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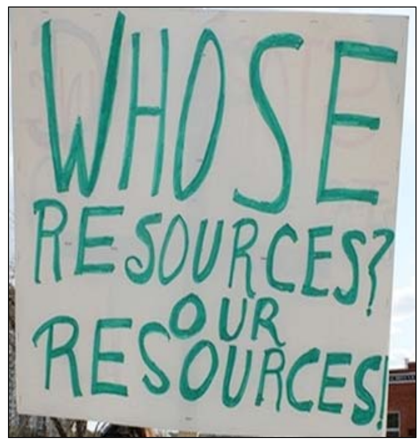
Notes on the Energy Sector

Inter-Imperialist and Inter-Cartel Contention Over Control of the Energy Sector



For Your Information

Inter-Imperialist and Inter-Cartel Contention over Control of the Energy Sector

Contention over Russian Pipelines to Europe

The overriding issue for Canadians concerning the energy sector is "Who Controls and Who Decides?" To assert rational scientific planning and social responsibility over the production and distribution of carbon and other energy resources, the people must wrest control of the sector away from the global cartels.

Contention among the imperialists in the energy sector has become increasingly severe especially since the fracking boom in oil and natural gas production in the United States. The coup in Ukraine and the subsequent anti-Russian positions of the coup government form the backdrop for attacks against Russian oil and gas exports to Europe. The U.S. with its now oversupply of natural gas compared with its internal demand, and with a similar situation developing with oil but less desire to export it, has launched a concerted campaign to displace Russian energy in Europe with natural gas exported from the U.S. as LNG.

U.S. Energy Oligarchs Strive for Global Hegemony

With increased production from hydraulic fracturing, the U.S. energy cartels are now positioned to export some oil and lots of natural gas as LNG with Europe as a main target. Consequent to the rapid increase in domestic supply, the United States has had a massive shift in LNG terminal planning and construction starting in 2010-2011. Many brand-new LNG import-designed terminals are planning, or have begun, to add liquefaction facilities and intend to operate instead as export terminals.

In 2019, many regasification plants have been converted to liquefaction trains (facilities) i.e. Sabine pass and others. Seven liquefaction plants in the U.S. have been built or are under construction. On November 21, 2019, U.S. regulators approved permits for three new liquefied natural gas export terminals in the Rio Grande Valley in Texas. The Federal Energy Regulatory Commission approved permits for Rio Grande LNG, Annova LNG and Texas LNG at the Port of Brownsville.

Standing in the way of increased U.S. exports of LNG to Europe is the availability of much cheaper Russian gas arriving through pipelines. The amount of Russian gas available to Europe is poised to greatly increase with the completion of two new pipelines: Nord Stream 2 and Turkstream.

The U.S. is violently opposed to both pipelines. It put in place punishing sanctions against all participants in Russia's Nord Stream 2 expansion bringing it to a halt. Nord Stream 2 will triple its current capacity. It includes the world's longest undersea pipeline linking Russia to Germany via the Baltic Sea so as to avoid going through the Ukraine. The U.S. has also imposed sanctions against any company participating in Turkstream, a gas pipeline running from Russia to Turkey, where it can be transferred to existing pipelines into central Europe. Both projects are near completion but stalled because of U.S. opposition and sanctions.

The inter-imperialist and inter-cartel contention over energy resources and markets arises from the control of the economy and politics by the financial oligarchy. This control blocks the people from asserting their control on the energy sector and taking it in a new pro-social direction to humanize the social and natural environment and avoid war.

Note

Of note especially for Canadians is that the Dutch-British energy cartel Royal Dutch Shell is a major investor in Nord Stream 2. The Shell energy cartel is also the lead investor in LNG Canada, which is building a gas pipeline across northern BC to Kitimat on the coast. A liquefaction plant is being constructed in Kitimat to convert the gas to LNG for export to Asia.

U.S. Imperialism Strives for Global Hegemony

The rapid development of energy demand in China and south Korea in recent decades and the continuing high demand in Japan has become a source of competition for existing and emerging energy producers. Russia with new pipelines into China has established itself as a large supplier of oil and gas in competition with Saudi Arabia and other west Asian and African producers and emerging LNG exporters in the United States.

The obstacle for Russian energy commodities to reach greater markets in south Korea and Japan is the U.S. military occupation of both Japan and south Korea and blockade of the Democratic People's Republic of Korea.

Russia and many oligarchs in Japan and south Korea would like to see both oil and gas pipelines come down through China or Russia directly into the DPRK and continue through south Korea and eventually underwater to Honshu in Japan. They also want rail lines in the Korean Peninsula to connect with Chinese routes to the west via the New Silk Road, the Belt and Road Initiative and with a possible tunnel to Japan.

With U.S. energy production now greater than U.S. demand, the issue for a faction of the U.S. imperialists has become one of opening up energy markets in Asia and raising or at least stabilizing the price of oil and gas. When the U.S. was a large importer of oil and gas it sought to gain control of foreign energy suppliers and keep the prices low. The U.S. was the main opposition to OPEC and any attempt to restrict the supply of oil and gas in the international market to stabilize prices at least at their prices of production.

For the U.S. a conundrum has developed from its fracking bonanza. The sudden quantity of oil and gas has meant downward pressure on prices. To deal with the problem, U.S. imperialism has unleashed new attacks on other producers to suppress oil and gas production and seize their markets.

In an unprecedented frenzy the U.S. has unleashed sanctions and boycotts against oil and gas producers and invasion and war. Until recently before the U.S. hydraulic fracturing allowed the U.S. to become mostly self-sufficient in oil, Venezuela was a major supplier to the U.S. Through sanctions and sabotage, the U.S. imperialists have destroyed much of Venezuela's oil production and markets. Iran's oil production and economy are effectively stymied by U.S. sanctions while invasion and war have destroyed considerable energy production in Libya and Syria. The U.S. imperialists have pressured

European companies and governments to oppose Russian oil and gas projects through sanctions such as those against the construction of the Nord Stream 2 and Turkstream pipelines.

In contrast, Japan, both south and north Korea and China are keen on having increased oil and gas production, lower prices and a wider number of suppliers. Japan and the Korean Peninsula do not have substantial proven oil and gas reserves and China is only beginning to explore and develop its energy resources, and is currently producing 3.9 million bbl per day, somewhat less than Canadian production of 4.6 million bbl per day but well below the 15 million bbl per day the U.S. produces.

Many in the ruling elite in Japan would welcome a resolution of the isolation of the DPRK because in their view that would open the possibility of Russian gas and oil being piped down to Japan through the Korean Peninsula and then underwater to Honshu, Japan. As well, they want to see rail lines and highways up the entire Korean Peninsula to China and Russia and beyond along the New Silk Road. Even within the U.S. financial oligarchy, opposition to the Russian energy and other sectors is not unanimous as some sections are connected to and profit from that sector and more broadly from the Russian economy while others welcome lower energy prices.

The situation in east Asia and Europe and throughout the world is perilous. In Europe the U.S. strives to retain its dominance through sanctions and military threats. In east Asia, the U.S. is repositioning its military to directly confront China and the DPRK, and any forces in Japan and south Korea that may desire to break free from its domination. In west Asia and north and sub-Saharan Africa, the U.S. and other imperialists are waging open warfare against the peoples that want to gain control of their economies and countries.

Canadians have the social responsibility to make Canada a factor for peace. This requires Canada leaving NATO and NORAD and breaking all military alliances and agreements with the U.S. imperialists. On the economic front, Canadians must gain control over the strategic energy sector not only as an economic measure beneficial to Canadians and the social and natural environment but in order to remove Canada's energy sector from global imperialist contention and to make it a factor for peace not war."

Control over the Canadian Energy Sector

The Canadian energy sector is completely under the control of the global financial oligarchy, which colludes and contends for the strategic resource both for profit and to power their economies and militaries.

Canadians do not control the energy sector and have no say over its direction and development. The development or not of the sector is a direct result of the decisions of the cartels in control and their collusion and contention.

Oil, natural gas and LNG are exported and imported through business deals between and among cartels. They are not state to state trading relations that the people control, as they do not control either the private cartels or the state. The price received or paid for the energy commodity is a private affair of the cartels and states involved and the scores of parasites and speculators that abound within the imperialist system.

The market price for natural gas is now well below its price of production, as is the projected market price that LNG Canada would receive in Asia at this time. The price of natural gas has fallen below $2 per MMBTU (one million British Thermal Units), while LNG has gone down below $4 per MMBTU on world markets. This is below what is considered profitable from fracking extraction and LNG liquefaction. Some find it remarkable that LNG Canada would proceed with a project when oil, natural gas and LNG market prices are below their prices of production. But this may be the point or at least part of the attraction aside from the need for the strategic energy resources to power industries and militaries.

One of the investor/owners of LNG Canada is Mitsubishi, which controls the LNG import market in Japan and is also a major user/consumer of LNG throughout its vast financial/industrial/trading empire. The cartel wants to sustain its control over the LNG market and to seize/steal natural gas from other countries at the lowest price possible. This forms part of its program to maintain control over the market in Japan and maintain a constant supply of energy for the Japanese economy including its own industries and military. As far as supporting or opposing other energy projects around the world it analyzes the situation and takes a position that favours its private interests. This is exactly what all cartels do. This is what cartels in the expanding "green" renewable energy sector do as well. They finance NGOs and other groups to do their bidding either promoting or opposing energy projects.

To have a rational planned energy sector requires the people's control over the direction of the economy, which necessarily controls the wholesale sector and export and import of commodities. This requires activating the human factor/social consciousness to take control over economic affairs so as to see and act on the necessity not to permit the private interests of the imperialists to prevail. Their aim for maximum private profit is very narrow and has no regard for the social and natural consequences. Similar to other sectors of the economy a new pro-social aim and direction is necessary.

Questions on People's Minds Regarding an Economy and Sector They Do Not Control

What should working people think of the opposition to or support for pipelines in Canada? Does the opposition or support come from a principled position of opposing imperialism and its anti-social aim of maximum profit and refusal to recognize the rights of Indigenous peoples and refusal to deal with human-influenced climate change, pollution and other environmental problems? Or is the opposition or support manipulated on behalf of powerful private interests of this or that imperialist cartel both colluding and contending within the energy sector?

Why is one pipeline approved and another cancelled? What is the difference? Can a principled difference be found and elaborated? For example, the federal government cancelled the Northern Gateway oil pipeline from Alberta to the northern coast of BC yet is frantically trying to build the Trans Mountain pipeline to Vancouver despite broad opposition. What is the great difference? Why one and not the other? They both are scheduled to carry the same product. Why not cancel both? Why not approve both? Why cancel an oil pipeline to the northern BC coast and then force through the building of a natural gas pipeline by LNG Canada on much the same route to the same northern port city of Kitimat?

The people do not control the energy economy or any sector for that matter. This collusion and contention over pipelines is essentially inter-imperialist and inter-cartel contention over control of the energy sector. Part of this contention is to displace traditional oil and gas (and coal) with renewable energy; part is for control of the sector; and part is for broader geopolitical and military reasons to weaken the influence of contending imperialists in various regions and globally.

The situation reveals that the imperialists must not be permitted to manipulate the situation to the advantage of this or that faction of the financial oligarchy and lead the people astray, especially the working class. The organized working class must identify and defeat any and all attempts to disinform the working people. Disinformation is a means to keep the people unorganized and unable to discuss and uphold a principled position that favours their interests. This is a problem that must be taken up for solution. This struggle forms part of the broader struggle to gain control over the energy sector.

To restate the thesis: The overriding issue for Canadians concerning the energy sector is "Who Controls and Who Decides?" To assert rational scientific planning and social responsibility over the production and distribution of carbon and other energy resources, the people must wrest control of the sector away from the global cartels.

The Necessity for Change in the Energy Sector

The thousands of orphaned and abandoned drilling sites left behind without environmental remediation in both Alberta and BC expose the greed, anarchy and lack of social responsibility on the part of the energy companies. The aim for private profit drives them into risky and irresponsible decisions before, during and after their operations. When unforeseen events occur such as a drop in market prices they fling up their hands in despair and cry, "What can we do;

we have no money to clean up the mess. End of story." Not "end of story" but end of such a socially irresponsible control, direction and aim of the economy. The global cartels currently in control of the energy sector show with their irresponsible practice of leaving behind polluted orphaned and abandoned sites that they are incapable of addressing the broader environmental issues arising from their industry. Time for a change to the new, to humanize the social and natural environment!

(Photo: Alberta Energy Regulator)

U.S. Hydraulic Fracturing Disrupts Global Oil and Gas Markets

Protest against the dangers of the use of Fracking have taken place across the U.S. This one in Maryland in 2017. ***(Food & Water Watch)***

The global oil market price began a steady decline when U.S. oil production rapidly increased due to the extensive use of hydraulic fracturing circa 2011. From 2007 to 2016, annual U.S. oil production increased 75 percent and beyond to 15 million bbl per day for 2019, while natural gas production increased 39 percent, due to the advancements in horizontal drilling and fracking technology. This caused major oil exporters to the U.S., in particular Saudi Arabia, to seek other markets, which led to increasing global competition for those markets and a price war. It appears in the present situation that Russia and Saudi Arabia are seeking an agreement to reduce global oil supply but the U.S. or at least its major energy cartels do not want to comply.

In return for any cut of Russian oil production, Russia probably also wants the U.S. to drop its opposition to Russia's Nord Stream II and Turkstream pipelines to Europe and possibly have U.S. troops leave Syria and return the U.S. occupied oilfields to the Syrian government.

Deliberately reducing the price of a commodity by flooding markets with a certain commodity to drive a competitor out of business is a longstanding tactic for imperialist cartels. The price of production of fracked oil is higher than conventional drilling. The current global market price below $30 a barrel is driving U.S. unconventional oil production (hydraulic fracturing) into crisis. This is what both Russia and Saudi Arabia want in the short term but Saudi Arabia cannot appear publicly to support such a cause because of its dependent status vis-à-vis U.S. imperialism.

Saudi Arabia is in the toughest bind because of the Yemen war, the temporary loss of tourism and pilgrimages to Mecca and its anti-Iran posture. It has succeeded in finding other oil markets in east Asia to partly offset the loss of the U.S. energy market from the growth of U.S. domestic supply but still the world is awash in oil in particular now with the COVID-19 crisis. Once the pandemic is defeated and the demand for energy increases and with less U.S. supply, with the bankruptcy crisis having destroyed many small and medium sized U.S. producers of unconventional oil, the oil price will rise. At least that is the hope of Russia and Saudi Arabia and possibly even the big U.S. energy cartels such as ExxonMobil and Chevron.

For Your Information

The LNG Canada Project

The engineering and overall supervision of the construction of the LNG Canada project has been awarded to a joint venture of two large engineering companies, JGC of Japan and Fluor Corporation of the U.S.

The first phase of the project is to include a $6.2-billion Coastal GasLink Pipeline through northern BC, built and operated by TransCanada. Coastal GasLink is projected to be a 670-kilometre gas pipeline with an initial capacity of about 2.1 billion cubic feet per day (Bcf/day) with the potential for expansion of up to approximately 5 Bcf/day. Permits have been issued by the BC government for the project to proceed in spite of the fact that the hereditary chiefs of the Wet'suwet'en people, whose lands the pipeline is to traverse, have not given their consent and are determined to continue fighting to stop construction of any pipelines on their unceded territory.

The pipeline project is backed by a 25-year transportation service agreement between TransCanada Corporation and the LNG Canada partners.

The second phase is the construction of an $18-billion gas liquefaction and storage plant in the port of Kitimat, BC, with two liquefaction trains where the natural gas will be cooled to reach its liquid state, and then stored to await transfer to LNG ships for transport to Asian markets.

A new terminal for LNG carrier ships will be built at the port of Kitimat, BC connected to the LNG Canada liquefaction and storage plant.

LNG carrier ships will sail up and down the Douglas Channel, to and from the port of Kitimat, to load LNG and sail fully loaded to overseas destinations, mainly in Asia. Such ships may be owned and operated by some of the LNG Canada partners, or by their LNG purchasing clients or they may be time-chartered from specialized independent ship owners and operators of such specialized ships.

Two partners, Royal Dutch Shell and Mitsubishi have stated that the project will initially export LNG from two processing units, or trains, totalling 14 million tonnes per annum (mtpa) of natural gas, and that, ultimately, the project may add two more trains for another 14 mtpa.

The global LNG industry, as natural gas in liquefied form, is being used more and more extensively and directly to fuel power plants, petrochemical and other industrial plants and for natural gas distribution through pipelines to homes and offices, as well as to fuel various transport modes such as ocean shipping.

When completed, LNG Canada will likely be the first Canadian terminal to export LNG overseas, whereas several LNG liquefaction and export terminals are already operating on the Gulf and Atlantic coasts of the United States, with others being planned, including on the U.S. west coast.

Within 10 days of the announcement of the LNG Canada investment decision in October 2018, two Japanese gas utilities, Toho Gas and Tokyo Gas, signed heads of agreement for LNG purchasing contracts over 15 and 13 years, respectively, with a subsidiary of one of the LNG Canada partners and shareholders, the Mitsubishi Group.

LNG Canada is the recipient of tax incentives. The BC government offered the project a break on the BC carbon tax, as well as the provincial sales tax. The total subsidies for the project are valued at $5.35 billion. The subsidies extend beyond the natural gas plant itself, to new transmission lines that are being built by BC Hydro to service the gas fields where the gas will be extracted through hydraulic fracturing. These transmission lines have a cost of $296 million. The LNG project is slated to be a major recipient of electricity from the new Site C dam and hydroelectric project, which will cost more than $10.7 billion to build and is experiencing cost overruns. The liquefaction process requires tremendous energy consumption usually from natural gas but, if electricity is available from Site C or independent run of river producers at a lower cost, it will be used.

Notes

LNG Canada:

The LNG Canada Website says the company will export Canadian natural gas to Asian markets, and in the process, put Canada on the global map of LNG exporting countries and create a world-class liquefied natural gas (LNG) industry in British Columbia and Canada.

Joint Venture Participants:

Royal Dutch Shell Plc. (40 per cent, lead partner), of the UK and Holland; PETRONAS (25 per cent), of Malaysia; PetroChina Co. Ltd. (15 per cent), of China; Mitsubishi Corp. (15 per cent), of Japan; and Korea Gas Corporation (5 per cent) of Korea.

Shell: a global leader in LNG since 1964, helping to pioneer the LNG sector. Shell operates about 20 per cent of the world's LNG vessels and has LNG supply projects either in operation or under construction in ten countries.

PETRONAS: a fully integrated energy company with extensive experience in LNG. Through its wholly owned upstream energy company Progress Energy and its partners, PETRONAS is one of

the largest natural gas reserves owner in Canada — with the majority of these reserves in the North Montney natural gas formation in northeast British Columbia. The price of natural gas has fallen to
$1.68 per MMBTU, well below the reported price of production, through fracking in the Montney.

The ownership by PETRONAS of gas reserves in BC with plans to greatly expand production when Coastal GasLink begins transporting gas to Kitimat brings to mind the situation in Alberta where producers of oil sell it upstream in the U.S. to themselves at a cheap price for refining and eventual sale at higher prices. In this situation, the cartels that control production and distribution can drive smaller producers out of business through low prices, declare poverty in Alberta, abscond without paying corporate taxes or royalty fees, and instead demand pay-the-rich schemes including free infrastructure and other subsidies.

PetroChina Company Limited (PetroChina): China's largest oil and gas producer and supplier. PetroChina has launched three LNG import facilities in China and is increasingly an investor in global unconventional gas production (fracking) and LNG export facilities. (PetroChina was also a big supporter/investor/committed-buyer-of oil of the now cancelled Northern Gateway oil pipeline, which planned to cross BC from Alberta to Kitimat along a similar route to that of the Coastal GasLink pipeline.)

Mitsubishi Corporation: Japan's largest trading cartel with more than 50 per cent share of LNG imported into Japan. Mitsubishi has been investing in LNG since 1969 and has an interest in 11 LNG export projects globally. Mitsubishi is also a member of the Mitsubishi keiretsu (Group). The Mitsubishi Group employs 350,000 people and has many business segments or subsidiaries including finance, banking, energy, machinery, chemicals, beer and food.

Mitsubishi is one of the original zaibatsu following the overthrow of the Edo feudal era of petty production in 1868. The zaibatsu were large financial houses and trading and manufacturing companies controlled by powerful business and merchant families. They immediately made the transition to become dominant monopolies, as merged industrial and financial companies after the overthrow of the Edo feudal government and international trade and overseas investment of social wealth became commonplace. The original seven zaibatsu were Mitsui, Mitsubishi, Sumitomo, Yasuda, Furukawa, Asano and Kawasaki.

Korea Gas Corporation (KOGAS): the world's largest LNG importing company and south Korea's principal LNG provider. KOGAS operates four LNG import terminals and a nationwide pipeline network in South Korea, and another terminal in Mexico.

Some Examples of Cancelled Pipelines and Energy Projects in Canada

The following are some examples of cancelled pipeline and energy projects in Canada, that illustrate the incoherence and contention in this sector. In the oil sands alone, there are many *in-situ* projects at various stages -- completed but not brought into production, under construction, on hold or cancelled.

Energy East Project Cancelled October 5, 2017

The Energy East pipeline owned by TransCanada was a proposed oil pipeline in Canada. It would have delivered diluted bitumen from Western Canada to Eastern Canada, from receipt points in

Alberta and Saskatchewan to refineries and port terminals in New Brunswick and possibly Quebec. It also would have served to ship U.S. oil extracted by hydraulic fracturing from the Bakken Formation (now transported by rail).

The entire length would have been 4,600 kilometres, with approximately 70 per cent (3,000 kilometres) being existing pipeline that would have been converted from carrying liquefied natural gas to carrying diluted bitumen. The pipeline route would have run from Alberta to New Brunswick, crossing through Saskatchewan, Manitoba, Ontario, and Quebec. The project would have had a capacity of 1.1 million barrels (~200,000 tonnes) of crude oil per day. Irving Oil had announced plans to build a new $300-million terminal at its Canaport facility in Saint John to export the oil delivered from the pipeline. The Quebec government was a particularly vociferous opponent.

Northern Gateway Project Cancelled 2016

Gitxsan protest against LNG approvals in northern BC in 2014.

Company: Enbridge (creation of Imperial Oil -- 1949)

The Northern Gateway project was first proposed in 2002. It would have exported diluted bitumen from Kitimat, BC, to Asian markets, which would arrive via a pipeline from Alberta. Ship travel from Kitimat to Asia is two days shorter than from Vancouver. Enbridge signed a cooperation agreement with PetroChina in 2005 to ensure the utilization of pipeline capacity. PetroChina is now a major investor/participant in LNG Canada.

In 2006, Enbridge delayed the project in favour of accelerating new lines to the United States. Up until its outright cancellation by Canada's federal government in 2016, the project faced multiple court challenges amid a lengthy regulatory process, combining to delay its advancement multiple times. In July of 2016 the Federal Court of Appeal overturned the previous approval of Northern Gateway, citing a lack of meaningful consultations with many Indigenous communities.

Mackenzie Gas Project Cancelled 2017

Inception: 2000. Companies: ConocoPhillips, ExxonMobil, Aboriginal Pipeline Group.

Also known as the Mackenzie Valley Pipeline/Mackenzie River Pipeline, this 1,200 km project in northern Alberta was initially started in the mid 1970s but was later scrapped after an official government inquiry recommended a 10-year moratorium on pipeline development.

The project was resurrected in 2004 with a new proposal to transport natural gas to the Beaufort Sea and abroad with supply coming from pipelines in northern Alberta. In late 2010 the project was approved by the National Energy Board only to have its deadline of 2015 for the start of construction pass without any construction beginning.

Eagle Spirit Pipeline

The Eagle Spirit Pipeline is a $16-billion First Nations owned Canadian pipeline proposed by Indigenous businessman Calvin Helin, which would ship oil from Northern Alberta to Prince Rupert, BC following a route well north of that of Coastal GasLink. The group filed a request last year with the National Energy Board for guidance regarding its project description requirements, an early step in the regulatory process.

Teck Resources Proposal for Open-Pit Petroleum Mine Abandoned 2020

Petitions are delivered to Environment Minister's office in North Vancouver, January 2020, opposing approval of Tech mines project.

In February 2020, Teck abandoned plans for Frontier Mine -- a $20 billion open-pit petroleum mine proposal -- 25 km south of Wood Buffalo National Park and north of Fort McMurray in northeast Alberta. In announcing the decision the CEO hinted that the company was having trouble finding investors for the project. He wrote in part, "Global capital markets are changing rapidly and investors and customers are increasingly looking for jurisdictions to have a framework in place that reconciles resource development and climate change, in order to produce the cleanest possible products. This does not yet exist here today and, unfortunately, the growing debate around this issue has placed Frontier and our company squarely at the nexus of much broader issues that need to be resolved. In that context, it is now evident that there is no constructive path forward for the project. Questions about the societal implications of energy development, climate change and Indigenous rights are critically important ones for Canada, its provinces and Indigenous governments to work through."

(Photos: Stand.earth)

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