# Canada looks east-west to ship oil after Keystone veto

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An aerial view of an oil sands extraction facility near the town of Fort McMurray in Alberta Province, Canada, October 23, 2009

After US President Barack Obama vetoed a bill to expedite construction of the Keystone XL pipeline Tuesday, petroleum producers are expected to turn to Canadian routes to ship oil internationally, but hurdles stand in the way of those projects as well.

Canada is the fifth largest oil producer in the world, with offshore and shale oil fields and the Alberta oil sands producing four million barrels per day.

Almost one-third of it is exported to the United States—its sole foreign energy customer at present.

"Canadian crude has traditionally displaced US imports of oil from Mexico and Venezuela," noted Charles St-Arnaud, Nomura Securities chief economist in New York.

But with US domestic oil production soaring due largely to the exploitation of North Dakota's Bakken oil fields, US demand for Canadian crude is waning.

Obama has cited environmental and climate concerns in opposing the Keystone XL project, which would move oil almost 2,000 kilometers (1,200 miles) from Alberta to refineries along the US Gulf Coast.

But economic considerations are also at play as the United States transitions from the world's largest oil importer to a net exporter.

Meanwhile, the Keystone XL pipeline has become a source of friction between Washington and Ottawa, after a century of continental energy cooperation.

Obama's veto of a congressional bill greenlighting its construction was expected. The president said he would veto the bill because it seeks to short-circuit the established administrative review process.

He has not yet said whether he would ultimately approve the project.

The review has dragged on since builder TransCanada first applied for its permits six years ago.

If Obama does not give Keystone XL a thumbs-up, it is likely that his successor would when Obama's term ends in 2017. In that case, the pipeline would be ready to enter service by 2020, St-Arnaud said.

While the pipeline's future remains in limbo, Canadian energy companies, which account for 10 percent of the nation's gross domestic product, are actively pursuing alternative routes to move oil from landlocked Alberta to Pacific and Atlantic ports for shipping overseas to new markets.

Pipes are stacked at the southern site of the Keystone XL pipeline on March 22, 2012 in Cushing, Oklahoma

## Shipping oil east, west

The proposed Northern Gateway from Edmonton, Alberta to the port town of Kitimat, British Columbia is the shortest route at 1,178 kilometers (732 miles).

Ottawa gave its nod to the project last June, marking the last major administrative hurdle for the Can$7.9 billion pipeline, with 209 conditions to mitigate environmental impacts.

Energy company Enbridge has said it should start moving 525,000 barrels of crude per day from Edmonton across rugged mountain landscapes to Kitimat in 2017.

But aboriginal tribes continue to oppose the pipeline's construction on their traditional lands, and British Columbia has yet to offer its support for the project.

Meanwhile debate has shifted to TransCanada's $10.5 billion Energy East project linking the Alberta oil sands and Saskatchewan shale oil fields to refineries and ports in eastern Canada.

The 4,600-kilometer pipeline would move 1.1 million barrels of crude oil per day.

TransCanada, however, suspended construction in December of a pipeline terminal on the Saint Lawrence River out of concern for a nearby population of threatened beluga whales.

The project was originally intended to be operational by 2018. The company is now expected to unveil a revised plan at the end of March.

While waiting for the new pipeline infrastructure to be built, producers have turned to shipping oil by rail.

According to the latest rail industry figures, the number of carloads of crude oil shipped by rail in Canada has increased from 500 in 2009 to 160,000 in 2013.

In the United States, the number rose from 10,800 to 400,000 during the same period.

A probe of the 2013 derailment that killed 47 people and flattened large swathes of the picturesque town of Lac-Megantic in Quebec, however, found substandard tank cars widely in use throughout North America.

Canada's transportation minister said last April that as many as 70,000 DOT-111 tankers would have to be retrofitted within three years or phased out if they are to be used for transporting crude oil or ethanol.