

Quote of the Week : “Accept the fact that you’re not going to live forever ... *but* if you work at it, you might make 100” - Dr. Denham Harman (who died last week at age 98, who, with a Ph.D. in chemistry & after being a successful research scientist at Shell, entered med school at age 33 out of curiosity about the aging process, and who, while professor of biochemistry at the University of Nebraska medical school, developed the “free radical” theory of aging¹ that has since been widely accepted in both traditional & alternative medical circles.

November 30th was the first anniversary of the chain of events that led to the ousting, a couple of months later, of former Ukrainian President Viktor Yanukovich. In Kiev thousands of people gathered in the streets, & President Poroshenko attended a church service, to commemorate this. Meanwhile, further East, Russia sent another (106 vehicle) truck convoy² into the Eastern Ukraine’s Donetsk & Luhansk regions³. While Moscow called it ‘humanitarian assistance’, Kiev says it brought in more weaponry (*a view enhanced by Ukrainian officials not being allowed anywhere near the trucks*) - *The day before the EU had extended asset freezes & travel bans to 13 more individuals & five more entities Kiev said had been involved in the two breakaway regions’ November 2nd ‘elections’. No doubt these regions (if not in the entire Ukraine, where GDP is expected to shrink by 10% this year, twice the IMF’s earlier forecast) need humanitarian assistance, for 1 MM of their 6+MM inhabitants are now internal refugees or have fled to Russia or Ukraine (before Yanukovich’s downfall they were heavily subsidized by Kiev & now they are worse off since it has cut off all payments, incl. salaries & pensions, to them).*

The WSJ says the Saudis believe the oil price will stabilize at US\$60, a price, it says, they & the other Gulf producers can live with (*the latter may be questionable*). Meanwhile at US\$70 OPEC members will have \$300+BN less oil revenue than they have been used to. This could impact on liquidity in global capital markets; for in recent years they have been plowing up to US\$500BN annually into UST-, & other high grade-, bonds and in equities; so they may start sucking liquidity out of the market, instead of adding to it. And the lower oil prices could also add to the already existing post-Arab Spring strains & stresses in North Africa; for ISIS has established *still small* beachheads in Algeria & Libya, both of them countries for whose governments oil revenues are a-, if not the most-, important revenue source, the diminution of which could lead to social unrest that would play into ISIS’ Abu Bakr al-Baghdadi’s hands.

The decline in oil prices, however, will make Europe a bigger customer for Russian natural gas next year. For the price it pays is oil price-indexed (with a 6-9 months’ lag). Last year its average price per 1,000 cubic metres was US\$304 (roughly US\$11/MCF)⁴. Given that at last report Brent Light was down by one-third, it is by no means inconceivable that next year Europe’s average cost of Russian natural gas cost could be as low as US\$200, or even less. This could have at least four consequences : a fillip to the European economy, an increase in Russian gas exports to Europe (that for Moscow won’t offset the effect of the price decline, thus creating more fiscal stress for Putin), a slowdown of the current boom in the mining of the

¹ Unstable groups of cells that damage healthy cell groups in the course of normal metabolism, thereby promoting aging.

² That Rossiya 24 said carried 800-, & 400-, tons of freight to Donetsk & Luhansk respectively.

³ Which according to Kiev brings the total to date to about 950.

⁴ about 2 ½ times that of a decade earlier, vs. US\$224 for the former Soviet Union satellites, up 4½x in ten years, & US\$107 for domestic customers, up five-fold in the decade

environmentally-unfriendly lignite (“brown coal”) in Central Europe (driven by Germany’s exit from nuclear power generation), & putting paid, for time being at least, to any US dreams of exporting LNG to Western Europe.

Are these the canaries in the Alberta economy’s coal mine? With an expected oil sands production exit rate next year of at most 14,000 bbl/d, Athabasca Oil Sands Corp. is a marginal Alberta oil sands operator. Nevertheless, its announcement on November 3rd that it would cut its 2015 capex program to \$208MM, down from the \$450-500M projected three months ago, just may be the fist-sized cloud on the horizon that portends heavy weather in the making (& this move was not necessitated by a lack of funds; for, after selling some properties to PetroChina, the Company will have, as of December 31st, \$1.3BN in cash, cash equivalents from its asset sales & undrawn credits. This came two days after another Calgary company, Bellatrix Exploration Ltd., a “gassy” intermediate-sized company active in West-Central Alberta announced it will cut its 2015 capex budget by \$50MM from the \$450MM it had announced just two weeks earlier (which already had been \$60MM less than its 2014 capex program). Meanwhile, elsewhere Malaysia’s Petronas announced it was delaying a final decision on its \$36BN Pacific Northwest LNG facility on the open ocean near Prince Rupert, without specifying for how long, although it committed itself to continuing work on lining up all the needed Government of Canada approvals (*while this is critically important for BC, it is less so for Alberta since only part of the Montney gas field that would supply feedstock for the plant is located in Alberta*) & Alberta Premier Jim Prentice told a business audience in Toronto on December 3rd the lack of market access for Alberta oil was not “tenable” since it had, in the last fiscal year, cost the energy companies \$10.85BN in lost revenue, and Ottawa \$2BN in foregone income tax-, and the Province \$3MM in royalty-, & another \$1BN in income tax-, revenue.

On November 30th Swiss voters en masse (78-22) turned thumbs down on a ‘gold referendum’ (despite polls as recently as a couple weeks ago having found the likely outcome ‘too close to call’) that would have forced the Swiss National Bank to hold much more gold than it does today. But what was intriguing was the subsequent action in the gold market; for, once the results were out, its price dropped, as expected (by US\$25), only to reverse itself in short order & rocket back up US\$80 (a gain largely kept intact since). And this came after unusual market activity on the Comex two days earlier, the day after US Thanksgiving, when the gold price got bopped on the head by US\$20 due to two unusual transactions, one at the very opening to sell 7,008 contracts/30 tonnes of paper gold & a second one, for 10,324 contracts/30 tonnes, during a ten minute period starting at 12:35 (*both of which for some smacked of market manipulation*).

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Thursday November 27th, 2014

ISRAEL’S 8 STEPS TO END TERRORISM (WP)

- At Netanyahu’s request, Likud Party Chairman Yariv Levin has drawn up a sweeping legislative package to ‘deter terror attacks’ he claims would apply to every Israeli citizen of any religion, as well as to those with residency permits (i.e. mostly Palestinians living in East Jerusalem). Following are the salient point of six of the eight proposed rules :
 - anyone convicted of carrying out, or assisting in, a terrorist act will be stripped of his Israeli citizenship or residency rights &, after serving a prison sentence, be expelled to Gaza or another place not under Israeli control;

- anyone found to have carried out a terror act, even if killed in the process, will have his family's home destroyed; while the family has the right to appeal, the demolition order, if upheld, must be carried out within 24 hours after the attack⁵;
- the bodies of perpetrators killed in terror attacks will be buried without ceremony in a state cemetery & the details thereof withheld from the family;
- anyone convicted of throwing Molotov cocktails or fireworks will be automatically deprived of citizenship or residency rights &, upon completion of their prison sentence deported to Gaza or another place outside Israeli control;
- anyone who incites terror attacks, throws stones during demonstrations or waves an enemy flag, incl. that of the PA, will be arrested and lose for 10 years all state health & social security benefits, and the right to hold a driver's license; and
- family members who express support for terrorists or their actions will be deprived of their Israeli citizenship or residency rights & deported to Gaza or another place not under Israeli control.

According to the OCHA (UN Office of Coordination of Humanitarian Affairs) the annual rate of attacks by settlers on Palestinians (2,100 reported in the past eight years), which the Palestinian security forces are forbidden to deal with, quadrupled between 2006 & 2014. It's doubtful if any one of them would ever have been classified as terrorist in nature, & even harder to conceive a settler ever being found guilty of a terrorist act, never mind being expelled; so the claim this package applies to "every Israeli citizen of any religion" appears bogus. And Israel under existing international law may not be able to dump its no longer wanted (ex) citizens onto another country without the latter's concurrence. And this whole deportation to Gaza etc. idea may come back to haunt Netanyahu; for it may convey statuses on Gaza & the West Bank not in the Israeli right wing's best interest. Finally, some of these ideas suggest, as was the case with the settler lady quoted here a few weeks ago, a perception of the world that seems out of touch with reality, which is only the scarier since they emanate not from a settler with a personal agenda, but from the head of the country's leading political party.

FIFTEEN REASONS WHY NETANYAHU COULD LOSE THE NEXT ELECTION **(Haaretz, Chemi Shalev)**

- After nine years as Prime Minister, fourteen in Cabinet & twenty-six in politics he may have worn out his welcome/*be past his Best Before date*;
- His approval rating has crashed from 77% *in July when he launched the latest Gaza war to 50% at its end & to 38% at last report & may not yet have bottomed*; so he may be calling an election at the very time fatigue with his leadership has reached critical mass;
- Many rightwingers in his Likud Party may be so disenchanted with him as to defect to Naftali Bennett or Avigdor Lieberman;
- While Bennett angling to become Defense Minister in any new Netanyahu-led government, Lieberman has wild card potential; *whereas he ran on a joint list with Netanyahu in the last election* he may desert him in this one & attract some of his fiercest critics in Likud (with whom he already has close links);
- President Reuven Rivlin (*who along with ex-President Shimon Peres opposed his proposed Jewish State legislation*) may find an excuse to give, & *relish the thought of giving*, someone else the task of forming the next government after the election;
- Netanyahu's recent move closer to Naftali Bennett may turn off the more moderate, less right-wing elements in his party;

⁵ Which, of course, makes the right of appeal a sham.

- Former Communications Minister Moshe Kahlon, popular because of his role in having cell phone charges drastically reduced, who has been talking about setting up a new party, could be a viable option for many Likud voters⁶ - *he could become a 'king maker'*
- The economy is slowing down, the Budget is under stress, and the cost of living is rising (*for all of which Netanyahu has, with considerable success, been blaming Lapid as Finance Minister, while the latter's hands were basically tied by his cabinet colleagues, with Netanyahu himself in the van*); and these *bread-and-butter* issues may trump Netanyahu's plan to run on an Iran-, terror-, security-, and 'Jews against everyone else' platform;
- Any prominenti who get involved in politics at this stage are more likely to join Netanyahu's rivals to his left than Likud;
- A "last chance to save Israel" wave may overcome voter apathy, & the "my vote doesn't count anyway" syndrome, that have long disadvantaged the left (& *the centre?*);
- Arab voter turnout may increase⁷ & *it needs to; for the three Arab parties that each have three or four seats in the Knesset (i.e. half of what their 20% share of the population theoretically entitles them to), could be shut out of the Knesset altogether by a law passed last March requiring any party to get at least 3.25% of the votes cast (i.e. four seats' worth) to get any seats at all;*
- While the West overtly rooting for Netanyahu's defeat would be counter-productive, it may help *behind the scenes* by despatching some of the get-the-vote-out experts who helped Obama so much in the 2008 & 2012 elections;
- Arab politics may play a role. While Abbas would like to see Netanyahu gone, Hamas thinks keeping him around would serve their purposes; on the other hand, Tehran has backed off supporting Hamas while negotiations with the US to lift the sanctions are ongoing;
- Netanyahu's association with the far right-wing, & hugely unpopular, Vegas billionaire Sheldon Adelson may come to haunt him; for it may prevent him from moving to the centre as he did so successfully during the late stages of the 1996, 2009 & 2013 elections; and
- Voters may decide to step away from growing international isolation & estrangement with US Jewry, and from greater Orthodox dictatorship.

For the moment this may look like a stretch; for the polls show Likud more than holding its own and Bennett's party gaining-, & Lapid's losing-, ground. So the CW holds the next government will be Israel's most right wing ever (which could prove tragic). But the election date is now set for March 17th & in 100 days a lot can happen. And Moshe Kahlon coming out of nowhere to the equivalent of the double digit Knesset seat range (just as Yair Lapid did two years ago) suggests many secular Israelis, who constitute the lion's share of the 'voter float', are looking for a change, a saviour & a change from Netanyahu. And for all of his bluster, Netanyahu's Likud had only 20 seats in the last 120-seat Knesset (vs. Yair Lapid's 19) - Shalev is a senior Haaretz staff member & his colleague Bradley Burston, in a column on his blog [A Special Place in Hell](#) entitled [Israelis, This Election Vote as if it is your Last Chance; it may well be](#)⁸ & subtitled [No](#)

⁶ Who would be more comfortable in a coalition to his left rather than his right

⁷ Arab turnout in 2012 was about 50% vs. 68% of all registered voters.

⁸ This is driven by Netanyahu's extreme rightwing 'Jewish State' legislation that was approved by the outgoing Cabinet in a tumultuous session just before the coalition self destructed (or was deliberately made to do so by Netanyahu) that for all intents & purposes threw the democratic principle enshrined in Israel's Basic Law under the wheels of its Jewish principle bus.

One, it appears, has a Lower Opinion of Israelis than does Benjamin Netanyahu. There are Indications though that the Feeling may be mutual. Vote this time. It's worth a shot", seems to share his optimism⁹. Meanwhile, it's business as usual in Israeli politics with more emphasis among politicians on self-, than on the country's best-, interest. Thus there were few positive headlines like "Lapid, Lieberman and Kahlon may cooperate against Netanyahu" & many negative one like "Labor shuns centre-left ticket with Yesh Atid" (Lapid's party), "Labor & Meretz won't join forces" (they are the two most prominent left-of centre parties), & "Lapid tells Netanyahu 'You are out of touch' ".

TEACHERS' STRIKES SPREAD ACROSS NORTHEASTERN CHINA (NYT, Edward Wong)

- They began last week, & have since spread, in Heilongjiang Province forcing some schools to close. The teachers want better pay & feel discriminated against since they, but no one else, must pay into a compulsory pension plan (Beijing plans to roll out such a plan nation-wide, but has so far has done so only here to test it. In recent years strikes for higher pay by people in lower paid jobs have become a growing problem for two reasons : with the economy slowing pay for them has not kept up with inflation while, with the pool of younger workers shrinking, they are gaining 'pricing power'.

Teaching is low pay profession in China. New teachers earn US\$160/month, compared to a nationwide average annual income in 2012 of US\$2,100, ranging from US\$4,700 in Shanghai to a low of US\$2,000 in Gansu Province, in China's rural Northwest.

PUTIN, XI JINPING SIGN MEGA GAS DEAL ON SECOND GAS SUPPLY ROUTE (RT.com)

- In Beijing, on November 9th, one week before the Brisbane G-20 Summit, Putin & Xi signed 17 agreements, *the most important of which was an undertaking for Russia to supply, starting in 2018, another 30BN cubic metres of gas to China via a new "Western"/Altai route into China's Far Northwest (over & above the 38BN cubic metres it undertook earlier this year to provide via the Eastern "Power of Siberia" pipeline to Vladivostok that will supply the Northeastern/Beijing region)*. Among the others signed was one under which CNOOC will acquire a 10% stake in the massive Vancorneft field in Northeastern Siberia, the biggest one found & developed in Russia in the past 25 years *that presumably will be one of the major 'feeds' for the Eastern pipeline.*

If it is true that this, like the earlier one, is a contract with a fixed US\$350-400 price (well short of what Putin had hoped for), his successors may live to regret this (not unlike Newfoundland which to this day has had, & for many more years will have, to live with the consequences of a low price for its Churchill Falls power negotiated by then Premier Smallwood with Quebec prior to the 1970's oil price shock that the latter has adamantly refused to renegotiate due to the immense economic rent Quebec Hydro has picked up ever since by exporting the power to the Northeastern US). And despite all the hype about these deals, the total volume of gas in both adds up to slightly less than half what Russia has been selling annually to Europe. And in gas transmission distance does not make the heart grow fonder; for whereas the gas Russia sells to Europe only has to travel a few hundred miles, that which it will sell to China has to travel further, & in the case of the Western route much, much further¹⁰. And while the Western pipeline

⁹ But keep in mind that Haaretz has never been a great Netanyahu 'fan'.

¹⁰ Which cuts into the vendor's net in two ways : from the amortization of the pipeline's cost of construction **and** from the loss of gas in transit from the use of gas to drive the compressors needed to keep the

has the strategic advantage for Russia of undercutting the market for gas from the Central Asian republics, selling 10% of Vancorneft to CNOC may be the camel's nose under the tent that will further Beijing's (for Moscow unwelcome) growing foothold in Eastern Siberia - RT.com is a 24/7, Moscow-based, English language news channel projecting Russia's angle on global news.

MOODY'S DOWNGRADES JAPAN IN RESPONSE TO TAX-HIKE DELAY

(Reuters, Leika Kihara)

- Two weeks after Prime Minister Shinzo Abe called a snap election in which his stimulus policies & decision to defer the sales tax hike's second instalment are major issues¹¹, Moody downgraded Japan from Aa3 to A1. According to its regional credit officer Tom Byrne this decision was 'closely linked' to Abe's decision to delay next year's scheduled *but very unpopular* sales tax hike which will complicate Japan reducing its primary deficit in fiscal 2020. While the jury is still out on whether Abe's strategy will revive the economy & restore the country's tattered finances, Horoshi Miyazaki, Senior Economist at Mitsubishi UFI Stanley Securities noted "This is particularly bad for Mr. Abe because the opposition can attack him for this before the election."

The announcement briefly sent the Yen to a seven-year low against the US dollar but otherwise the market responded to it with a yawn (because the polls suggest he will win by a landslide?). A not atypical reaction was that of Uwe Parpart, Chief Strategist & Head of Research at Hongkong-based Reorient Group, who dismissed the downgrade with the words "Forget Moody's, continue to buy Japan ... Moody's is wrong to downgrade JGBs since - in stark contrast to the US - Japanese debt is financed by Japanese savings, which are massive, while the US savings are deplorably low and still falling" – Unfortunately he's looking in the rearview mirror : for the mama-sans who did the saving to provide for themselves in their old age have retired & are starting to cash in, rather than buy more, JGBs, and the BoJ is now not only the sole buyer of newly issued JGBs but the "mop-up" buyer of JGBs others don't want any more. On the other hand, the US personal savings rate is now 4%, twice its 2005 all-time low 2%, & a recent Gallup poll found that interviewees preferred 62-34 savings over spending, the widest such margin since it began to ask this question in 2001 (one reason the US recovery from the recession has been so lethargic is that people haven't spent enough, in part since it has disproportionately benefitted the more well-off, who have a lower propensity to consume).

IN MOLDOVA ANOTHER UKRAINE? (NYT, John Guida)

- Romanian-speaking Moldova, like Yanukovich's Ukraine, has had a corrupt government & a struggling economy (*the latter more so now that Russia has banned its exports*). But last weekend it held elections in which the pro-Russian Socialist Party (*with Putin's endorsement & heavy support on Russian TV which is viewed widely in this country*)

gas moving. Thus I was shocked to hear forty years ago, when there was talk of a gas pipeline from the Arctic to the US border, a distance of roughly 2000 miles that for every 1,000 cubic feet of gas that went into the pipe at one end only 600 emerged at the other end.

¹¹ Which the polls suggest he will win by a landslide. For the Japanese want to believe he can orchestrate a painless resolution to their country's 250% Debt-to-GDP ratio & a budgetary situation in which 60+% percent of all government spending is funded by borrowing from a central bank that is printing enough money not only to buy all its newly issued-, but a lot of its outstanding-, debt as well, as the population is shrinking & rapidly aging rapidly, and the number of productive workers in the economy declining faster than in any other developed country (& in China for that matter).

came first (with 20.7% of the vote) & *the other pro-Russian party* 17.8% , but three pro-European parties together got enough votes (44% *subsequently revised to 45.%*¹²) to retain control of the government (*but not enough to elect a President*). Now many Moldavians fear a replay in their country of what has happened in Ukraine. For pro-Russian leaders in its *easternmost* Transnistria region have long sought to break away formally & become part of Russia, & Moscow has also been fomenting trouble in Gagauzia (a *small enclave in the country's South populated by 200,000 people of mostly Turkish origin*).

Moscow immediately complained about "gross violations of election rules" although international monitors said the election was generally "well-run" while, nevertheless, criticizing the last minute exclusion by the country' Supreme Court of the Pro-Russian Patria Party on the grounds it had been funded from abroad. And the day after the election Russian Deputy Premier Dmitry Rogozin¹³ tweeted that Moldovians should " think seriously whether the right path is chosen to move forward." - Moldova is a small country East of Northern Romania that is surrounded on three other sides by Ukraine. It has a land area twice the size of Connecticut &, ex Transnistria, 3.6MM inhabitants with a per capita GDP of US\$2,229 (which makes it the poorest country in Europe). Transnistria has a population of half a million & a land area the size of Rhode Island. Both have long been heavily subsidized by Russia which recently put pressure on them by banning their exports. While Moscow has long had Russian 'peace keeping forces' in Transnistria & has the same excuse for interfering in its internal affairs (30% of its population is ethnic Russian), it may find it more difficult to do so; for unlike Ukraine, & Georgia for that matter, Transnistria is not contiguous to Russia, in fact, it is separated from it by hundreds of miles of Ukrainian territory. So Rogozin's grandstanding may be just empty bluff. While there is a real opportunity here for Europe to keep Moldova out of Moscow's grasp (& being so much smaller than Ukraine this would be much more affordable than bailing out Ukraine), it may be loath to do so, not only since it would set a "bad" precedent for Ukraine but also because culturally, spiritually & politically the Moldavians have little in common with Brussels. So it is likely to be left to its own devices.

UKRAINE NUCLEAR ACCIDENT NO THREAT (Reuters)

- The Zaporizhzhya nuclear power plant in Southeastern Ukraine is Europe's largest. On November it was the site of an 'event', a short circuit in its power outlet system. But on December 3rd Ukraine's *new* Energy Minister, Volodymyr Denchyshyn, *on only his second day in the job*, told a news conference that there never had been any danger, an assurance corroborated by the French public nuclear safety institute IRSN (which has to sensors on the roof of the French Embassy in Kiev) which said it had not detected any unusual radioactivity in Ukraine after the incident (*why use the word "unusual"?*).

Thirty years later the words 'Ukrainian nuclear incident' still bring back memories of Chernobyl.

HOSPITAL CLOSINGS OUTRAGE MOSCOW (AP, Nataliya Vasilyeva)

¹² Down from nearly 52% in 2010.

¹³ Who in a foreword to Ivan Mironov's recent book Alaska Betrayed and Sold : History of a Palace Plot claimed the historic right of Russia to demand the return of all "lost colonies", incl. Alaska.

- Putin won his third term largely because his core support base, state workers, believed his promise to improve their living standards. But in 2010 (*when he was Prime Minister*) the government passed a law, *officially* to help hospitals ‘complete the transition from the Soviet era economy’ (when every citizen was entitled to free medical services), but in reality to save money by reducing the need for subsidies. So now the Moscow government (with a population officially of 11.5MM, that may be as high as 17MM due to “uncharted migration”) is acting thereon by proposing to close 28 hospitals, replace them with neighbourhood clinics, & let 10,000 medical staff go, so as to ‘to modernize the system’. Earlier this month thousands took to the streets to protest the layoffs & hospital closures, and on November 30th thousands of doctors & their patients were expected to do so again. Among the hospitals to be closed is Hospital 11, 136 of whose medical staff, most of them doctors, have been given notice, while the hospital itself will be closed in April. While this is the hospital in the city that specialized in the treatment of MS, according to Deputy Mayor Pechatnikov fewer neurologists will be needed in any case since high-tech MRI equipment now made it easier to diagnose the disease¹⁴. This prompted one MS sufferer recently to lie down in Red Square, surrounded by supporters holding IV drips & carrying a poster reading “A hospital without doctors is a mortuary”.
- In 2005, in the face of a similar protests prompted by Putin’s proposals to scrap social benefits for millions of pensioners & disabled, he ‘blinked’ to the point of subsequently doubling them. *And he appears to have done so again* : for last week he ‘asked’ the Moscow government to reconsider its reform proposals (followed in short order by the Presidential Human Rights Council calling for a halt to the layoffs on the grounds the proposed reforms violated the constitutional right to free healthcare).

The difference between 2005 & today is that then he had the financial wherewithal to ‘buy’ an end to the unrest whereas today he not only lacks that flexibility, but may have to introduce unpopular measures to keep his fiscal ship afloat (although the fact that the ruble has depreciated so much against the dollar has given him a bit more fiscal manoeuvring room in ruble terms, at least until the inflation starts really hitting the hoi polloi’s pocket books (which has started to happen)).

BUCKWHEAT GIVES PUTIN FOOD FOR THOUGHT (Reuters)

- It is a key component for many traditional Russian dishes. The lion’s share of Russia’s output thereof is produced in the Altai Republic (*in South Central Siberia, bordered by Kazakhstan to the West, China to the South & Mongolia to the West*). Rumours of the buckwheat harvest there having been affected by snow resulted, despite official assurances that stocks were “plentiful”, in a buying panic that nearly doubled its price overnight, aided & abetted by footage, shot with a hidden camera & shown on Channel One of customers in a matter of minutes denuding one store’s shelves of all its buckwheat supplies¹⁵.

Although Putin’s popularity remains high due to the state-controlled media continually telling the hoi polloi they are united as one in their support for his Ukrainian adventure & his disregard for the sanctions, this could change overnight if food costs were to start rising substantially.

¹⁴ Thereby deliberately fudging, or demonstrating that he doesn’t understand, the difference between diagnosis & treatment.

¹⁵ Bringing back, for the older generation, memories of the empty shelf days of the Soviet era.

NWT ENCOURAGED BY CONCEPT FOR ARCTIC PIPELINE (G&M, Jeffrey Jones)

- A study by Canatec Associates International Ltd, commissioned by Alberta, concluded that a South-to-North oil pipeline from Fort McMurray to Tuktoyaktuk on the Arctic Ocean could benefit the energy industry, especially since the other four major pipeline initiatives *to get Alberta oil to market* face regulatory delays, and opposition from native communities & *environmentalists*. It also noted the possibility of a link from the NWT to the Trans Alaska Pipeline that runs from the Alaska North Slope to Valdez (*that currently operates at only about one-third of its capacity since the Alaska North Slope fields have gotten 'long in the tooth'*). Furthermore, that the infrastructure that would have to be built in Tuk would come handy in getting oil resulting from any future drilling in the Beaufort Sea to markets.
- According to David Ramsay, the NWT Minister of Industry, Tourism and Investment, "As far as a new pipeline, that's new territory for us ...*and* I don't see it moving forward unless there is an ownership component by the aboriginal governments in the territory. *But* according to the leaders I've spoken to, that's an idea that is going to get some traction."

*Small wonder the NWT is interested; for it has been waiting for over four decades for a North-South natural gas pipeline (& almost as long for a resumption of serious drilling in the Beaufort Sea). But both options proposed by Canatec are likely sub-optimal for-, & any talk about the spin-offs for Beaufort Sea development irrelevant to-, the client who paid for study (Alberta needs access asap to world markets & has no interest in promoting competition); for as I have been advocating for some time the real way to gain access to world markets relatively quickly & efficiently would be via a pipeline from Fort McMurray to the Northwesternmost corner of Alberta, from there for a short distance across either Northeastern BC or Southwestern NWT, and then West across the Yukon to Valdez. This way the oil would end up in an ice-free port with existing infrastructure that is closer to the Asian market than Tuk, there would be fewer First Nations to negotiate with, the Yukon government is development-oriented &, to the extent water quality is a big issue, its main focus is further North, in part because in the South all rivers and streams flow South into BC, & construction costs could be lower because of the ready availability of infrastructure to support a major pipeline-building project &, possibly, less challenging soil conditions, while possible negatives include a 17% greater distance & the need to get a State Department permit to cross the border (which may be less problematic than it has been for TransCanada's Keystone, especially if Alaska were to get wholeheartedly behind the project). And in any of the three above options, the question should be seriously & holistically be revisited of upgrading the oilsands output before it leaves the Province, which can in any of the above cases be done more objectively than in the case of either the Keystone-, or the East Energy-, pipelines, because in both their cases the bus is being driven in part by refiners on the other end who actually **want**, if not need, a heavier type of crude. In-province upgrading would have several advantages. First, & perhaps foremost, it would deprive the environmentalists from the PR advantage of being able to portray a pipeline spill as a a flood of unappealing, syrupy, thick black "goop". It would provide Alberta oil with a worldwide market rather than the more limited one provided by the refineries that can handle heavier grades of oil. It would increase the efficiency of the pipeline; for the so-called 'dilbit' is 70% bitumen & 30% 'diluent' & not having to move un diluted oil would make any pipeline as much as 40% more efficient (and to the extent that it would be necessary to import the necessary diluents, as the Northern Gateway proposal envisages but, strangely enough, the Kinder Morgan proposal doesn't, local*

upgrading would also eliminate the cost of having to build a smaller twin inbound pipeline to import diluent. In-province upgrading would of course also have significant economic-, & tax revenue-, implications. And last but not least, a “hewer of wood & drawer of water” strategy has limited usefulness as a basis for a viable long-term economic strategy, especially if the resource in question is of a non-renewable nature¹⁶. Hopefully the Province of Alberta now has a Premier better equipped than any of his predecessors in the past three decades to promote the macro-economic, holistic, out-of-the-box thinking that both the pipeline-, & upgrading issues deserve.

¹⁶

A fact understood, & acted upon, by among others Dubai & Norway, albeit in diametrically opposed ways.