

## TransCanada Apparent Victor In Race To Gulf?

By Lauren Krugel  
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**C**ALGARY (CP) -- Analysts are wondering whether both companies' megaprojects can come to fruition.

"They certainly can co-exist if there is a need for both of them," said Desjardins Securities analyst Daniel Shteyn.

"The multi-billion dollar question is if there's a need for both of them."

TransCanada, known more as a shipper of natural gas than of heavy oil, is the apparent victor in the race to the Gulf, after securing enough shipping commitments to go ahead with a massive expansion to its Keystone pipeline, a joint venture with U.S. heavyweight ConocoPhillips (COP).

Construction has already begun on the first phase of Keystone, which will cost \$5.2 billion and eventually ship 590,000 barrels of crude per day from Hardisty, Alta., to Cushing, Okla. A second phase is expected to add another 500,000 barrels per day of capacity and extend all the way to the refining hub of Port Arthur, Texas, at a cost of \$7 billion.

Meanwhile, Enbridge is delaying startup of its Texas Access pipeline, which it is building with U.S. firm ExxonMobil (XOM), citing a slower-than-expected ramp up of oilsands projects.

But despite the setback, CEO Pat Daniel told analysts last week that Enbridge has "absolutely not" given up on its Gulf Coast ambitions.

Enbridge's delayed Texas Access pipeline, which at \$2.6-billion is much cheaper than Keystone, will carry 400,000 barrels of crude and connect to Enbridge's existing network at Patoka, Ill., and extend into the Houston area.

In the meantime, Enbridge plans to move about 200,000 barrels of oil per day by 2010 by using its existing pipeline from Sarnia, Ont., to Portland, Me. and then moving the crude south via tanker to the Gulf. The Trailbreaker project has a price tag of about \$350 million.

As for whether there is a need for both projects, Shteyn said the demand side of the equation appears a lot more clear-cut than the supply side.

Gulf Coast refineries have traditionally relied on heavy oil from Mexico and Venezuela. But lately, production has been on the decline in Mexico and relations have been frosty between Washington and Caracas.

"For that reason, the Gulf Coast will pretty much take whatever Canada can sell," Shteyn said.

The question is whether there will be sufficient supply from the oilsands to feed all the new pipeline projects.

A Canadian Association of Petroleum Producers report in June said output from the oilsands by 2020 would be about 200,000 barrels lower than the previous forecasts because of higher capital costs, labour constraints and environmental regulations.

Keystone alone will be gulping up 1.1 million barrels of oil per day come 2012, with the possibility of further expanding its capacity through pumping facilities.

One big selling point of Keystone is the fact that it's more direct route would cut down transit time by 15-20 days, leading to more attractive tolling rates.

That could save a 100,000-barrel-a-day producer shipping to the Gulf \$100 million in market capital, said FirstEnergy Capital Steven Paget.

"Producers seem to be looking for faster transit times and large batch shipments. Those shipments are not loaded and unloaded from the pipeline. They're sent straight through to the Gulf," Paget said.

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Page 2 of 2

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