

Warren Buffett Bought Stake in Pipeline Company on Same Day as North Dakota Oil Train Explosion

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Global Research, January 03, 2014
desmogblog.com

Region: [USA](#)

Theme: [Environment](#), [Global Economy](#), [Oil and Energy](#)

On December 30, the same day a [Burlington Northern Sante Fe \(BNSF\) oil train derailed and exploded](#) in Casselton, North Dakota, [Warren Buffett](#) — owner of holding company giant [Berkshire Hathaway](#), which owns BNSF — [bought a major stake](#) in pipeline logistics company [Phillips Specialty Products Inc.](#)

Owned by [Phillips 66](#), a subsidiary of [ConocoPhillips](#), Phillips Specialty Products' claim to fame is lubricating oil's movement through pipelines, [increasingly crucial for the industry](#) to move both [tar sands](#) crude and oil obtained via [hydraulic fracturing \("fracking"\)](#) in an efficient manner.

"Phillips Specialty Products Inc...is the global leader in the science of drag reduction and specializes in maximizing the flow potential of pipelines," [explains its website](#).

[Buffett — the second richest man in the world](#) — sees the flow lubricant business as a lucrative niche one, increasingly so given the explosion of North American tar sands pipelines and fracked oil pipelines.

"I have long been impressed by the strength of the Phillips 66 business portfolio," [he said of the deal in a press release](#). "The flow improver business is a high-quality business with consistently strong financial performance, and it will fit well within Berkshire Hathaway."

Already [owning 27 million shares of Phillips 66](#), the marriage between Berkshire and Phillips 66 was a natural one. Corporate law firm giant [Bracewell & Giuliani provided Phillips 66 legal representation](#) for the deal.

Buffett Cashing in on All Facets of Big Oil

Few understand the increasing importance of freight rail transportation of oil better than Buffett. But he also understands it's not an either-or choice: pipelines also are key for moving oil to targeted markets.



Warren Buffett and President Barack Obama; Photo Credit: [Wikimedia Commons](#)

In the rail sphere alone, BNSF [moves over 1 million barrels per day](#) of Bakken crude to market, with *The Dallas Morning News* declaring in June 2013 that "[without BNSF, the great North Dakota oil boom wouldn't be as big.](#)"

On top of Phillips Specialty Products and BNSF, [Buffett also bought a \\$3 billion stake in ExxonMobil](#) in November 2013. This came just a few months after he [purchased over half-a-billion dollar stake in Suncor](#).

Far from “either-or,” for Buffett then, it’s a game of investing in “all of the above” of Big Oil’s assets.

“Dodged a Bullet”

In the aftermath of the BNSF’s massive freight train explosion in Casselton, Mayor Ed McConnell told the press the city with 2,329 citizens was lucky to have “[dodged a bullet](#),” with no fatalities from the disaster.

“There have been numerous derailments in this area,” [he told The Associated Press](#). “It’s almost gotten to the point that it looks like not if we’re going to have an accident, it’s when. We dodged a bullet by having it out of town, but this is too close for comfort.”

In July 2013, another “bullet” came in the form of a freight train carrying oil obtained via fracking in North Dakota’s [Bakken Shale](#). That one exploded in the town of Lac-Mégantic, Quebec, [killing 47 people](#).



Lac-Mégantic explosion aftermath; Photo Credit: [Wikimedia Commons](#)

[Dubbed “bomb trains” by many train crews](#) due to their [volatility and containment of volatile organic compounds \(VOCs\)](#), the [smoking gun in Casselton was the mushroom cloud](#) ascending after the BNSF train exploded.

With the freight rail industry carrying unprecedented levels of oil to market and rail car explosions happening with greater frequency — led in the forefront by BNSF — it’s an industry with many serious safety questions to answer as we turn the page to 2014.

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