

Railways argue against pipeline

CN, CP say they can move oil to coast without the risk, controversy

BY SHAUN POLCZER, CALGARY HERALD; POSTMEDIA NEWS NOVEMBER 30, 2010

One of Canada's oldest industries could tap new markets in Asia without the need for an expensive or controversial pipeline to the West Coast, executives from both of the country's major railways said Monday.

Speaking at an oilsands conference in Calgary, James Cairns, a vice-president with the Canadian National Railway, said the company could ship as much oil by rail as a conventional pipeline to deepwater ports at Kitimat and Prince Rupert without many of the regulatory issues faced by Enbridge Inc. and its proposed Northern Gateway pipeline.

"Our infrastructure is already there. We're not going to be the one to build tankage or vessel berths or anything like that in (Prince) Rupert.

"Certainly if there's a connection to be made between producers and if there are buyers in Asia that want to buy it, the rail network is there -- we're ready to go now."

Likewise, Stephen Whitney, the Canadian Pacific Railway's vice-president of marketing said Vancouver could be a viable export point for Canadian oilsands crude.

"The rail network is there, it reaches key markets and we have the proven expertise," he said. "Rail can play a key role here."

Oilsands producers have been struggling to diversify beyond the United States, which buys virtually all of Canadian oil and gas exports.

But the proposed Northern Gateway pipeline has been plagued by protests from West Coast environmentalists and aboriginal groups opposed to tanker traffic off the West Coast.

Confidence in pipelines was further rattled last summer after a series of leaks on Enbridge's Lakehead system shut-in more than 600,000 barrels a day for more than six weeks while the incidents were investigated by U.S. authorities.

Even after it was restarted, the pipeline continues to operate at reduced pressures, resulting in apportionment and lower export volumes into key U.S. markets. Oil companies and even the Alberta government say the leaks cost tens of millions of dollars in lost revenues.

Market analysts have said the Enbridge spills also distorted markets by widening differentials or quality discounts between light and heavy crudes that led to lower selling prices for Canadian oil. Revenues and royalty payments to the provincial treasury fell as a result.

The CPR's Whitney says rail cars are more flexible with more options for transporting oil virtually anywhere in North America and have sufficient capacity to keep up with expanding oilsands production.

Rail spills tend to be smaller and tanker cars can be easily rerouted in the event of an accident so deliveries can continue unabated without disruption. "Continuity of service is the key," he added.

In addition, the railways own thousands of kilometres of rights of way that are already permitted for construction of new lines where none presently exist.

CN's Cairns agreed that interest in rail transport spiked after the Enbridge leaks in Michigan and Illinois this summer. He said the perception that oil can only be moved by pipe is one of the biggest challenges his company faces in gaining new deals. The Enbridge leaks provided "a good opportunity to test the concept and prove to folks that rail can be that bridging mechanism."

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