

Keystone XL: Will It Proceed or Not?

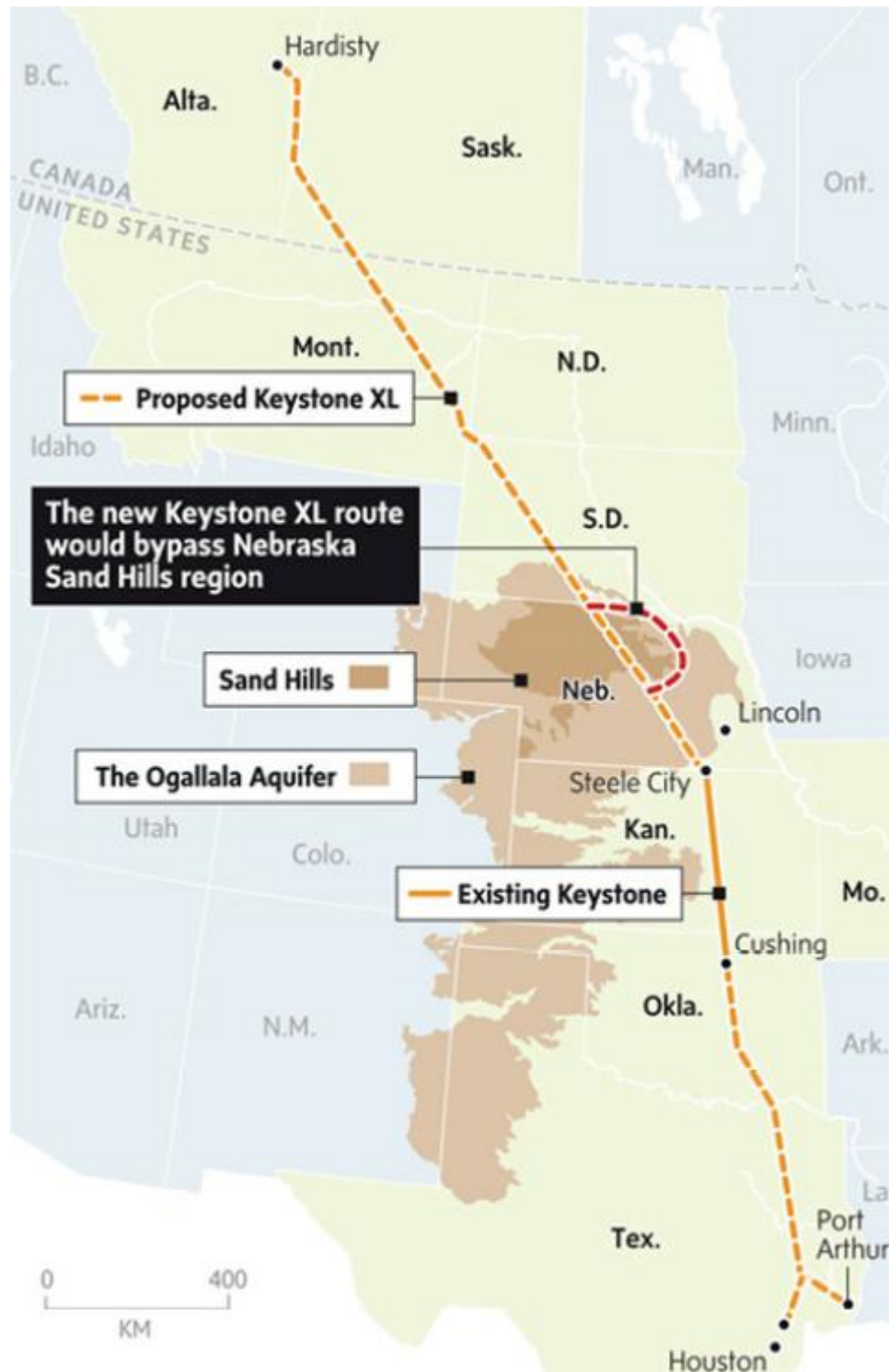
There has been much conjecture about whether the U.S. State Department will approve TransCanada's proposed Keystone XL pipeline. The issue is quite a political one, as Obama is torn between environmentalists (who are big supporters of his party) that oppose the pipeline, and the "business lobby" (which includes TransCanada) that sees the benefit of up to 20,000 jobs created and a \$7 billion boost to the U.S. economy.

The latest twist in this debate is the compromise struck in the payroll tax bill that just passed the U.S. Senate. This bill extended an existing payroll tax cut, but also requires Obama to make a decision on Keystone XL in 60 days. Some believe that the short timeframe would force the U.S. to deny the pipeline due to insufficient time to study the issue, while others believe Obama will capitulate and approve it.

The share price of TransCanada remains buoyant, and most analysts believe approval could add a few dollars to the stock price. But denial of the permit (or a long delay) could have the opposite effect, which is why we are on the sidelines for now.

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Our research department has a detailed report available on Keystone XL, which we would be happy to send to you.

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