



TransCanada Corporation: Another Lucrative Deal Is Likely Coming

Description

TransCanada Corporation ([TSX:TRP](#))([NYSE:TRP](#)) is no stranger to massive, controversial projects that could be measured in the billions.

The company was behind the failed Keystone XL pipeline project—a 1,900 km pipeline that was intended to transport almost one million barrels of oil a day to the refineries along the Gulf Coast from the oil sands of Alberta, through North Dakota, and into existing pipelines.

That project was subject to review and regulatory approvals and was inevitably rejected by the U.S. administration late last year. Now there is word that a new deal is becoming more likely. Instead of building a pipeline, TransCanada may just buy one.

If you can't build it, buy it

TransCanada just revealed that it was in the midst of talks with a third party, which remains un-named at this point.

The Wall Street Journal reported that TransCanada was holding talks with Houston-based **Columbia Pipeline Group Inc.** (NYSE:CPGX) Columbia's pipeline network is primarily focused in the U.S. northeast, specifically the Marcellus and Utica natural gas regions.

TransCanada issued a statement, noting that while the company was in discussions with a third party, there were no agreement made as of yet.

Still, if true, the move represents a great opportunity for TransCanada to move forward with a rapid expansion.

Why this deal makes sense

TransCanada's pipelines are no stranger to controversy. The well-known and ill-fated Keystone XL project is a prime examples of this. Building pipeline networks is nothing short of a massive undertaking, and there are countless regulatory approvals and agreements that are required,

particularly if the proposed pipeline has to traverse across borders.

If this deal is truly in the cards, TransCanada will get access to a finished product, rather than having to build the network from scratch. Most importantly, those regulatory approvals and decisions will have already been granted, meaning the company can begin operations relatively quicker.

If a deal with Columbia is likely, the news will come as TransCanada pursues its own west-to-east Energy East pipeline, a proposed \$15.7 billion pipeline slated to transport oil to the Atlantic coast through the Marcellus region where Columbia is one of the chief players.

The Marcellus region has experienced incredible growth over the past decade, and TransCanada likely wants a piece of that prize.

In all, the deal could be worth in excess of \$12 billion for Columbia's 24,000 km of pipeline spanning the Gulf Coast to the northeast.

TransCanada is, in my opinion, a great option for investors looking to diversify their portfolios while seeking long-term growth. The company has a myriad of projects underway and effectively functions as a toll-road operator, charging by volume. This lucrative model means the company is immune to many of the oil-price dips and jumps.

TransCanada currently trades for under \$47 and is up by 5% year-to-date.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

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

Category

1. Energy Stocks
2. Investing

Date

2025/08/01

Date Created

2016/03/11

Author

dafxentiou

default watermark