Hello All (The Group of 3,830+ and growing):

ACTION ALBERTA

Website: https://actionalberta.ca
Twitter: https://twitter.com/action_alberta
Facebook:
https://www.facebook.com/EnoughisEnoughCanadiansFightBackforOurEnergysector/

Cartoon Climate Summit Jets
We are a group of deeply concerned, unpaid Alberta resident volunteers. Our work is intended to educate, inform and motivate all Canadians to be visible and vocal regarding the unequal, unfair and discriminatory treatment of Alberta by our Federal Government. That motivation should naturally flow from the fact that Alberta’s energy business is the most important driver of the Canadian economy and its health directly impacts the standard of living of every Canadian.

We don’t normally rely on a single article, but in this case we had no choice. DAVID YAGER has nailed this issue so well that with his permission we are quoting extensively from his recent article!!

CARBON’S CAPITAL CRUNCH – ADD FINANCIAL PRESSURE TO FOSSIL FUEL’S WOES - David Yager

David Yager is a Calgary oil writer and energy policy analyst. This article was adapted from his upcoming book From Miracle to Menace – Alberta, A Carbon Story which will be released later this year.

The climate change debate has moved well beyond scientists, environmentalists and politicians to include money. Big money. The opponents of fossil fuels have undertaken a multi-pronged attack on carbon’s capital. For years they have pushed to make it morally reprehensible to own shares in fossil fuel companies, loan them money, or purchase their equity. They are clearly succeeding.

The driving forces are ENGOs – Environment Non-Government Organizations – like the Sierra Club, 350.org, and many others. These are the same groups which oppose oil sands development and helped block oil export pipelines.

It’s working. At the January 2019 World Economic Forum in Davos, Switzerland, senior representatives of oil-producing countries and companies discussed climate change and growing negative pressure from investors and capital providers. As share prices slide, more investors and analysts are concluding valuations are increasingly disconnected from commodity prices and profits.

Reuters wrote, “The conclusion of the discussions were worrying for those present – pressure is rising and the industry is losing a battle not to be seen as...
present – pressure is rising and the industry is losing a battle not to be seen as one of the world’s biggest evils. The answer? Lure investors with higher returns and raise the PR game.” OPEC’s secretary general described the world oil business as, “Under siege.”

Canada’s oilpatch knows that. To illustrate how much wealth has been eradicated, compare the market value of 20 publicly traded Canadian oil and gas companies today to 2014. These Calgary-headquartered, locally-founded, medium and larger upstream operators all had revenue exceeding $300 million in 2017, the last full year for which figures are available. The total for these 20 companies that year was $25.5 billion, not all of it in Alberta. The largest, EnCana Corporation, had revenue of $5.8 billion. The smallest, Bellatrix Exploration, reported revenue of $302 million. Eight had top line sales exceeding $1 billion.

Based on the closing price on January 17, 2019 on the Toronto Stock Exchange, their share values had declined an average of 76% compared to their 2014 high. Their combined market capitalization on January 17 was $47.7 billion. Based on the 2014 peak share price for each company, the total equity investment loss can be estimated at $160 billion (this methodology assumes all companies had the same number of shares issued and outstanding in 2014 as 2019, which will not be the case for all of them). Although they are broadly held by investors outside Alberta, much of the personal wealth of the founders, executives and employees—all Albertans—has been vaporized.

There are multiple, amply discussed factors making the valuation of Canadian companies worse than larger, non-Canadian players. But it is clear why the tall foreheads at Davos were concerned. ExxonMobil closed at US$76.27 February 14th, down about 30% from its highest price in 2014 and 12% lower than its 52-week high. The similar figures for Devon Energy are a 40% loss for the past year and 66% below the high-water mark in 2014. Halliburton closed at US$31.60 on Valentine’s Day, 42% below its one-year high 43% below its 2014 peak. Schlumberger’s numbers on February 14 was a closing price down 31% from its 52-week high, and 62% less than its highest level five years ago.

Meanwhile, internet/tech stocks like Facebook, Google, Microsoft and Twitter, which provide many of the tools used extensively by ENGOs or organize, raise money and spread the word about demon carbon, are performing fantastically.
money and spread the word about demon carbon, are performing fantastically by comparison. On average their closing prices on February 14th were 152% higher than their lowest value in the past five years.

While forecasts for world demand for oil, natural gas and coal and for the next 20 years indicate continued production and consumption growth, the ongoing attack on carbon’s capital has investors increasingly convinced this is a sunset industry.

Which is all part of the plan.

Exactly when the “divestment” movement began is hard to pinpoint, but it picked up speed after Al Gore’s movie An Inconvenient Truth won an Oscar and a Nobel Prize in 2007. An easy place to start was U.S. university endowment funds. American universities collectively hold hundreds of billions of dollars in investments. Students are environmentally engaged and will actively push for immediate change once presented with a compelling crusade.

Other pools of capital encouraged to participate include “faith based” organizations such as churches, philanthropic foundations, governments, pension funds, and non-government organizations, or NGOs.

An organization devoted to this pursuit is gofossilfree.org, a project of well-known climate change activist and oil sands critic 350.org. The website reports “institutions divesting” have a total of US$17.7 trillion under administration. In late 2018, 988 institutions had agreed to divest all or part of their holdings in oil or coal companies. They were joined by over 58,000 individuals with a cumulative worth of about $US5.2 billion. The website breaks out the organizations by number, not the amount they hold or have divested. For example, “faith based” organizations account for 29% of the participants. Educational institutions, pension funds, and governments account for 45% at 15% each. “For profit corporations” are only 3%.

McGill University in Montreal endured a very public struggle with its endowment fund. Led by activist staff and students, there was pressure in 2015 for it to not hold any fossil fuel company shares in its fund, estimated at $1.4 billion. However, in 2016 the decision not to do so was made public. The university’s administration was, according to a CBC News report, subjected to intense criticism including being called “not only myopic. but shameful.” A
intense criticism, including being called “not only myopic, but shameful.” A
student said, “They say they agree with the science, but they don’t seem to
know what it means to act accordingly.” A professor added, “This is the sort
of thing that leads people to lose faith in the integrity of the institution and its
governance.” About 6% of the fund was invested in fossil fuels.

CBC reported other Canadian universities dealing with divestment
pressure were the University of Ottawa, University of Toronto, University
of British Columbia and Dalhousie University in Halifax. Montreal’s Laval
University is proudly and publicly avoiding carbon resource companies.

There has been no loud public pressure for the Canada Pension Plan (CPP) to
join the divestment movement. At March 31, 2018, CPP held shares in all the
major Canadian oil sands producers and pipeline shippers: Suncor, Cenovus
and Canadian Natural Resources, TransCanada, and Enbridge. Internationally,
CPP held a diverse group of oil and gas producers including Repsol of Spain,
Royal Dutch Shell, Malaysia’s Petronas, and Russia’s Rosneft.

Other public sector pension funds pay more attention to maximizing returns
than to advice from climate change activists. In August 2018 OMERS, the
Ontario Municipal Employees Retirement System, announced it was paying
US$1.4 billion for a 50% interest in a pipeline that carries oil to market from the
Permian Basin in Texas.

Operating in debt markets is Oil Change International—Exposing the true cost
of fossil fuels. It can be found at priceofoil.org. It is supported by six main
ENGOs including the Rainforest Action Network, Indigenous
Environmental Network, Sierra Club plus about sixty others. It pursues
lenders, primarily banks, because they are often publicly traded and broadly
held. Unlike endowment funds which rarely issue refunds, the capital base of
deposits at banks to support lending activities can easily be moved or
withdrawn. Therefore, banks are responsive to client and public pressure.

Oil Change International publishes a yearly report titled “Banking on
Climate Change.” The 2018 fossil fuel finance report card grades banks
on “extreme fossil fuel” financing and reports loans in this area from 2015
to 2017. “The report assesses 36 private banks from Australia, Canada,
China, Europe, Japan, and the United States, with policies from additional
banks in these countries and Singapore included for comparison.”
The explanation reads, “…extreme fossil fuels refer to extreme oil (tar sands, Arctic, and ultra-deepwater oil), liquefied natural gas (LNG) export, coal mining, and coal power. [...] It is environmentally, reputationally, and often financially risky for banks to back these fossil fuel projects and companies. More and more, the public is tying the impacts of fossil fuels to the financial institutions backing the sector.”

The report goes on to list by name the offending banks. Under “Tar Sands” the report reads, “The biggest single biggest driver of the overall increase in extreme fossil fuel financing came from the tar sands sector, where financing grew by 111 percent from 2016 to 2017.” This was undoubtedly driven by Suncor, Cenovus and CNRL which borrowed heavily to buy out foreign oil sands owners that wanted out of this business and/or Canada for a variety of reasons.

And the pressure works. In April of 2018 HSBC Holdings plc, Europe’s largest bank, announced its intention to exit fossil fuel funding. In a Financial Post article April 20, 2018, the newspaper reported, “HSBC...will no longer finance new oil sands projects or pipelines, a move that could lead to increased borrowing costs for domestic players as European banks scale back exposure to the sector”. The article reported HSBC is joining “Paris-based BNP Paribras and Amsterdam-based ING Group.”

Then there’s “subsidies”. Fossil fuel opponents have managed to redefine tax deductions for investments and capital expenditures in the normal course of business by fossil fuel developers as government subsidies. The politicians bought into it and the crusade to end “fossil fuel subsidies” as reckless and dangerous taxpayer support for destroying the world entered the lexicon of the climate change movement.

The idea fossil fuels are subsidized was easy to pitch because in some countries they are. But these are cash subsidies, not tax deductions. Governments assist their citizens financially by absorbing the cash difference between the retail and market prices. Oil producers like Saudi Arabia, Iran, and Venezuela have long provided citizens with cheap gasoline. Poor and developing countries, including China and India, do this to encourage economic development and industrialization to lift their citizens out of poverty.

At all G7 meetings western countries regularly agree to end this form of fossil fuel subsidies. Each country then diligently works to ensure there is no increase in any subsidies.
fuel subsidies. But when the politicians return home and face economic reality, they act differently. Obviously having carbon resource developers singled out as not being able to access the same tax deductions for capital investments available for all other businesses and industries tilts the financial playing field to the detriment of fossil fuels. This may work in countries without domestic carbon energy, but it’s very painful in major producers like Canada or the US.

An expanded definition of subsidies was published by The Guardian August 7, 2017, titled, “Fossil fuel subsidies are a staggering $5 trillion per year.” This study was published by the Journal of World Development from work done by an arm of the IMF. To arrive at this enormous figure, the IMF attributed 22% of the cost to “undercharging for global warming,” 46% to “air pollution,” and 13% to “broader vehicle externalities.”

Undercharging for global warming is the future cost of climate change. Air pollution is health problems caused by contaminated air such as burning poor quality coal to generate electricity. Vehicle externalities include traffic accidents, which cause injuries and property damage, and traffic jams, which impair productivity. These account for 81% of the total, over $4 trillion. The opening line read, “A new study finds 6.5% of global GDP goes to subsidizing dirty fossil fuels.”

This distorted picture of subsidies and possible future damages reinforces the anti-carbon narrative and the idea oil, coal and gas are shrinking industries. Even when they clearly are not. It is also a disingenuous and manipulative application of the English language.

The last area where pressure is being applied through financial markets is publicly traded companies being forced to disclose the future risk climate change will have on their core business. On June 27, 2018 The Globe and Mail ROB Magazine published a major article titled, “Adapt or die; How big-name investors are pushing Canadian companies on climate change.” It focuses on how shareholders were demanding greater accountability on climate change, and the how the phasing out of fossil fuels would impact future financial performance.

The issue is gaining traction internationally. The Globe and Mail wrote, “One crucial ESG (Environment, Social, Governance) event this decade saw Canada’s own Mark Carney, governor of the Bank of England and chairman of the Financial Stability Board, and Michael Bloomberg launch the Task Force on
the Financial Stability Board, and Michael Bloomberg launch the Task Force on Climate-Related Financial Disclosures (TCFD). It urged companies to report their climate change risks to help them make the transition to the low-carbon economy and allow investors to put a price on their investments’ potential liabilities, from flood risk to stranded assets, as once-in-a-century climate disasters turn into once-in-decade catastrophes.”

That was three years and many meetings ago. Today TCFD has global oversight board that includes representatives from major financial organizations and institutional investors from all over the world. Canadian players which have signed on as “supporters” (undoubtedly the politically correct thing to do) include all the big banks, and major public pension funds including AIMCO, the investment arm of the Alberta government.

Its website reads, “The TCFD seeks to develop recommendations for voluntary climate-related financial disclosures that are consistent, comparable, reliable, clear, and efficient, and provide decision-useful information to lenders, insurers, and investors...Companies can more effectively measure and evaluate their own risks and those of their suppliers and competitors. Investors will make better informed decisions on where and how they want to allocate their capital. Lenders, insurers and underwriters will be better able to evaluate their risks and exposures over the short, medium, and long-term.”

**TCFD pays homage to the ENGOs that started this crusade.** “Though great work has been done by NGOs in this space, as an industry-led initiative, the TCFD represents an opportunity to bring climate-related financial reporting to a mainstream audience.” The chairman remains financial media tycoon Michael Bloomberg, a very public believer in climate change caused by fossil fuels. Bloomberg also launched Bloomberg New Energy Finance in 2008 to promote the whole field of investing in non-carbon energy sources, usually called renewables.

**However, AIMCO and Canada’s banks are, by supporting TCFD, indirectly endorsing the actions of the same ENGOs behind the anti-oil sands campaign, Canada’s export pipeline challenges and last year’s oil price collapse.**

A company trying to do the right thing while succeeding in oil sands extraction is Suncor Energy Inc. But for a company that is 100% carbon, including “extreme fossil fuels” as framed by the ENGO movement, explaining how it is
going to be commercially successful and attractive to investors in a world that increasingly believes its number one product is a menace is not easy. But it is trying.

Suncor states, “The recommendations provide a useful framework to describe how businesses are managing climate risk and ensuring corporate strategies remain resilient in a low-carbon future. There are still many details to work out, particularly around the appropriate disclosure vehicles to ensure we can provide a transparent and fulsome discussion on our climate strategy over the long term while recognizing the challenges of providing forward-looking information within regulatory financial disclosure requirements.”

Which is where climate change and publicly traded fossil fuel companies diverge. The entire anti-carbon movement is based on “forward-looking statements,” including excessive and frequently outrageous predictions of climate catastrophe. Because thermometers and devices to measure atmospheric CO2 are relatively new inventions, climate forecasts (which compare current to historical data) are based on tree rings, ice cores and lake bottom sediments.

Imagine trying to slip this through the corporate governance committee of a public company as the foundation of future forecasts, strategies and disclosures. Not to say this is wrong. After all, “the science is settled”. But it does expose a double standard in the acceptable underpinnings of forecasting and public disclosure.

Few things are more regulated and fraught with peril for public companies than “forward-looking statements.” Companies can be sued or have their share price clobbered if they predict things that don’t happen or release information based on anything but the best research and data. Misleading investors is a serious and indictable offence. ExxonMobil is being sued yet again in New York state for misleading “forward-looking statements”.

Regardless, the whole climate capital crusade is about is putting a value today on catastrophic economic damages that haven’t happened yet. In carefully selected words, Suncor discloses this challenge as well as anybody, writing, “We look forward to working with the task force on this journey to shape and evolve climate risk disclosure so it meets the needs of both companies and investors and leads to better understanding of what’s required
to transition to a low-carbon future.”

**Taken to the logical conclusion of those pushing for a zero-carbon world, what Alberta’s public forward-looking disclosure should read is, “Sell your house today while it is still worth something and relocate to somewhere else with a future.”**

Because Alberta has already published its forward-looking statements in the form of a dreadful and possibly dangerous weather forecast. The government Climate Change website states: “The climate is changing and globally we are experiencing impacts, such as: increasing temperatures, rising ocean levels more frequent droughts, floods and forest fires. More extreme weather is creating greater challenges... Climate change will likely result in long-term changes in temperature and precipitation, as well as increased frequency and severity of weather events such as droughts, floods, forest fires, and severe storms.”

**As it moves towards the 2019 Alberta election, the same NDP government that authored the foregoing is now promoting how much it loves the oil and gas industry by spending millions on advertising and committing billions in royalties holidays and loan guarantees to expand Alberta’s hydrocarbon processing and upgrading industries.** The NDP forced oil production cutbacks to jack up the price and are buying rail cars and locomotives to sell more.

Shell et al’s Canada LNG project is only proceeding because the governments of Canada and British Columbia stepped up with tax breaks to improve the project’s economics. Edmonton, Victoria and Ottawa clearly never got the memo on fossil fuel subsidies as they struggle to ensure capital investment in Canadian oil and gas projects doesn’t fall further.

After a multi-year an ongoing assault on the fossil fuel business by government programs and agencies, perhaps the present political fiscal generosity is essential because private capital is running for the hills. But this is surely simultaneous political suck and blow of the most egregious order.

While the financial chaos created in Alberta, Canada and the entire oil finance world must be acknowledged as successful for fossil fuel’s critics, it also means less capital for future supplies. **Considering the reality of growing demand, this could result in future price spikes and shortages.**
demand, this could result in future price spikes and shortages.

Then the entire plan will backfire because rising commodity prices will increase cash flow from existing production, thus reducing the need for external capital sources significantly. They’ll get the cash from their customers.

The number of ways Canada’s oil patch is, to quote OPEC, “Under siege”, is incredible. Add the carbon capital crunch onto the pile.

https://energynow.ca/2019/02/carbons-capital-crunch-financial-pressure-on-fossil-fuel/?source=de&wtv=yagermgmt@gmail.com

OUR READERS' COMMENTS SECTION (AGAIN MANY)

From a Reader (in Winnipeg): As of September 30, 2018, SNC-Lavalin shareholder equity stood at $4.93 billion. A 20% share would be about $986 million. That puts a new light on why the Trudeau government is so concerned about pensioners – not SNC-Lavalin pensioners, but Quebec provincial pensioners who are very heavily invested in SNC-Lavalin. The Province of Quebec refused to participate in the CPP program insisting she wanted to run her own parallel scheme. There is no obligation for taxpayers outside of Quebec to protect Quebec pension plan participants.

From a Reader: The Clarity Act (2000) is federal legislation that enables provinces to legally secede from Canada. So yes, Alberta can secede from Canada. Jean Chretien was PM at the time (2000) and, if memory serves, he created this legislation to allow Quebec to legally leave Canada and be its own nation. In fact, Quebeckers had no intention of leaving - they would have had to make a living on their own. The threat to separate was a ruse; why would they walk away from a guaranteed source of wealth - the rest of Canada? All Quebec had to do was jigger the Equalization legislation and give themselves 60 to 70% of distributed cash. As for Alberta, the Rest of Canada has sucked those folks dry. They must consider, however, the fact that Quebec rules Canada and will not be in any way sympathetic to this new nation somewhere out West. Quebec will do everything in its power to destroy an independent Alberta and drive it into bankruptcy.

The only way Albertans can save themselves would be to apply to the United States to grant them statehood. Should that happen, I suspect that Saskatchewan would not be far behind. I wish them well.
From a Reader: It will be a threat to confederation that sways the 2019 federal election. A win by the United Conservative Party in Alberta’s May election will allow them to deploy one of the strongest voting weapons ever used in Canada. They will schedule a referendum for just after the October federal election calling for Alberta to succeed from Canada. That referendum will be positioned to national voters as one of a re-elected Liberal government will have Albertans vote for succession, a newly elected Conservative government will see the referendum fail. Canadian voters already know, or will easily be educated, that sentiment in Alberta against central Canada is at an all-time high and succession is a real threat. It will be the voters in all of the other provinces, fearing the destruction of Canada, and the loss of Alberta’s wealth, that will hand the victory to the Conservatives.

From a Reader: Butts didn’t really resign. He may no longer be in an “official” capacity however his resignation letter speaks about the “vital work” remaining to be done. Who is going to carry out that work? Well, in the 2018 Fall Economic Statement the PMO (Butts) and the Finance Dept inserted a piece of legislation (same technique as the SNC DPA work) that allows the government to directly hire and pay for NGOs in order to help them craft policy “by utilizing their expertise”. Butts will be back tomorrow as an NGO consultant at 3 times the pay. The Liberals are hardly at work for the middle-class.

ADDITIONAL READING

In closing, here is additional information on the problems we are facing and the need for us to take remedial action immediately to right our sinking ship.

1. Starving the petroleum industry of capital is, as usual, too boneheaded and environmentally counterproductive for words
https://publicenergynumberone.com/2019/02/20/starving-the-petroleum-industry-of-capital-is-as-usual-too-boneheaded-and-environmentally-counterproductive-for-words/?fbclid=IwAR0mOmt3VixnLB-SKyWiUeBOAeEEWj2ZySbfNs5KNOeW3xc3iBz4huPQs

2. The ENGO Political Advantage
https://blog.friendsofscience.org/2019/02/16/money-matters-the-engo-political-advantage/

3. For Gerald Butts, climate change isn’t like other policy...
3. For Gerald Butts, climate change isn’t like other policy
https://www.macleans.ca/politics/ottawa/for-gerald-butts-climate-change-isnt-like-other-policy/?fbclid=IwAR1d OLyC6bSm215QtFbEboVXNsK6zwQEIt2-JpsEBWJe9enmdigtlg

4. Here’s another way to measure carbon emissions: ‘Canada continues to unfairly vilify itself’
https://www.theglobeandmail.com/business/briefing/article-canada-continues-to-unfairly-vilify-itself-heres-another-way-to/?fbclid=IwAR0osqbW-ZL2kQg0PDUj8BIP4GWnUYMDSSqsbxfzMoMYAOS70J8s7H5AUUQ

Please share this email with your contacts so we can turn this unfair, inequitable, unjustifiable travesty around for the good of all Canadians. If you would like to submit information or articles, please send them to me. Thank you for ALL of your support and interest!

Bob
Robert J. Iverach, Q.C.
Calgary, Alberta
biverach@mac.com

If you wish to receive our emails, please email me at biverach@mac.com stating "Subscribe".
If you do not wish to receive them, please email me at biverach@mac.com" stating "Unsubscribe", but only if you really mean it!!.
If you are an elected representative of any level of Government, you have a fiduciary responsibility and a moral obligation to hear constituent voices about the problems facing Canada and the Canadian energy and equalization/transfer payment crisis.

NOTE: Our website disclaimer applies to all our Alberta Action activities.