



How Does Canada's Federal Election Affect TransCanada Corporation?

Description

With just over two months to go until voters go to the polls, the Canadian election is anyone's race. According to Éric Grenier's Poll Tracker, the NDP would win 127 seats if the election were held today, with the Conservatives winning 118. Justin Trudeau's Liberals trail the pack with 91 expected seats, but the party has gained some momentum after Mr. Trudeau's performance at the leadership debate.

This has created a lot of uncertainty for all of Canada's large companies, especially **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)). The pipeline operator has two controversial projects, making the political environment especially important for the company.

So, what happens to TransCanada under each election scenario?

If the Conservative Party wins

Without doubt, this would be the best outcome for TransCanada. The Conservatives have supported both of the company's big projects, and will continue to do so. This will certainly make a bigger difference with Energy East, since it does not require the approval of President Obama.

But this doesn't necessarily mean a Conservative victory would equal the status quo. Remember, the Conservatives currently have a majority in the House of Commons, allowing Prime Minister Stephen Harper to implement his agenda at will. And if the Conservatives win the most seats, it may still not be enough for a majority.

If the Conservatives win a minority government, then the NDP and Liberals could form a governing coalition. NDP leader Thomas Mulcair has floated the idea in the past, but Mr. Trudeau seems unreceptive so far. But if this did happen, Mr. Harper would no longer be prime minister. To understand how this would affect TransCanada, we need to understand the NDP's position.

If the NDP wins

Unsurprisingly, Mr. Mulcair has made the environment a top priority, which most likely would create some clashes with the energy industry. Already, that's a negative for TransCanada.

Mr. Mulcair is also opposed to the Keystone XL pipeline partly due to the environment, but also because he believes the pipeline "exports" jobs to the United States. On Energy East, he has not committed either way. But he has criticized the environmental review process, claiming that Mr. Harper's Conservatives have gotten too involved.

On top of that, Mr. Mulcair also plans to raise corporate taxes, although we don't yet know by how much.

Of note, the NDP is very unlikely to win a majority government. So, if it wants to implement its agenda, the party will likely need the Liberal Party's support.

If the Liberal Party wins

This is an extremely unlikely outcome, and it's even less likely the Liberals win a majority. Realistically, Mr. Trudeau's best case scenario is one where he can influence Mr. Mulcair's decisions.

And there are some disagreements between the two party leaders. Mr. Trudeau is supportive of Keystone XL. He is also more supportive of oil sands development. And he is firmly against Mr. Mulcair's proposed corporate tax hike. Thus, there will certainly need to be some compromises, although it's far too early to speculate on what they'd look like.

Why this doesn't matter that much

As an investor, it's important to have proper perspective, and this is a perfect example.

Energy East and Keystone XL are just two of many proposed projects for this company. And there will be plenty more opportunities for new pipelines, especially in the United States, where production is booming.

So, no matter who wins, TransCanada will remain one of Canada's best dividend stocks. If you're looking for more top-quality names, be sure to check out the free report below.

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