



## Kinder Morgan Energy Partners L.P. Bulks up on Rail in Canada as Pipelines Remain Delayed

### Description

**Kinder Morgan Energy Partners L.P.** (NYSE: KMP) announced that its 50-50 joint venture with **Imperial Oil Limited** ([TSX: IMO](#)) (NYSE: IMO) is expanding the capacity of the Edmonton Rail Terminal. The terminal, which is currently still under construction, will be expanded by another 110,000 barrels per day. It's just one more example of Canadian energy companies turning to rail projects as key oil pipelines remain delayed.

### Demand is exceeding expectations

Originally, the Edmonton Rail Terminal was going to have the capacity to handle 100,000 barrels of oil per day when it began operations early next year. However, demand for capacity at the terminal has been high and now several major oil companies have signed agreements for the expanded capacity. Because of that Kinder Morgan Energy Partners and Imperial Oil are more than doubling the terminal's capacity to 210,000 barrels per day. Further, more capacity expansions could be on the way as the terminal could be expanded to handle 250,000 barrels per day.

The terminal, which will be connected to Kinder Morgan's storage terminal in Edmonton, will be able to deliver the crude oil by rail to refineries across North America. It will also be connected to the mainlines of both **Canadian National Railway** ([TSX: CNR](#)) ([NYSE: CNI](#)) and **Canadian Pacific Railway** ([NYSE: CP](#)) ([TSX: CP](#)), giving shippers a lot of options.

### The problem is in the pipes

The rail terminal expansion announcement by Kinder Morgan Energy Partners and Imperial Oil really isn't a surprise. We've seen a number of announcements over the past year as companies are looking to bolster their rail options. In fact, just last week **Enbridge** ([TSX: ENB](#)) ([NYSE: ENB](#)) [announced](#) that it too was investing more capital into its rail terminal business. The company is now adding a fifth rail terminal to its operations as a way to work around delays in pipeline projects including its own Northern Gateway project.

In fact, Kinder Morgan Energy Partners' rail capacity expansion announcement just a week after Enbridge's might not be a coincidence. It is facing delays on the planned expansion of its Trans Mountain Pipeline in Canada. The project would expand a pipeline that goes from Edmonton to the West Coast from 300,000 barrels per day to 890,000 barrels per day. The fact that Trans Mountain actually originates at the company's Edmonton storage terminal suggests that the company isn't expanding its rail terminal there by mere coincidence.

Because the [pipeline expansion is in jeopardy](#), the company is looking to expand its rail options so that its customers don't sign on with another shipper like Enbridge, which is looking to build a competing pipeline from the oil sands region to Canada's West Coast.

### **What's next for Kinder Morgan?**

Investors are likely to see Kinder Morgan continue to make sure it's meeting its customers' needs while it waits for its Trans Mountain Pipeline expansion to be approved and go into service. Right now that means investing money to expand its rail offerings so that customers can more easily move oil out of Canada and into higher priced refining markets. Because of that, this likely won't be the last rail expansion project announced by the company or its competitors.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:ENB (Enbridge Inc.)
2. NYSEMKT:IMO (Imperial Oil Limited)
3. TSX:ENB (Enbridge Inc.)
4. TSX:IMO (Imperial Oil Limited)

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