

# [***-Fitch: Trump Order Verifies Pipeline Infrastructure Support***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5MRB-3XK1-F0K1-N1TT-00000-00&context=1516831)

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**Body**

Fitch: Trump Order Verifies Pipeline Infrastructure Support.

The executive order to move forward with approvals for two large crude pipelines support Fitch's previously stated expectation that the new administration's regulatory ***environment*** will be more favorable for pipeline operators.

However, some hurdles remain.

On Tuesday, the president signed the action advancing completion of the Keystone XL and Dakota Access oil pipelines. From a credit perspective, this is favorable for the pipeline operators. It significantly benefits two of Dakota Access's pipeline owners: Energy Transfer Partners, L.P. and Sunoco Logistics L.P. The delay of construction stalled the sale of partial stakes they each own in the pipeline. Separately, TransCanada Corp. will benefit from having Keystone XL added to its inventory of growth projects. Having Keystone XL in service would provide TransCanada with long-term fee-based revenues and generate steady cash flows.

Trump also signed executive orders to expedite the environmental review process for infrastructure projects. Fitch believes the executive orders demonstrate the current administration's strong intention to smooth out Federal hurdles for energy infrastructure projects and to promote domestic energy production. This should help move larger scale energy infrastructure projects forward, at least with regard to Federal regulation and support, and assist in alleviating industry concerns around the potential cost impact from regulatory delays.

Plans for Keystone XL were put aside by its operator, TransCanada, following several years of delays and the prior administration's rejection in November 2015. Under the new executive order, TransCanada has been asked to once again apply for approvals and is preparing its application.

While the order is a positive factor for midstream energy and pipeline issuers, there remain downsides and uncertainties worth watching. For example, Keystone XL will still need state approval from Nebraska and both approvals may face court challenges. Trump has stated that he is seeking to renegotiate terms for the pipelines but the manner of that negotiation remains unknown, other than his request that the pipelines be built with US sourced steel.

Vocal public opposition to energy infrastructure and pipeline projects remains, particularly for projects focused on more highly populated regions like the Northeastern United States or running near or through sovereign Native American lands. Increased state regulatory risks remain a focus for Fitch and can create impediments to projects advancing. In the case of Dakota Access, further delays stemming from public or legal protests could derail the planned sale of an interest in the pipeline, which could have negative credit implications for the pipelines sponsors Energy Transfer Partners, L.P. and Sunoco Logistics Partners L.P., although Fitch views this potential as remote.

Keystone XL is a proposed 1,179 mile pipeline that TransCanada previously estimated to cost approximately $ 8 billion, although Fitch believes that number will be revised higher once costs are updated. The proposed pipeline will move 800,000 barrels of heavy Canadian crude per day. The pipeline would originate in Alberta, Canada and move crude south to Nebraska. From Nebraska, it would connect to the existing Keystone pipeline, which moves crude east to Illinois, south to Cushing, Oklahoma, and further south to the Gulf Coast.

Construction on the $ 3.7 billion Dakota Access project had been on hold since December 2016, when the prior administration said it would not provide an easement to cross a river in North Dakota at Lake Oahe. The pipeline project was nearly complete when construction was halted. The Dakota Access pipeline is a 1,172 mile system originating in the Bakken in North Dakota that moves 470,000 barrels of crude per day to Illinois. With the new executive orders in place, the Army Corps of Engineers are expected to expedite the review and approval for permitting.

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