

Canada govt steps in to buy controversial pipeline

May 29 2018, by Michel Comte



A demonstrator carrying a Canadian flag protests against the expansion of Texas-based Kinder Morgan's Trans Mountain pipeline project in Burnaby, British Columbia, Canada on March 10, 2018

Canada's government stepped in Tuesday to take over a controversial

pipeline expansion project to ensure that it gets built in the face of stiff opposition from environmental activists and a regional government.

Ottawa will pay Kinder Morgan Can\$4.5 billion (US\$3.5 billion) for the Trans Mountain pipeline, which is to move 890,000 barrels of oil a day from landlocked Alberta to the Pacific coast for export overseas, Finance Minister Bill Morneau told a news conference.

The move effectively nationalizes the project in a bid to quash dozens of legal challenges and illegal protests at construction sites.

"The federal government has reached an agreement with Kinder Morgan to purchase the Trans Mountain pipeline and the infrastructure related to the project," Morneau said.

"This allows us to get rid of the political risk around (the pipeline) because we (are imposing) federal jurisdiction over the project," he said.

Kinder Morgan investors must still approve the sale, which is scheduled to close in August, but the deal will allow construction to resume immediately, the minister said.

Ottawa approved the project in 2016 after an environmental review, saying it was in the "national interest."

Currently 99 percent of Canada's oil is sold to the United States at a discount, and access to the Pacific coast is seen as key to diversifying the world's sixth largest oil producer's energy exports.

Access to new oil markets was also key to Canada meeting its Paris climate target because Alberta—the nation's singled largest pollution emitter—agreed to take action against carbon emissions if it gained access to new markets for its oil.

But British Columbia's social democratic government recently joined environmental activists' fight against the 1,150-kilometer (15-mile) pipeline, provoking a trade row with Alberta and leading Kinder Morgan to temporarily halt its construction until the dispute was resolved.

Amid the feuding, the pipeline has become a barometer for foreign investments in Canada, with some warning of a spillover into other sectors of the economy.

'Big, important project'

Morneau said the government's purchase of the project "will ensure that we're able to safely get Canadian oil resources to world markets where we can get a fair price for them."

"And, it will reassure investors that Canada is a country that respects the rule of law and gets big, important things done," he added.

A majority of Canadians support the pipeline, according to recent polls, but they are reluctant to see tax dollars used to backstop it.

Environmental protestors reacted to the announcement by vowing to press on, while business groups lauded the purchase.

Opponents of the pipeline are concerned about the risk of oil spills from tankers along Canada's pristine Pacific coast impacting fisheries and tourism.

But Morneau said the Alberta-British Columbia feud—which led Alberta to boycott British Columbia wines and threaten to cut the neighboring provinces fuel supplies—"cannot be allowed to fester."

He said it threatens Canada's reputation as a safe place to invest, puts

thousands of jobs at risk and holds back Canada's economic growth.

"We'll get that pipeline built," Trudeau told reporters as he headed into a cabinet meeting.

His Liberals face a difficult balancing act in trying to champion climate action while supporting growth in Canada's oil sector.

Until now, his government has used kid gloves to try to persuade British Columbia to abandon its opposition to the pipeline, hoping not to alienate voters in the province ahead of next year's general election. But British Columbia has refused to yield.

Under the proposed federal plan, the Trans Mountain pipeline will be placed under the stewardship of a new Crown corporation and Ottawa will divest itself of the project at a later date.

"It's not the intention of the government of Canada to be a long-term owner of the project," Morneau said, adding that pension funds and indigenous groups have already expressed an interest in buying stakes in the [project](#).

Alberta province also pledged to provide "emergency funding" for the [pipeline](#)'s construction, if needed.

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