



3 Reasons Why Keystone XL Could Still Get Rejected

Description

Although the official news has yet to come out, it looks like **TransCanada's** ([TSX:TRP](#)) Keystone XL pipeline won't have a large environmental impact, at least according to the U.S. government. This is good news for TransCanada's stock price, which is up even though the overall market is down.

The proposed pipeline would run from Alberta all the way to Nebraska, where it would connect to an existing pipeline network. The environmental impact of the pipeline is minimal since Alberta's oil sands would have been developed with or without the pipeline being built.

Even though this is good news for the eventual approval of the pipeline, there are still several reasons why it may never get built. Here are three.

1. America doesn't really need the oil

Back when the project was floated in 2008, oil prices were high, U.S. production was low, and refineries were practically begging for supply. Six years later, things are a little different. American oil producers are so awash in oil that they're putting pressure on the government to allow them to export oil for the first time since 1973.

There's still a significant price gap between the heavy oil produced in Canada's oil sands and the lighter oil produced in the United States, which is hurting Canadian oil producers. It's pretty obvious why Canada is pushing so hard for this pipeline. But what happens when refineries are getting enough oil to keep up with domestic demand? They either have to export the finished product or prices will start to go down. I doubt American consumers will pay less for gasoline.

The pipeline is still unpopular in the U.S.

While a majority of Americans (56%) support the pipeline, there is still a very vocal minority that is opposed. While support is relatively widespread, polls have shown that Republican voters are slightly more likely to support the project, while Democrat voters are less likely to support it. This presents an interesting political decision for President Obama. Opposition has come from some of the largest

environmental groups in the country, groups which have significant political influence.

Economic projections are inflated

As part of its push for the project, TransCanada boasted that it would create 3,500 to 4,200 jobs when construction of the pipeline actually begins. Unfortunately, according to opponents of Keystone XL, the majority of these jobs would be low-paying laborer jobs. And once the pipeline is finished, most of these jobs will be gone. While there's no doubt there will be economic growth from the project, it'll likely be short lived.

Foolish bottom line

We're still a few months — at a minimum — away from seeing any final decision for Keystone XL. While it could still get approved, it's hardly the slam dunk deal that proponents think it is. Yes, pipelines are generally safe, but when things go wrong, they can go very wrong. And it looks like Canadian oil might not even be needed for domestic demand. I'd wait a little longer to buy TransCanada. Or at least wait for weakness.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:TRP (TC Energy Corporation)

Category

1. Investing

Date

2025/09/14

Date Created

2014/01/31

Author

nelsonpsmith

default watermark