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SUPPORTERS OF CANADIAN OIL NOW FILL DONALD TRUMP'S CABINET

Donald Trump's prospective cabinet is now stacked with friends of Canadian oil, with vocal proponents of the Keystone XL pipeline his picks to run key posts in the State and Energy departments. Both are from the state where the pipeline concludes: Texas. Trump announced Tuesday that he'll ask Congress to approve Exxon CEO Rex Tillerson as the U.S.'s top diplomat — and the decision on international pipeline permits belongs to the secretary of state. And Rick Perry is the pick for energy secretary, sources tell The Associated Press. When he announced his ill-fated run for president last year, the former Texas governor promised he'd waste no time approving the pipeline: "(I'll do it) on Day 1." Canada's former ambassador to Washington recalls different meetings with both men, where they expressed that support. Gary Doer recalled one event at the Canadian embassy in Washington featuring Perry and pro-pipeline governors. He also chatted with the secretary of state pick when they shared a table at a Washington dinner. Tillerson spoke to him about the different projects Exxon had going in Canada — including one that involves 4.6 billion potential barrels in Alberta and investments in lower-emitting extraction technology. At that dinner Tillerson lamented the fate of Keystone XL. In a speech, he spoke at length about the project currently scuppered by the Obama administration, which Trump has hinted he could soon revive. Tillerson cited it as a prime example of economic damage from government

meddling. "The United States and Canada both need this vital pipeline," he told the Economic Club of Washington, D.C., last year. "But approval of the pipeline has been taken out of the hands of experienced career officials, and it has become a tool of political manipulation." He noted that the project had undergone four environmental reviews by the State Department, all of which concluded that it would not result in greater danger or greater amounts of carbon being pumped into the atmosphere. Tillerson's nomination could face resistance in Congress. Lawmakers are primarily expected to interrogate him about his years-long relationship with Russian leader Vladimir Putin, at a time of conspiracy theories and scrutiny of Trump's own relations with Russia. The president-elect fuelled those suspicions about his Moscow ties last week — by insulting the U.S. intelligence community. After reports that U.S. officials concluded Putin tried helping him win the election, Trump last week blasted them as the same people who'd botched the intelligence regarding Iraq's weapons of mass destruction. Republicans have promised to investigate Russian involvement in the election. Some have also suggested they will grill Tillerson. For others, the greatest source of consternation lies on environmental grounds. After Perry's name surfaced in media reports, the anti-pipeline group 350.org issued a statement titled: "Another day, another climate change denier." Perry, in fact, had promised to eliminate the Department of Energy. His own possible future department was one of three he'd vowed to scrap during his presidential run — the names of which he forgot during a 2012 debate, a turning

point in his campaign. Tillerson's own view of climate change is decidedly nuanced. Exxon's boss says he believes humans are contributing to global warming. He's long supported a carbon tax as the best policy for curbing emissions, arguing it provides greater clarity to the market than the hodge-podge of incentives and cap-and-trade systems that exist in different jurisdictions. On the other hand, he says climate change is a reality to which that humans need to get accustomed. Tillerson told the Council on Foreign Relations in 2012 that his company — which for years suppressed research on global warming — was now participating in UN climate research, and working on climate modelling with researchers at MIT. "We believe those consequences are manageable," he said. "As human beings, as a species, that's why we're all still here. (We adapt). We have spent our entire existence adapting. So we will adapt to this." If new weather patterns shift crops around, he said, humans will respond: "It's an engineering problem — and it has engineering solutions."

EXXON MOBIL COULD TAP HUGE ARCTIC ASSETS IF US-RUSSIAN RELATIONS THAW

Exxon Mobil stands to regain access to huge reserves of oil if the United States rolls back sanctions on Russia. U.S. sanctions on Russia have prevented Exxon Mobil from exploring assets covering 63.6 million acres. The prospect of rapprochement between the U.S. and Russia remains speculative, but both President-elect Donald Trump and Russian President Vladimir Putin have said they want to improve relations. The two countries' relationship fell apart after

Russia took Crimea from Ukraine in 2014 and then intervened in civil wars in Ukraine and Syria. Trump over the weekend dismissed the assessment, reached unanimously by 17 U.S. intelligence services, that the Russian government directed cyberattacks on the United States in a bid to "interfere with the U.S. election process." He then waved off a subsequent report citing CIA sources that alleges that intervention was meant to boost his chances of beating Hillary Clinton in November. On Tuesday, Trump announced he would nominate Exxon Mobil CEO Rex Tillerson as secretary of State. Tillerson has experience negotiating deals in Russia, and he got to know Putin while chief executive of the world's biggest integrated oil and gas company. Tillerson has the backing of former Republican Secretaries of State James Baker and Condoleezza Rice, but GOP lawmakers on the Senate Foreign Relations Committee, including John McCain and Marco Rubio, have expressed concerns about Tillerson's relationship with Putin. Tillerson has criticized U.S. sanctions on Russia and was awarded Russia's Order of Friendship by Putin in 2013. To be sure, as Exxon's chief executive, Tillerson's priority has been to his shareholders, and he has sought to protect the company's substantial interests in Russia. Exxon's operations in Russia represent only a fraction of its global oil and gas



production, but a joint venture with Russian state-controlled oil giant Rosneft to explore and produce fossil fuels in Arctic waters represents a big part of Exxon's potential future production growth. Those endeavors have been on ice since 2014, when the United States imposed sanctions on Russia for its incursions into Ukraine. Exxon said in a filing after the sanctions were put in place that its "maximum before-tax exposure to loss from these joint ventures" totaled \$1 billion through the end of 2015. Exxon did not immediately respond to a CNBC request for comment. Exxon and Rosneft entered the joint venture in 2012 to develop offshore reserves in the Arctic Kara Sea and the Black Sea, as well as onshore assets in Siberia. The following year, they advanced their strategic alliance by adding seven more blocks in the Chukchi, Laptev and Kara seas. Exxon's holdings in Russia's Arctic waters and the Black Sea, which are not producing for the energy giant due to the sanctions, totaled 63.6 million acres. By comparison, Exxon holds 85,000 net acres across its main Russian venture, an offshore project called Sakhalin, which was in place before the sanctions.

Exxon holds a 33 percent stake in Arctic Kara Sea and Black Sea joint ventures, and a 30 percent stake in the Sakhalin project. Rosneft estimates there are 87 billion barrels of oil lying in the three blocks of the Kara Sea covered by its joint venture with Exxon Mobil. The first exploration well in the Kara Sea in the icy Arctic waters above Russia yielded a discovery of 730 million barrels of oil, S&P Global Platts reported. Just days before the Kara discovery was announced, the United States expanded sanctions on Russia's oil industry that forced Exxon Mobil to quickly wind down

its operations in the Kara Sea. Purely from a size perspective, the Arctic is one of Exxon's biggest prizes, said Anish Kapadia, an analyst at energy investment bank Tudor Pickering Holt. But he cautioned there are many questions about the economics of developing the reserves. Drilling in the Arctic is notoriously difficult and can take place only during a few months of the year due to the harsh conditions. A number of oil companies have abandoned Arctic projects in the waters off Alaska. From a financial perspective, Exxon's long-term plans in offshore Guyana make more sense than the Arctic joint venture, Kapadia said. Projects to develop liquefied natural gas and Canadian oil sands could also come with lower development costs. "It's not just the size of the prize, it's whether you can make it work commercially," Kapadia told CNBC. The onshore Siberian assets are not materially significant to Exxon's business, he added. That part of the joint venture likely benefits Rosneft by allowing it to tap Exxon's experience in extracting fossil fuels from tight rock formations, Kapadia explained.

OBAMA REGULATORS REJECT FRACKED GAS PIPELINE ACROSS OREGON

FERC refuses to approve a liquefied natural gas export project—for the first time ever.

The Federal Energy Regulatory Commission has conclusively rejected the only U.S. West Coast plan to ship liquefied natural gas from Canada and the Rockies to Asia. On December 9, FERC commissioners announced that they had again voted unanimously to refuse federal approval for the \$7.6 billion Jordan Cove Energy Project export terminal

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and the Pacific Connector Gas Pipeline (PCGP). FERC's original ruling against this fracked-gas export project came March 11, 2016, and the December 9 decision denied requests to reopen the federal approval process. This is FERC's first-ever liquefied natural gas (LNG) export rejection. The agency is funded through back-charging its costs as fees to the energy industry, so it is considered a zero-budget entity for the overstressed federal budget process. FERC is notorious for its easy approvals of dirty fossil fuel projects, making this two-part verdict all the more striking. FERC's unprecedented double denial needs to be seen through the frame of an 11-year coordinated grassroots campaign. Dozens of organizations,

supporting hundreds of outraged landowners along the pipeline route, have brought together thousands of people all over Oregon to fight this LNG terminal and pipeline. The pipeline would run 232 miles across four counties in southwest Oregon, slashing a clearcut the width of an interstate highway across two mountain ranges, five rivers, and 400-plus wetlands and waterways. It would terminate at the Pacific Ocean in Coos Bay, Oregon, in a fragile estuary inlet. There, the largest dredging project in Oregon coastal history would need to prepare a sand spit for a massive industrial plant, destroying oyster beds and fisheries. A new 430-megawatt gas-fired power plant—which would be the largest carbon emitter in Oregon—

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would be built to cool the fracked gas to minus-261 degrees Fahrenheit, to liquefy it for tanker shipping across the Pacific. All this is planned for the most dangerous earthquake and tsunami zone in North America, the Cascadia subduction zone. The region is overdue for an earthquake that is guaranteed to be the largest in U.S. history. The Cascadia fault lines crack at a minimum of Magnitude 8, and can exceed Magnitude 9. The earthquake zone ruptures on an average of every 250 years; the last time was 317 years ago, in 1700. The tsunami wiped out every indigenous coastal village from Northern California to Vancouver Island. Jordan Cove and PCGP are owned by Veresen, Inc., a mid-sized Canadian fossil fuel company trying to use LNG export to catapult itself into the ranks of the big-league energy players. Financially, though, Jordan Cove and PCGP are arguably the weakest of some four dozen multi-billion dollar U.S. LNG export proposals. FERC rejected Veresen's plans because the company has no guaranteed contracts to sell the fracked gas overseas. Developers must show a so-called "public benefit" for the people of the United States, and FERC defines that to be determined by approval by the market: If a developer can sell a planned fossil fuel product, they're good to go. FERC had warned the Calgary-based company for years that guaranteed contracts would be critical for permission to move ahead, with specific requests for progress reports, but got back only vague promises that Veresen was unable to fulfill. That bottom line requirement was compounded

by Veresen's dismal record in negotiating construction easements from hundreds of landowners along the pipeline route. By the denial on March 11, PCGP could show FERC easements from only 10% of ranchers, farmers, and other private-sector landowners. FERC has the power to authorize eminent domain against landowners. This controversial and destructive tool in fracked-gas pipeline development has led to bitter struggles all over the country. Developers typically have to negotiate about 80 percent consent by affected landowners before FERC is comfortable authorizing eminent domain against hold-out landowners and local communities. Forced deprivation of property rights is no small matter. Along the PCGP route, landowners and their environmentalist supporters have fought back hard, pledging resistance. According to FERC, the refusal of this enormous majority of landowners along a pipeline route to sign on was unprecedented. In the March 11 and December 9 announcements, FERC expressed deep concern about using unheard-of levels of eminent domain against 90 percent of private landowners for a project that could not demonstrate a "public benefit." The most difficult public issue for project opponents has of course been jobs. The developer can claim accurately that billions of dollars of equipment manufacturing and project construction will generate thousands of temporary living-wage jobs. But jobs that ravage communities and public lands and contribute massively to climate change are not "good" jobs. So simultaneously, we consistently

advocate for genuine good jobs, sustainable jobs, converting our state to clean energy and rebuilding our infrastructure for earthquake preparedness and other urgent needs. The battle is not completely over. Veresen can still sue FERC, or reapply, but for now they have no clear path to construction. Oregon continues to process state permit requests, but our coalition is fighting those effectively too. One way or another, grassroots Oregonians are going to continue to defeat dirty, dangerous fossil fuels and build the just transition.





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