



Is Barack Obama About to Reject Keystone XL?

Description

After many years, it finally looks like the Keystone XL application process is coming to a close. Unfortunately for **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)), the company is unlikely to get the result it's seeking. We take a closer look below.

Why President Obama will reject the pipeline

At the beginning of last year, Keystone's approval looked inevitable. According to an Environmental Impact Assessment at the time, Keystone would have little impact on oil sands production, because these energy projects would be developed either way. And any oil not transported by pipeline would simply be moved by rail instead.

So, the environmental impact of the pipeline seemed minimal. And the benefits appeared to be substantial. It would potentially lead to lower gasoline prices, and also meant there could be fewer oil imports from unfriendly nations. But since then the narrative has changed completely.

The collapse in oil prices has put serious pressure on the oil sands, so a Keystone XL rejection could put a big dent on growth in the region. Furthermore, production growth in the United States is putting downward pressure on gasoline prices. It also means there's less need for imports from unfriendly nations.

In the meantime, Keystone's opponents have remained very vocal. And they've made it clear that President Obama's legacy will be tarnished if he approves Keystone. Obama himself has helped their cause by repeatedly emphasizing the pipeline's risks while talking down its benefits.

When will it happen?

Obama travelled to Alaska on Monday for a three-day visit, one that he has used to highlight the dangers of global warming. This seems like an ideal week to announce his decision. Furthermore, many in the U.S. Capitol are out of town ahead of the long weekend, so an announcement at this time would receive minimal political blowback.

The upcoming long weekend also means the American people won't be watching the news so much. So, we could easily see a decision in the next day or two.

What does all this mean?

As we've said all along, Keystone is not critical to TransCanada's success. The company has plenty of opportunities to build pipelines, especially with increasing U.S. oil production and the over-reliance on rail.

The story is different for Canada's energy producers, many of which were counting on Keystone being completed. They will now have a more difficult time getting their product to market, and we could even see a cutback in investment spending as a result. That's why Obama is rejecting the pipeline in the first place.

CATEGORY

1. Energy Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:TRP (TC Energy Corporation)

Category

1. Energy Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/07/21

Date Created

2015/09/04

Author

bensinclair

default watermark