

Current Developments

[Global](#)
[Middle East](#)
[Central Asia](#)
[East Asia](#)
[South Asia](#)
[North
America](#)

CANADIAN TRAIN DISASTER SHARPENS DEBATE ON OIL TRANSPORTATION



The railroad put the small lakeside town of Lac-Mégantic on the map. And over the weekend, the railroad wiped part of the town off the map.

Global Developments

1. CRUDE SLIPS ON CHINA INFLATION

Oil prices remain underpinned by unrest in the Middle East

(Dow Jones, Tuesday, July 09, 2013) -- Crude oil futures slipped lower in London on Tuesday as China reported its inflation rate edged up in June. Some profit-taking was again in evidence with both key contracts staying up near multi-month highs, but prices remain underpinned by unrest in the Middle East. At 0937 GMT, the front-month August Brent contract on London's ICE futures exchange was down 23 cents at \$107.20 a barrel. The front-month August light, sweet crude contract on the New York Mercantile Exchange was trading 22 cents lower at \$102.92 a barrel. China said its June consumer price index rose 2.7% from a year earlier, which was quicker than a 2.1% on-year rise in May and the median 2.5% gain forecast by 18 economists in a Dow Jones survey, but this wasn't enough to worry policy makers trying to boost the sluggish Chinese economy. Market Strategy Institute analyst Koichiro Kamei said, "The market couldn't figure out how good the news is...it isn't surprisingly different from expectations." The development of the Chinese economy has led to a sharp increase in demand for oil and has been a key support for oil prices over the past few years. [\[more\]](#)

2. WTI CRUDE TRADES NEAR 14-MONTH HIGH BEFORE U.S. INVENTORY DATA

(Bloomberg, Tuesday, July 09, 2013) -- West Texas Intermediate traded near its highest level in 14 months before data forecast to show U.S. crude supplies fell a second week, and as bloodshed in Egypt stoked concern that Middle Eastern exports may be disrupted. Futures were little changed in New York after closing at a 14-month high on July 5 as the relative strength index signaled prices may have advanced too quickly. Crude stockpiles probably dropped by 3.1 million barrels last week, according to a Bloomberg News survey before government data to be released tomorrow. Egypt's army yesterday shot dead at least 51 supporters of deposed President Mohamed Mursi, the highest daily death toll since his ouster. "WTI is still underpinned by a positive U.S. macro-outlook," said Andrey Kryuchenkov, an analyst at VTB Capital in London. "The U.S. benchmark has gained strongly the past week amid expectations of decent refining demand this summer. The situation in Egypt is very tense, keeping market participants on edge." WTI for August delivery was at \$102.97 a barrel in electronic trading on the New York Mercantile Exchange, down 17 cents, at 9:20 a.m. London time. The volume of all futures traded was 18 percent below the 100-day average. The contract slid 8 cents yesterday after closing at \$103.22 on July 5, the highest since May 2, 2012. Prices increased 6.9 percent last week, the most since February 2011. [\[more\]](#)

3. GASOLINE FUTURES FLUCTUATE ON FALLING CRUDE AND TRAIN DERAILMENT

(Bloomberg, Tuesday, July 09, 2013) -- Gasoline fluctuated as crude oil fell and on concern a key refinery that supplies the U.S. Northeast may slow production after a train carrying crude oil to the plant derailed. Futures fell as much as 0.7 percent and rose as much as 0.6 percent. Crude futures sank as much as 1.1 percent. A train carrying crude oil to Irving Oil Corp.'s 298,800-barrel-a-day refinery in New Brunswick, Canada, derailed and exploded in the Quebec town of Lac-Mégantic early Saturday, killing at least 5 people. The refinery can bring in as much as 200,000 barrels of crude by rail every day. "It's not just the loss of oil, it's the lost method of transportation," said Carl Larry, president of Houston-based Oil Outlooks & Opinions LLC. "That's a lot of oil they're going to be missing, unless they start bringing in Brent, which is still more expensive, which means more costly gasoline for the East Coast in the near term." August-delivery gasoline lost 0.61 cent to \$2.8907 on the New York Mercantile Exchange at 10:06 a.m. Trading volume was 33 percent above the 100-day average. West Texas Intermediate crude for August delivery fell 90 cents to \$102.32 on the Nymex. Gasoline's crack spread versus WTI widened 64 cents to \$19.09 a barrel. The fuel's premium over Brent rose 66 cents to \$14.61. [\[more\]](#)

4. GOLDMAN SACHS CUTS 2013 FORECAST FOR U.S. GAS ON HIGHER SUPPLIES

(Bloomberg, Tuesday, July 09, 2013) -- U.S. natural gas will average \$3.85 per million British thermal units in the third quarter and \$4.25 in the fourth quarter, below earlier forecasts as supply increases, Goldman Sachs Group Inc. (GS) said. "Debottlenecking" at the Marcellus shale sites in West Virginia and Pennsylvania are among the drivers of supply gains, Goldman Sachs analysts led by Damien Courvalin in New York said in an e-mailed report today. Goldman previously forecast U.S. natural gas prices would be \$4.50 in the third and fourth quarters. Production gains may be "temporary" because the number of gas rigs operating is low, Goldman said. Natural gas prices need to increase to \$4.25 per million Btu by 2014 to bring rigs back into active production and keep the market balanced, Courvalin said. [\[more\]](#)

5. ENERGY JOURNAL: QUEBEC CATASTROPHE CAUSES CANADIAN CRUDE QUESTIONS

(Wall Street Journal, Tuesday, July 09, 2013)

QUEBEC DISASTER

There was disaster in Quebec at the weekend, where an [apparent runaway oil-carrying train derailed](#) and devastated much of the [picturesque border town of Lac Megantic](#). A 73-car train operated by Montreal Maine & Atlantic Railway Inc. and reportedly heading to Irving Oil's 300,000-barrel-a-day Saint John's refinery, rolled free and traveled 12 kilometers under its own steam before coming off the rails in the early hours of Saturday. Five people are confirmed dead; some 40 are missing. Lac Megantic is [the sort of small town where everyone will know someone](#) touched by this tragedy. [Several investigations are under way](#), The Wall Street Journal reports. The spotlight is now firmly on the [growing North American practice of transporting crude by rail](#), the Journal says. Canada, in particular, has been hit by a recent spate of high-profile accidents involving trains. Last month a Canadian Pacific Railway freight train carrying petroleum diluent [derailed on a failing rail bridge](#) amid record flooding in Calgary, Alberta. That accident was the fifth derailment of a CP train in three months. In Lac Megantic there is [anguish and anger](#). Town Mayor Colette Roy-Laroche told the Globe & Mail that her town is one of many with concerns about cargo-train shipments, and that she recently asked the company to look after the tracks carefully. There is no safe way of transporting crude oil, or oil products, [the Financial Times says](#). Trains derail, pipes leak. But the events in Lac Megantic will provide supporters of projects like the Keystone XL pipeline with fuel for their arguments. [\[more\]](#)

Middle East & North Africa

6. STORM CLOUDS THREATEN IRAQ'S STRIKING OIL REVIVAL

(Financial Times, Tuesday, July 09, 2013) -- When it comes to the world's rising oil powers, none has risen quite as quickly - and with such profound implications for global crude markets - as Iraq. Ravaged by decades of war and sanctions, Iraq's oil industry is making a remarkable recovery. Production has rebounded strongly thanks to big investments by western majors in the country's long-neglected southern oilfields. "We see Iraq as one of the countries that will be making the most significant contributions to world oil supply over the next 5-10 years," says Jessica Brewer, Middle East research analyst at energy consultancy Wood Mackenzie. By any measure, the comeback is striking. Iraq's oil production has increased by 1m barrels a day since 2002, the year before the US invasion, to about 3m b/d. Last year it hit a crucial milestone when it overtook Iran to become Opec's second-biggest producer after Saudi Arabia. And the trend is set to continue. The International Energy Agency says Iraq's output will more than double to 6.1m b/d by the end of the decade. But storm clouds could threaten Iraq's revival. Bottlenecks are undermining continued production growth: weak government institutions mean contracts for crucial infrastructure projects are not being awarded quickly enough. A deficit of skilled workers is dogging the industry. [\[more\]](#)

7. EGYPT DESCENDS INTO CHAOS

Dozens Killed in Clash Between Military, Morsi Supporters; Elections Planned

CAIRO (Dow Jones, Tuesday, July 09, 2013) -- Egypt's Muslim Brotherhood accused the country's military of massacring dozens of its supporters during dawn time prayers in Cairo on Monday, as Egypt's deadliest clashes in years between the army and Islamists pushed the country toward armed conflict. At least 53 people were killed and more than 400 wounded, Egypt's official media said, in a clash between the military and supporters of Mohammed Morsi, who had gathered near the site where Mr. Morsi has been held under house arrest

since he was ousted as president last week. A top muslim cleric warns of impending civil war in Egypt as the gunfight between soldiers and supporters of ousted president Mohammed Morsi sharply raises the stakes in the brewing conflict between Egyptian secularists and Islamists. Charles Levinson reports. Egypt's military denied the allegations of a massacre, saying that soldiers defended themselves after they were attacked with guns and Molotov cocktails, and that 42 protesters, plus a soldier, had been killed. [\[more\]](#)

8. BLOODY DAY IN UNREST WIDENS THE RUPTURE AMONG ORDINARY EGYPTIANS

CAIRO (New York Times, Tuesday, July 09, 2013) -- The doctor's sorrow was twofold when he found his son in the back of an ambulance, waiting to be carried in to the morgue here with a bullet hole in his chest. Not only was his youngest son among the scores of supporters of deposed President Mohamed Morsi who had been killed by security officers on Monday, but the doctor had spent the last months of his son's life shouting at him about his politics. "All the time there were fights between me, him, his mother, his brother - all about the Muslim Brotherhood," said the doctor, Samer Assem, 59. The military's early-morning assault that left at least 54 people dead might have been expected to unite Egyptians in grief and anger. Instead, Egypt's bloodiest day in more than two years of unrest appeared to intensify the scarring arguments about who should be ruling the country and who is responsible for its plunge into turmoil. Egyptians who not long ago were protesting side by side, even members of the same family, now rely on different sources of information, offer widely divergent accounts of what caused Monday's carnage and argue that they are the true defenders of the revolution that ousted President Hosni Mubarak in 2011. Rival camps both claim that the United States is offering concrete support to their opponents. [\[more\]](#)

9. EGYPT UNREST: BROTHERHOOD REJECTS MANSOUR POLL DECREE

The BBC's Rana Jawad: "President Morsi supporters ... are unlikely to be happy with any of the proposals"

(BBC, Tuesday, July 09, 2013) -- Senior officials in Egypt's Muslim Brotherhood have rejected a timetable for new elections laid out by interim president Adly Mansour. Leading Brotherhood figure Essam al-Erian says the plan for constitutional changes and a vote next year "brings the country back to square one". President Mohammed Morsi was ousted by the army last week after mass protests. The decree came hours after at least 51 people were killed at a Cairo barracks where his supporters say he is in held. The Muslim Brotherhood - Egypt's main Islamist movement, which Mr Morsi belongs to - says its members were fired on at a sit-in for the ousted leader. The army says it responded to an armed provocation. Mr Morsi was Egypt's first freely elected president. His removal last Wednesday followed protests by tens of thousands of people who accused him of becoming increasingly authoritarian, pursuing an Islamist agenda, and failing to tackle Egypt's economic woes. The Brotherhood has denounced the military's action as a coup. [\[more\]](#)

10. EIGHTEEN HURT AS CAR BOMB HITS HEZBOLLAH STRONGHOLD IN BEIRUT

BEIRUT (Reuters Tuesday, July 09, 2013) -- At least 18 people were wounded by a car bomb blast in Beirut's southern suburbs on Tuesday, a stronghold of the Lebanese Shi'ite Hezbollah militant group that has been fighting in Syria's civil war, security sources said. The sources were unable to confirm initial reports from medics at the scene that an unspecified number were killed in the massive blast. Tensions in Lebanon have been high following the intervention of Hezbollah in support of President Bashar al-Assad's forces fighting a two-year revolt led by Syria's Sunni Muslim majority. "This is the work of agents trying to create strife in Lebanon," said Hezbollah parliamentary Deputy Ali Meqdad at the site of the explosion. A Reuters reporter on the scene saw a large fire raging at the site of the blast, which apparently targeted a shopping mall in the Bir

al-Abed area. The area is also home to many Hezbollah political offices. A pillar of dense black smoke billowed above surrounding high-rise apartment blocks. Ambulances and fire engines sped through the streets to rescue casualties. Hezbollah gunmen cordoned off the area of the blast, which damaged cars and buildings. Fires were raging from dozens of cars which were set ablaze in the parking lot where the car rigged with explosives was left. [\[more\]](#)

Central Asia

11. CHANGING COMPOSITION OF THE UN OF OIL

(Financial Times, Tuesday, July 09, 2013) -- The Kashagan consortium is so big and diverse it looks at times like a UN of oil. And its ethnic make-up is due to change again - in a radical way. KMG, the Kazakh state oil company, is to buy ConocoPhillips' 8.4 per cent stake in the project and is then widely expected to sell it on to CNPC of China for about \$5bn, further entrenching China's leading position in Kazakh oil. Chinese companies already account for about 20 per cent of the country's crude output. It is a blow for the Indians. ONGC Videsh did a deal last year to buy the stake directly from Conoco in a decision that was hailed domestically as a triumph for the Indian state oil company's global ambitions. But CNPC's entry is only the latest in a long line of changes to the make-up of the Kashagan consortium. BP and Norway's Statoil sold their combined 14 per cent stake in the project to the other partners in 2001 for about \$600m. Two years later, BG Group arranged to sell its stake to two Chinese companies, but the other members exercised their pre-emption rights, intending to divide the stake between them. Then KMG muscled in and laid claim to half the stake for itself. After months of negotiations, the Kazakh national champion was finally admitted into the Kashagan consortium in May 2005. [\[more\]](#)

12. KAZAKH STATE OIL COMPANY TARGETS EUROPE'S PETROL MARKET

(Financial Times, Tuesday, July 09, 2013) -- Kazakhstan's state oil company is planning a big push into Europe, as the fast-growing national champion expands downstream and pursues a greater share of the region's retail petrol market. Daniyar Berlibayev, first deputy chairman of KazMunaiGas, said the company had plans to move into Ukraine and Turkey, and was eyeing petrol stations, import terminals and distribution points in the two Black Sea countries. "We are expanding internationally, reaching from the well to the wheel," he said in an interview with the Financial Times in Astana, the Kazakh capital. KMG, one of small band of fast-growing national oil companies, has become the main vehicle of the Kazakh state as it seeks to tighten its control of the country's oil and gas sector. The company's increasing prominence reflects the rise of resource nationalism in the world's big oil-producing states over the last decade as strong Asian demand pushed oil prices up to record highs. In recent years, KMG has muscled in to the international consortiums developing two huge oil and gasfields - Kashagan, the world's most expensive oil development project in the Caspian Sea, and the onshore Karachaganak. Kashagan, one of the world's most difficult and costliest oil developments, is due to start production later this year. UK prime minister David Cameron was in Kazakhstan late last month to mark the start-up of the field's production facilities. [\[more\]](#)

East Asia

13. CHINESE INFLATION REBOUNDS TO FOUR-MONTH HIGH IN JUNE

(Financial Times, Tuesday, July 09, 2013) -- Chinese inflation has rebounded to a four-month high, driven partly by a credit surge earlier this year that the government is now trying to contain. The increase in consumer prices despite China's weak growth underlines the dilemma faced by policy makers as they judge whether to provide more support for the flagging economy or to tighten the flow of cash and rein in earlier excesses. Consumer prices rose 2.7 per cent year on year in June, up from 2.1 per cent in May, the highest rate since February. Higher pork prices, a major component of China's consumer price basket, were the biggest contributor to the jump. Rental costs also edged higher, a reflection of how Chinese property inflation has accelerated this year. But for producers, price trends left little doubt about the economy's underlying weakness. The producer price index fell 2.7 per cent year on year in June. It was its 16th straight month in deflationary territory, dragged down by falling commodity prices as well as sluggish domestic demand. "Firms have little power to raise prices due to the lack of demand," said Liu Ligang, an economist with ANZ. [\[more\]](#)

14. CHINA SMOG CUTS 5.5 YEARS FROM AVERAGE LIFE EXPECTANCY

(Financial Times, Tuesday, July 09, 2013) -- China's air pollution has cut life expectancy by an average of 5.5 years in the north of the country and caused higher rates of lung cancer, heart attacks and strokes, according to a groundbreaking study. The worsening toxic smog in northern China became an issue of national concern after air pollution spiked to record levels in Beijing in January, prompting worried citizens to stock up on air filters and face masks. Pollution domes, which provide filtered air for sports activities, are also increasingly common. But the body of scientific research on the health impact is slim because there is little historical precedent for prolonged exposure to such high levels of air pollution. Using decades of pollution data from across China, the new study, co-authored by professors from Massachusetts Institute of Technology in the US, Tsinghua University and Peking University in Beijing, and the Hebrew University of Jerusalem, calculates that air pollution in the north caused the loss of 2.5bn years of aggregate human life expectancy during the 1990s. "This is the first time anyone has got the data to show how severe long-term pollution affects human health, both in terms of life expectancy and the types of disease," said Li Hongbin, an economics professor at Tsinghua University and a co-author of the study. [\[more\]](#)

North America

15. U.S. LEG OF KEYSTONE XL NEARLY COMPLETE

HOUSTON, July 8 (UPI) -- Most of the southern U.S. leg of the Keystone XL oil pipeline from Oklahoma to Texas is complete, a spokesman for pipeline company TransCanada said. TransCanada needs U.S. approval to build the Keystone XL from Alberta to the United States because it would cross national borders. The so-called Gulf Coast Pipeline from Cushing, Okla., to Texas refineries does not require such approval. TransCanada spokesman Grady Semmens said about 80 percent of the 450-mile pipeline has been completed so far this year. Semmens told FuelFix, an energy blog of the Houston Chronicle, inspections and testing were the next steps for the southern U.S. project. "Testing is well under way, and commissioning needs to be done prior to any oil being loaded into the pipeline to bring it into commercial service," he was quoted as saying Friday. "The Gulf Coast Pipeline is over 80 percent complete." Critics opposing the project have moved to block the pipeline's construction. They are concerned about potential environmental issues stemming from Canadian oil production. Oil derived from Alberta is considered more carbon-intensive than conventional crude oil. [\[more\]](#)

16. OIL DELIVERY BY RAIL INCREASED IN U.S.

WASHINGTON, July 8 (UPI) -- U.S. rail deliveries of petroleum and petroleum products increased by more than 20 percent during the last week in June, the Association of American Railroads said. The AAR said total U.S. weekly rail traffic for major commodity groups was up 1 percent to 281,367 carloads for the last full week of June year-on-year. For the first 26 weeks of 2013, however, the rail deliveries were down 1.5 percent compared to the same time last year. Half of the commodity groups monitored by AAR reported increased rail traffic for the last week in June when compared to the same time last year. Petroleum and petroleum products led the way with a 26.6 percent increase year-on-year, the trade group reported last week. Rail deliveries of crude oil in the United States are increasing because production gains are straining existing pipeline capacity. A U.S. State Department review of the planned Keystone XL oil pipeline from Canada said rail must be considered against the pipeline when weighing its national interest. AAR said Canadian rail traffic had decreased for June. The Canadian National Railway Co. said Wednesday it would start servicing oil production in Alberta with a new terminal starting in November. [\[more\]](#)

17. INSIGHT: HOW A TRAIN RAN AWAY AND DEVASTATED A CANADIAN TOWN

CHICAGO/LAC-MEGANTIC, Quebec (Reuters Tuesday, July 09, 2013) -- The short length of track, nestled in a dark pine and birch forest in Quebec, is a regular overnight stop for freight trains hauling crude oil and other raw materials across North America. Normally, before retiring for the night, the train operator sets the hand brakes and leaves one locomotive running to power the air brakes that help hold the train in place on the gently sloping track. The next morning, the operator or a relief engineer starts up the train and continues on their way. Last weekend, the system failed. The locomotive caught fire, so firefighters shut off the engine to stop the flames from spreading. That slowly disengaged the air brakes, and the driverless train carrying 72 cars of crude oil rolled downhill into the scenic lakeside town of Lac-Megantic, derailing, exploding and leveling the town center. At least 13 people were killed and some 37 are still missing, according to Canadian police. Few residents expect any of the missing to be found alive. The catastrophe could force policymakers across North America to rethink the practice of shipping crude by rail - a century-old business that has boomed with the surge in shale oil production. Based on Reuters interviews with witnesses, fire services and the head of the train company, the Montreal, Maine & Atlantic Railway (MMA), a tale emerges of how the brakes on a train parked on a slope were released leading to tragedy. [\[more\]](#)

18. SAFETY RULES LAG AS OIL TRANSPORT BY TRAIN RISES

Train shipments of oil up 28,000 per cent in four years



The safety of transporting oil by rail is coming under greater scrutiny after a freight train laden with oil derailed in Lac-Megantic, Que., on July 6, sparking explosions that engulfed about 30 buildings. (François Laplante-Delagrave/AFP/Getty Images)

(CB News, Tuesday, July 09, 2013) The sight of a locomotive hauling 100,000 litres of light crude oil through a small Canadian town like Lac-Mégantic was nearly unimaginable just a few years ago. But as North American oil production continues to outpace pipeline capacity, shipment by rail is increasingly common, and critics worry that safety regulations have not kept up with expansion. "Even two or three years ago, shipping oil by rail was basically unheard of," says Keith Stewart, a climate and energy campaigner with Greenpeace Canada. "There's been this huge increase and it's been done without any oversight and review, and that's a huge mistake." In 2012, less than four per cent of oil shipped through Canada went by rail to coastal refineries and export centres, but that is still more than triple the 2011 figure. What's more, the amounts are expected to increase significantly in the coming years, according to the National Energy Board. [\[more\]](#)

19. CANADIAN TRAIN DISASTER SHARPENS DEBATE ON OIL TRANSPORTATION



(The Washington Post, Tuesday, July 09, 2013) -- The railroad put the small lakeside town of Lac-Mégantic on the map. And over the weekend, the railroad wiped part of the town off the map. Founded in 1884 when the Canadian Pacific Railway began construction on the final leg of track linking Montreal and the Port of Saint John in New Brunswick, Lac-Mégantic was shaken Saturday when an oil-laden train bound for a Saint John refinery derailed and exploded, leaving at least 13 dead and dozens unaccounted for. The Montreal Maine & Atlantic Railway train, with 72 cars of crude oil from North Dakota's Bakken basin, was left unattended by its conductor and rolled downhill, blowing a hole in downtown Lac-Mégantic, likened to "a war zone" by Canadian Prime Minister Stephen Harper. The dead found Monday were burned beyond recognition, officials said. The explosion near the border of Maine also reverberated in the rest of Canada and the United States, where people are hotly debating what mode of transportation is safest and most economical for carrying the steadily growing output of crude oil from North Dakota and northern Alberta's oil sands. And it reignited calls for tougher standards for ethanol and crude oil tank cars. [\[more\]](#)

Full Stories

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The development of the Chinese economy has led to a sharp increase in demand for oil and has been a key support for oil prices over the past few years.

Traders will watch out for Wednesday's monthly trade data from China as a gauge of the country's economic growth, analysts said.

Unrest in Egypt will keep supporting crude prices by raising fears of supply disruptions, said Nihon Unicom analyst Hiroyuki Kikukawa. The country is home to a key oil transport point, the Suez Canal.

This, along with oil-worker unrest in Libya and tension in other Middle East countries, means that a lasting risk premium of \$5-\$10 a barrel on the oil price is justified, Commerzbank analysts said in a note to clients. But there is a correspondingly high correction potential given the rise in speculative investor length in both WTI and Brent, Commerzbank said.

According to the most recent data, WTI speculative length increased by nearly 36,000 lots to just short of the 2013 high of 303,000 lots. Brent net length, meanwhile, increased by 12,000 lots to 148,000 lots but is some way below the all-time highs hit earlier this year.

This investor shift out of Brent and into WTI has helped the price gap between the two grades, known as the spread, to move to below \$5 a barrel, from \$23 a barrel as recently as February.

"It is a big 'if' but given the recent change in market share on the volume as well as on the speculative position front we might just see the price of the U.S. benchmark overtaking that of Brent in the not-so-distant future," said PVM analyst Tamas Varga. The last time this happened was Aug. 16, 2010.

Recently, the ICE's gasoil contract for July delivery was down \$6.00 at \$907.25 a metric ton, while Nymex gasoline for August delivery was down 39 points at 2.8798 cents a gallon.

[\[Back to Top\]](#)

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Brent for August settlement was down 27 cents at \$107.16 a barrel on the London-based ICE Futures Europe exchange. The European benchmark grade was at a premium of \$4.24 to WTI contracts. The spread was \$4.29 yesterday, the narrowest based on closing prices since January 2011.

Chart Indicator

WTI's 14-day relative strength index closed above 70 for a second day yesterday, according to data compiled by Bloomberg. Investors typically sell contracts above that reading, when the market is considered overbought. The RSI is at about 72 today.

Egypt's political upheaval continued to fan concern that unrest in the most populous Arab country may spread. Interim President Adly Mansour set parliamentary elections within seven months in a 33-article constitutional declaration yesterday as he sought to push ahead with a political transition.

Egypt controls the Suez Canal and the Suez-Mediterranean Pipeline, through which a combined 2.24 million barrels a day of oil were shipped from the Red Sea to Europe and North America in 2011, U.S. Energy Information Administration data shows. The Middle East accounted for 35 percent of global crude output in the first quarter of this year, according to the International Energy Agency in Paris.

Workers Withdrawn

BP Plc, BG Group Plc and Eni SpA have pulled out "non-essential" staff from the North African nation, while Royal Dutch Shell Plc temporarily relocated some workers and dependents, said officials at the European companies.

"Egypt is still spooking the market," said David Lennox, a resource analyst at Fat Prophets in Sydney. The most recent reported U.S. crude stockpile decline "was quite substantial, and a further draw-down of that magnitude might certainly give the market good reason to stay well over \$100."

U.S. gasoline inventories are expected to have climbed by 1 million barrels in the week ended July 5, according to the median estimate of 10 analysts surveyed by Bloomberg. The EIA, the Energy Department's statistical unit, is scheduled to release its weekly supply report tomorrow.

Refinery operating rates probably gained by 0.25 percentage points, the survey shows. Processing rose to an average 92.2 percent of capacity in the previous week, the highest rate since August. Refiners typically boost output this time of year to meet increased motor fuel demand during the U.S. summer driving season, which runs from late May to early September.

Distillate inventories, including heating oil and diesel, are projected to have risen by 1 million barrels last week.

Bullish Bets

The American Petroleum Institute will release its own supply data in Washington today. The industry group collects information on a voluntary basis from operators of refineries, bulk terminals and pipelines. The government requires that reports be filed with the EIA.

Hedge funds increased bullish bets on WTI for the third time in four weeks, according to the U.S. Commodity Futures Trading Commission. Money managers boosted net-long positions by 14 percent to 263,643 futures and options combined in the week to July 2, its Commitments of Traders report showed yesterday. The total was the most since February last year.

[\[Back to Top\]](#)

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"It's not just the loss of oil, it's the lost method of transportation," said Carl Larry, president of Houston-based Oil Outlooks & Opinions LLC. "That's a lot of oil they're going to be missing, unless they start bringing in Brent, which is still more expensive, which means more costly gasoline for the East Coast in the near term."

August-delivery gasoline lost 0.61 cent to \$2.8907 on the New York Mercantile Exchange at 10:06 a.m. Trading volume was 33 percent above the 100-day average. West Texas Intermediate crude for August delivery fell 90 cents to \$102.32 on the Nymex.

Gasoline's crack spread versus WTI widened 64 cents to \$19.09 a barrel. The fuel's premium over Brent rose 66 cents to \$14.61.

Pump prices, averaged nationwide, were unchanged at \$3.474 a gallon, Heathrow, Florida-based AAA said today on its website.

Ultra-low-sulfur diesel, or ULSD, for August delivery rose 1.8 cents, or 0.6 percent, to \$2.9717 a gallon on volume that was 32 percent below the 100-day average.

ULSD's crack spread versus West Texas Intermediate crude rose 16 cents to \$22.51 a barrel. Its premium to Brent gained 14 cents to \$17.99.

[\[Back to Top\]](#)

4. GOLDMAN SACHS CUTS 2013 FORECAST FOR U.S. GAS ON HIGHER SUPPLIES

(Bloomberg, Tuesday, July 09, 2013) -- U.S. natural gas will average \$3.85 per million British thermal units in the third quarter and \$4.25 in the fourth quarter, below earlier forecasts as supply increases, Goldman Sachs Group Inc. (GS) said.

"Debottlenecking" at the Marcellus shale sites in West Virginia and Pennsylvania are among the drivers of supply gains, Goldman Sachs analysts led by Damien Courvalin in New York said in an e-mailed report today. Goldman previously forecast U.S. natural gas prices would be \$4.50 in the third and fourth quarters.

Production gains may be "temporary" because the number of gas rigs operating is low, Goldman said. Natural gas prices need to increase to \$4.25 per million Btu by 2014 to bring rigs back into active production and keep the market balanced, Courvalin said.

[\[Back to Top\]](#)

5. ENERGY JOURNAL: QUEBEC CATASTROPHE CAUSES CANADIAN CRUDE QUESTIONS

(Wall Street Journal, Tuesday, July 09, 2013)

QUEBEC DISASTER

There was disaster in Quebec at the weekend, where an [apparent runaway oil-carrying train derailed](#) and devastated much of the [picturesque border town of Lac Megantic](#).

A 73-car train operated by Montreal Maine & Atlantic Railway Inc. and reportedly heading to Irving Oil's 300,000-barrel-a-day Saint John's refinery, rolled free and traveled 12 kilometers under its own steam before coming off the rails in the early hours of Saturday. Five people are confirmed dead; some 40 are missing. Lac Megantic is [the sort of small town](#) where [everyone will know someone](#) touched by this tragedy.

[Several investigations are under way](#), The Wall Street Journal reports.

The spotlight is now firmly on the [growing North American practice of transporting crude by rail](#), the Journal says. Canada, in particular, has been hit by a recent spate of high-profile accidents involving trains. Last month a Canadian Pacific Railway freight train carrying petroleum diluent [derailed on a failing rail bridge](#) amid record flooding in Calgary, Alberta. That accident was the fifth derailment of a CP train in three months.

In Lac Megantic there is [anguish and anger](#). Town Mayor Colette Roy-Laroche told the Globe & Mail that her town is one of many with concerns about cargo-train shipments, and that she recently asked the company to look after the tracks carefully.

There is no safe way of transporting crude oil, or oil products, [the Financial Times says](#). Trains derail, pipes leak. But the events in Lac Megantic will provide supporters of projects like the Keystone XL pipeline with fuel for their arguments.

President Barack Obama [recently said](#) that approval for Keystone, which aims to ship Canadian crude all the way to U.S. Gulf Coast refineries, would be given only if the pipeline “does not significantly exacerbate the problem of carbon pollution.”

Canadian oil is [more profitable now than it was 12 months ago](#), as rail transport has taken off. But the Lac Megantic disaster, coupled with the Keystone uncertainty, means doubts about the return on Canadian oil investment will remain.

SHELL SPILL

On the other side of the world, oil major Royal Dutch Shell said that a fire in June caused by oil theft on a major pipeline in the Niger Delta resulted in the [largest oil spill from facilities operated by its Nigerian joint venture](#) this year.

Shell says that the vast majority of environmental damage in the Niger Delta results from spills caused by thieves who breach pipelines in order to steal oil.

However, human-rights groups and nongovernmental organizations operating in the region have accused Shell of being too quick to blame oil theft for spills that could have been caused by other factors, such as operational error or aging infrastructure, as the Journal’s [Sarah Kent](#) and Benoît Faucon report.

AllAfrica reports that more than [3,000 illegal refineries have been destroyed](#) by authorities in the Delta in the past 12 months. But efforts to bring peace to the region are [still the subject of criticism](#) within Nigeria.

ILL WIND FOR DESERT SOLAR PLAN

A [€400 billion plan](#) that aimed to provide some 15% of Europe’s power from desert solar looks to be in jeopardy, [the Guardian says](#), after relations soured between the two main advocates.

Desertec and Desertec Industrial Initiative say their plans remain uncompromised, the Guardian says, despite Bosch and Siemens, the core industrial investors, severing ties some seven months ago.

[\[Back to Top\]](#)

6. STORM CLOUDS THREATEN IRAQ'S STRIKING OIL REVIVAL

(Financial Times, Tuesday, July 09, 2013) -- When it comes to the world's rising oil powers, none has risen quite as quickly - and with such profound implications for global crude markets - as Iraq.

Ravaged by decades of war and sanctions, Iraq's oil industry is making a remarkable recovery. Production has rebounded strongly thanks to big investments by western majors in the country's long-neglected southern oilfields.

"We see Iraq as one of the countries that will be making the most significant contributions to world oil supply over the next 5-10 years," says Jessica Brewer, Middle East research analyst at energy consultancy Wood Mackenzie.

By any measure, the comeback is striking. Iraq's oil production has increased by 1m barrels a day since 2002, the year before the US invasion, to about 3m b/d. Last year it hit a crucial milestone when it overtook Iran to become Opec's second-biggest producer after Saudi Arabia.

And the trend is set to continue. The International Energy Agency says Iraq's output will more than double to 6.1m b/d by the end of the decade.

But storm clouds could threaten Iraq's revival. Bottlenecks are undermining continued production growth: weak government institutions mean contracts for crucial infrastructure projects are not being awarded quickly enough. A deficit of skilled workers is dogging the industry.

"There are a lot of issues that are out of the western oil companies' hands, such as Iraq's infrastructure constraints," Ms Brewer says. "There is a shortage of pipeline, storage and pumping station capacity."

As a result, the big ramp-up in output seen between 2010 and 2012 has now stalled. The continuing stand-off between Baghdad and the Kurdish regional government has not helped, and neither has the increase in sectarian violence.

Iraq's revival began after it signed a clutch of service contracts with international oil companies late last decade. As part of the bidding process, the majors committed themselves to hitting certain plateau production rates: combining these would give Iraq total capacity of 12m b/d by 2017, a huge number.

The majors won't risk huge investments in oil that might not make it to market because of export bottlenecks

- Western consultant

In the past four years, the westerners have moved in in force, deploying manpower and technology to revitalise production across the badly battered south. BP partnered China's CNPC in Rumaila, one of the world's largest oilfields. ExxonMobil signed up for West Qurna-1, Royal Dutch Shell for Majnoon and ENI for Zubair.

The companies were initially gung-ho. But the infrastructure challenges, the worsening security and the poor returns on their contracts - they receive a fee of just \$1.15-\$2 per barrel - have made them more cautious about pouring more money in.

One western consultant says: "The majors are entering a period of very large spending decisions as they move to full field development. But they won't risk huge investments in oil that might not make it to market because of export bottlenecks."

As a result of such challenges, the government has now acknowledged that the 12m b/d by 2017 is unrealistic. Luay al Khateeb, head of the Iraq Energy Institute, says: "Iraq was trying to achieve in seven years what took the Saudis 70 years."

Bowing to the inevitable, Baghdad is now renegotiating many of its contracts with foreign oil companies, and is considering reducing the combined production plateau from 12m b/d to 9m b/d by 2018 while at the same time extending the plateau period.

Iraq was trying to achieve in seven years what took the Saudis 70 years

- Luay al Khateeb, Iraq Energy Institute

So far, Russia's Lukoil and ENI have both managed to revise their deals: talks with Shell, Exxon and BP are moving painfully slowly. Some of them have argued that the per barrel remuneration fee should be increased, to take into consideration Iraq's tough operating climate.

The IEA worries that even the 9m b/d target could be overambitious. It says \$125bn of investment will be needed over the next five years to achieve that - yet in 2011 Iraq's energy sector attracted only \$9bn.

Analysts say more progress could have been achieved - both with the contract revisions and the infrastructure improvements - if Iraq was not so distracted by its constant political crises and the worsening security situation.

Despite all their private grumblings about poor returns, unrealistic targets, pipeline problems and geopolitical instability, the majors still have great deals in Iraq and are there for the long haul, Mr al Khateeb says.

"They signed up for producing fields, supergiants with billions of barrels of oil," he says. "And Iraq is the last place on planet Earth where you can still produce cheap oil."

[\[Back to Top\]](#)

7. EGYPT DESCENDS INTO CHAOS

Dozens Killed in Clash Between Military, Morsi Supporters; Elections Planned

At least 42 people were killed and 332 injured in a gunfight between soldiers and supporters of ousted President Mohammed Morsi. Matt Bradley reports on the conflict between Egyptian secularists and Islamists. Photo: Getty Images

CAIRO (Dow Jones, Tuesday, July 09, 2013) -- Egypt's Muslim Brotherhood accused the country's military of massacring dozens of its supporters during dawn prayers in Cairo on Monday, as Egypt's deadliest clashes in years between the army and Islamists pushed the country toward armed conflict.

At least 53 people were killed and more than 400 wounded, Egypt's official media said, in a clash between the military and supporters of Mohammed Morsi, who had gathered near the site where Mr. Morsi has been held under house arrest since he was ousted as president last week.

A top muslim cleric warns of impending civil war in Egypt as the gunfight between soldiers and supporters of ousted president Mohammed Morsi sharply raises the stakes in the brewing conflict between Egyptian secularists and Islamists. Charles Levinson reports.

Egypt's military denied the allegations of a massacre, saying that soldiers defended themselves after they were attacked with guns and Molotov cocktails, and that 42 protesters, plus a soldier, had been killed.

Monday's violence demonstrated the peril of the military's decision to remove Mr. Morsi, the first freely elected president in the history of the Arab world's largest nation. Despite its relative stability, Egypt is flirting with what several analysts have until now seen as a worst-case scenario-the kind of armed conflicts that have roiled other countries in the so-called Arab Spring of uprisings.

Only last Wednesday, the military said it was responding to popular will by ousting the country's Brotherhood-backed president. Millions of Egyptians cheered. Standing alongside Egypt's military chief, leaders representing the country's Muslims, Coptic Christians and secular opposition promised to form an inclusive interim government.

Members of the Muslim Brotherhood and supporters of deposed Egyptian President Mohammed Morsi shout slogans in front of army soldiers at Republican Guard headquarters in a Cairo suburb Monday.

Those same leaders, including opposition point man Mohamed ElBaradei and Egypt's top Sunni sheik, condemned Monday's killings. Many Egyptians' hopes for inclusiveness gave way to fears that the young leadership was seeking to rebuild a political system without the Brotherhood, the nation's most powerful political force, to possibly deadly result.

"I don't know what the generals were thinking," said Omar Ashour, a senior lecturer on Middle East politics at Exeter University in the U.K. "They thought that they would topple a president who 12 million people voted for-part of whom are hard-core supporters-and that they would get away with it."

Mr. Ashour said the situation in Egypt recalls Algeria in 1992, when that country's military leadership took control just as an Islamist party neared electoral victory. The result was an eight-year-long uprising in some 100,000 Algerians died.

Despite Monday's violence, Egypt's military-backed government pressed ahead. Interim President Adly Mansour issued a constitutional declaration late Monday laying out a new timeline for Egypt's political transition, which envisions a new parliament within about six months and a presidential election sometime after that.

The 33-article document, reported by state media, calls for two appointed committees to make amendments to the constitution drafted by the deposed Islamist government.

Mahmoud Khaled/Agence France-Presse/Getty Images

A supporter of the Muslim Brotherhood was injured in a clash Monday in Cairo with Egyptian soldiers.

The changes would be put to a popular referendum within roughly four months. New parliament elections would follow two months after the referendum. The newly elected parliament would then have a week to set a date for a new presidential vote.

Following Monday morning's attacks, Egypt's generals lost the loyalty of the only Islamist group that had supported their coup. The spokesman for the ultraconservative Nour Party, which represents Salafi Islamist politicians, announced on his Facebook page that the group was pulling out of negotiations over a new government in protest over the killings.

"We will not be silent on the massacre at the Republican Guard today," said Nadar al Bakkar. "We wanted to stop the bloodshed, but now the blood is being shed in rivers. We withdraw from all talks with the new government."

Reuters

Army soldiers take positions Monday before clashes with members of the Muslim Brotherhood and supporters of Mohammed Morsi at Republican Guard headquarters in Nasr City, a suburb of Cairo.

As Egyptians woke Monday to reports of early morning violence, hopes for a government of national unity took a grave hit.

Accounts diverged widely of the clash near Cairo's Republican Guard Club, where the Muslim Brotherhood and military leaders say Mr. Morsi is under house arrest, with both sides seeking to portray themselves as the victims of aggression.

According to witnesses and survivors, state security forces attacked Brotherhood supporters as they finished morning prayers.

In statements issued immediately afterward, the Muslim Brotherhood said soldiers had opened fire with live ammunition. The Brotherhood emailed links to YouTube videos that it alleged showed civilian victims being carried away from the scene of the shooting in the predawn darkness.

A military spokesman said gunmen had opened fire on the troops, some from neighboring rooftops, eliciting a response from the military. Egyptian state television ran footage that it said showed civilians firing handguns at soldiers and police officers.

Commentators on state television, some of whom are members of the security services, said the soldiers had acted in self-defense.

In an emotional joint news conference on Monday afternoon, the military and police sought to portray themselves as defenders of the Egyptian state that had come under fire from a "terrorist" group.

"There are limits for patience," said Ahmed Ali, a spokesman for the armed forces. "We hope that our message would reach many of the Egyptian people: We won't allow any tampering with Egyptian national security."

The 84-year-old Brotherhood disavowed violence in the 1970s, but Egyptians can still point to a history of armed Islamist insurgency. Since last week's coup, the Brotherhood leadership has mixed calls for "intifada," or uprising, with pleas for calm and peace.

In its statements following the attack, the group called on its followers to launch an "uprising" against "those who stole the revolution"-a thinly veiled reference to Egypt's military. Later, two senior officials said the Brotherhood will continue to push for indefinite but peaceful protests, rallying its large network across the country.

A message Monday morning from the Twitter account of Mr. ElBaradei, the leader of Egypt's opposition who was appointed vice president on Sunday night, read: "Violence begets violence and should be strongly condemned. Independent investigation a must. Peaceful transition is only way."

Mr. Mansour, the interim president, announced that he would form a judicial committee to investigate Monday's killings, state TV reported.

The head of Al Azhar, one of the world's oldest universities and a center of Sunni religious learning, called for reconciliation and dialogue, an end to violence and the release of prisoners. Sheik Ahmed Tayyeb warned of an impending civil war, and said he would go into seclusion until the crisis was resolved.

The European Union offered its strongest criticism yet of Egypt's new authorities, with EU foreign policy chief Catherine Ashton saying in a statement that she "deplores the loss of life this morning at the Republican Guard HQ."

She called on "all sides, but particularly...the interim presidency and those in a position of authority and influence, to reach out to all political forces, and to move rapidly toward reconciliation."

[\[Back to Top\]](#)

8. BLOODY DAY IN UNREST WIDENS THE RUPTURE AMONG ORDINARY EGYPTIANS

CAIRO (New York Times, Tuesday, July 09, 2013) -- The doctor's sorrow was twofold when he found his son in the back of an ambulance, waiting to be carried in to the morgue here with a bullet hole in his chest.

Not only was his youngest son among the scores of supporters of deposed President Mohamed Morsi who had been killed by security officers on Monday, but the doctor had spent the last months of his son's life shouting at him about his politics.

"All the time there were fights between me, him, his mother, his brother - all about the Muslim Brotherhood," said the doctor, Samer Assem, 59.

The military's early-morning assault that left at least 54 people dead might have been expected to unite Egyptians in grief and anger. Instead, Egypt's bloodiest day in more than two years of unrest appeared to intensify the scarring arguments about who should be ruling the country and who is responsible for its plunge into turmoil.

Egyptians who not long ago were protesting side by side, even members of the same family, now rely on different sources of information, offer widely divergent accounts of what caused Monday's carnage and argue that they are the true defenders of the revolution that ousted President Hosni Mubarak in 2011. Rival camps both claim that the United States is offering concrete support to their opponents.

This week, the son of the powerhouse cleric Yusuf al-Qaradawi publicly criticized his father for declaring his support for Mr. Morsi and calling on Egyptians to do the same.

"Beloved Father," Abdul Rahman Yusuf al-Qaradawi wrote, calling Mr. Morsi and the Brotherhood "men greedy to seize power at any cost."

The ruptures have marked Cairo's geography, with pro- and anti-Morsi camps occupying different squares and intersections, blocking traffic, erecting tents and rigging up loudspeakers to blast their messages.

Tahrir Square, the emotional center of the anti-Mubarak uprising and home to protests against the country's rulers ever since, feels different from the way it did even a week ago, transformed from a place where people celebrated their collective power against the authorities to a wellspring of sympathy for the military. The anger directed at the ousted Mr. Morsi and the Muslim Brotherhood was unabated by the killings on Monday.

Young men searching people entering the square gave visitors red cards reading, "Game over." Stickers were distributed that read, "No to Terrorism," a direct swipe at the Islamists. On the edges of the square, protesters warned about foreigners.

The internecine accusations have cast an ever darker pall over a revolutionary uprising that once presented itself as a force for pluralism. Standing amid signs calling for freedom, Wael Ali, a soft-spoken tour organizer, laid out the solution to Egypt's political crisis: shutter television stations that criticize the government, imprison the leaders of the Muslim Brotherhood and ban its political party from politics.

"Ever since the days of Mubarak, they were a banned group, and all Egyptians know that they are extremists," he said. "Even psychologists have proven that they do not believe in dialogue and understanding."

Mr. Ali stood up for the police force, a widely reviled institution that has seized on Mr. Morsi's ouster as an opportunity to win back favor with Egyptians. And he called the army the hero of the people for toppling Mr. Morsi.

"The Egyptian people love the army, and there is no way that we could stand against them," he said.

A half-hour drive away, supporters of Mr. Morsi have claimed the area around the Raba el-Adawiya mosque as their own. It, too, has been changed by the violence and feels diminished, with a growing sense among Mr. Morsi's supporters that they are an embattled minority. They have played down the size of the anti-Morsi protests, and rarely acknowledge his failures in governing.

The military's explanations of the killings on Monday fueled the sentiment. A military spokesman, contradicting dozens of witnesses who said the attack had been unprovoked, said the violence had started when Brotherhood members attacked the officers' club of the Republican Guard.

"It was like they were talking about another country," said Dr. Mohamed Ahmed, a trauma surgeon. "I was there when it happened. All they talked about was this soldier who died. Are we here killing ourselves, or what?"

Jehan Sami had spent the morning grieving over those shot down the street outside of the officers' club. As Egypt fractured over the last 10 days, so did her social circle. She split with friends who had once been allies against Mr. Mubarak and the military government that succeeded him.

"Most of them are with Mubarak or Shafik," Ms. Sami said, referring to Mr. Mubarak's last prime minister, Ahmed Shafik, who lost the presidential election to Mr. Morsi. Political differences had strained her relationship with her best friend. "We don't really talk," she said.

The people in Tahrir were not going to change their opinion. "Just like we're not going to change ours," she said. "Only God takes care of us now."

For Islam Ismail, the people in Tahrir Square were not protesting because of any claim to popular legitimacy, but because the state's security services had mobilized them. He knew this, he said, because that crowd included members of his family, whom he called "thugs and feloul," Arabic for the "remnants" of Mr. Mubarak's government.

At a Cairo morgue on Monday, Dr. Assem struggled between his love for his son and his anger at his son's political affiliations.

His son, Ahmed, 26, had been working as a photographer for the Muslim Brotherhood's Freedom and Justice party since the revolution. He had spent most of his time in recent weeks at the Islamist protests, so when his father heard the news of the shooting, he called his son's cellphone repeatedly until a strange man answered. The man told him that he had retrieved the phone from his dead son's pocket.

Yet even in his grief, Dr. Assem expressed anger at the Brotherhood, which he claimed had "brainwashed" his son and was responsible for his death.

"I wish that they would be devastated," he said. "They are criminal."

[\[Back to Top\]](#)

9. EGYPT UNREST: BROTHERHOOD REJECTS MANSOUR POLL DECREE

The BBC's Rana Jawad: "President Morsi supporters ... are unlikely to be happy with any of the proposals"

(BBC, Tuesday, July 09, 2013) -- Senior officials in Egypt's Muslim Brotherhood have rejected a timetable for new elections laid out by interim president Adly Mansour.

Leading Brotherhood figure Essam al-Erian says the plan for constitutional changes and a vote next year "brings the country back to square one".

President Mohammed Morsi was ousted by the army last week after mass protests.

The decree came hours after at least 51 people were killed at a Cairo barracks where his supporters say he is in held.

The Muslim Brotherhood - Egypt's main Islamist movement, which Mr Morsi belongs to - says its members were fired on at a sit-in for the ousted leader. The army says it responded to an armed provocation.

Mr Morsi was Egypt's first freely elected president. His removal last Wednesday followed protests by tens of thousands of people who accused him of becoming increasingly authoritarian, pursuing an Islamist agenda, and failing to tackle Egypt's economic woes.

The Brotherhood has denounced the military's action as a coup.

Mr Mansour's decree, issued late on Monday, laid out plans to set up a panel to amend the suspended Islamist-drafted constitution within 15 days.

The changes would then be put to a referendum - to be organised within four months - which would pave the way for parliamentary elections, possibly in early 2014.

Once the new parliament convenes, elections would be called to appoint a new president.

Mr Erian, deputy chairman of the Brotherhood's political wing, the Freedom and Justice Party (FJP), said the declaration was "a constitutional decree by a man appointed by putchists" which "brings the country back to square one".

Ahmad Abu-Barakah, a legal adviser to the FJP, said the decree was "invalid and illegitimate", the private Al-Misri al-Yawm news site reports.

The Brotherhood's spokesman Gehad el-Haddad told AFP news agency that further protests and sit-ins would be held across the country on Tuesday, as funerals are held for supporters killed in Monday's violence in Cairo.

Brotherhood supporters camping outside the Rabaa al-Adawiya mosque in north-east Cairo also expressed their anger.

"No-one voted for this president," Ashraf Awad told the Associated Press news agency. "He is illegitimate in being sworn in, so all decisions he makes, people will not recognise."

Another protester, Hamdi el-Said, said Mr Morsi remained his president. "I will defend my vote which I gave to him until I become a martyr like the people who were killed yesterday," he said.

The movement has described what happened outside the Presidential Guard barracks on Monday as a "massacre", and has called for "an uprising by the great people of Egypt against those trying to steal their revolution with tanks".

It says the army raided a peaceful sit-in as protesters were performing dawn prayers, and that 53 people were killed.

The health ministry said at least 51 people were killed and 435 people wounded.

But army spokesman Col Ahmed Mohammed Ali said troops responded after a group armed with live ammunition, petrol bombs and stones attacked them.

He said that two police and one soldier were killed in the exchange of fire. Eight soldiers were critically wounded.

Col Ali also disputed claims that children had died, saying pictures of dead children posted on the internet were in fact images taken in Syria in March.

Mr Morsi is believed by the Brotherhood to be held at the barracks, but the military says he is elsewhere.

In response to the killings the grand sheikh of al-Azhar University, Ahmed al-Tayeb - seen as the highest authority in Sunni Islam - warned of civil war and said he was going into seclusion until the violence was over.

The hardline Salafist Nour party - which had supported Mr Morsi's removal - said it was withdrawing from talks to choose an interim prime minister, describing the shooting incident as a "massacre".

The killings follow an incident in the same location on Friday in which three people died and dozens were wounded as troops fired on crowds.

Mr Mansour has appealed for calm, and has ordered an investigation into the incident.

But the BBC's Jim Muir in Cairo says situation on the streets of Egypt will have to improve radically if Mr Mansour's timetable for elections is not to prove hopelessly unrealistic.

[\[Back to Top\]](#)

10. EIGHTEEN HURT AS CAR BOMB HITS HEZBOLLAH STRONGHOLD IN BEIRUT

BEIRUT (Reuters Tuesday, July 09, 2013) -- At least 18 people were wounded by a car bomb blast in Beirut's southern suburbs on Tuesday, a stronghold of the Lebanese Shi'ite Hezbollah militant group that has been fighting in Syria's civil war, security sources said.

The sources were unable to confirm initial reports from medics at the scene that an unspecified number were killed in the massive blast.

Tensions in Lebanon have been high following the intervention of Hezbollah in support of President Bashar al-Assad's forces fighting a two-year revolt led by Syria's Sunni Muslim majority.

"This is the work of agents trying to create strife in Lebanon," said Hezbollah parliamentary Deputy Ali Meqdad at the site of the explosion.

A Reuters reporter on the scene saw a large fire raging at the site of the blast, which apparently targeted a shopping mall in the Bir al-Abed area. The area is also home to many Hezbollah political offices.

A pillar of dense black smoke billowed above surrounding high-rise apartment blocks. Ambulances and fire engines sped through the streets to rescue casualties.

Hezbollah gunmen cordoned off the area of the blast, which damaged cars and buildings. Fires were raging from dozens of cars which were set ablaze in the parking lot where the car rigged with explosives was left.

"I haven't heard an explosion like this one since the 1980s(when a car bomb targeted Hezbollah's late spiritual leader Sayyed Mohammed Hussein Fadlallah)," a woman in southern Beirut said.

Shopping areas would likely have been full on Tuesday, the day before the Islamic holy month of Ramadan begins.

The attack is the second strike to hit Shi'ite southern Beirut this year. Two rockets hit the area in May and Lebanese security forces have disarmed several rockets near Beirut in recent months as well.

SYRIAN CIVIL WAR

It was unclear who was behind Tuesday's blast or May's attack. It was unclear whether any members of the Hezbollah leadership were in the area on Tuesday.

The last car bomb to hit Beirut targeted a senior intelligence official in October. Wissam al-Hassan was part of the country's leading Sunni opposition party, which has supported the uprising in Syria.

Syria's conflagration has polarized Lebanon, a country of four million that is still healing from its own 15-year civil war, a conflict that divided the country along similar sectarian lines now plaguing Syria.

Lebanon's Sunni Muslims mostly support the rebels in Syria, while Shi'ites have largely supported Assad, who is part of the minority Alawite sect, an offshoot of Shi'ite Islam.

Sunni Muslim militant groups have threatened to carry out attacks against Hezbollah following its military intervention in Syria.

Hezbollah leader Sayyed Hassan Nasrallah has promised that his group will continue fighting for Assad after it spearheaded the recapture of the strategic town of Qusair last month.

Nasrallah said Hezbollah was aware of the cost of military engagement in Syria's civil war and would not be deflected from its goal.

[\[Back to Top\]](#)

11. CHANGING COMPOSITION OF THE UN OF OIL

(Financial Times, Tuesday, July 09, 2013) -- The Kashagan consortium is so big and diverse it looks at times like a UN of oil. And its ethnic make-up is due to change again - in a radical way.

KMG, the Kazakh state oil company, is to buy ConocoPhillips' 8.4 per cent stake in the project and is then widely expected to sell it on to CNPC of China for about \$5bn, further entrenching China's leading position in Kazakh oil. Chinese companies already account for about 20 per cent of the country's crude output.

It is a blow for the Indians. ONGC Videsh did a deal last year to buy the stake directly from Conoco in a decision that was hailed domestically as a triumph for the Indian state oil company's global ambitions.

But CNPC's entry is only the latest in a long line of changes to the make-up of the Kashagan consortium.

BP and Norway's Statoil sold their combined 14 per cent stake in the project to the other partners in 2001 for about \$600m. Two years later, BG Group arranged to sell its stake to two Chinese companies, but the other members exercised their pre-emption rights, intending to divide the stake between them.

Then KMG muscled in and laid claim to half the stake for itself. After months of negotiations, the Kazakh national champion was finally admitted into the Kashagan consortium in May 2005.

Its stake was to grow even larger, reflecting the rise of resource nationalism in Kazakhstan. Frustrated by ballooning costs and production delays at Kashagan, Kazakhstan decided in 2007 to tighten its grip on the project. After more tense negotiations KMG doubled its stake in the consortium, at the expense of the other partners, and Italian major Eni lost operating control.

By an agreement finalised in 2008, Eni retained responsibility for the first, experimental phase up to the start-up of production. Royal Dutch Shell will take charge of offshore development for the second phase while ExxonMobil will handle the drilling.

But there may be even bigger changes ahead. The Kashagan production-sharing contract expires in 2041. Yet the incessant delays to field start-up mean the companies have much less time to recover their costs than initially envisaged. Analysts expect them now to try to negotiate a contract extension - a process which would require years of hard bargaining with the Kazakh government.

[\[Back to Top\]](#)

12. KAZAKH STATE OIL COMPANY TARGETS EUROPE'S PETROL MARKET

(Financial Times, Tuesday, July 09, 2013) -- Kazakhstan's state oil company is planning a big push into Europe, as the fast-growing national champion expands downstream and pursues a greater share of the region's retail petrol market.

Daniyar Berlibayev, first deputy chairman ofKazMunaiGas, said the company had plans to move into Ukraine and Turkey, and was eyeing petrol stations, import terminals and distribution points in the two Black Sea countries.

"We are expanding internationally, reaching from the well to the wheel," he said in an interview with the Financial Times in Astana, the Kazakh capital.

KMG, one of small band of fast-growing national oil companies, has become the main vehicle of the Kazakh state as it seeks to tighten its control of the country's oil and gas sector.

The company's increasing prominence reflects the rise of resource nationalism in the world's big oil-producing states over the last decade as strong Asian demand pushed oil prices up to record highs.

In recent years, KMG has muscled in to the international consortiums developing two huge oil and gasfields - Kashagan, the world's most expensive oil development project in the Caspian Sea, and the onshore Karachaganak.

Kashagan, one of the world's most difficult and costliest oil developments, is due to start production later this year. UK prime minister David Cameron was in Kazakhstan late last month to mark the start-up of the field's production facilities.

KMG has also made tentative efforts to expand internationally. In 2007 it bought Rompetrol, which owns two refineries in Romania and petrol stations in seven European countries.

Since then, it has invested billions of dollars to upgrade the refineries, enabling them to produce cleaner Euro-5 class fuels.

Mr Berlibayev said KMG intended to nearly double its oil reserves from 5.8bn barrels to 10.3bn barrels by 2020, in part through a \$3bn exploration campaign. He said it would increase oil production from 420,000 barrels a day at the moment to about 700,000 b/d by the end of the decade.

That reflects a broader increase in Kazakhstan's oil production, as Kashagan comes on and output ramps up at other big fields such as Tengiz, operated by Chevron.

Mr Berlibayev said Kazakhstan could be exporting 2.2m b/d of oil by the end of the decade, with about 400,000 b/d of that going to China and most of the rest to Europe, particularly Black Sea markets.

He said KMG planned to refine a large chunk of these exports at its Romanian facilities. "We want to come to Europe and say - we have 5m tonnes a year of oil products: who wants to buy it?" he said.

But European demand for petrol and other refined products has fallen since the 2008 financial crisis and the ensuing recession, and European refining margins remain depressed.

Mr Berlibayev defended the acquisition. "If we didn't go downstream, we would only be selling crude oil at the border to Russia and China," he said. "We want to get into Europe, right to the petrol pump."

[\[Back to Top\]](#)

13. CHINESE INFLATION REBOUNDS TO FOUR-MONTH HIGH IN JUNE

(Financial Times, Tuesday, July 09, 2013) -- Chinese inflation has rebounded to a four-month high, driven partly by a credit surge earlier this year that the government is now trying to contain.

The increase in consumer prices despite China's weak growth underlines the dilemma faced by policy makers as they judge whether to provide more support for the flagging economy or to tighten the flow of cash and rein in earlier excesses.

Consumer prices rose 2.7 per cent year on year in June, up from 2.1 per cent in May, the highest rate since February. Higher pork prices, a major component of China's consumer price basket, were the biggest contributor to the jump. Rental costs also edged higher, a reflection of how Chinese property inflation has accelerated this year.

But for producers, price trends left little doubt about the economy's underlying weakness. The producer price index fell 2.7 per cent year on year in June. It was its 16th straight month in deflationary territory, dragged down by falling commodity prices as well as sluggish domestic demand.

"Firms have little power to raise prices due to the lack of demand," said Liu Ligang, an economist with ANZ.

For the first six months of 2013, Chinese consumer price inflation averaged 2.4 per cent, well under the government's target of 3.5 per cent for the full year. Core inflation, stripped of volatile food and energy prices, remained steady at 1.7 per cent year on year in June.

At the start of 2013, the Chinese central bank said that controlling inflation was its priority. A huge increase in credit issuance by banks and other financial institutions in recent months stoked concerns about the economy's growing reliance on debt as well as the potential for inflation fuelled by excessive liquidity.

Since the middle of June, the central bank has reduced its injections of cash into the economy in order to slow the issuance of credit. This restraint led to a spike in the rates at which banks lend to each other, heaping the pressure on overextended financial institutions and companies.

The monetary squeeze came at the same time as signs of weakness in the Chinese economy started to proliferate, raising questions about whether the government would continue to tighten policy amid a deteriorating growth outlook. The central bank has since relented somewhat from its earlier tightening stance but Beijing continues to rebuff calls for a more active stimulus.

Lu Ting, an economist with Bank of America Merrill Lynch, said the government would try to walk a fine line to keep growth on track without hitting the panic button.

"There will be no easing due to recognition of a slowdown in potential growth, the need for controlling debt growth and the task for taming rapidly [rising] home prices," he said. "There will be no tightening as the government wishes to maintain growth stability and to ease markets worries after the interbank market squeeze in June."

[\[Back to Top\]](#)

14. CHINA SMOG CUTS 5.5 YEARS FROM AVERAGE LIFE EXPECTANCY

(Financial Times, Tuesday, July 09, 2013) -- China's air pollution has cut life expectancy by an average of 5.5 years in the north of the country and caused higher rates of lung cancer, heart attacks and strokes, according to a groundbreaking study.

The worsening toxic smog in northern China became an issue of national concern after air pollution spiked to record levels in Beijing in January, prompting worried citizens to stock up on air filters and face masks. Pollution domes, which provide filtered air for sports activities, are also increasingly common.

But the body of scientific research on the health impact is slim because there is little historical precedent for prolonged exposure to such high levels of air pollution.

Using decades of pollution data from across China, the new study, co-authored by professors from Massachusetts Institute of Technology in the US, Tsinghua University and Peking University in Beijing, and the Hebrew University of Jerusalem, calculates that air pollution in the north caused the loss of 2.5bn years of aggregate human life expectancy during the 1990s.

"This is the first time anyone has got the data to show how severe long-term pollution affects human health, both in terms of life expectancy and the types of disease," said Li Hongbin, an economics professor at Tsinghua University and a co-author of the study.

"It shows how high the cost of pollution is in terms of human life - and that it is worth it for the government to spend more money to solve the pollution issue, even if we have to sacrifice growth."

Mr Li estimates the shorter life expectancy identified by the study in northern China is equivalent to reducing the workforce there by one-eighth.

China's breakneck economic development during the past three decades has been accompanied by the widespread degradation of air, soil and water. Environmental worries are now a growing source of social unrest and public protest, particularly because of health concerns. In response, Beijing has tightened environmental laws and regulations but these efforts have so far had little impact in reversing decades of damage.

The study, published in Proceedings of the National Academy of Sciences, the prestigious US journal, compares populations north and south of the Huai River, which runs through central China. Air pollution is much worse north of the river because of a government policy to distribute free coal for heating in winter.

Using pollution data from 1981-2000 and health data from 1991-2000, the study found that an increase of 100 micrograms of total particulate matter per cubic metre, a common measure of air pollution, corresponded to a three-year reduction in average life expectancy. The difference between the north and south of the river was about 185 micrograms per cubic metre.

"What we found is that people who live just north of the river have life expectancy of five and a half years [less]," said Michael Greenstone, a professor of environmental economics at MIT and a co-author of the study.

"Part of the novelty of this study is that this was conducted with data on actual pollution measurements in China, and actual health and life expectancy in China. It is not an extrapolation," he said.

Most previous calculations of the health cost of Chinese pollution are extrapolated from research conducted in the US, where overall pollution levels are much lower.

[\[Back to Top\]](#)

15. U.S. LEG OF KEYSTONE XL NEARLY COMPLETE

HOUSTON, July 8 (UPI) -- Most of the southern U.S. leg of the Keystone XL oil pipeline from Oklahoma to Texas is complete, a spokesman for pipeline company TransCanada said.

TransCanada needs U.S. approval to build the Keystone XL from Alberta to the United States because it would cross national borders. The so-called Gulf Coast Pipeline from Cushing, Okla., to Texas refineries does not require such approval.

TransCanada spokesman Grady Semmens said about 80 percent of the 450-mile pipeline has been completed so far this year.

Semmens told FuelFix, an energy blog of the Houston Chronicle, inspections and testing were the next steps for the southern U.S. project.

"Testing is well under way, and commissioning needs to be done prior to any oil being loaded into the pipeline to bring it into commercial service," he was quoted as saying Friday. "The Gulf Coast Pipeline is over 80 percent complete."

Critics opposing the project have moved to block the pipeline's construction. They are concerned about potential environmental issues stemming from Canadian oil production. Oil derived from Alberta is considered more carbon-intensive than conventional crude oil.

The Gulf Coast project should be able to deliver as much as 700,000 barrels of oil per day by the end of the year.

[\[Back to Top\]](#)

16. OIL DELIVERY BY RAIL INCREASED IN U.S.

WASHINGTON, July 8 (UPI) -- U.S. rail deliveries of petroleum and petroleum products increased by more than 20 percent during the last week in June, the Association of American Railroads said.

The AAR said total U.S. weekly rail traffic for major commodity groups was up 1 percent to 281,367 carloads for the last full week of June year-on-year. For the first 26 weeks of 2013, however, the rail deliveries were down 1.5 percent compared to the same time last year.

Half of the commodity groups monitored by AAR reported increased rail traffic for the last week in June when compared to the same time last year. Petroleum and petroleum products led the way with a 26.6 percent increase year-on-year, the trade group reported last week.

Rail deliveries of crude oil in the United States are increasing because production gains are straining existing pipeline capacity. A U.S. State Department review of the planned Keystone XL oil pipeline from Canada said rail must be considered against the pipeline when weighing its national interest.

AAR said Canadian rail traffic had decreased for June. The Canadian National Railway Co. said Wednesday it would start servicing oil production in Alberta with a new terminal starting in November.

At least five people died when oil freight carried by Montreal, Maine & Atlantic Railway exploded Saturday in Quebec.

[\[Back to Top\]](#)

17. INSIGHT: HOW A TRAIN RAN AWAY AND DEVASTATED A CANADIAN TOWN

CHICAGO/LAC-MEGANTIC, Quebec (Reuters Tuesday, July 09, 2013) -- The short length of track, nestled in a dark pine and birch forest in Quebec, is a regular overnight stop for freight trains hauling crude oil and other raw materials across North America.

Normally, before retiring for the night, the train operator sets the hand brakes and leaves one locomotive running to power the air brakes that help hold the train in place on the gently sloping track. The next morning, the operator or a relief engineer starts up the train and continues on their way.

Last weekend, the system failed. The locomotive caught fire, so firefighters shut off the engine to stop the flames from spreading. That slowly disengaged the air brakes, and the driverless train carrying 72 cars of crude oil rolled downhill into the scenic lakeside town of Lac-Megantic, derailling, exploding and leveling the town center.

At least 13 people were killed and some 37 are still missing, according to Canadian police. Few residents expect any of the missing to be found alive.

The catastrophe could force policymakers across North America to rethink the practice of shipping crude by rail - a century-old business that has boomed with the surge in shale oil production.

Based on Reuters interviews with witnesses, fire services and the head of the train company, the Montreal, Maine & Atlantic Railway (MMA), a tale emerges of how the brakes on a train parked on a slope were released leading to tragedy.

The accounts also frame the critical questions that investigators will be asking over the next few days and weeks. In particular, whether there was clear communication between the firefighters and the train operator, and whether anyone in authority saw the train start to roll down the hill before it picked up momentum and crashed into the town.

According to MMA Chairman Ed Burkhardt, the train operator was an experienced Canadian engineer who had parked the train in the small town of Nantes at a siding, a short length of track where trains make overnight stops. The siding is about 7 miles from Lac-Megantic.

He secured the train at 11:25 p.m. on Friday, setting the air brakes and hand brakes, according to MMA. Burkhardt said the engineer set the brakes on all five locomotives at the front of the train, as well as brakes on a number of cars, in line with company policy. Four of the train's engines were switched off, but the front locomotive was left on to power the airbrakes. The engineer, who Burkhardt declined to name, then retired to a hotel in Lac-Megantic.

Soon after, things started to go wrong. Nantes Fire Chief Patrick Lambert said the fire department got a call about a blaze on one of the locomotives at 11:30 p.m. He said the fire was likely caused by a broken fuel or oil line.

Firefighters reached the scene within seven minutes.

"It was a good sized fire, but it was contained in the motor of the train," Lambert told Reuters. "By 12:12, the fire was completely out."

But as they extinguished the fire, the 12 volunteer firemen also switched off the locomotive, in line with their own protocols, to prevent fuel from circulating into the flames.

One of the many unknowns in the story is precisely what happened next.

Lambert said the fire department contacted the railway's regional office in Farnham, Quebec, and spoke to the dispatcher. "We told them what we did and how we did it," Lambert said. "There was no discussion of the brakes at that time. We were there for the train fire. As for the inspection of the train after the fact, that was up to them."

It was not known what the dispatcher did after receiving the call. Burkhardt said he was not sure if the dispatcher was told that the engine had been shut down, or what the dispatcher did after receiving the call. The company is still investigating the incident, as are Canadian authorities.

"This is all within the scope of our investigation," said Benoit Richard, a spokesman for the Quebec provincial police.

Burkhardt said the fire department should have tried to contact a local engineer who would have known how to secure the train. The hand brakes alone were not enough to keep the train in place after the pressure leaked out of the air brakes, he said.

"If they had actually talked to an engineer he would've known immediately what to do about that. I don't know what they actually said to the dispatcher," Burkhardt said in an interview in his office, decked out with model trains, rail posters and other railroad memorabilia, in a seven-storey building near Chicago O'Hare International Airport.

DOWNHILL

Shortly after the firefighters left the Nantes siding, an eyewitness reports seeing the train - some four-fifths of a mile long - start rolling down the gentle hill.

"About five minutes after the firemen left, I felt the vibration of a train moving down the track. I then saw the train move by without its lights on," said Andre Gendron, 38, whose trailer and off-the-grid wooden cabin are the only buildings anywhere near the rail siding.

"I found it strange its lights weren't on and thought it was an electrical problem on board. It wasn't long after that I heard the explosion. I could see the light from the fires in Lac-Megantic."

Burkhardt said the train picked up speed quickly and was likely going "far, far faster" than the speed limit of 10 miles per hour (16 km per hour) as it reached a curve in the track in the very center of Lac-Megantic at around 1:15 a.m. on Saturday and jumped the tracks.

He said the locomotives separated from the buffer car - a heavy railcar loaded with stones or rocks or sand - and the tanker cars, which were laden with a free-flowing type of Bakken oil from North Dakota.

Lac-Megantic residents reported hearing a series of five or six explosions. The crude caught on fire, spread through the storm drains and spilled into the deep blue lake that the town was named after.

"This was a huge derailment. If you have a pile-up of cars like this, you are going to have a multitude of sparks," Burkhardt said. "The whole train was compressed into a few hundred feet in some spots. And cars piled three high in certain places."

"It's awful, it's absolutely awful," said Burkhardt, a slender, gray-haired rail industry veteran who is also president of Rail World Inc, a privately held rail management and investment firm that is the parent company of MMA.

Pictures taken from the air on Monday show blackened tanker cars concertinaed on top of the space where the popular Musi-Cafe used to be, a night-time hangout that was packed when the train roared into town.

Eyewitness Bernard Theberge, 44, said about 50 people were inside the bar as the train approached, and he was outside on the terrace.

"There was a big explosion, the heat reached the cafe and then a big wall of fire enveloped the road.... It all happened so fast, in the space of a minute," he said.

"There were people inside. I thought for maybe two seconds that I should go in, but the heat was too strong to get to the door," said Theberge, who escaped with second-degree burns.

[\[Back to Top\]](#)

18. SAFETY RULES LAG AS OIL TRANSPORT BY TRAIN RISES

Train shipments of oil up 28,000 per cent in four years



The safety of transporting oil by rail is coming under greater scrutiny after a freight train laden with oil derailed in Lac-Mégantic, Que., on July 6, sparking explosions that engulfed about 30 buildings. (François Laplante-Delagrave/AFP/Getty Images)

(CB News, Tuesday, July 09, 2013) The sight of a locomotive hauling 100,000 litres of light crude oil through a small Canadian town like Lac-Mégantic was nearly unimaginable just a few years ago.

But as North American oil production continues to outpace pipeline capacity, shipment by rail is increasingly common, and critics worry that safety regulations have not kept up with expansion.

"Even two or three years ago, shipping oil by rail was basically unheard of," says Keith Stewart, a climate and energy campaigner with Greenpeace Canada. "There's been this huge increase and it's been done without any oversight and review, and that's a huge mistake."

In 2012, less than four per cent of oil shipped through Canada went by rail to coastal refineries and export centres, but that is still more than triple the 2011 figure. What's more, the amounts are expected to increase significantly in the coming years, according to the National Energy Board.

Rail shipments of oil in Canada have gone from 500 carloads in 2009 to an estimated 140,000 this year, a 28,000 per cent increase, according to the Canadian Railway Association.



As public debate and opposition from environmental groups has stalled the construction of some big pipeline projects from Alberta, such as the proposed Northern Gateway pipeline to B.C. and the extension of the Keystone XL pipeline to the U.S. Gulf Coast, rail companies have increased their capacity to ship oil in an attempt to become bigger players, says Stewart.

Even if all current pipeline projects are approved in Canada, national oil production will exceed pipeline capacity by one million barrels a day by 2025, and that oil needs a way of reaching the coasts.

According to a report by RBC Capital Markets, if the U.S. State Department decides not to expand Keystone's capacity, Canadian oil shipments by rail could increase another 42 per cent by 2017.

Not just the oil sands

At least some of the oil shipped by rail in Canada is not coming from the oil sands, but from the Bakken shale gas formation, a currently booming 520,000-square-kilometre oil and natural gas deposit in North Dakota and Montana, which produces more than 700,000 barrels of oil daily.

The light crude oil on board the Maine, Montreal and Atlantic Railway train that exploded in Lac-Mégantic was en-route from the Bakken reserves to an Irving Oil refinery in Saint John, N.B., the company said on Sunday.

According to Stewart, producers from the Bakken area are heavily dependent on rail transportation for a number of reasons.

Unlike oil sands developments, which are expected to produce for several decades, oil wells in the Bakken formation only produce for about 10 to 12 years, so it is not always economical or easy to connect them to the existing oil pipeline in the U.S., says Stewart.

Building costly pipeline infrastructure is simply not worth it for the companies developing these wells.

"The shale oil wells are rapidly moving in a physical sense, so building a pipeline that would take 50 years to pay for itself is not economically viable," says Stewart. "With rail, you can extend the network of tracks relatively easily and service multiple wells in a certain area."

With the oil sands expected to double output, and the Bakken formation to begin producing nearly a million barrels a day within the decade, railway companies have rolled out nearly \$1 billion in rail infrastructure investments and placed orders for over 30,000 new tanker cars designed to carry oil.

However, an accident like the one at Lac-Mégantic may now put a dent in some of these plans.

Transport Canada slow to respond

The accident in Lac-Mégantic has raised serious questions about the enforcement of railway safety by Transport Canada, especially the transportation of so-called dangerous goods such as oil and toxic chemicals.

In late 2011, the auditor general released a report that concluded, "Transport Canada has not designed and implemented the management practices needed to effectively monitor regulatory compliance" when it comes to the transportation of dangerous goods, as these are defined by the ministry.

Critics also worry that that Transport Canada's lack of progress on this front could have dangerous outcomes as oil transportation by rail continues to expand.

The government says they will consider implementing regulatory changes if the investigation in Lac-Mégantic highlights any serious faults.

In a statement issued on Sunday, Minister of Transport Denis Lebel issued a statement saying that "the Transportation Safety Board of Canada is conducting a full investigation" and that "should any deficiencies be identified, we will not hesitate to take appropriate action.

"Our government remains dedicated to keeping Canada's transportation system safe and secure," the statement says.

But the minister's response has not assuaged his critics.

"I think most Canadians would be surprised to hear that rail companies are left to inspect themselves and Transport Canada goes over the paperwork," says Olivia Chow, NDP transportation critic.

"Shouldn't there be spot-checks by the government to see whether what is on paper is actually what's happening in the field?"

Chow also says that the federal government has failed to implement recommendations from the Transportation Safety Board following other derailment investigations. These recommendations include retrofitting trains with automatic braking mechanisms, though that recommendation only came in June.

According to E. Wayne Benedict, a labour lawyer and a former locomotive engineer who spent 15 years working for CP Rail and B.C. Rail, attempts at reducing enforcement costs has resulted in alarming deregulation in the industry.

"When I first started in the late '80s, there was active enforcement by Transport Canada. You never knew when they were going to show up, they'd be climbing all over the trains," says Benedict.

"By the time I left the railway industry in 2003, you could practically see tumbleweeds blowing across the tracks. You almost never saw the regulators."

Old tanker cars, old problems

According to Stewart, the possibility of oil spills from trains is greatly increased by the tanker cars used throughout most of North America.

The DOT-111A, called a CTC-111A in Canada, make up about 69 per cent of the American tanker car fleet and up to 80 per cent of the Canadian fleet, according to emails that Transport Canada sent to Stewart.

As early as 1994, regulators at the Transportation Safety Board wrote that this type of tanker car had a flawed design and that they have a "high incidence of tank integrity failure" during accidents.

"When there is a derailment they spill and rupture very easily," says Stewart. "You can no longer build this kind of design because of these problems. They can be retrofitted to make them safer but the rail industry has lobbied very hard against having to do it."

Stewart says that while safe rail transportation by rail will be a long-term process, the government can significantly improve safety by banning the use of the DOT-111A.

"We need to make sure that the way we transport and use oil is as safe as it can be and right now we are not nearly there," says Stewart.

[\[Back to Top\]](#)

19. CANADIAN TRAIN DISASTER SHARPENS DEBATE ON OIL TRANSPORTATION



(The Washington Post, Tuesday, July 09, 2013) -- The railroad put the small lakeside town of Lac-Mégantic on the map. And over the weekend, the railroad wiped part of the town off the map.

Founded in 1884 when the Canadian Pacific Railway began construction on the final leg of track linking Montreal and the Port of Saint John in New Brunswick, Lac-Mégantic was shaken Saturday when an oil-laden train bound for a Saint John refinery derailed and exploded, leaving at least 13 dead and dozens unaccounted for.

The Montreal Maine & Atlantic Railway train, with 72 cars of crude oil from North Dakota's Bakken basin, was left unattended by its conductor and rolled downhill, blowing a hole in downtown Lac-Mégantic, likened to "a war zone" by Canadian Prime Minister Stephen Harper. The dead found Monday were burned beyond recognition, officials said.

The explosion near the border of Maine also reverberated in the rest of Canada and the United States, where people are hotly debating what mode of transportation is safest and most economical for carrying the steadily growing output of crude oil from North Dakota and northern Alberta's oil sands. And it reignited calls for tougher standards for ethanol and crude oil tank cars.

U.S. railroads are already carrying more than 1 million barrels of crude oil a day, bolstered by new shale-oil boom regions such as North Dakota and Texas. Proponents of the controversial Keystone XL pipeline may now be bolstered by arguing that pipelines are safer and more fuel-efficient than trains.

"We've seen over and over that derailments are not a matter of if but when," said Brett VandenHeuvel of Columbia Riverkeeper, part of a nongovernmental network devoted to protecting waterways. "We know a train derails, and when it is carrying hazardous cargo, it's a threat to our public safety, our economy and our environment."

VandenHeuvel, who has worked to stop coal, liquefied natural gas and oil export plans, is opposing a proposal by refiner Tesoro to ship 380,000 barrels a day of oil by rail for export from a terminal in the port of Vancouver, Wash. Port officials have scheduled a vote on the project for July 23.

While most environmental and industry groups refrained from doing more than offering condolences to the people of Lac-Mégantic, the implications could be profound.

The State Department said in its recent environmental impact statement that if a permit for the Keystone XL pipeline is denied, oil producers would simply send their product to markets via railroads. The pipeline would carry oil from northern Alberta to the Texas Gulf Coast. As a result, the State Department reasoned, blocking the pipeline would have no beneficial impact on greenhouse gas emissions because the oil sands would be developed anyway.

A heightened sense of danger about rail cuts both ways in the Keystone debate. On the one hand, climate activists can argue that the dangers of rail make it a less viable alternative and strengthen their argument that denying a permit for Keystone could stop some oil-sands development.

On the other hand, if rail developments proceed despite a heightened sense of danger, then pipeline supporters can argue that pipelines are safer. TransCanada, owner of the Keystone pipeline network, has said that it is exploring a pipeline conversion from gas to oil that would go to the Saint John refinery and port.

Many environmentalists oppose both rail and pipelines. "The answer is there's no safe way to move this oil around," said Eddie Scher, spokesman for the Sierra Club. "What we need to do is to get the hell off oil."

Oil refiners favor both rail and pipelines.

“We believe there’s going to be a lot of both, and that’s a function of where the crude oil is coming from,” said Bill Day, a spokesman for Valero, the nation’s largest oil refiner. Valero has ordered 5,300 rail tank cars and would be a major customer of the Keystone XL pipeline. “Much more is being produced on land than [is] being brought in by ships from overseas, which is a shift from before,” Day said. “That means it’s going to travel over land, which means pipelines, rail and barges.”

Over the past two years, the increase in crude oil shipped by rail in the United States has bolstered the fortunes of railroads, many of which have seen coal shipments drop substantially. Canada’s railroads are experiencing the same boom now. The Canadian Railway Association estimates that companies will ship as many as 140,000 tanker cars of crude oil on Canada’s tracks this year — up from 500 carloads in 2009. The Quebec disaster is the fourth freight train accident in Canada this year involving crude oil shipments, the Associated Press reported.

The Association of American Railroads on Monday pointed to statistics that it said showed that pipelines have an average hazmat spill size more than four times that of railroads and that their total amount spilled per billion ton-miles is about 1.6 times that of the railroads. The group said that from 1990 to 2009, the pipeline spill ratio was about 1.25 gallons spilled per billion barrel miles and that the railroad spill ratio was about 1.13 gallons or 9 percent lower.

Last weekend’s disaster will tilt those figures, though the size of the spill is still unclear. From 2002 to 2012, U.S. railroads spilled 2,268 barrels of crude oil, according to Pipeline and Hazardous Materials Administration data cited by the AAR. Photos of Lac-Mégantic showed crumpled tank cars, each carrying 600 to 700 barrels. Canadian officials said oil had spilled in town and into the lake.

At least a handful of the tanker cars that crashed at 1:15 a.m. Saturday were older models known as DOT 111s in the United States. These models, which make up about two-thirds of the U.S. tanker car fleet, [have been criticized by the National Transportation Safety Board](#) in earlier incidents as “subject to damage and catastrophic loss of hazardous materials during the derailment.”

Canadian newspapers reported that as many as 1,500 of the town’s 6,000 residents were evacuated.

Edward Burkhardt, chief executive of Chicago-based Rail World, which owns Montreal, Maine & Atlantic, plans to visit the site Tuesday. He said the company would do its own investigation of the cause of the accident. On Monday, officials pointed to the possibility that an earlier fire in one of the locomotives damaged the air brakes.

In a news release, the company said its employees “remain in a state of shock over this incident.”

[\[Back to Top\]](#)

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