



How Much Does Obama's Decision on Keystone Even Matter?

Description

Not every pipeline project needs President Obama's approval. And with demand for pipeline capacity as high as ever, both **TransCanada Corp** ([TSX:TRP](#))([NYSE:TRP](#)) and **Enbridge Inc** ([TSX:ENB](#))([NYSE:ENB](#)) are doing everything they can to supply it. So even if President Obama rejects Keystone, there are plenty of other ways to get that oil to market, and yesterday's events served as a reminder.

Enbridge's pipeline upgrade

Enbridge announced on Tuesday that it will be upgrading its 46-year-old Line 3 pipeline, which runs from Edmonton to Wisconsin. The pipeline has had a number of ruptures over its long history and as a result currently runs well below capacity. Just restoring the line to its original capacity will allow Enbridge to move an extra 370,000 barrels per day, and will cost \$7 billion.

As Enbridge CEO Al Monaco said, "It does not require a presidential permit ... Line 3 already operates under an existing presidential permit, so what we're doing here is restoring Line 3 to its original condition."

TransCanada's Energy East pipeline

Also on Tuesday, TransCanada filed its project description with the National Energy Board for the Energy East pipeline. The company is planning to spend \$12 billion on the project (more than double the cost of Keystone XL), which will move 1.1 million barrels per day all the way to the Atlantic coast. The project involves converting existing natural gas pipelines to transport oil, while laying down new pipe to cover the rest of the route.

Interestingly, TransCanada has also asked the Quebec government for its own environmental review, even though it is the federal government that has the final say on the project. The company is doing this in an attempt to win as much support for the pipeline as possible.

Foolish bottom line

The events yesterday serve as a reminder that Keystone XL is not particularly crucial to

TransCanada's fortunes; both the projects above actually cost more than Keystone.

But more importantly, Tuesday's events are just another example of the energy industry mitigating the risk surrounding President Obama's decision. The growth of crude by rail is yet another piece of the puzzle. By the time the President makes his decision, it probably won't be nearly as significant as it was two years ago, or even last year.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:TRP (Tc Energy)
3. TSX:ENB (Enbridge Inc.)
4. TSX:TRP (TC Energy Corporation)

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Author

bensinclair

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