



## Will the Canadian Pacific Railway Limited Suffer if Keystone Is Approved?

### Description

Now that the Republicans will have control of both the U.S. House and Senate, there's little doubt in my mind that the Keystone Pipeline is going to be approved. Whether President Obama signs it is an entirely different issue, but it's looking like approval is on the horizon.

That means that railways like **Canadian Pacific Railway Limited** ([TSX: CP](#))([NYSE: CP](#)) will have a very large competitor that will look to take up a lot of the crude transportation. Over the past few years, Canadian Pacific has built its business on the transportation of crude. And going forward, the company expects that to become even more important.

By 2018, Canadian Pacific wants to generate double the earnings that it is generating right now. For that to happen, it is banking on a third of that new revenue coming from oil. Can it happen?

### There's enough to go around

Between now and 2030, oil production in Western Canada is expected to jump to over 3.2 million barrels a day. That's a lot of oil production and is going to make a lot of oil companies very wealthy. But here's the thing: Keystone can only handle 830,000 barrels of that per day. Therefore, how does the rest get around?

Some will say the Marathon pipeline, but that can only handle 1.2 million barrels a day. How will the 1.17 million extra barrels get transported? There are two options: more pipelines or railroads.

So, there is plenty of inventory out there for Canadian Pacific to generate revenue from. It will compete and it may lose out on some of that revenue, but overall, it shouldn't be too concerned about losing out on oil shipments.

### There's always grain

One thing to take into consideration is that grain shipments have dropped quite a bit since oil became such a hot commodity. There is grain from last spring's harvest that is still sitting in silos waiting to be picked up. That's a lot of grain.

If Canadian Pacific does lose a decent chunk of its oil money, it can just redirect its efforts toward grain and start shipping that en masse. The farmers would appreciate it, and it would at least prevent further revenue declines.

### **Warren Buffett isn't concerned**

But the truth is, even Warren Buffett isn't concerned about Keystone. For a long time, he was accused of being against the pipeline. He's the owner of BNSF Railway, a competitor to Canadian Pacific. BNSF has generated a lot of revenue from the transport of crude oil. By opening up a giant pipeline, it could be argued that BNSF Railway would suffer, and that would mean Warren Buffett would suffer.

But Warren Buffett has argued that passing the Keystone pipeline isn't a bad thing. Rather, he believes there's more than enough to go around and that it's good for the Canadian and American economies. What's good for the economy is good for Canadian Pacific.

However, if you want to get in on the pipeline craze, I think you should look at one really awesome company. It's actually one of my favorite companies for this year and the future. Read more about it in the free report below.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:CP (Canadian Pacific Railway)
2. TSX:CP (Canadian Pacific Railway)

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