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## Case for Kinder Morgan's Trans Mountain pipeline built on faulty assumptions, including tidewater price fiction: study

As Kinder Morgan Canada turns to the stock market to finance its Trans Mountain Pipeline Expansion (TMEP), a new report by veteran earth scientist David Hughes finds that Alberta oil sold on international markets would likely command a lower price than if sold in North America.

Both the federal and Alberta governments and the oil industry argue that a pipeline to tidewater will unlock new markets (Asia in the case of TMEP) where Canadian oil can command a better price than in the US, where the majority of Canadian oil is currently exported.

"My research shows that Canada's oil is not being unfairly discounted by the US," says Hughes. "Oil prices internationally and in North America are now nearly identical. That means Canadian crude producers are likely to receive lower prices overseas than in the US because of the higher transportation costs involved in transporting bitumen by pipeline to BC's coast and then exporting it by tanker. A 'tidewater premium' does not exist."

*Will the Trans Mountain Pipeline and Tidewater Access Boost Prices and Save Canada's Oil Industry?*, published today by the Canadian Centre for Policy Alternatives (CCPA) and Parkland Institute through the Corporate Mapping Project, finds several other assumptions that led to the pipeline's approval are also questionable while others are no longer valid. These include:

- Overly optimistic projections of future oil supply, which are much higher than the latest National Energy Board (NEB) projections and did not consider the Alberta government's cap on oil sands emissions. Considering both the most-recent NEB projections and the Alberta emissions cap, Kinder Morgan overestimated oil supply by 43 per cent in 2038.
- Kinder Morgan's expectation that no other export pipelines would be built. The federal government has now approved Enbridge's Line 3 project and US President Trump has approved TransCanada's Keystone XL pipeline. If these projects are built, which seems likely, there will be a 13 per cent surplus of export pipeline capacity without the TMEP.

The report comes as Kinder Morgan aims to raise $1.75 billion through an initial public offering (IPO).

"Given the incorrect assumptions used by the NEB in approving the Trans Mountain pipeline it is surprising that the federal government approved it," Hughes said. "The pipeline isn't needed given recently approved pipelines, it will not mean a higher price for oil, and increased tanker traffic would place unnecessary risks on BC's Lower Mainland and sensitive marine environments. The new BC government would be wise to withdraw the Province's approval for this project."

The report also points out that increasing oil and gas production while at the same time trying to reduce carbon emissions are conflicting priorities.

“Canada has no energy strategy beyond liquidating its remaining resources as fast as possible. What we really need is a comprehensive energy strategy that addresses both the future energy security of Canadians and Canada’s commitments on climate change,” Hughes said.

The report *Will the Trans Mountain Pipeline and Tidewater Access Boost Prices and Save Canada’s Oil Industry?* is available for download at www.parklandinstitute.ca and policyalternatives.ca.

*This report was undertaken as part of the Corporate Mapping Project (CMP). The CMP is a six-year research and public engagement initiative jointly led by the University of Victoria, the Canadian Centre for Policy Alternatives BC and Saskatchewan Offices, and Parkland Institute. This research was supported by the Social Sciences and Humanities Research Council of Canada (SSHRC).*

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