Oil-by-rail shift squeezing plans for new pipelines — including Keystone

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Pipelines a hard sell in Quebec's post-Lac Mégantic world

MONTREAL • When Alberta Premier Alison Redford touted TransCanada Corp.'s proposed west-to-east pipeline project this month as "nation-building," Pauline Marois probably cringed.

Quebec's Parti Québécois Premier has no interest in building anything resembling a stronger Canada. Her entire political raison-d'être is to take the French-speaking province out of the country and forge its own independence.

In recent months, the popularity of moving crude on tracks has sapped commercial support for new pipelines from oil fields in West Texas to North Dakota's Bakken. Now it's raising questions about the importance of Keystone XL, TransCanada Corp.'s controversial project designed to connect Alberta's booming oil sands to refineries on the U.S. Gulf Coast.

Calgary investment bank Peters & Co. Ltd. this week said the pipeline, although still a "very important" link to the world's largest refining complex, is becoming less critical over time, amid an expected boom in rail export capacity and as other pipeline projects materialize.

The assessment reflects moves by companies such as Gibson Energy Inc., Keyera Corp. and others, which have committed a combined $1-billion this year and next to build rail terminal infrastructure in Western Canada. Another $4-billion to $5-billion is earmarked for new railcars that are on back order, Peters said in the report.

For producers, rail is now "a viable, real option," said Skip York, vice-president, downstream consulting at Wood Mackenzie in Houston. "Five years ago the alternative was pipe or leave it in the ground."