



The Line 9 Reversal: A Sign of Things to Come?

Description

Yesterday Canada's National Energy Board (NEB) approved **Enbridge's** ([TSX:ENB](#))([NYSE:ENB](#)) plan to reverse the flow of oil in its Line 9 pipeline between Sarnia and Montreal. The \$110 million proposal will allow Quebec refiners to have more access to oil from Western Canada and North Dakota. The approval came with 30 conditions, mainly meant to ensure the pipeline's safety.

Predictably, Natural Resources Minister Joe Oliver was very supportive of the decision, saying that "this will protect high-quality, skilled jobs in Quebec and create market opportunities for Western Canada's oil producers. Furthermore, by replacing higher-cost foreign crude with Canadian crude, the reversal will strengthen Quebec's refining and petrochemical industries."

Of course there was also plenty of passionate opposition. The NEB had to shut down the final oral portion of its public hearing because of safety concerns from protesters. After the approval, Rising Tide Toronto, which describes itself as "a grassroots collective that challenges environmental injustice", said it will launch a campaign asking people to conduct civil disobedience, in an effort to disrupt the reversal.

Normally a decision like this wouldn't be so contentious. The project does not involve building any new pipelines, and although there is a slight capacity increase, the 60,000 extra barrels per day is not a game-changer. The \$110 million project size is just a drop in the bucket for Enbridge, which plans to spend over \$35 billion by 2020. Line 9 helps provide an alternative to crude by rail, which is of course far more dangerous than pipelines. And the biggest beneficiaries of the reversal are likely to be Quebec's two refineries, owned by **Suncor** ([TSX:SU](#))([NYSE:SU](#)) and **Valero Energy** ([NYSE:VLO](#)).

But these are of course exceptional circumstances, and this decision could set a precedent for future rulings on projects such as Enbridge's Northern Gateway or **TransCanada's** ([TSX:TRP](#))([NYSE:TRP](#)) Energy East pipeline. It's little wonder that environmentalists are drawing a line in the sand.

Foolish bottom line

In the grand scheme of things, this decision is fairly inconsequential – the project is much lower-cost and lower-risk than new pipeline projects, making the approval fairly easy. The decision is unlikely to set a precedent for future pipeline projects, which will still be judged on their own merits.

The decision is most meaningful for the refineries in Quebec and their employees. For Enbridge, energy producers, and their investors, the real consequential decisions won't occur for a few more months at least.

CATEGORY

1. Investing

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2. NYSE:SU (Suncor Energy Inc.)
3. NYSE:TRP (Tc Energy)
4. NYSE:VLO (Valero Energy Corporation)
5. TSX:ENB (Enbridge Inc.)
6. TSX:SU (Suncor Energy Inc.)
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