 600,000 barrels a day by this year.

“These are very complicated oil fields that in some cases may have less oil than predicted or could even be impossible to extract,” said energy consultant Antonio Juárez, a former Energy Ministry official.

Jorge Piñón, a former president for Latin America at Amoco, said problems related to infrastructure, water and qualified labor add to the challenges.

There are also concerns about security.

Disputes between the Zetas and Gulf Cartel drug gangs have led to violence. Kidnappings, extortion and fuel theft are a frequent concern. After 11 at night, street activity comes to a halt in Tampico, where before leaving home, people routinely check local Facebook pages for alerts about shootouts. DCM’s headquarters are in a discreet gray building with tinted windows and no signs outside announcing that the company is there.

But DCM’s Mr. Vázquez said he was undeterred.

“It’s not easy to operate here,” he said. “But there’s one thing that will persuade all of us: money. You can make a lot of money here.”

CANADA’S NEWFOUNDLAND REFINERY SWAPS IRAQI CRUDE FOR U.S. SHALE

Canada’s Come by Chance refinery, on the far eastern tip of the country, has swapped out its mainstay Iraqi crude to run almost wholly on U.S. shale oil, industry sources say, the latest sign of how the shale boom is redrawing global oil trade.

About two months after South Korea’s national energy firm agreed to sell the refinery to a newly formed New York-based commodities group, the 115,000-barrel-per-day (bpd) plant in Newfoundland has already begun making significant changes in its crude oil diet, according to two sources familiar with its operations, who spoke on condition of anonymity.

oday, the facility is running mainly on crude oil being shipped out of Texas, according to the sources as well as shipping data compiled by Thomson Reuters. That is a big switch from the first nine months of the year, when over 70 per cent of its feedstock was coming from Iraq, data show.

The switch at Come by Chance – a town named for its remoteness on the island of Newfoundland – is the most dramatic sign yet of how a growing bounty of light, sweet U.S. shale oil is displacing other producers in refineries worldwide.

While rapidly rising North American production has already squeezed out imports across most of the U.S. Gulf and East coasts, and some of Canada, the Come by Chance refinery is the furthest-flung plant to make such a major switch, suggesting that cheaper domestic prices are compensating for higher freight costs.

The big shift in feedstock from generally sour Iraqi crude to light, sweet U.S. shale has not been entirely trouble-free, however. In the past few weeks, the facility has been running at anywhere between 90,000 and 105,000-bpd as it adjusts to the new slate, one of the sources said. Both of the sources said it was currently running at about 105,000 bpd, still below capacity.

Asked to confirm the switch from Iraqi crude oil to U.S. crudes at the Canadian refinery, a spokesman for the Korean National Oil Co., South Korea’s state-run oil company, said the incoming owners are now making those decisions. He said the deal was expected to close in November.

The new owners, Silver Range Financial Partners, a little known merchant bank run by two former senior Wall Street oil traders, also declined to comment, citing the pending sale.

That deal is expected to close “imminently,” a source said.

As part of the sale, the new owners negotiated a new supply and off take agreement with BP PLC, ousting Australia’s Macquarie Bank Ltd., which had pioneered shipments of Texas shale oil all the way to Newfoundland several years ago.

But over the first nine months of this year, those shipments were intermittent. Imports of U.S. crude to Newfoundland and Labrador, whose only refinery is Come by Chance, came to around 20,000 bpd, or about 20 per cent of the refinery’s intake, according to Statistics Canada trade data. By contrast, imports from Iraq averaged 73,000 bpd.

Since October, however, that appears to have shifted substantially.

According to vessel flow data analyzed by Thomson Reuters’ Freight Research & Forecasts, only four oil tankers have discharged about 2.25 million barrels of crude at Come by Chance since late September – all of them from Texas. That is an average rate of more than 100,000 bpd, five times the norm.

The last cargo from Iraq berthed in mid-August, the data show. From April through August, six tankers unloaded 10 million barrels of Iraqi oil at the refinery – more than one tanker a month.

The growing reliance on U.S. grades follows the announcement in September that a New York-based Silver Range, run by Neal Shear, former top commodities banker at Morgan Stanely, and ex-Lehman Brothers executive Kaushik Amin, were buying the aging refinery from KNOC.

It is unclear what, if any, contractual arrangements still exist between the refinery's new operators and Iraq's State Organization for Marketing of Oil (SOMO). Iraqi oil has been a mainstay at the plant for years; including the long period it was run by Swiss oil trader Vitol.

Officials at Iraq's SOMO said they do not comment on commercial issues.

The switch is particularly notable because Iraq has done better in the U.S. market than many other foreign suppliers, such as Nigeria and Algeria.

U.S. imports from Iraq are running at around 380,000 bpd this year, down from nearly 500,000 bpd four years ago, according to U.S. government data. Imports from Nigeria, however, have fallen from over one million bpd to near zero.

The growing flow of U.S. crude up the Atlantic Coast – bypassing a number of Pennsylvania and New Jersey refiners who are getting their U.S. shale supplies via costly rail shipments – may stoke even more debate over the so-called "Jones Act," a near century-old law that requires all vessels sailing between U.S. ports to use U.S.-built and crewed ships.

U.S. refiners, such as PBF Energy are pressing Washington to ease the rules, which require them to use U.S. ships that can cost four times as much as shipping crude from Texas to Canada on a foreign-flagged tanker.

Exports of U.S. crude to Canada – which are largely exempted from a contentious ban on most foreign sales of domestic oil – have surged to record highs this year, reaching nearly 400,000 bpd this summer, up from around 70,000 bpd just two years ago. Exports dipped to about 280,000 bpd in September, according to Reuters calculations based on Census Bureau data on Tuesday.

122 BIRDS DIED AFTER LANDING ON 3 NORTHERN ALBERTA TAILINGS PONDS

Heavy fog in the area may have been a factor, Alberta Energy Regulator investigating

The Alberta Energy Regulator says 122 waterfowl died on tailings ponds operated by Canadian Natural Resources Ltd., Syncrude and Suncor in the northern Alberta Oilsands.

CNRL has found 60 birds so far at the Horizon site. Syncrude had to euthanize 30 birds that landed on a pond at the Mildred Lake site.

The Alberta Energy Regulator has sent investigators to ensure wildlife deterrents were working properly at the time. The regulator believes weather may have been a factor in the birds' deaths.

CNRL spokeswoman Julie Woo said in an email the birds landed early Tuesday morning when there was "extreme fog" in the area.

She said deterrents including radar units, long range acoustic devices, propane cannons and scarecrows were working at the time.

"We are saddened that approximately 60 waterfowl were not deterred and we are currently in the process of confirming the final affected number," she said.

Syncrude spokesman Will Gibson says the company noticed increased bird activity in the region and put its deterrent system on high alert.

"It's disappointing to us when wildlife are harmed by our operations. We're going to review our system to see if there's additional ways beyond additional improvements we've already implemented to ensure this kind of incident doesn't happen again."

Carolyn Campbell, conservation specialist with the Alberta Wilderness Association, says deterrents like scarecrows, cannons and flagging aren't very effective.

When Syncrude was fined $3 million after 1,600 birds landed on a tailings pond in 2008, Campbell says the government promised to increase regulations and shrink the size of tailings ponds at that time, but little has been done.

She believes the Alberta government needs to standardize the rules to keep wildlife away from tailings ponds.

11-Nov-14				
	Active	Down	Total	% Active
		Western Canada		
AB	263	301	564	47%
SK	78	69	147	53%
BC	53	15	68	78%
MB	11	14	25	44%
WC Total	405	399	804	50%
		Eastern Canada		
QC	-	1	1	0%
Canada	405	400	805	50%