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CRUDE OIL 'BOMB TRAINS'

In the past three days, two trains carrying crude oil derailed and exploded in North America, one March 5 in northwestern Illinois near the Mississippi River and one March 7 in Gogama, Ontario, the second such incident in Canada in three weeks. These wrecks follow a fiery explosion February in West Virginia and a January derailment in Philadelphia.

When a CSX train carrying 3 million gallons of North Dakota crude oil derailed in Fayette County, W.Va., on Feb. 16, huge fireballs shot hundreds of feet into the sky, houses burned and at least 2,400 residents were evacuated. The train had jumped the tracks, sparking a fire that lasted over three days and left area residents worried about long-term water quality in a nearby river.

No one was injured in a remote area of northern Ontario on Feb. 15 when a 100-car Canadian National Railway Co. train carrying crude oil derailed and caught fire. In 2013, however, an unattended crude oil train rolled into the center of Lac-Megantic, Quebec, unleashing a major fire that destroyed dozens of buildings and killed 47 residents.

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Federal authorities from the Department of Transportation predicted that these dangerous derailments could become commonplace in upcoming decades. The DOT anticipated an average of ten incidents a year costing billions of dollars and endangering large numbers of people. Beating that estimate, there have now been five such incidents

in 2015 in just over two months. Most trains involved were carrying highly combustible crude oil from North Dakota's Bakken shale formation. These potentially deadly "bomb trains" are becoming all too common. There are currently no federal regulations for oil extracted by hydraulic fracturing in shale regions. The oil contains extremely high levels

of volatile components, including propane and butane, from chemicals used in the fracking process. The energy industry has resisted demands to extract these components from the oil prior to shipping, claiming it's too expensive. The more gaseous mixture happens to bring a higher profit for the energy industry. Since 2008, rail shipments of oil

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increased from 9,500 carloads to around 500,000 in 2014. The oil trains travel through towns and cities unprepared to respond. There has been "no corresponding increase in safety preparedness plans," according to the Center for Biological Diversity.

A study by the CBD released Feb. 19 estimates that 25 million people in the U.S. live in the one-mile evacuation zone near rail lines, which is recommended by the U.S. Department of Transportation. When a tank car containing crude oil catches fire, federal guidelines call for the evacuation of people living within a half mile.

The study raised concern that oil trains routinely pass within a quarter mile of streams, lakes, wetlands, reservoirs, the Hudson, Mississippi and Columbia rivers, the Puget Sound, Lake Champlain and Lake Michigan. The CBD called for a moratorium on "bomb trains" until safety can be ensured. (biologicaldiversity.org)

In Philadelphia alone an estimated 704,000 people live or work within a half mile of CSX and Norfolk-Southern rail lines that run through the region. These tracks are traversed several times a day by mile-long trains with over 100 cars, most filled with oil from North Dakota.

Most people in Philadelphia are probably unaware that their lives are at risk. Local officials say they can do little to regulate the railroads, which come under federal jurisdiction.

Between 45 to 80 trains carrying shale crude oil travel through Philadelphia each week. The majority carry the

volatile North Dakota crude. Two oil-train derailments already occurred in Philadelphia — one in early 2014 when several cars skipped the track and hung precariously over the Schuylkill River; the second in January when a CSX oil train left the tracks in a rail yard in South Philadelphia near Interstate 95.

Neither incident resulted in explosions or oil spills, yet both served to expose the city's glaring lack of any viable evacuation plan or campaigns to raise public awareness of the potential risk. On the contrary, what has come to light is city officials' reluctance to disclose the schedules of oil-trains on "public security" grounds.

Philadelphia public safety officials say they have an emergency evacuation plan, yet denied a 2014 right-to-know request from environmental activist Mary Donahue, who wondered what "they don't want the public to know." (Phila.com, Feb. 22) Other activists have questioned whether there really is a plan.

A public hearing on the danger of train derailments in Philadelphia is planned for March 12.

Philadelphia is not the only major city facing this threat. Trains carrying millions of gallons of crude oil routinely travel through major cities, including Seattle, Chicago, Cleveland, Pittsburgh, Washington, D.C., Harrisburg, Pa., and Albany, N.Y.

North Dakota crude oil production is over 1 million barrels a day and 90 percent moves by freight rail. Even if the Keystone XL pipeline were to be completed, it has a capacity to move only 830,000 barrels a day.

Fracking for North Dakota crude oil is a billion dollar business, and railroads have become the primary method of transport to expanding East Coast refineries. The two richest men in the U.S., billionaires Warren Buffett and Bill Gates, have controlling shares in BNSF Railway and the Canadian National Railway Co. In 2014 Canadian National had profits of \$59.2 billion.

While the overall number of train accidents in the U.S. has decreased in recent years, the number of dangerous crude-oil train derailments has grown. The trains carrying oil are longer, heavier and more difficult to control or stop. The train that derailed in Ontario in February was over a mile long and weighed 14,355 tons.

In many cases the aging railway infrastructure, especially bridges, was never designed to carry such heavy loads. Class 1 tracks have a weight capacity of around 286,000 lbs., or 143 tons. The Federal Railway Administration does not keep data on bridge inspections, and most states don't employ workers dedicated to inspecting bridges.

The railroad industry has called for tighter regulations, and is receiving greater scrutiny from some government agencies. But the refineries and the oil industry that own the cars have resisted making changes, including upgrading tank cars, because that cuts into their profits.

Many of the initial accidents were blamed on outdated DOT-111 tank cars that were never designed to carry volatile crude. Changes in DOT regulations due to take place

in May 2015 require the use of newer, supposedly more resilient CPC 1232 models. However, most of the recent explosive derailments involved these "safer" cars.

Also, simply reducing the speeds at which the trains travel through heavily populated areas may not solve the problem. The train involved in the Lac-Mégantic disaster was stopped at the time.

Concern for human life and the environment must be put before the greed of the energy industry's drive for higher profits. Until the safety issue is addressed there needs to be a moratorium on train transport of crude oil. Unless these corporations take measures to address growing safety concerns, millions of people remain sitting ducks — potential victims of corporate greed, just waiting for disaster to happen.

CANADA WANTS EVEN NEWER OIL TANK CARS PHASED OUT BY 2025

Canada proposed tough new oil tank car standards on Wednesday and said even improved tank cars coming into service now would have to be off the rails by 2025 at the latest.

The announcement comes after a rash of fiery derailments in Canada and the United States, including some that involved the newer, improved rail cars, and as more oil increasingly travels by rail due to higher output and a shortage of pipelines.

The proposed standards call for a hull thickness of 9/16 inch, up from the current 7/16 inch or half inch, depending on car type. It also makes thermal protection

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jackets and increased shields at each end of the cars mandatory. Older DOT-111 cars are being replaced in Canada by CPC-1232 cars, but even these will have to be phased out by 2023 or 2025, depending on whether they are jacketed or not, under the proposed standards.

The proposed rules were welcomed by the Canadian Association of Petroleum Producers, which represents the country's largest oil companies. The group supports retrofitting the older model tankers and the phase in of more robust cars.

"Rail is anticipated to remain an important mode of transportation to transport Canadian crude to market," said Chelsie Klassen, a spokeswoman for the lobby group.

"Given the integrated nature of the North American rail network, there's a need to harmonize Canadian and U.S. standards on rail car standards."

Canada, which moved ahead of the United States in ruling DOT-111 cars cannot carry crude as of May 2017, signaled it was prepared to move faster than its neighbor on the latest standards.

Canada said the U.S. is following its own regulatory process and will make its own decision on this standard. Nonetheless, Canada said the new car will be called TC/DOT-117. TC stands for Transport Canada and DOT for U.S. Department of Transportation.

Transport Minister Lisa Raitt told Reuters earlier that, while the Washington and Ottawa are near

agreement on a tougher standard for oil tanker cars, they might diverge on the phase-in period.

"Time is of the essence for us," she said.

Derailments in the U.S. and Canada have added to pressure to make tankers less vulnerable to rupture and explosion in the event of a mishap.

In July 2013, an oil train derailed in Lac-Mégantic, Quebec, killing 47 people. Long oil trains regularly pass through larger metropolitan areas.

Although they are deemed somewhat safer than the older DOT-111s, nine CPC-1232s ruptured in a fiery Canadian National Railway Co accident in Ontario on Saturday.

Reuters previously reported that advanced braking systems - electronically controlled pneumatic or ECP brakes - could be part of the standard.

Transport Canada said on Wednesday it planned to include braking requirements, including ECP, in separate regulations rather than the tank car standards.

The U.S. rail industry has been pushing the White House to drop the braking requirements, arguing that U.S. Transportation Department estimates overstate the benefits and understate the costs of such systems.

A senior executive from Canadian Pacific Railway Ltd was part of a delegation of more than a dozen rail executives who attended a meeting with the White House Office of Management and Budget on March 6, where the industry urged the Obama administration to scrap the proposed

requirements for ECP brakes. "CP welcomes any progress towards the full implementation of safer tank car standards," Martin Cej, a spokesman for the railway, said in an email, though he declined comment on the possible braking standard.

Canadian National spokesman Mark Hallman said the rules calling for thicker tank walls were a "clear advance in tank car safety."

The Railway Association of Canada, representing most of Canada's railway companies, welcomed

the new tank car standard, saying it had wanted something more robust than CPC-1232s.

CANADA'S OIL PATCH MAKES THE PITCH TO WALL STREET

More than 40 energy players head to New York to convince Wall Street that things will get better

For the past 21 years, a group of Calgary energy companies has travelled to the Big Apple to make the pitch that Canadian

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oil is a good investment. Some years that's a pretty easy sell; this year it's a bit trickier. Shares in Canadian energy companies are down around 40 per cent from their peak in 2014. And there are no signs that oil prices are about to improve.

In fact, the very first presenter, Mike Rose of Tourmaline Oil, cracked a joke about the endless sea of misery before assuring the Wall Street crowd that it will get better. - Eventually.

Jim Davidson, the chair of the company, said the mood this year is somber.

"We've seen an incredible collapse in commodity prices, oil in particular has fallen dramatically and doesn't show any signs of rebounding dramatically either. So it's a more reflective mood," he said.

As formal presentations are made in the ballroom of a midtown Manhattan hotel, more than 200 one-on-one meetings are happening on a higher floor. That's where executives make the case for investing in energy over the many other options available.

"The potential investors are a little cautious because they feel that we might not be at the bottom of the market," said George Fink, the chief executive of Bonterra Energy

"They certainly compare the commodities industry with a lot of other industries, like financial, manufacturing, or auto, those industries is doing well."

In Canada, there has been a reasonably warm reception to fund-raising by the oil patch, with \$3.5 billion in energy financing

in Canada since the start of the year. Most of that cash has been used to shore up balance sheets so that the companies have the cash to survive the downturn.

A time of crisis in the oil patch means the strong can pick off the weak, through buying assets or acquiring whole companies.

These kinds of deals have already started, but there are expectations that a wave of merger and acquisition activity is on its way, if prices remain low and weaker companies burn through more of their cash.

This brings us to the question of just when oil prices will recover. The North American benchmark, WTI, continues to be weak, as U.S. production increases and storage tanks fill up.

Although drilling rigs are being laid down in high numbers, there's still a glut of supply. Last week, U.S. production rose to a multi-decade high of 9.37 million barrels per day.

Here in Canada, the numbers aren't as dramatic, but CAPP, the Canadian Association of Petroleum Producers, still expects Western Canadian production to increase over 2014 levels by 150,000 barrels a day.

What's notable in the conference so far is that companies are not talking about pulling back on production.

That's in large part because Alberta's oil sands producers are locked into certain production levels, so if a smaller producer tries to cut back, they feel the pain of lost production, but have virtually no impact on global supply.

To take one example, Crescent Point Energy, an intermediate oil producer that managed to hedge more than half of its production this year at \$89 a barrel, intends to modestly increase production this year to around 160,000 barrels a day.

Crescent Point's chief executive Scott Saxberg says the market will force weaker companies to cut production.

"You have good companies and we characterize ourselves as a good company. And you have poor companies that are in poor positions in their basin and have

debt up and a lot of those companies on the fringe are going to see a drop in production," said Saxberg.

"So you can pick the top 10 guys and they'll all grow and look great because they've managed their business properly and then there are 80 guys that maybe don't. And then you see the growth profile in 2016 really dramatically change."



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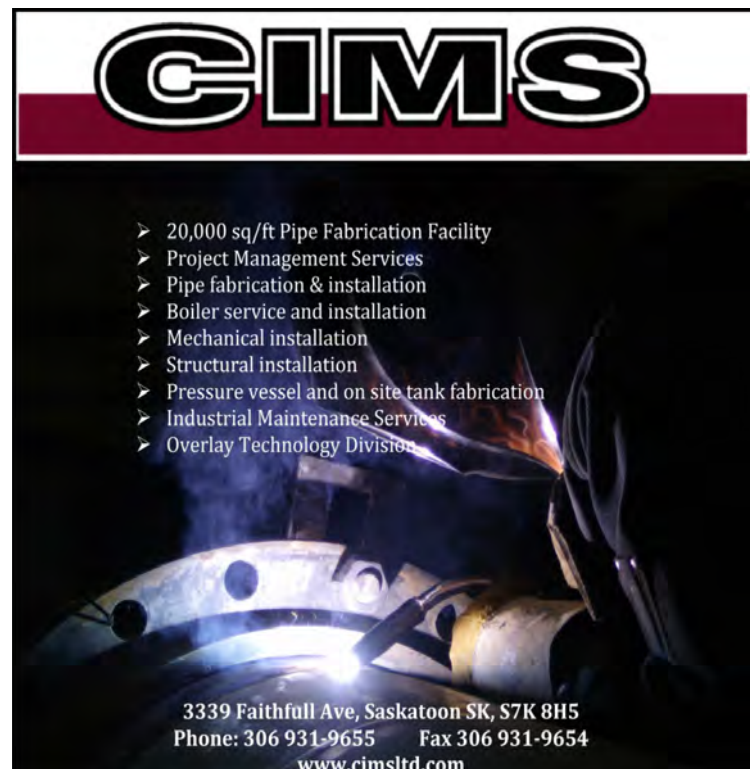
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FEDERAL REVIEW OF PACIFIC NORTHWEST LNG HALTED A SECOND TIME

Company asked for more information on effects on B.C. salmon-rearing habitat

A federal review of Pacific NorthWest LNG has been halted again, as the Canadian Environmental Assessment Agency seeks more information on effects on sensitive salmon-rearing habitat.

This second stop in the review could delay a decision on the project by the federal agency until July or August. The project already has B.C. approval.

It could also delay a final investment decision by Malaysia's state-controlled Petronas, the lead player in the liquefied natural gas export project. Total costs for the LNG terminal, pipeline and work to extract natural gas in northwest B.C. are estimated at \$36 billion.

Petronas had said it would make a final investment decision before the

end of last year, but recently said the decision would come in June, about the same time the federal review was supposed to be completed.

The assessment agency said it sent a letter to Pacific NorthWest LNG on Feb. 23, seeking more information to determine whether the project is likely to cause significant environmental effects. "The information requested pertains to the project's potential effects on sediment transport and hydrodynamic changes, and associated effects to fish and fish habitat at Flora Bank, near the Skeena River," said spokeswoman Karen Fish said in a written statement.

Hydrodynamic changes refer to water movements in the ocean.

Flora Bank contains eelgrass beds considered critical habitat for juvenile salmon. The bank is just off Lelu Island, where the project will be built adjacent to Port Edward in northwest B.C.

Nearly three weeks have elapsed since the halt of the review.

Pacific NorthWest LNG spokesman

Spencer Sproule said he couldn't comment on whether a project decision would be delayed, saying the length of the review halt is an assessment agency decision.

"The only thing we can do it get the work that is requested of us done as quickly as possible, but as best as possible," said Sproule.

The federal review was also halted last year after First Nations, federal agencies and the public raised concerns about a jetty that would be built over Flora Bank.

Concerns had also been raised

about dredging and depositing that material in the vicinity of the salmon-rearing area.

The company filed new plans to build a 1.6-kilometre suspension bridge over the Flora Bank and move the berth for the LNG carriers farther from Lelu Island so that no dredging is required.

"Construction of the bridge will eliminate most project infrastructure (such as piles to support the jetty) and construction activities on Flora Bank," noted the changes filed by Pacific NorthWest LNG in December.

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<u>Western Canada</u>				
AB	92	439	531	17%
SK	12	117	129	9%
BC	47	33	80	59%
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WC Total	151	607	758	20%
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