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News / Business

Trans Mountain expansion running over budget by billions of dollars and months behind schedule

The expansion project has been years in the making and is now forecast to cost more than \$17 billion and likely won't be done until sometime in 2023

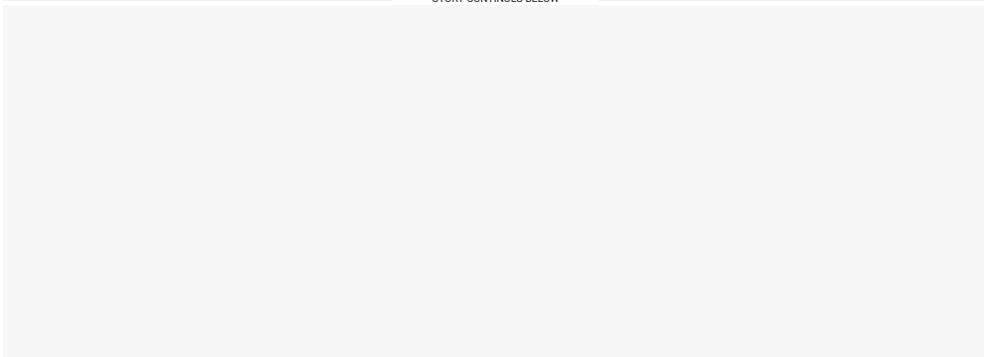
Chris Varcoe, Postmedia News
Feb 03, 2022 · 22 hours ago · 5 minute read · 35 Comments



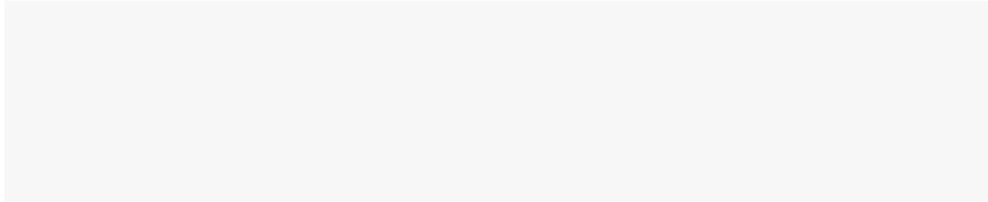
A pipe yard servicing government-owned oil pipeline operator Trans Mountain is seen in Kamloops JENNIFER GAUTHIER

CALGARY — After facing interruptions caused by volatile weather and the pandemic, the Trans Mountain expansion is expected to run over budget by several billion dollars — and the federally owned pipeline project won't be completed this year as planned.

STORY CONTINUES BELOW



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Work to expand the oil pipeline is now forecast to cost more than \$17 billion and likely won't be done until sometime in 2023, sources say.



Ottawa purchased the pipeline almost four years ago from Kinder Morgan Canada for \$4.4 billion after it appeared the private owners were set to walk away from the expansion as it faced a series of hurdles to be built by late 2020.

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At the time, the project's price tag was pegged at \$7.4 billion, but soon moved higher. It climbed to \$12.6 billion in early 2020 and is headed up again.

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"At the end of the day, it all needs to be approved by the government before it's a real number, so who knows how it might tweak around," said one person with knowledge of the increase.

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"It's more a combination of things over the past two years."

Officials with the federal government and Trans Mountain Corp. declined to comment.

"At this time, we have no update to the cost or overall schedule of the project," said a statement from the Crown corporation responsible for the development.

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The long-awaited expansion of the pipeline, which moves oil and refined products from the Edmonton area to a terminal at Burnaby, B.C., is being closely watched by the Canadian oil industry.

Once built, the Trans Mountain Expansion (TMX) project will nearly triple the capacity of the 1,150-kilometre pipeline, shipping 890,000 barrels per day to the Pacific Coast for export.

Former TransCanada Corp. CEO Hal Kvisle said the budget is rising due to construction delays, regulatory obstacles, supply chain issues and difficulties working in tough terrain.

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Higher capital costs will likely lead to increased tolls for producers to ship oil through the line, said Kvisle, who is also a board member of ARC Resources and Cenovus Energy.

“There have been many work stoppages and this is a major driver of cost overruns,” he said.

“I don’t know that the costs will exceed \$20 billion, but it will be heading up towards that. And most people now are thinking it will be done by the end of 2023, or maybe a little bit into 2024.”

Tamarack Valley Energy CEO Brian Schmidt said the sector isn’t surprised by the timeline or costs, given the inflationary pressures facing major infrastructure developments.

“If it were delayed a bit, it would cause a little bit of pain, but not a lot,” Schmidt said.

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“Whenever you have a delay, you know the costs are going up, too.”

Trans Mountain Corp. last updated the project’s price tag in February 2020, bumping it to \$12.6 billion, but much has changed since, including routing work being finalized, the pandemic, extreme weather in B.C. and rising inflation.

The existing Trans Mountain pipeline shut down in November for three weeks after heavy rainfall and flooding in British Columbia. Expansion work in the Fraser Valley, Coquihalla and interior regions of B.C. was also affected.

In the fourth quarter of 2020, project-wide construction was voluntarily suspended for about two months after several safety incidents.

On Tuesday, the company issued a news release, noting pipeline construction in the Edmonton area has wrapped up. Total project construction was more than 45 per cent complete as of last month.

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Analyst Phil Skolnick with Eight Capital said petroleum producers are also seeing their costs increase by about 10 per cent, rising to 20

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