



What's Next for TC Energy's Lingering Keystone XL Project?

Description

It's been more than a decade since the historic Keystone XL pipeline project was launched. The project's fate has swayed, as the government has changed south of the border. Reportedly, it will be among the Biden administration's first few actions to scrap the controversial Keystone XL project as it assumes office this Wednesday.

Long-delayed Keystone XL pipeline

One of Canada's biggest energy midstream companies, **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)), owns this pipeline project. The project has three phases already under operation, while the fourth phase, which will connect the existing pipelines through a shorter route, is under scrutiny. It will carry more than 800,000 barrels of crude oil per day from Alberta to Nebraska.

While that's an ambitious project for TC Energy and Canada itself, it has created ire among environmentalists. Opponents are highlighting the ill effects the pipeline could have on the wildlife and the potential pollution. However, supporters think that the project will create significant employment and will be crucial to U.S. and Canadian economies.

Interestingly, the U.S. State Department reaffirmed in 2014 that the project would provide fewer greenhouse gas emissions when compared to the oil transported via rail.

TC Energy recently [announced](#) its intentions to invest US\$1.7 billion in solar, wind, and batteries to have net-zero emissions by 2030.

TC Energy investors were at the receiving end

Amid all these uncertainties, TC Energy investors have suffered badly in the last few months. TSX stocks recovered fully from the pandemic crash and currently trading at record levels at the moment. However, [TC Energy stock](#) has notably lagged them and has lost almost 25% in the last 12 months.

Due to its long delays and uncertain fate, the Keystone XL pipeline has become a hot topic among the U.S. and Canada geopolitics. The project cost has increased to well above US\$8 billion from the initial estimate of close to US\$5 billion in 2010.

Interestingly, Alberta has also pitched in a little over a billion dollars in the project. President-Elect Joe Biden was quite vocal about scrapping the project in his election campaigns. The project's fate is still in peril, which puts Albertan taxpayers' money at stake.

Peer **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) has also been facing some backlash in relation to its Line 5 pipeline. It is one of the important pipelines for the company that transports oil and gas from Wisconsin to Ontario.

Environmentalists have raised concerns and demanded a closure over a multi-year tunnel construction in the existing project. Enbridge stock has been a laggard, losing 17% in the last 12 months. The underperformance of these leading pipeline stocks is notable when the entire energy sector is recovering since October.

Bottom line

These pipelines form the core of the energy supply chain. They connect the oil producers in Canada and refiners and consumers on the Gulf Coast. Although they could be potentially dangerous for the wildlife and environment, such projects have a positive, multiplying effect on the economy. It will be interesting to see how the decision makers find a tradeoff between the economy and the environment.

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