



Will Obama's Keystone Decision Be Taken Out of His Hands?

Description

In a previous article, we made the case that President Obama's decision on **TransCanada's** ([TSX: TRP](#))([NYSE: TRP](#)) Keystone XL pipeline is [a no-win situation](#). Whatever decision he makes, he will draw more opposition than he likes. So it really should have come as no surprise when he punted his decision until after the November midterm elections. Even then he will struggle with the same paradox, although the consequences may not be as severe.

Now it looks like there is the possibility the decision will be taken out of his hands altogether. Senate Majority Leader Harry Reid, who is against the pipeline, is considering a vote on the project. If there's enough support, then the votes would override any decision President Obama makes.

What would need to happen?

First, Senator Reid would need to allow a binding vote on Keystone, something he is considering in order to help a different bill (an energy efficiency bill) move forward. If Keystone gets 60 "yes" votes, it will end up on President Obama's desk. The president would then almost certainly veto the bill.

At that point, the Keystone bill would need two-thirds approval from both the Senate and the House of Representatives to override the president's veto.

At this point, even step 1 is up in the air; Senator Reid may not even allow a binding vote to come to the floor. Instead, he may put forward a non-binding resolution, which would at least allow pro-Keystone Senators to show support for the pipeline before November.

Then there is the two-thirds obstacle. The Senate has previously voted 62-37 in March 2013 on a non-binding resolution to approve the pipeline. The Republican-controlled House of Representatives has also voted in favour of the pipeline, by a 241-175 vote last May. So there would still need to be five Senators and 50 Congressmen to vote for the pipeline for the first time.

That scenario is extremely unlikely. Any votes that end up happening will likely be for political reasons only.

Does it even matter anymore?

As we have seen, the energy industry is not sitting on its hands while it waits for a decision on Keystone. Whether it's alternative pipelines, crude by rail, or heavy oil refinery start-ups, there are a lot of different things being done to ease the bottlenecks.

And yesterday we saw a perfect example of the results, with **Suncor's** ([TSX: SU](#))([NYSE: SU](#)) first quarter earnings release. Canada's largest energy producer reported excellent results, driven mostly by improved pricing for Alberta oil – the heavy oil price at Hardisty Alberta improved from \$62.40 to \$75.55 year over year. Over this same time period, international oil prices actually decreased. So Suncor's results help show that the transportation bottlenecks for Alberta's oil are easing.

Foolish bottom line

At this point, it would be silly for anyone to count on Keystone's approval any time soon. But more importantly, the energy sector has done a great job moving on; as each day passes, President Obama's decision on the pipeline gets less and less relevant. But it's still one he'll have to make.

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Author

bensinclair

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