



Another Pipeline Fiasco for TransCanada Corporation

Description

The Keystone XL pipeline is an 830,000-barrels-a-day pipeline from Alberta to the U.S. that aims to save hundreds of miles in the transportation of Canadian crude. In 2015 a Canadian government that opposed the project was elected in Canada, and U.S. president Barack Obama rejected the proposal.

The company running the project, **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)), was not pleased. This January it went to court against the U.S. government with the hope of gaining the rights to build the pipeline. For now, investors have clearly written off the project—an unfortunate conclusion considering the *Financial Post* estimated that the Keystone XL was worth roughly \$8.50 per share (14.3% of the current share price).

To make matters worse, anti-pipeline campaigns such as the Natural Resources Defense Council (which led the strike against the Keystone XL) are now taking aim at another proposed TransCanada project—its Energy East pipeline. The planned project is a \$15.7 billion pipeline to transport crude oil from Alberta to New Brunswick.

In its campaign against the Keystone XL, the group highlighted the climate change impacts of oil sands production. For the Energy East pipeline, it's calling to ban the tar sands tankers involved in transportation. On August 30 it tallied a win when Canada's National Energy Board suspended hearings due to protests. TransCanada said that it "will wait for the NEB to provide guidance on how it plans to proceed."

There's still plenty of growth to be had

While the Keystone XL and the Energy East pipelines get all of the news coverage, TransCanada still has plenty of other projects that will fuel growth for years to come.

TransCanada has \$15 billion in spending plans for projects in the next year or two with another \$45 billion budgeted for longer-term projects (Keystone XL and Energy East included).

Last quarter, the company was able to boost revenues to \$2.8 billion from \$2.6 billion. Net income fell, but it was mostly due to the company's \$13 billion purchase of **Columbia Pipeline Group Inc.** That

deal will add roughly 24,000 kilometers in pipeline capacity. It will also give it more capacity to ship to the Gulf of Mexico, where numerous export terminals are under construction.

While the company has grown its dividend by 7% annually from 2000 to 2015, management is targeting an 8-10% growth rate through 2020 based on its strong project backlog. Currently, shares are yielding 3.8%.

If you're invested for the company's long-term dividend-growth potential, don't worry too much about the negative headlines surrounding the Keystone XL and Energy East pipelines. There's plenty of growth to be had outside those projects.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/08/26

Date Created

2016/09/07

Author

rvanzo

default watermark

default watermark