



U.S. State Department Backs Cross-Border Pipeline

Description

Investors, political junkies and environmentalists eagerly await U.S. President Obama's final decision on the hotly debated Keystone XL pipeline by **TransCanada** (TSX:TRP, NYSE:TRP). Meanwhile, another cross-border project, the Vantage Pipeline, has been approved by the U.S. State Department to little fanfare. While few have even heard of the Vantage Pipeline, it's an important project for both countries.

What is the Vantage Pipeline?

There are several major differences between these two pipelines, in fact, in some regards these projects are exact opposites. The Keystone XL is a major oil pipeline which will stretch 1,179 miles and take 830,000 barrels of oil per day produced from the Canadian oil sands as well as oil from the Bakken all the way to the U.S. Gulf Coast refinery center.

Vantage, on the other hand, will go from a **Hess** ([NYSE: HES](#)) processing plant in North Dakota to a petrochemical complex owned by **NOVA Chemicals** in Alberta some 430 miles away. This pipeline won't even carry crude oil, instead, it's designed to carry ethane.

The \$300 million (USD) project will have the capacity to transport 40,000-60,000 barrels of ethane per day. It marks the first time liquids from the Williston Basin will flow north into Canada. It's also a really innovative solution to the Williston's natural gas problem.

Advantaged feedstock

A major problem for producers in the Williston Basin is the region's overall lack of oil and gas infrastructure. This has caused many producers to flare natural gas because there just isn't a way to get it to the marketplace. Hess' Tioga Gas Plant is an important project as it takes natural gas and processes it into higher value feedstock such as ethane, propane and butane. The Vantage pipeline will give Hess an outlet for that ethane, while providing Nova with a cheap feedstock for its petrochemical plant.

The project could be expanded in the future to the full 60,000 barrels per day of ethane capacity as other producers sign onto the project. More natural gas being processed would help reduce the continued flaring that has been a big problem in the Bakken. **Enerplus Energy** (TSX:ERF,NYSE:ERF), for example, just recently applied for approval to flare at least one of its 30 wells while it waits for a pipeline to be constructed. Not only does flaring harm profits as the gas can't be sold, but it's not the most environmentally friendly practice.

Keystone to follow?

It will be interesting to see if this is an indication that Keystone XL approval is not far away. U.S Senator John Hoeven commented after the Vantage Pipeline was approved and said,

"Another major piece of infrastructure that will help us build our North American energy security partnership with our closest friend and ally Canada. The project illustrates clearly how modern pipelines can create jobs, make us more energy secure, and do so with good environmental stewardship. It will enable us to reduce flaring in North Dakota and also reduce emissions where the natural gas is used by industry."

While many opposed to the Keystone XL pipeline worry about an environmental issue if oil is spilled, it's important to remember that the pipeline is critical to reduce truck traffic in the region. Further, additional pipeline infrastructure in general is important to reduce natural gas flaring, which is a bigger environmental issue.

Final Foolish thoughts

Cross-border pipeline projects like the Keystone XL and the Vantage Pipeline are critical to North American energy security. Also, pipelines like Vantage are a much more environmentally friendly option as they help to reduce natural gas flaring. If these projects are not built, it then puts the future of both countries in jeopardy as Canada might have to look to Asia to get full value for its oil.

How Canada is Powering China

It wouldn't be a stretch to think that oil from Canada could one day make its way to China, especially if the U.S. decides not to approve the Keystone XL. One reason for this is that Canada is already powering China by way of uranium – the key ingredient for nuclear power. That is why The Motley Fool has prepared a Special FREE Report that will clue you into the two best uranium companies in Canada. It's called "[Fuel Your Portfolio With This Energetic Commodity](#)," and you can receive a copy at [no charge](#), by simply [clicking here](#)!

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Date

2025/08/26

Date Created

2013/07/24

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