

# High oil prices to continue, analysts say

**ENERGY** | Exactly what the price will be depends on factors affecting supply, demand

BY SCOTT HAGGETT

CALGARY — There won't be a break from high oil and natural gas prices in 2006, as the trends that sent prices skyrocketing last year remain firmly in place, analysts say.

However, how those play out over the next 12 months remains an open question.

Oil rose above \$70 US a barrel and natural gas briefly commanded more than \$15 US per million British thermal units last year after hurricanes swept over the U.S. gulf coast, damaging refineries and wiping out key production platforms and pipelines in the most important petroleum-producing region of the U.S.

As usual, there isn't much con-

sensus among informed observers about what the price of oil will be over the course of the year. Some expect a rise, some expect a fall, some call for little change. The median forecast for the average price of the benchmark oil contract on the New York Mercantile Exchange this year, according to a survey by Bloomberg News, is \$60 US, while the average forecast was \$58 US a barrel, \$2.29 more than the actual 2005 average.

While no one knows just what the price will be, there is agreement on what factors will come into play to affect either supply or demand.

The price of both oil and natural gas rests on two key planks: how much is available and how much is needed. Oil prices began

their upward trend in 2004 when booming Asian economies placed an unprecedented toll on world oil supplies.

Two years ago, global demand unexpectedly jumped by 2.7 million barrels a day, or 3.4 per cent, with most of the new barrels flowing into China, according to the U.S. Energy Information Administration. The new demand placed an unprecedented strain on the world's oil producers at a time when supplies had already been dampened because of the loss of much of Iraq's output and turmoil in major producers such as Venezuela and Nigeria.

Asian demand was the catalyst for the end of moderate oil prices, a trend that was cemented in 2004. The cost of a barrel at the beginning of that year was just less than \$33 US. By October, it had risen to more than \$55 US and averaged about \$41.43 US a barrel over the course of the year,

a third more than 2003.

The demand shock of 2004 and the supply shocks of 2005 left many questioning whether the world had enough oil to sate growing demand from western countries and potentially skyrocketing increases in the call on world supplies from the fast-growing Asian giants India and China. Most industry observers say the world has plenty of oil, though much of it is in difficult and expensive-to-produce areas like the deep continental shelf regions of the Gulf of Mexico, West Africa or Alberta's oilsands.

Others, however, question whether the world's producers can find enough oil to sate growing demand and offset declining production at some of the world's biggest fields. Should that happen, the bullish analysts say, prices will leap to previously unheard-of levels.

Still, few observers buy into the theory that the world is running

out of oil and many argue just the opposite — that the world remains awash in oil and prices may fall as the market realizes there isn't the supply crunch some have advertised. Despite the advertised threats to supply, the world's oil stockpiles contained more than 50 days worth of oil consumption for most of the year, demonstrating that supplies have met demand.

Even with natural gas, which climbed to a record after the hurricanes, supplies have been more than adequate to meet demand, though it has been a mild winter throughout North America.

"Energy commodities, crude and natural gas, are still trading in excess of their fundamental value in our view," says Judith Dworkin, chief economist for Ross Smith Energy Group in Calgary. "In the case of gas, we think a correction is due ... In the case of crude, the market looks like it will be less supply challenged

this year because demand growth is slow and non-OPEC supply is bouncing back. But the oil market has been downplaying signs of extra supply."

Dworkin, who thinks oil will range between \$50 and \$60 US this year, feels many bullish factors will affect oil this year, such as tight refining capacity that helped pushed prices up in the summer, and geopolitical issues like the potential for sanctions against Iran if it pursues development of nuclear weapons. But it's a recognition the market is moving on rumour and worry, not because there's really an issue of supply.

"With any whiff of a rumour, no matter how insubstantial, the market will react because of the underlying psychology," she says. "A large number of speculators have taken positions that show they think prices will be higher longer term."

Calgary Herald

## Intrawest's real estate sales reach \$534m US for December

BY DERRICK PENNER  
VANCOUVER SUN

**RESORTS** | Vancouver-based Intrawest Corp. pre-sold 213 of the first 256 units it put on the market in its Florida Village of Imagine development for \$83 million US to cap off what the company said was its biggest month in resort real-estate sales at \$534 million US.

"Our record results in December are representative of the strong demand we continue to experience for our real estate in both mountain and warm-weather locations," Intrawest chairman and CEO Joe Houssian said in a press release.

Intrawest's holiday ski operations were dogged by bad weather in Whistler and a strike at its Mont Tremblant resort in Quebec. On the real estate side, however, the company launched four resort projects selling 93 per cent of the units offered, including the \$425-million US sellout of the first phase in Intrawest's Honua Kai resort on Maui.

The Village of Imagine, located in Orlando near the Orange County convention centre, is Intrawest's second resort development in Florida following its Sandestin Golf and Beach Resort. Intrawest also launched the Etoile du Matin project in Tremblant, Quebec and Lewis Ranch at its Copper Mountain, Colo. resort.

Houssian said the warm-weather properties will allow Intrawest to increase its annual unit-delivery rate.

"Our focus on accelerating the development of our real estate pipeline is paying off and we are confident that demographics will continue to drive demand for our real estate," he added.

In a news release, the company said Village of Imagine is being developed as a joint venture that is owned by Orlando Village Development LP. Construction on its first phase is expected to begin in the first quarter of 2006 with completion expected in 2008. Plans call for the 12-hectare site to be developed into 1,000 condominium suites.

Intrawest shares closed at \$33.77, down 12 cents in Friday trading on the Toronto Stock Exchange, which was 22.6 per cent higher than their six-month low of \$27.55 reached Oct. 28.

depenner@png.canwest.com



Percy Fuentes' 2005 EA art competition prize-winning short film *Cineraama 199X* (above and below) got him a job at EA.

## Best four-minute animation worth \$20,000 to student

**GAMES** | Electronic Arts' Reveal '06 competition is open to students in their graduating year

BY PETER WILSON  
VANCOUVER SUN

As Electronic Arts Canada's Burnaby campus continues its three-stage expansion — with the recent opening of a 37,000-square-foot motion capture studio — the video games company is once again offering \$20,000 to the Canadian art and animation students who can come up with the best four-minute animation.

Last year the contest was so close that two winners, both graduates of the Vancouver Film School, were given the prize.

One of them, Percy Fuentes from Regina — whose animation was about the death of film — now works for EA and 16 others were offered jobs at



the studio which will be launching its MVP '06 NBA game next week and its 2006 FIFA World Cup game in early May.

In addition to the grand prize Reveal '06 will also award first, second, and third-place winners prizes of \$3,000, \$1,500 and \$500 respectively.

As to what prospects there are for general hiring at the Burnaby campus this year, EA representative Trudy Muller said that the company doesn't

disclose its employment forecasts.

"We expect that 2006 will be a year for assimilating the dramatic growth that we've seen in the past few years," said Muller.

In Burnaby the two new studios — with 18,730 square feet of space plus three decks of offices — will be shooting approximately 280 days this year, making the facility not only the largest motion-capture studio in the world by size

but also the one with the most volume of animation produced.

EA estimates that it will produce as much as 575,000 seconds of animation in 2006 that will be sent to EA's studios around the world.

The size of the two studios permits them to operate simultaneously, which allows, said Muller, for significantly greater shooting flexibility and reduced wait times for studio bookings.

The motion of the athletes, often top notch professionals, captured there will be used to make EA's sports games as realistic as possible.

Students who would like to enter EA's Reveal '06 competition must be Canadian citizens or permanent Canadian residents who are currently enrolled in their graduating year of a recognized Canadian art program. Entrants must be graduating between Sept. 1, 2005 and Aug. 31, 2006.

Submissions will be accepted through April 7, 2006. More information on the contest is available at [www.reveal.ea.com](http://www.reveal.ea.com).

networks@png.canwest.com

## Vancouverite returning to take helm at Corus stations

BY PETER WILSON  
VANCOUVER SUN

**BROADCASTING** | MOJO Sports Radio will be capturing much of Jim (J.J.) Johnston's attention when he takes over Feb. 28 as the general manager of the four stations of Corus Radio Vancouver.

"There's going to be a lot of focus on MOJO, to get it to the next step," said Johnston, a 30-year-plus radio veteran, who is leaving his job as GM of Corus Radio Toronto.

"It's a developing, good-sounding station and it's in quite a dogfight and we need ways to promote it and get it to top of mind and it takes a lot of time with a station to do that."



Jim Johnston

Ahead in the market is Team 1040 Sports, although neither station is a ratings giant.

Johnston — who also is in charge of perennial ratings front-runner CKNW, along with popular 99.3 the FOX and Classic Rock 101 — spent three days this week in Vancouver getting a feel for the market here, which he left in the early '90s to go to Toronto.

Johnston said he sees CKNW, the FOX and Classic Rock 101 as being top-of-mind stations in Vancouver, but MOJO as one that needs a higher profile.

"A good deal of what I'm going to be doing off the top is spending a lot of time talking to people and listening to people," said Johnston, who emphasized he believes in a team atmosphere.

"Plans should be made by the people who work there, not by managers. They should be made with the input of everybody who works in the building."

As for CKNW — which in September topped the Vancouver BBM ratings again, but has lost some top talent with the departure of Rafe Mair in 2003 and the recent retirement of morning man Frosty Forst — Johnston will be putting plans in place for September.

"In radio you're either getting worse or you're getting better and there's no staying the same," said Johnston, who is replacing Lou Del Gobbo.

"I believe if it ain't broke, then innovate it. There's a difference between that and if it ain't broke, leave it alone."

However, Johnston — who programmed both CFOX and Rock 101 in the early 1990s — was not specific as to changes he would be making at any of the stations.

He also said that he was not worried much by the arrival of satellite radio in Canada, because it was more likely to appeal to listeners in regional areas where there is limited radio service and to travellers than to urban residents.

"Satellite radio at the end of the day will have on a nationwide basis a five- to 10-per-cent impact on traditional radio by 2010 to 2012," said Johnston, who added that reception problems with XM Canada and the fact that Sirius Canada does not carry Howard Stern have resulted in some consumer disappointment.

Johnston said he considers himself a displaced Vancouverite who is going home, and he will be resuming his old loyalties to the Canucks, for whom CKNW is the official home in Vancouver.

networks@png.canwest.com

## Trade relationship jeopardized by rhetoric



MICHAEL CAMPBELL  
VANCOUVER SUN  
COLUMNIST

It's tough, but I'm not going to target Mr. Public Healthcare, Jack Layton, who went private on us and used a well-known private clinic in Ontario. That would be like shooting fish in a barrel.

And besides, there are far more important things to discuss regarding the federal election campaign than double standards, or Paul Martin giving the thumbs-

up to a ridiculous ad that suggests the Conservatives would post soldiers on every street corner ready to do the government's sinister bidding.

What I find amazing is the extent to which the Liberals are playing upon anti-American sentiments. I'm not just referring to the fact that the first three ads on the Liberal website travel that low road. And it's more than Mr. Martin's gratuitous cheap shots — like his remark that the U.S. has no global conscience because it refused to endorse the breathtakingly inadequate Kyoto Accord, yet forgetting to mention that the U.S. has a far better record than Canada does since 1990 in terms of greenhouse gas emissions.

What I'm referring to is more insidious than the predictable list of insults and rhetoric that cheap-

ened the discussion of legitimate policy disagreements. What's on display is a confirmation of an observation I made a couple of years ago that anti-Americanism is Canada's accepted — no, make that celebrated — prejudice. At that time, I was blown away by how many in the media couldn't resist referring to "American" David Hahn as the CEO of BC Ferries, as if his nationality had anything to do with the issues at hand. When ferry union members crowded a BC Ferry Corp. meeting in Nanaimo with chants of "Yankee go home" it barely rated a mention, which wouldn't have been the case if they had substituted any other national group.

One of the recent Liberal attack ads continues along this line, with an opening that states: "This is what Stephen Harper told his American friends," as if the nationality of Mr. Harper's

"friends" is important. In a less-than-sophisticated way, the ad is saying that we all know that Americans are bad, and of course Mr. Harper is guilty by association.

I have to admit that, personally, I find it offensive to foster such a negative stereotype of any group or nation, but you don't have to share that sensitivity to be concerned about this trend. The repercussions are far more practical.

We sell about 83 per cent of our exports to the U.S., and some estimates suggest that as many as 50 per cent of our jobs are either directly or indirectly related to those exports. This week, Statistics Canada reported that we shipped \$8 billion worth of automobiles and machinery in November to the U.S., which is much-needed good news for that

sector of the economy. Overall, we exported about \$33 billion worth of goods and materials to south of the border in November. StatsCan also estimates that Canadians have over \$200 billion invested in the U.S.

Why we want to jeopardize that relationship with cheap rhetoric is beyond me. And make no mistake about it, our anti-American views are getting wide play in a variety of publications, from *The Boston Globe* to *USA Today*. While many commentators have speculated on the cost of our escalating anti-Americanism when it comes to gaining U.S. support in disputes like softwood lumber and the beef ban, I invite you to decide what our incendiary rhetoric achieves.

Michael Campbell's Money Talks radio show can be heard on CKNW 980 on Saturdays from 8:30 to 10 a.m.