



Will TransCanada Corporation Win \$15 Billion From Uncle Sam?

Description

When President Obama rejected the Keystone XL pipeline back in November, the saga did not end there. **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) is bringing the U.S. government to court over the decision, seeking US\$15 billion in damages as well as a reversal to President Obama's decision.

So what exactly are TransCanada's chances?

The lawsuits

TransCanada is actually filing two lawsuits. One of them is in the U.S. Federal Court in Texas, where the company is claiming President Obama overstepped his authority under the U.S. Constitution. In this suit TransCanada is not claiming any damages, but is instead challenging the constitutionality of the president's decision and is seeking a reversal.

The other suit is the one capturing the most attention. TransCanada is challenging the president's decision under the North American Free Trade Agreement (NAFTA), and this is where the company is seeking monetary damages.

In its notice of intent to pursue the NAFTA challenge, TransCanada is making the same basic argument: that President Obama's decision was politically motivated. The company is also saying the decision ran contrary to the conclusion of the administration's studies and that the decision violates American obligations under the agreement.

The chances

There have never been any successful challenges to the U.S. government under NAFTA, and TransCanada is very aware of this. But the company thinks it has a strong case, and it makes some compelling arguments:

"No president has ever prohibited the development of a significant, predominantly domestic facility. Nor has any president prohibited the development of any cross-border commercial facility on the ground

that he must restrict foreign and domestic commerce to enhance his influence in foreign affairs.”

Here at The Motley Fool, we are not legal experts, and we will not pretend to be. But here’s one thing we can tell you: this will be a very long process. And even if TransCanada gets to build the pipeline later on, it might be too late. After all, Canadian heavy oil has taken a beating in today’s oil environment, and projects have been cancelled left and right. In another few years’ time, the environment could be a whole lot worse.

What difference does this make?

The \$15 billion that TransCanada is seeking equals about half of the company’s market capitalization. So even a partial victory would mean a big boost in the share price.

But the odds of victory as well as the time involved are simply too long. So I wouldn’t recommend jumping on the TransCanada bandwagon just over this. It’s a headache that you’re better off avoiding.

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