



If Only the Oil Sands Were Full of Natural Gas...

Description

What do the oil sands and shale gas have in common? Well, aside from their abilities to provide energy to a variety of industries, not much. One has long been touted as dirty and environmentally dangerous to extract, while the other is the next big thing in clean energy. Oil from the sands is in high demand by refineries looking to produce petroleum-based products using the discounted bitumen. Natural gas from shale is also in high demand due to low relative prices, but its demand is stemming from abroad. Luckily for natural gas producers and infrastructure companies, it is also experiencing much less resistance to growth than the oil sands.

Roadblock

Right now, British Columbia is the only thing standing in the way of Alberta's oil sands having direct access to China, India and the west coast of the United States. Refineries in all of these regions would love to gain access to the heavy crude being extracted, but the oil industry's record of pipeline safety has British Columbia proceeding with caution. Right now, only one company has the ability and infrastructure in place to transport oil to the coast and load it onto seaborne tankers – **Kinder Morgan Energy Partners** (NYSE: KMP). Meanwhile, expansion plans for the company's Trans Mountain pipeline and new pipeline plans by **Enbridge** ([TSX: ENB](#)) are in limbo because British Columbia's permission is still needed. These projects would more than triple the western bound pipeline capacity, and one would expect both would be fully contracted upon approval.

Whether or not it is because the shale gas is located within the territory, British Columbia has given expansion plans for natural gas production and transportation much more leniency. Companies from around the world have taken notice and have been lining up to announce pipeline and LNG exportation plans. **Petronas** and **Golar LNG** (NASDAQ: GMLP) are just the latest in a long line that includes **Royal Dutch Shell** and **Chevron** as well.

In the Petronas deal, the company will likely spend upwards of \$16 billion to build two liquefaction plants and the pipeline necessary to source the natural gas. **TransCanada** ([TSX: TRP](#)) – Canada's largest natural gas pipeline company – will be responsible for the 750 kilometer pipeline. Being part of this deal will likely help soothe the burn of having its Keystone XL pipeline continually delayed by U.S.

president Barack Obama. As expected, buyers from the Asian market have already started staking their claim when Japanese Petroleum Exploration signed a deal for a portion of the LNG output back in March.

At the end of May, Golar LNG told the energy world that it had its eye on a 25% stake in the Douglas Channel LNG project. While it only plans on exporting up to 700,000 tons per year initially, hopes are that it will one day up that total to 1.8 million tons per year. Compared to **Cheniere Energy's** (NYSE:LNG) Sabine Pass, which has 18 million tons per year (mmtpa) approved, it might not seem like much, but it's just one of many projects expected to come online in British Columbia. This project is near the same Kitimat area in which **Apache Corp** and Chevron's joint venture will be built to export an initial total of up to 5 mmtpa.

The Foolish Bottom Line

This spurt of activity and investment is certainly something that oil sands producers would love to encounter. Unfortunately, the basin's landlocked geography leaves producers and their future plans reliant on governments other than those in which the sands are located. While economic benefits would likely be felt by all parties included, they clearly aren't enough to lead to the overwhelming passage of expansion projects...yet.

While oil and natural gas grab many of the energy related headlines we see, uranium has the potential to be *the* fuel that powers the 21st century. [Click here now](#) for instant access to our **FREE** report titled "**Fuel Your Portfolio With This Energetic Commodity**". We think you'll be surprised just how bright the future is for uranium, just how far these two Canadian names have fallen, AND **how fast** they could rebound. [Click here](#) to access this free report, and hop on for the nuclear ride of your life!

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Fool contributor Taylor Muckerman owns shares of Cheniere Energy. The Motley Fool owns shares of Apache.

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1. Investing

TICKERS GLOBAL

1. NYSEMKT:LNG (Cheniere Energy, Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:TRP (TC Energy Corporation)

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Date

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2013/06/12
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