TransCanada Delays Controversial Keystone XL Pipeline

Description

TransCanada (TSX:TRP,NYSE:TRP) , the operator of the proposed Keystone XL pipeline, said it will be postponing the line's in-service date from late 2014 or early 2015 to the second half of 2015, as the regulatory process drags on longer than anticipated.

The ongoing delay in getting a U.S. presidential permit for the project could raise the pipeline's staggering $5.3 billion price tag even further. As of the end of March, TransCanada had already spent about $1.8 billion on the project.

If constructed, Keystone would transport up to 830,000 barrels per day of crude oil from Alberta's oil sands to Steele City, Neb. From Nebraska, the crude would make its way to Cushing, Okla., from where it would be moved south via Seaway, a major pipeline that runs from Cushing to refineries along the Gulf Coast and is operated jointly by **Enbridge** (TSX:ENB,NYSE:ENB) and **Enterprise Products Partners** (NYSE:EPD) .

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TransCanada's decision comes amid growing pressure from environmentalists, climate change campaigners, landowners, and others, who are urging lawmakers to reject the pipeline. They argue that allowing the pipeline to be built would lead to further development in Alberta's oil sands – a region that spews materially greater quantities of greenhouse gasses than conventional methods of oil production.

However, in its Draft Supplemental Environmental Impact Statement for the Keystone XL Pipeline, the U.S. Department of State concluded that Keystone XL would pose minimal risks to the environment, while conferring major economic benefits to the US. During its two-year construction period, the pipeline would generate tens of thousands of jobs for U.S. workers, according to the report.

Though the study acknowledged that Alberta's oil sands emit greater amounts of greenhouse gasses into the atmosphere, it argued that rejecting Keystone would have little impact on the pace of development in Alberta's oil sands, stating: "Approval or denial of any one crude oil transport project, including the proposed project [Keystone XL], remains unlikely to significantly impact the rate of extraction in the oil sands, or the continued demand for heavy crude oil at refineries in the US."

The U.S. Department of State is currently reviewing comments on the study that were received during a 45-day public comment period, which ended April 22. Once the department concludes its review, it will likely conduct a final supplemental study before consulting with other federal agencies to help determine whether or not the pipeline is in the national interest – a process that could take up to three months.

Fool contributor Iain Butler does not own shares in any of the companies mentioned in this report at this time. The Motley Fool has no positions in the stocks mentioned above.

A version of this article, written by Arjun Sreekumar, originally appeared on Fool.com

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:TRP (TC Energy Corporation)

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