Trans Mountain pipeline expansion no longer needed: new expert report

VANCOUVER - The assumptions underlying the federal government's $12.6 billion commitment to the Trans Mountain pipeline expansion project (TMX) no longer stand up in 2020, according to a new report from veteran earth scientist David Hughes.

Reassessment of Need for the Trans Mountain Pipeline Expansion Project, released today by the Canadian Centre for Policy Alternatives, BC Office as part of the Corporate Mapping Project, evaluates recent developments, including new production forecasts, announced expansions of existing pipelines, cost inflation, and prices in US and Asian markets. The report concludes that TMX, if completed, would be surplus to Canadian requirements and would not result in the hoped-for price premium for Canadian producers.

"The federal government's claim that TMX must be built to increase export capacity and the profitability of Canadian oil producers is simply not credible," says Hughes. "Announced expansions of existing pipelines including the Enbridge Mainline, along with completion of Enbridge's Line 3 in 2021, will create more than enough pipeline export capacity for Canadian oil producers through 2030, and through 2040 and beyond if some of Western Canada's rail capacity is used."

Contrary to claims that bringing heavy oil to tidewater for export to Asia will fetch a higher price than US markets, the report estimates that it will instead result in a *loss* of $4-$6 per barrel or more. This loss results from higher transportation costs and lower market prices due to a lack of heavy oil refining capacity in Asia compared to the US, which has more than half of the world's capacity. Most heavy oil shipped on the existing Trans Mountain pipeline from the Burnaby terminal now goes to the US West Coast.

The COVID-19 pandemic has also caused an unprecedented drop in short-term oil demand and soured the long-term outlook for oil producers. The International Energy Agency recently concluded that oil demand will peak in the coming decade and oil giant BP believes that demand already peaked in 2019.

Hughes notes the arguments for TMX look even worse in the context of Canada's commitment to net-zero emissions by 2050.

"Even with an 80 per cent emissions reduction target by 2050, the current production forecast of the Canada Energy Regulator would result in emissions of the oil and gas sector alone exceeding the 2050 target by 101 per cent. If Alberta's 100 megatonne cap on oil sands emissions is implemented, the 2050 target would be exceeded by 81 per cent," he says.

TMX will exacerbate Canada's emissions reduction problem by incentivizing additional oil production growth, Hughes says.

The $12.6 billion taxpayer dollars committed to TMX would be better spent directly on emissions reduction. As it stands Canada has no viable plan for even meeting the 2030 Paris Agreement target let alone the federal government's promise of net-zero emissions by 2050, he explains, adding that the government claim that building TMX is necessary to provide funds to reduce emissions is not credible.

"Even with existing production forecasts, the project is not needed and will not result in increased profitability for producers. Canada urgently needs a viable energy strategy to meet both the future energy security needs of Canadians and its emissions reduction commitments," says Hughes.

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