

What Royal Dutch Shell PLC's (NYSE:RDS-A) \$40 Billion LNG Canada Project Means for Investors

Description

It's a big day for **Royal Dutch Shell PLC** (NYSE:RDS-A)—and for a Canadian economy.

On September 30, it was announced that a Shell-led consortium of companies had approved a massive \$40 billion LNG project in Kitimat, BC. The venture, named LNG Canada, is the largest infrastructure project in Canadian history.

The purpose of the project is to transport LNG to Asia, a large and growing market with insatiable demand for fuel. Early estimates state that the project may transport up to 26 million tons of LNG per year.

At first glance, this might sound like an opportunity to buy up Shell stocks before the billions of dollars' worth of revenue roll in. But before you rush out to invest in Shell, you should keep in mind there is a Canadian stock that could win even bigger from this deal — the same stock, incidentally, that's about to commence construction of the [Keystone XL](#) pipeline next year.

Big win for TransCanada Corp ([TSX:TRP](#))

TransCanada is one of Canada's biggest oil & gas pipeline companies. The company's network includes over 91,000 kilometers of pipeline and supplies about 25% of the natural gas in North America.

TransCanada is *not* among the companies with an equity stake in LNG Canada. However, it has been tapped to build and maintain the Coastal Gaslink pipeline, which will supply the venture with raw natural gas. This may actually make it closer to a pure play in LNG Canada than any of the five companies with an equity stake.

The companies that own LNG Canada are among the world's biggest corporations. While the project is very large, these companies have diversified interests that are collectively much larger. As TransCanada is a smaller company, its total revenue may be impacted by LNG Canada *more* than the project's equity-holders.

Growth in demand for LNG

Worldwide, there is a growing demand for LNG. A report by BloombergNEF states that imports of LNG are growing at about 8.5% a year—with much of the growth coming from Asia. According to the same report, Asia will account for 86% of the world's LNG demand growth between 2017 and 2030.

This positions LNG Canada perfectly to reap the rewards from that growing demand, as it will be supplying natural gas mainly to Asian countries.

Bottom line

LNG Canada is an enormous project that will have a considerable impact on the Canadian economy. TransCanada's pipeline alone will create an estimated 2000 to 2500 jobs for BC residents. Should [demand for LNG](#) grow according to current estimates, the venture will be extremely lucrative for all the companies involved.

If you want to make a play in LNG Canada, you can do so by investing in one of the parent companies like Shell, or by taking a position in TransCanada, a supplier and pipeline builder for the project. Either way, this project is big news for any investor with a stake in Canada's oil and gas industry.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:TRP (TC Energy Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Energy Stocks
2. Investing

Date

2025/07/03

Date Created

2018/10/03

Author

andrewbutton

default watermark

default watermark