OP-ED: REVISED ENERGY EAST APPLICATION HOLDS SURPRISES

The recent debates over the refusal of 82 mayors of the Greater Montreal area has certainly monopolized a lot of attention. However, TransCanada's long-awaited overhaul of its massive 1.1 million barrel per day Energy East pipeline project to the National Energy Board only days after the end of the Paris climate change conference, did not attract nearly as much attention. And yet it contains some surprising revelations...

First, TransCanada mentions in black and white that a port in Québec is still being considered.

It's no error. TransCanada mentions it twice[i] in the revised project application: it is still talking with shippers about the "continued evaluation of the viability of a Québec marine terminal project that could be pursued by Energy East as a subsequent project…". So much for pipelines being a solution for more oil being transported by ships!

More ships along the Saint Lawrence?

Also hiding in the voluminous texts of the revised application is the mention that Energy East crude could be loaded onto tankers at more than one port location (called "marine terminals"). An updated market study buried in the revised application states: "Crude transported by Energy East can be loaded into tankers at a terminal in Quebec or Saint John."[ii]

Perhaps this is simply an error – though it seems safe to presume that the revised application would be drafted with great care given its place in the spotlight. But even if erroneous, the statement begs a huge question: even if the official Energy East plans mention only one port, does that necessarily mean that crude tankers will leave from only one location?

What about shipments leaving from tanker loading facilities that exist already, like the Port of Montréal and Sorel-Tracy? We need to know the answers to these questions and we believe they are worth asking since crude oil shipments already leave from Montréal. Tankers longer than the highest building in Montréal have begun to carry Line 9 crude from Montréal to Lévis.

Energy East displacing U.S. crude, not Saudis

Some of the details hiding in the revised application don't deal solely with Québec but rather go straight to the heart of the project's *raison d'être*. For example, the key market study[iii] in the December refiling mentions that Western Canadian crude will displace mainly crude oil imports from the U.S. rather than those from places like the Middle East and Venezuela. That's right: in 2015, crude imports to Québec were mainly from the U.S. (nearly 60%, up from 53% in 2014), specifically, crude produced in Texas. By the way, Quebec hasn't received crude from Saudi Arabia since 2006.

Sure, some may want those U.S. imports replaced, but the fact is that refiners don't base supply decisions on a crude's country of origin. It's all about price, price, suitability of the crude for the refinery and keeping supply options open. The current situation on the U.S. East Coast is a case in point: currently some refiners there are opting for North Sea or West African crude over plentiful U.S. crude because….well, it's cheaper.[iv]

In TransCanada's revised application, "the devil", as the saying goes "is in the details."

Shelley Kath,Senior Advisor, Smart Shift

Steven Guilbeault, Senior Director, Équiterre

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[i] Energy East Application Amendment, introductory letter by TransCanada dated December 16, 2015, Volume 1, Overview, Justification and Commercial, p. vii, TransCanada, December 2015, https://docs.neb-one.gc.ca/ll-eng/llisapi.dll/fetch/2000/90464/90552/2432218/2540913/2543426/2887424/A74779-4_Vol_1_Sec_00_Energy_East_Application_-_A4W7H4.pdf?nodeid=2888005&vernum=-2; Energy East Application Amendment, Volume 1: Application Amendment, Overview, Justification and Commercial, Section 7, Commercial, p. 7-5, TransCanada, December 2015, https://docs.neb-one.gc.ca/ll-eng/llisapi.dll/fetch/2000/90464/90552/2432218/2540913/2543426/2887424/A74779-14_Vol_1_Sec_07_Oil__Commercial_-_A4W7I4.pdf?nodeid=2887220&vernum=1

[ii] Energy East Application Amendment, Appendix Vol. 1-14, IHS Report, Supply and Market Study for the Energy East Project (September 2015), p. 40, https://docs.neb-one.gc.ca/ll-eng/llisapi.dll/fetch/2000/90464/90552/2432218/2540913/2543426/2887424/A74779-15_Vol_1_Amend_Appendix_Vol_1-13_to_1-16_-_A4W7I5.pdf?nodeid=2887540&vernum=-2.

[iii] Energy East Application Amendment, Appendix Vol. 1-14, IHS Report, Supply and Market Study for the Energy East Project (September 2015), pp 27-28, https://docs.neb-one.gc.ca/ll-eng/llisapi.dll/fetch/2000/90464/90552/2432218/2540913/2543426/2887424/A74779-15_Vol_1_Amend_Appendix_Vol_1-13_to_1-16_-_A4W7I5.pdf?nodeid=2887540&vernum=-2; See also Vol. 1, Section 7 Commercial, p. 7-28, https://docs.neb-one.gc.ca/ll-eng/llisapi.dll/fetch/2000/90464/90552/2432218/2540913/2543426/2887424/A74779-14_Vol_1_Sec_07_Oil__Commercial_-_A4W7I4.pdf?nodeid=2887220&vernum=-2.

[iv] Marianna Parraga & Liz Hampton, "U.S. Light Oil Imports, Shunned for Shale, Resurge to Highest in Years," Reuters, January 15, 2016, http://www.downstreamtoday.com/News/ArticlePrint.aspx?aid=50669.