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Montana Spill Clouds Pipeline Plan

By JEFFREY BALL in Dallas and EDWARD WELSCH in Calgary, Alberta

The fallout from a ruptured oil pipeline in the Yellowstone River this month is spilling into a larger debate over whether the U.S. should allow the expansion of a pipeline that would carry more crude from Canada's oil sands to American refineries.

The July 1 accident at Exxon Mobil Corp.'s Silvertip pipeline has been taken up by environmentalists and other opponents of TransCanada Corp.'s planned expansion of its Keystone XL pipeline, which is not related to the Exxon pipeline. The U.S. State Department, which must approve the expansion, has said it would make a decision by year's end.

Two weeks ago, protesters occupied the office of Montana Gov. Brian Schweitzer, a Democrat, arguing he should now drop his support for the Keystone XL project, which would also cross under the Yellowstone.

If the Montana spill "negatively dominates" public sentiment, "we become concerned about potential negative ramifications" for Keystone approval, analysts at Baird Equity Research wrote in a research note.

TransCanada has said Keystone XL would be safer than the 20-year-old Silvertip pipeline, because it would be buried deeper underground and have especially thick walls. Exxon has said it is cooperating with the federal investigation into the pipeline rupture, which dumped an estimated 1,000 barrels of oil into the Yellowstone.

A TransCanada spokesman noted that the company, after discussions with U.S. officials, has agreed to add more shutoff valves and inspections at the proposed pipeline "to provide even greater confidence" in its safety.

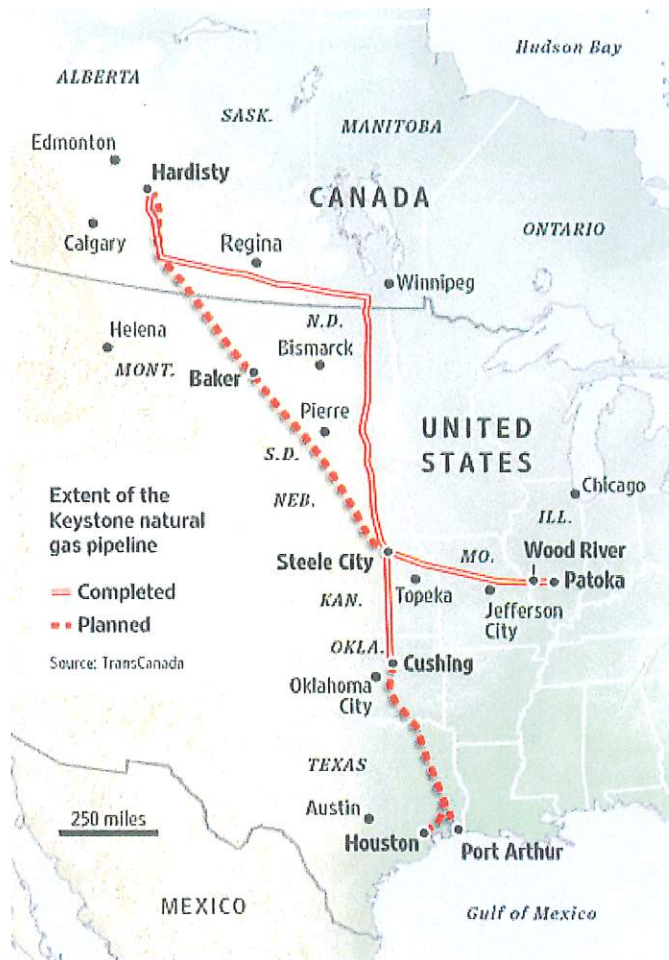
The TransCanada project would almost double the pipeline system's capacity and extend its reach from Cushing, Okla., to Gulf Coast refineries. Proponents in the industry and Washington say it would bolster America's energy security. Environmentalists and some Democratic lawmakers say it would only heighten U.S. dependence on hydrocarbons.

Other recent, high-profile pipeline spills across North America have provided ammunition for those campaigning against the Keystone expansion. A pipeline operated by Enbridge Energy Partners LP spilled 20,000 barrels of oil last July in Michigan. In late April, the Rainbow pipeline system, operated by Plains All American Pipeline LP, dumped 28,000 barrels of crude in Canada's western province of Alberta, making it the largest pipeline oil spill in Canada in 36 years.

TransCanada's existing Keystone line, which started pumping Canadian oil to the U.S. last summer, has also been plagued by a spate of small spills. The company said those were the results of start-up problems that have since been resolved.

The Montana spill should be "the straw that breaks the donkey's back" on Keystone, said Susan Casey-Lefkowitz, director of international programs for the Natural Resources Defense Council, an environmental group.

Shortly after the Exxon spill, TransCanada spokesman Terry Cunha sent out a memo to colleagues, detailing press inquiries about the Montana spill and outlining positive talking points about Keystone. Mr. Cunha said the memo reflected the company's efforts to defend its pipeline in the wake of the Yellowstone spill.



The State Department has said the Yellowstone spill wouldn't influence its decision. "Pipeline safety is something we should all pay attention to," said Dan Clune, the principal deputy assistant secretary of state involved in the Keystone review. The Exxon spill "doesn't make us more concerned about the issue, because it is something we have paid very close attention to from the start."

On July 15, seven Democratic senators sent a letter to Secretary of State Hillary Clinton raising concerns about the proposed Keystone XL pipeline. "One need look no further than the ongoing impacts on the Yellowstone River in Montana from a leak in Exxon Mobil's Silvertip pipeline to recognize that such risks are very real," said the letter from Sens. Sheldon Whitehouse (D., R.I.), Barbara Boxer (D., Calif.), Frank Lautenberg (D., N.J.), Benjamin Cardin (D., Md.), Patrick Leahy (D., Vt.), Ron Wyden (D., Ore.) and Robert Menendez (D., N.J.).

TransCanada said that an array of other U.S. officials, including mayors and members of Congress, have expressed support for the Keystone XL.

Write to Jeffrey Ball at jeffrey.ball@wsj.com

and Edward Welsch at edward.welsch@dowjones.com