



Why the Keystone XL Pipeline's Prospects Are Bleaker Than Ever

Description

As the months (and years) drag on, the prospects for **TransCanada Corporation's** ([TSX:TRP](#))([NYSE:TRP](#)) Keystone XL pipeline are looking increasingly slim. If you don't believe me, just look at what U.S. President Barack Obama has been saying about the pipeline and Canada's oil sands.

While speaking to students at Benedict College in South Carolina, President Obama called the oil sands "an extraordinarily dirty way of extracting oil." These are his strongest words against the project yet, but they are not the first.

Setting the tone

President Obama had a lot more to say about the pipeline and practically all of it was negative. He noted that it would create only about 300 permanent jobs. He said it "largely benefits a foreign company." He also discussed at length why he puts such an emphasis on fighting climate change.

This isn't the first time that the president has made such comments. Just last December, while making a guest appearance on *The Colbert Report*, he talked down the benefits of the pipeline. He also said "We've got to measure that [limited benefit] against whether or not it's going to contribute to an overall warming of the planet—which could be disastrous."

So, it seems like the president is trying to soften support for the pipeline, something he probably wouldn't do if he planned to approve the project. He also seems to be having some success—a poll in January said that only 41% of Americans favour construction of the pipeline. Back in November, that number was 59%.

The pipeline makes less sense now

There's another reason why the pipeline is enjoying less support: low oil prices. Because oil has fallen so much, gas prices have decreased, which was supposed to be one of the main benefits of the pipeline.

The low oil price hurts the pipeline's chances in another way. A year ago, one of the main arguments in

favour of Keystone was that “the oil sands would be developed regardless of whether the pipeline was built.” With the oil price up at US\$100 per barrel, that was a valid argument.

Now, that may not be true, with oil sands projects being deferred (or outright cancelled) left and right. If the pipeline is rejected, it could put a real dent in oil sands production. This is something President Obama is surely considering as he mulls over Keystone.

So what does this mean?

First of all, TransCanada is still a very good investment opportunity. It’s got a solidly growing dividend (currently yielding 3.7%), a stable business model, and plenty of growth opportunities besides Keystone. Its service will be badly needed for decades, which is great news for shareholders.

As for Canada’s energy patch, the news is looking increasingly grim, and I wouldn’t invest in any of those companies right now.

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1. NYSE:TRP (Tc Energy)
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