



3 Reasons President Obama Will Reject Keystone XL Very Soon

Description

According to U.S. Senator John Hoeven, a Republican from North Dakota, President Barack Obama will reject the Keystone XL pipeline sometime in August. He even cited multiple unnamed sources.

This shouldn't be surprising news. In fact, **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) is already evaluating its options should the pipeline be rejected.

On that note, we take a look at three reasons why this pipeline will not see the light of day, at least during the Obama presidency.

1. More of an impact on the oil sands

Let's make one thing clear right from the outset: construction of the pipeline itself will not contribute significantly to greenhouse gas emissions, nor will operation of the pipeline. Instead, the real environmental risk comes from increased oil sands production. That is what the pipeline's opponents are most concerned about.

Back in 2014, an Environmental Impact Assessment (EIA) said that the pipeline would have minimal impact on production in the region, because the oil sands would be developed with or without the pipeline. And without the pipeline, crude by rail would simply pick up the slack.

Oil was trading for over US\$100 per barrel at the time, hence why the report said the sands would be developed either way. But since then the price has fallen by well over half. Even the economics of crude by rail don't make sense anymore for the oil sands.

So, by rejecting the pipeline, President Obama could put a real dent in oil sands development, something that could not have been said one year ago. Without a doubt, this plays into his decision.

2. The benefits have gone down

One of the main arguments in favour of the pipeline is that America needs Canadian oil. Without it, the country would have to choose between oil imports from unfriendly nations (such as Iran and

Venezuela) or settling for sky-high gas prices.

But with increased domestic production and falling oil prices, this argument simply doesn't ring true anymore. Any slack in oil sands production can easily be picked up by American producers, and consumers simply don't have to worry about rising gas prices.

3. The politics don't work

Polls have shown that a majority of Americans support the pipeline's construction. But here's the problem with that story: the pipeline's opponents are far more passionate.

Thus, there could be a big problem for the Democratic Party should President Obama approve Keystone's construction. It would likely mean lost fundraising in a critical election year. It could also mean less grassroots support for the Democratic presidential nominee.

And there's no guarantee the pipeline's supporters would warm up to the president either. Many of them would be frustrated by the time taken to reach a decision, and many of them dislike him for other reasons.

So, at this point, rejecting Keystone is a win for the president's environmental agenda, does little harm to the economy, and is, politically, his best option. It's hard to imagine him approving the pipeline at this point.

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