



This Train Is Bound for Oil

Description

You know an industry is about to light up when politicians start dropping posts in Parliament to head up private companies. That's exactly what Merv Tweed announced he was doing earlier this week, when the MP from Manitoba announced he would leave his post at the end of the month and join Omnitrac, a U.S.-based rail company with a keen interest in shipping oil. More specifically, its interest lies in shipping Western Canadian oil by rail to the Port of Churchill, where it can be exported to foreign markets.

[CP Train](#) Image missing or type unknown

Source: Canadian Pacific

The movement

Despite the scope of the recent Lac-Mégantic tragedy, the idea that rail can be used to move a significant quantity of Canadian oil is gaining steam. For proof beyond our erstwhile MP, one need look no further than two recent announcements touting new Canadian crude-by-rail terminals.

The first announcement came from **Keyera** ([TSX: KEY](#)) at the end of last month. The company said it would team up with the American midstream company **Kinder Morgan Energy Partners** to construct a \$98 million terminal in Edmonton. The facility will have an initial loading capacity of 40,000 barrels per day, which could increase to 165,000 bpd at some point, with the right customer support.

Canadian Pacific Railway ([TSX: CP](#)) and **Canadian National Railway** ([TSX: CNR](#)) will cart the oil south to an American refiner. Canadian National reported its revenue from oil transportation popped 150% in the second quarter, to nearly \$100 million. Keep in mind this is the same company that reported 0% revenue from petroleum as recently as 2010. Oil is having a profound impact on the rail industry, and it looks like it will continue to do so for the foreseeable future.

The second terminal announcement came from another Canadian/American tag team. **Gibson Energy** ([TSX: GEI](#)) announced it would join forces with U.S. Development Group to build a rail terminal near Hardisty. This facility will have an initial capacity of 140,000 bpd and find its way south into the U.S. via Canadian Pacific's North Main Line.

What investors need to think about

There are multiple takeaways here for investors. First, and most obvious, this is good news for Keyera and Gibson. The projects don't come online until 2014 but will have a positive impact when they do. Secondly, as evidenced by Canadian National's recent earnings, this story has the potential to affect a company's bottom line in a meaningful way. Finally, moving Canadian crude to U.S. markets will boost oil prices, and that will likely have a positive impact on oil sands producers.

U.S. companies feature prominently in the Canadian energy story, but that doesn't mean you should run out and buy them. However, there ARE [three American companies](#) that every Canadian should have in their portfolios. The Motley Fool has outlined exactly why in its special free report "3 U.S. Stocks Every Canadian Should Own". Just [click here](#) to receive a copy at no charge!

Fool contributor Aimee Duffy does not own shares of any companies mentioned.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CNR (Canadian National Railway Company)
2. TSX:CP (Canadian Pacific Railway)
3. TSX:GEI (Gibson Energy Inc.)
4. TSX:KEY (Keyera Corp.)

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