

Trans Mountain IPO comes at bad time for Kinder Morgan

Globe and Mail 20 May 2017

IAN BICKIS CALGARY

Kinder Morgan Inc.'s plan to raise money for its Trans Mountain expansion through an initial public offering could not come at a more awkward time.

In addition to ongoing protests and federal court challenges, a vote recount in B.C. could tilt the balance of power, giving the Greens or NDP a chance to bog down the \$7.4-billion project. The recount begins Monday.

Alberta's securities regulator is also reviewing Kinder Morgan's regulatory filings upon a request from Greenpeace, who said it believes the documents overestimate growth in Asian oil demand and don't go far enough in disclosing climate-change-related risks.

The energy giant faces a big hurdle in its goal of raising \$1.75-billion in what would be one of the biggest IPOs ever on the Toronto Stock Exchange. It is expecting to complete the offering in the last week of this month.

Goldman Sachs analyst Theodore Durbin said in a note the IPO move was a "surprise," since Kinder Morgan management had previously said a joint venture would be preferred.

Adam Scott, a senior campaigner with environmental group Oil Change International, said he took it as a sign that the company was struggling to raise funds when it scrapped plans for a joint venture.

"There's still substantial legal risk to the project," Mr. Scott said. "There's also reputational risk. I think that may be why there's no equity firms willing to step up

and take a chunk."

Kinder Morgan didn't respond to a request for comment on financing issues, but said it was moving ahead with all aspects of planning for the project. In filings it said the IPO was the "superior path" over the joint venture.

Terry Marshall, senior vice-president of corporate finance at Moody's Investors Services, said there are advantages for Kinder Morgan with the IPO, including maintaining greater control of the project and the profits that would come from it, as well as likely securing a better valuation.

"It's economically a very attractive project," Mr. Marshall said. "It's just getting it built in this environment is challenging."

The Treaty Alliance Against Tar Sands Expansion launched a divestment campaign earlier this month against 17 banks that fund oil sands pipelines. Those banks include CIBC, BMO, Scotiabank, TD Bank and RBC.

Still, Jeffrey Harris, founder of venture capital firm Global Reserve Group, said the potential project risks could change the financial picture for some investors.

"They change their expected rate of return, and because of that, some projects that may have gotten funding may not get funding because people see it as a little more risky," Mr. Harris said.

Kinder Morgan still has yet to render a final investment decision on the project, which would triple the capacity of an existing pipeline from Edmonton to Burnaby, B.C.

.....
The Canadian Press