

**KEYSTONE'S RED TAPE ANNIVERSARY: FIVE
YEARS OF BUREAUCRATIC DELAY AND
ECONOMIC BENEFITS DENIED**

HEARING
BEFORE THE
SUBCOMMITTEE ON COMMERCE, MANUFACTURING,
AND TRADE
OF THE
COMMITTEE ON ENERGY AND
COMMERCE
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRTEENTH CONGRESS
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THURSDAY, SEPTEMBER 19, 2013

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMMERCE, MANUFACTURING, AND
TRADE,
COMMITTEE ON ENERGY AND COMMERCE,
Washington, DC.

The subcommittee met, pursuant to call, at 10:15 a.m., in room 2322 of the Rayburn House Office Building, Hon. Lee Terry (chairman of the subcommittee) presiding.

Members present: Representatives Terry, Lance, Harper, Guthrie, Olson, Kinzinger, Bilirakis, Johnson, Long, Barton, Upton (ex officio), Schakowsky, Sarbanes, McNerney, Matheson, Barrow, Christensen, and Waxman (ex officio).

Staff present: Charlotte Baker, Press Secretary; Sean Bonyun, Communications Director; Kirby Howard, Legislative Clerk; Nick Magallanes, Policy Coordinator, CMT; Brian McCullough, Senior Professional Staff Member, CMT; Gib Mullan, Chief Counsel, CMT; Andrew Powaleny, Deputy Press Secretary; Shannon Weinberg Taylor, Counsel, CMT; Michele Ash, Democratic Chief Counsel; Will Wallace, Democratic Professional Staff Member; and Alexandra Teitz, Democratic Senior Counsel, Environment and Energy.

Mr. TERRY. All right. We are going to go ahead and start our hearing on the 5th anniversary of the filing of the permit for the Keystone XL pipeline. By way of explanation, Ms. Schakowsky is at the Intelligence hearing. I guess there are some issues that they are dealing with on that committee. Will she be able to make it later, we don't know. We will see.

But Mr. Sarbanes is taking her place as the ranking member of the Subcommittee for the day. So, welcome. And he said he had a nice commute from Baltimore. That is nice. I had a nice commute from my office.

So I will start with the opening, my opening statement, so go ahead and start the clock.

**OPENING STATEMENT OF HON. LEE TERRY, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEBRASKA**

Mr. TERRY. Thank you all for being here today as we mark the 5th year of the jobs and economic benefits that have been denied by this Administration's refusal to approve the Keystone XL pipeline.

Today marks number 1,826, exactly 5 years to the day since the original permits were filed to build the Keystone XL pipeline. To put this delay in perspective, it took our Greatest Generation just over 1,300 days to fight and win World War II. It took Lewis and Clark just over 1,100 days to completely walk the Louisiana Purchase and back. It took just over 1,400 days to build the Golden Gate Bridge.

Now, according to President Obama's own State Department's analysis, the Keystone XL pipeline will create over 42,000 jobs.

With us today we have Ron Kaminski, who is my constituent and also a respected labor leader in Omaha, and he will tell us that it is indisputable that this project creates jobs.

We will hear from those along the route. Dennis Houston, President and CEO of the Norfolk Chamber of Commerce, will testify to the benefits of building the Keystone XL pipeline that has on the local economy. During the construction of the first Keystone pipeline, the project became the third-largest employer in Norfolk area.

But these jobs Keystone creates aren't just in Nebraska. Mr. Delie, President of Welspun Tubular, who has contracted with TransCanada to actually make the pipe for the Keystone XL pipeline, will testify that this project so far has created around 600 jobs in 1 ½ years in the Arkansas area. I believe the operative words here are "so far," because there is still the northern route of the Keystone XL to be approved and built. His company has already made an economic impact of \$108 million.

How much more of an economic impact could building the Keystone XL pipeline have, and how many more jobs could be created by approving this critical infrastructure project? Without construction of the northern route, these benefits to our nation of builders are denied. The uncertainty and political gamesmanship from this Administration is weakening our trade relationship with Canada, who also happens to be our country's number one trading partner. In our trade relationship with Canada, 90 cents of every dollar used to purchase Canadian goods and services, including oil, are returned to our economy by Canadians buying American goods and services.

The Keystone pipeline is not only in our economic interest; it is plainly in our national security interest. We have seen in the last 2 weeks just how much instability in the Middle East affects the price at the pump. With our oil and natural gas here in North America, we now have the option to become energy independent. Why wouldn't we want to have our energy come from middle America rather than the Middle East?

These opportunities are game-changers and there is no reason why we should continue to deny these economic benefits. During the last 5 years that this Administration has denied building the Keystone XL pipeline, it has acted on other critical infrastructure projects. One of those critical infrastructure projects includes the southern leg of the Keystone XL pipeline. Construction is near completion on the southern portion of the project. While President Obama has had nothing to do with approving this portion of Keystone XL, he took credit for it; even posed for pictures.

And the Administration has approved another vital cross-border pipeline with Canada, the Alberta Clipper. In approving the Al-

berta Clipper pipeline, which coincidentally is sourced from the same oil sands as the Keystone would be, the State Department said: “The Department found that the addition of crude oil pipeline capacity between Canada and the United States will advance a number of strategic interests of the United States. These include increasing the diversity of available supplies among the United States’ worldwide crude oil sources in a time of considerable political tensions in other major oil producing countries and regions; shortening the transportation pathway for crude oil supplies; and increasing crude oil supplies from a major non-OPEC provider. Canada is a stable and reliable ally and trading partner of the United States in which we have free trade agreements, which augmented in the security of the energy supply.”

The State Department went on to say of the Alberta Clipper: “Approval of the permit sends a positive economic signal in a difficult economic period about the future reliability of a portion of United States energy imports, and in the immediate term. This shovel-ready project will provide construction jobs for workers in the United States.”

With logic like this, I don’t know why it is not time to build the Keystone XL pipeline. With the stroke of a pen, the State Department can deem this project in the national interest and the President could approve. I am encouraging him to do so as he did already with the Alberta Clipper for the same reasons as the State Department outlined.

And that concludes my opening statement and at this time yield to the acting ranking member, Mr. Sarbanes.

[The prepared statement of Mr. Terry follows:]

PREPARED STATEMENT OF HON. LEE TERRY

Thank you for being here today as we mark 5 years of jobs and economic benefits that have been denied by this administration’s refusal to approve the Keystone XL pipeline.

Today marks day number 1,826—5 years to the day since the original permits were filed to build the Keystone XL pipeline. To put this delay into perspective, it took our greatest generation just over 1,300 days to fight and win World War II. It took Lewis and Clark just over 1,100 days to walk the Louisiana Purchase and back, and it took just over 1,400 days to build the Golden Gate Bridge.

Now, according to President Obama’s own State Department analysis, the Keystone XL pipeline will create over 42,000 jobs.

With us today we have Ron Kaminski, who is my constituent and also a respected labor leader in Omaha. Ron will tell us that it is indisputable that this project will create jobs. We’ll also hear from those along the route. Dennis Houston, President and CEO of the Norfolk Area Chamber of Commerce, will testify to the benefits of building the Keystone XL pipeline on the local economy. During the construction of the first Keystone pipeline, the project became the third largest employer in Norfolk, Nebraska and had a \$10 million dollar economic impact for rural Nebraska.

But these jobs Keystone is creating aren’t just in Nebraska. Mr. Delie, the President of Welspun Tubular, who has contracted with TransCanada to actually make the pipe for the Keystone XL pipeline, will testify that this project so far has created over 600 jobs in one-and-a-half years. I believe the operative words here are “so far”, because there is still the northern route of the Keystone XL to be approved and built. Mr. Delie’s company has already made an economic impact of \$108 million dollars.

How much more of an economic impact could building the rest of the Keystone XL pipeline have, and how many more jobs could be created by approving this critical infrastructure project? Without construction of the northern route, these benefits to our nation of builders are denied.

The uncertainty and political gamesmanship from this administration is weakening our trade relationship with Canada, who also happens to be our country's number one trading partner.

In our trade relationship with Canada, 90 cents of every dollar used to purchase Canadian goods and services—including oil—are returned to our economy by Canadians buying American goods and services.

The Keystone XL pipeline is not only in our economic interest; it's plainly in our national security interest. We've seen in the last two weeks just how much instability in the Middle East affects the price at the pump. With our oil and natural gas plays here in North America, we now have the option to become energy independent.

Why wouldn't we want to have our energy come from middle America rather than the Middle East?

These opportunities are game changers and there is no reason why we should continue to deny these economic benefits. During the last 5 years that this administration has denied building the Keystone XL pipeline, it has acted on other critical infrastructure projects.

One of those critical projects includes the southern leg of the Keystone XL pipeline. Construction is nearing completion on the southern portion of the Keystone XL project. While President Obama really had nothing to do with approving this portion of Keystone XL, he took credit for it; even posed for pictures with the pipes in Cushing, OK.

And, the administration has approved another vital cross-border pipeline with Canada—the Alberta Clipper. In approving the Alberta Clipper pipeline, which coincidentally is sourced from the same oil sands as Keystone, the State Department said:

“The Department found that the addition of crude oil pipeline capacity between Canada and the United States will advance a number of strategic interests of the United States. These include increasing the diversity of available supplies among the United States' worldwide crude oil sources in a time of considerable political tension in other major oil producing countries and regions; shortening the transportation pathway for crude oil supplies; and, increasing crude oil supplies from a major non-OPEC producer.

“Canada is a stable and reliable ally and trading partner of the United States, with which we have free trade agreements, which augment the security of this energy supply.”

The State Department went on to say of the Alberta Clipper:

“Approval of the permit sends a positive economic signal, in a difficult economic period, about the future reliability and availability of a portion of United States energy imports, and in the immediate term. This shovel-ready project will provide construction jobs for workers in the United States.”

With logic like this, I don't know why it's not time to build the Keystone XL pipeline.

With the stroke of a pen, the State Department can deem this project in the national interest.

If the price instability of oil and the instability in the Middle East can't convince Secretary John Kerry that approval of the Keystone XL pipeline is in our national and economic interest, then we need to seriously question this administration's commitment to job creation here at home.

#

OPENING STATEMENT OF HON. JOHN P. SARBANES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. SARBANES. Thank you, Chairman Terry. I appreciate it and am looking forward to hearing from two good panels this morning.

I have deep, deep reservations about the Keystone XL pipeline and have for a long time. And I wanted to just sort of address 3 areas that I think are going to come up in the course of this hearing. The first and foremost is the environmental impact. And you have to look at the environmental impact of this proposal from two sides. One is the impact in terms of the frontend of the process.

This is the dirtiest source of transportation fuel that is currently available. When you look at the process that is needed for extraction and production of tar sands oil, the impact that that has in terms of CO₂ emissions, other environmental impact in my estimation is not worth the benefits.

But that is just one lens you can look at it through. The other is what happens if you experience an oil spill. And we already have evidence the Kalamazoo River experienced in 2010 is one. When you have a spill involving this kind of tar sands oil, it is very, very difficult to clean it up and there are lingering effects that have a tremendous impact on the environment. So you have to look at the environmental impact both on the frontend, the CO₂ emissions that are generated, the negative contribution that it is making in terms of impact on climate change, but also the risks that are involved if you have a spill or an accident on the backend.

We hear a lot about how this is going to be a real benefit to the U.S. energy consumer. I don't see that and I am interested to hear from the panelists today on that topic as well. This tar sands oil is going across the United States to be refined in Texas and then is bound for world markets. It is not bound for U.S. markets. In fact, the entire business model of the tar sands industry is premised on the idea that this oil will find its way to international markets where it can get the highest price. It is the only way you can justify the high costs that are associated with extracting and producing tar sands oil. So the notion that this is somehow helping us with our all-of-the-above energy portfolio and that it is a benefit to the U.S. energy consumer will help us reduce our dependence on foreign oil and so forth, that dog just doesn't hunt when you look at it.

And I think we have to be clear-eyed in our analysis of whether there are any benefits there. I don't see them. And actually what we are doing is the Keystone pipeline you could refer to as the Keystone lifeline to a tar sands industry that again is one of the dirtiest sources of transportation fuel out there. And I know there is debate on that front, too, that we will hear today. But I don't see the benefits to U.S. energy consumer even though that is an argument that is put forward quite a bit.

And then the last item has to do with jobs. And, look, I am very sympathetic to the case that is being made there. We are still recovering from a very tough recession and trying to get our feedback on the ground. No industry experienced that more than the construction industry. And I understand why they are eager for the opportunities that can be presented by this project. We will probably hear testimony as to, you know, exactly what is the number of jobs that are projected both on a temporary and permanent basis.

But I think we have been presented with a false choice here. We keep hearing about, well, here are the jobs that would be created if we had a Keystone, and if we don't have Keystone, then we won't have the jobs. There are plenty of other infrastructure investments that we can make that would generate good jobs across the country, hundreds of thousands of jobs.

And fact, in the 5-year time frame that this process has been going on, there have been plenty of shovel-ready projects that, with

a modest commitment from Members in this chamber, particularly on the other side of the aisle, to those sorts of investments in partnership with the private sector, we could have launched those projects. They are on the books. The designs are in place. They are ready to go. That is the alternative.

And that can happen also in the energy-related industry as we create an infrastructure that can deliver more renewable energy sources to the driving public and others.

So that is the choice we are faced with, and so for those reasons, I continue to have real reservations about the pipeline will look forward to the testimony today.

Mr. TERRY. Thank you.

At this time I recognize the full committee chair, Mr. Upton.

OPENING STATEMENT OF HON. FRED UPTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. UPTON. Thank you, Mr. Chairman.

TransCanada first submitted its application to build the Keystone XL pipeline to the United States' State Department exactly 5 years ago today. And in the fall of 2010, then-Secretary of State Hillary Clinton stated that the Department was "inclined" to approve the project. In 2011, in opposing our initial Keystone bill, the White House issued a Statement of Administration Policy, stating that the bill expediting the pipeline was unnecessary because the State Department was "committed to reaching a decision" before the end of that year, several years ago. But here we are now, 5 years after the application was filed, and we still don't have approval, 1800-some days.

Five years ago, the economy was certainly on an unsteady ground, enduring volatile markets that would lead to the Great Recession, and we are still facing stubbornly high unemployment, certainly in my State of Michigan. And worse yet, we now have a shrinking labor force with the smallest participation rate since the Carter Administration. It is understandable why some Americans who want to work have given up hope: they see a government that spends their tax dollars on companies that fail while denying permission to build privately financed projects that create real jobs.

Keystone XL can't solve all of our employment problems, but it could have helped many by now. And Keystone XL is hardly alone. Whether it is private investments in energy development or plants facing new regs, Washington's red tape factory is making it harder to build things. This subcommittee has focused this year on Our Nation of Builders, yet it seems the federal regulatory maze is designed to prevent us from investing, constructing, and building the next big thing.

President Obama's State Department estimates that the \$7 billion private investment, shovel-ready Keystone XL infrastructure project will support over 42,000 jobs during the construction phase alone. And if the project had already been approved, companies with contracts could have hired additional workers instead of laying them off. Companies like Delta Valves in my district in Niles, Michigan, who previously testified that they would double their workforce because of the Keystone pipeline.

I would also note that Keystone XL will be the safest pipeline in the Nation, with 57 new safety controls specific to the project. Pipeline safety is of critical importance to all of us, and for me particularly, having endured a 2010 spill in the Kalamazoo River just outside of my district. Understanding the lessons from that accident, I joined forces with my fellow Michigan colleague John Dingell in helping getting landmark, bipartisan pipeline safety legislation into law, signed by President Obama last year, to ensure we have stricter controls and higher fines to protect the public on every new pipeline.

And despite the added safety controls, exhaustive studies, some 15,500 pages of State Department analysis, thousands of jobs are still being held hostage to an ever-moving goal line. Our friend and ally Canada is pursuing other options, now considering building a pipeline to the eastern seaboard for refining and export. And I would note today that we already import some million-and-a-half barrels of oil sands every day, and pipelines obviously have less of a carbon footprint than we do by rail or by truck.

So the Keystone pipeline is certainly an important component of our architecture of abundance that is necessary to achieve energy self-sufficiency. In January of 2012, the President said he would “do whatever it takes,” his words—To create jobs, but here we are still today, 5 years later. It is time for the President to join the broad coalition of job creators, labor unions, Republicans, and Democrats alike, and say “yes” to this jobs and energy project.

[The prepared statement of Mr. Upton follows:]

PREPARED STATEMENT OF HON. FRED UPTON

TransCanada first submitted its application to build the Keystone XL pipeline to U.S. the State Department exactly five years ago today. In the fall of 2010, then-Secretary of State Hillary Clinton stated that the department was “inclined” to approve the project. In 2011, in opposing our initial Keystone bill, the White House issued a Statement of Administration Policy, stating that the bill expediting the pipeline was unnecessary because the State Department was “committed to reaching a decision” before the end of that year. But here we are today, 5 years after the application was filed, and we still don’t have approval.

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Keystone XL can’t solve all of our employment problems, but it could have helped many by now. And Keystone XL is hardly alone. Whether it’s private investments in energy development or plants facing new regulations, Washington’s red tape factory is making it harder to build things. This subcommittee has focused this year on Our Nation of Builders, yet it seems the federal regulatory maze is designed to prevent us from investing, constructing, and building the next big thing.

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John Dingell in helping get landmark, bipartisan pipeline safety legislation into law, to ensure we have stricter controls and higher fines to protect the public.

Despite the added safety controls, exhaustive studies, and 15,500 pages of State Department analysis, thousands of jobs are still being held hostage to an ever-moving goal line. Our friend and ally Canada is pursuing other options, now considering building a new trans-Canadian pipeline to their eastern seaboard for refining and export.

The Keystone pipeline is an important component of our architecture of abundance that is necessary to achieve energy self-sufficiency. In January of 2012, the president resolved to “do whatever it takes” to create jobs, but here we still are today. It is time for the president to join the broad coalition of job creators, labor unions, Republicans, and Democrats alike, and say “yes” to this jobs and energy project.

Mr. UPTON. And I yield the balance of my time to Mr. Kinzinger from Illinois.

Mr. KINZINGER. Thank you, Mr. Chairman. And thank you, everybody, for holding this hearing. Gentlemen, thanks for being here.

I can't believe it has been over 5 years since this thing was really even brought up. It really is mind-boggling to me. What does the Keystone pipeline mean for the U.S.? It means 20,000 jobs, not just jobs but high-paying jobs that will pay workers' salaries well above the prevailing wages of their local areas. These workers and their wages brought about due to the construction of the pipeline will be about \$5.2 billion in new property tax revenue for local economies. As local governments struggle to close budget holes, this is going to be vital to recovery in those areas.

In addition, we will see 130,000 barrels of safe and secure oil each day from Canada, not the Middle East, which means we will need less oil from the Middle East, and those that want to give money sometimes to people that want to kill our soldiers overseas. We can no longer rely on those countries and we need to be energy secure here at home.

And let's not forget finally somebody is going to benefit out of this oil out of Canada. It is either going to be the United States or it is going to be China. It is going to get drilled and it is going to get shipped. So I think this needs done.

I thank the chairman for yielding the time and I yield back.

Mr. TERRY. Thank you.

Now, it is my honor to introduce and recognize the full committee chairman on the minority side, Ranking Member Mr. Waxman for your 5 minutes.

Mr. WAXMAN. Thank you very much, Mr. Chairman. It used to be called ranking member but I—

Mr. TERRY. What did I call you?

Mr. WAXMAN. It is OK. I don't want to use my time. Full committee chairman on the Democratic side.

Mr. TERRY. Oh, yes, ranking member.

OPENING STATEMENT OF HON. HENRY A. WAXMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. WAXMAN. Mr. Chairman and my colleagues, today's hearing is on the TransCanada's proposed Keystone XL tar sands pipeline. I oppose this tar sands pipeline because this locks us into decades of higher carbon pollution. It is a big step in the wrong direction

on climate change, and that is something we simply cannot afford to do.

Yesterday, the Energy and Power Subcommittee of this committee held its first hearing in years on climate change, and we heard from the Secretary of Energy Ernest Moniz, who is also an acclaimed physicist from MIT and Stanford. He told us that “we have to act this decade” on climate change. Our window for avoiding catastrophic effects of climate change is closing rapidly. In fact, we are already experiencing harm from climate change today in our daily lives.

Earlier this week, the House Safe Climate Caucus held a forum to hear from Americans who had been harmed by climate disruption. We heard from an Iowa farmer who told us how successive droughts and floods have destroyed his crops. A Californian told us how her community was devastated by the Yosemite rim fire, which has cost \$113 million just to fight and is still burning today. A Texas rancher spoke of having to cull $\frac{2}{3}$ of his herd in the drought. A survivor of Hurricane Sandy told us that a quarter of all the houses in her community are damaged and empty almost a year later. And a reverend from Louisiana described how sea level rise threatens his rural community and he invoked the Bible in calling upon Congress to do something about it.

Yesterday, I posed one question to those who oppose the President’s action on climate change: What is your plan? Don’t just say no; propose an alternative. Instead, we heard nothing. Instead of doing something to address climate change today, we are holding the 11th hearing since 2011 to push one favored project that would make climate change worse. This single tar sands pipeline would increase America’s carbon pollution equivalent to building seven new coal-fired power plants. It is hard to think of another project that could do this much damage.

If our goal is creating jobs, Keystone XL is not the answer. Instead, we should be working to ensure broad opportunity for the middle class. We should be fixing America’s crumbling roads and bridges, and we should be investing—the other subcommittee is investigating this morning—but we should be investing in the clean energy technologies of the future.

We keep hearing about this project and this 5th anniversary. It is also the 5th anniversary of the collapse of our economy, and we are still trying to recover from that. In these last 5 years, millions of Americans have lost their jobs, fallen behind on their mortgages, become swamped by debt, and they are barely getting by.

Mr. Chairman, I don’t want to take my full 5 minutes. I always feel guilty when I see such a distinguished group of Members of the House and even a Senator waiting to give us testimony, so I yield back the balance of my time and look forward to this 11th hearing—no, what is this? This—

Mr. TERRY. No, I think you said 11th. I haven’t kept track.

Mr. WAXMAN. Well, I can hardly wait for more hearings because this seems to be the only issue we are looking at in this committee. Thank you for the time.

Mr. TERRY. Thank you. I appreciate it. We are going to go to our first panel now. And as is tradition, we will take your testimony, then there will be questions after. That is the tradition. And so I

am going to introduce all of you and then call on from my left to right. So our first panel includes Senator John Hoeven, who is former Governor of North Dakota. Now, he is Senator and the leading person on the Keystone pipeline in the Senate.

Then, we have Congressman Rush Holt, a Member of Congress from New Jersey, who was also a classmate of mine.

Congressman Ted Poe, senior Member from Texas, serves on Judiciary and Foreign Affairs.

Then we have a newer Member, Congressman Steve Daines, an at-large from Montana, one of the States that this pipeline will go through. So that is our first panel.

And now, Senator Hoeven, I recognize you for 5 minutes.

STATEMENTS OF HON. JOHN HOEVEN, A REPRESENTATIVE IN THE U.S. SENATE FROM THE STATE OF NORTH DAKOTA; HON. RUSH HOLT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY; HON. TED POE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS; AND HON. STEVE DAINES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MONTANA

STATEMENT OF JOHN HOEVEN

Senator HOEVEN. I would like to thank Chairman Terry for inviting me and also acknowledge Chairman Upton for being here. I appreciate their comments. I also appreciate the opportunity to respond to some of the comments made by the minority members of the committee.

I think it is remarkable that we are sitting here for this 5th anniversary. You know, usually when you have a birthday or an anniversary, it is a good thing, but here we are, the 5th anniversary of no decision. Is there anybody in this room that would want us talking about them saying for 5 years they couldn't make a decision or wouldn't make a decision? What is going on? And the Administration has not made a decision for 5 years. We elect presidents to make decisions, and here we sit on the 5th anniversary on a project that will produce more energy for this country, it will create jobs, economic growth, and help us with national security.

In a recent Harris poll conducted this summer, 82 percent of Americans support the project. Tell me one other thing you can get 82 percent of Americans to agree on? Eighty-two percent of Americans in a recent Harris poll support this project. Just some other stats from that poll, 85 percent of the people agree that Keystone XL would strengthen America's economic security; 81 percent of the people agree Keystone would help strengthen America's energy security; 77 percent agree it would help strengthen America's national security; 75 percent agree it would benefit the U.S. military by increasing access to oil from Canada.

Look, it is not just about Canadian oil. I represent the State of North Dakota. We now produce almost a million barrels of oil a day, second only to Texas. We need to move our oil to market. Day one will put 100,000 barrels a day of oil into this pipeline, the lightest, sweetest crude there is. You talk about safety; this oil, whether it is our oil or whether it is oil from the oil sands is moving by truck, train, and if we don't take it, tanker to China. What

is safer than the latest, greatest pipeline technology when we have millions of pipelines already, some of them very old, and this would be new, state-of-the-art?

Some of the other comments that came up talk about environmental impacts. After 5 years and something like four environmental impact statements, the State Department has determined no significant environmental impact. No significant environmental impact. And in fact it produces less emissions than the crude we get from California or Venezuela. What, we would rather get it from Venezuela? Or how about the Middle East with what is going on in Syria and Iran and the instability there, I know, let's continue to depend on the Middle East. That is what Americans want rather than working with our closest friend and ally, Canada, to get the oil? What is going on? I mean it is just unbelievable.

Some of the other comments that came up, the benefit. So here is a pipeline. I think to build the U.S. portion is something like \$5.3 billion. We don't spend one single taxpayer dollar but we get hundreds of millions in tax revenue and the State Department, as Chairman Upton said, by its own admissions, this thing creates 40,000 jobs. Well, what is wrong with that? You know, when you look at the facts it is hard to understand.

And then this idea that the oil won't be produced if we don't build the Keystone XL pipeline, come on. It is being produced right now and that volume is increasing. It is moving by truck and train, creating dangerous issues, which you know about. You have heard about some of the problems that it creates like Megantic in Quebec, OK, instead of moving it more safely by a pipeline.

And so in a final analysis if the United States doesn't take this oil and we don't build this needed infrastructure which States like mine need, it is going to China. So this oil goes to China on tankers and it is refined over there.

One other point, this idea that this pipeline is being built for export, the Department of Energy, the Obama Administration's Department of Energy says otherwise. Check out their June 2011 report that says that the oil will be used in the United States and we need more and it will help lower prices.

So let's deal with the facts. Believe me, after 5 years we know what they are. And, you know, today, we are calling attention to this anniversary but it is not the right kind of anniversary, the 5th year anniversary of no decision. And this project really represents a significant problem that we have in this country right now, and that is that the regulatory burden is hurting our economy and Keystone XL pipeline is a clear case in point.

Thank you so much for inviting me.

[The prepared statement of Mr. Hoeven follows:]

John Hoeven

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**Keystone XL Pipeline Makes America More Secure in Every Way: Militarily,
Economically and Environmentally****U.S. Senator John Hoeven****September 19, 2013**

Good morning, Chairman Terry, and members of the House Energy and Commerce Committee.

I welcome yet another opportunity to push for the Keystone XL pipeline project because I believe it contributes to the national interest in so many respects that we need to talk about it in broader terms than just energy, or just the economy, or just the environment.

In other words, we need to talk about what it means to America's economic future, the environment, and our national security in one big picture because they are all related.

Let's start with the economy. In August, unemployment dropped just one tenth of one percent to 7.3 percent – certainly nothing to celebrate. In fact, unemployment's been over 7 percent since December of 2008. That's nearly five years, the same period of time we've been waiting for Keystone.

Cloaked in the most recent unemployment numbers, however, is a more troubling number: The labor participation rate continued to sink, and is now at its lowest level since 1978. In other words, more Americans are just giving up, abandoning their search for work because the jobs just aren't there.

At the same time, the U.S. economy grew at an anemic annual rate of 2.5 percent in the second quarter of this year, revised upward from the original figure of 1.7 percent. That's still well below the 3.3 percent average annual rate our economy has grown since 1929.

Overseas, we continue to see restiveness in Egypt and suicide bombings in Iraq. We see Iran plowing ahead with development of a nuclear weapon, and civil war in Syria, where there is little doubt that Bashar Al Assad has used chemical weapons on his own people.

Despite the turmoil in the region, however, last year we relied on the Persian Gulf for nearly 30 percent of our imports of crude oil and petroleum products.

But it could be worse. Thanks to states like my home state of North Dakota, and our closest friend and ally, Canada, for the first time in decades, perhaps ever, we have options.

Because of advances in technology, we now get more than half of our oil imports from the Western Hemisphere, including from Canada, which is by far our largest trading partner.

At the same time, states like North Dakota are doing their share to boost domestic energy production. We're closing in on 1 million barrels of oil a day, and we're doing it with good environmental stewardship under a states-first approach.

Consequently, in 2012, the U.S. saw its biggest-ever annual increase in oil production – 8.9 million barrels of oil a day, up 13.9 percent from 2011.

So here's what we have: A chronically sluggish economy and high unemployment; turmoil in the Middle East, which account for 30 percent of our oil imports; and burgeoning North American oil and gas production, which is being driven by a revolution in new technologies that are producing more energy with better environmental stewardship right here at home.

What we also have, however, is a project that has languished in bureaucratic limbo for five years – five years to the day today, in fact.

This project will create tens of thousands of jobs, boost our economy, help keep down the cost of fuel, reduce our dependence on Middle Eastern oil, and raise billions of dollars in revenues to address our nation's deficit and debt.

The Keystone XL pipeline will help us to address all of these critical national challenges. It will do so with good environmental stewardship and not one penny of taxpayer funding.

This \$7 billion, 1,700-mile, high-tech pipeline will carry 830,000 barrels of oil a day to U.S. refineries on the Gulf of Mexico.

That includes oil not only from Alberta, Canada, but also 100,000 barrels per day of light, sweet crude from the U.S. Bakken region in Montana and my home state of North Dakota.

In both the construction and operational phases it will create jobs – thousands of jobs. It will also help to boost the U.S. economy and U.S. national security by ensuring a stable energy supply for the nation over an extended period of time.

Local economies within the route will benefit from increased tax revenues and business activity during the construction phase, and local property taxes will be paid on a continuing basis to help shore up local economies.

That also means more revenues for the federal government to help get on top of our deficit and debt – without raising taxes. That, by the way, is a matter of national security as well as a matter of economic security.

However, the Keystone XL is not only an important jobs and economic project; it will also reduce our dependence on volatile parts of the world for energy, which will make us safer over the decades to come.

Right now, between Canada, Mexico and the United States, we produce more than 78 percent of the transportation fuel we consume in the U.S.

The Keystone pipeline, shipping an additional 830,000 barrels of oil a day, will boost that figure by about 5 percent, taking us from 78 to 83 percent.

That puts us well within striking range of the long-sought – long-elusive – American goal of true energy security, which is, of course, inextricably bound to military security.

Napoleon once famously said “an army marches on its stomach.”

But Napoleon today would more likely say an army marches on its energy resources. For now, and the foreseeable future, that means petroleum will be a big part of the mix.

And finally, despite what critics are saying, the Keystone XL is good for the environment as well. Here’s why.

First of all, 80 percent of all new oil sands recovery is being done “in situ,” meaning it has essentially the same environmental footprint as conventional drilling now being done all over the U.S. and the world.

Second, pipelines are safe and they’re getting safer. There are more than 2.6 million miles of oil and natural gas pipelines in the United States that deliver 99.9998 percent of their products safely every day.

Further, the Keystone XL pipeline will incorporate state-of-the-art technology and safety regimes to detect and contain spills.

TransCanada, the company building the pipeline, has agreed to add 57 special safety conditions into the design and construction of Keystone XL. These include a higher

number of remote-controlled shutoff valves, increased pipeline inspections, burying the pipe deeper in the ground, and using thicker steel pipe at river crossings.

Additionally, the pipeline will be monitored 24/7/365 at a high-tech pipeline control center. Information from 21,000 data sensors along Keystone XL will be sent by satellite every five seconds, providing real-time updates on operating conditions.

Any sign of a problem on the pipeline should be quickly detected so that operators can isolate any section of the pipeline within minutes by remotely closing any of the hundreds of valves on the system.

Finally, and this point is very relevant, if the Keystone XL pipeline isn't built, Canadian oil will still be produced and transported – 830,000 barrels or more a day of it. However, instead of coming to our refineries in the United States, it will be routed by a similar pipeline to Canada's Pacific and Atlantic coasts for shipment overseas.

That means it won't create jobs for American workers.

It won't help to keep down the cost of fuel at the pump for American consumers.

It won't help to lift our economy and raise much-needed revenues to address our deficit and debt.

And it won't reduce our dependence on Middle Eastern oil, strengthen our national defense, and enhance our national security.

It will be sent to China, India, and the Pacific Rim.

After being piped from Alberta to the Pacific coast, for example, it will be shipped on tankers across the Pacific Ocean – a highly sensitive ecosystem – and refined in facilities with far weaker environmental standards and safeguards than those in the United States.

I ask you: How does that make sense? The answer is, it doesn't make sense to a majority of the American people. They understand what's at stake with delaying the Keystone XL and projects like it.

In a Harris poll released this summer, 82 percent of voting Americans voiced support for the Keystone XL pipeline project. According to Harris, nine in 10 Republicans and nearly 80 percent of Democrats and Independents believe the pipeline is in our national interest.

And here's the part that goes straight to our topic. I want to cite some of the highlights of the poll regarding national security and defense:

- 85% of people agree Keystone XL would help strengthen America's economic security.
- 81% of people agree Keystone XL would help strengthen America's energy security.
- 77% agree that Keystone XL would help strengthen America's national security.
- 75% agree that Keystone XL would benefit the U.S. military by increasing access to oil from Canada.

Bear in mind, this poll was done before the recent issue of chemical weapons use by the Syrian government came to light.

I've worked toward Keystone XL pipeline's approval, first as governor, and now as a U.S. senator, because I believe it is the kind of project that will grow our economy, create jobs, and make our nation safer.

I will continue to work with my colleagues in both chambers and both parties to make sure it's completed.

Thank you for the invitation to speak here today on behalf of a vital project for our nation.

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Mr. TERRY. Thank you, Senator.

I now recognize the gentleman from New Jersey, Mr. Holt, for your 5 minutes.

STATEMENT OF RUSH HOLT

Mr. HOLT. I thank the chair. It is good to be with you, Chairman Terry and Representative Sarbanes, other members of the committee.

As ranking member of the Natural Resource Subcommittee on Energy and Mineral Resources, I have had the opportunity to take part in extensive debate on the merits of the Keystone XL pipeline project.

We are talking about a pipeline with the capacity to transport 830,000 barrels per day of tar sands product, one of the dirtiest energy sources on the planet, from the despoiled Boreal Forests of Canada through the central United States over one of this country's most valuable aquifers to the Gulf Coast refineries where much of the oil and refined product will be exported to overseas markets.

The tar sands substance—and I call it substance rather than oil—is unbelievably not oil for the purposes of paying into the Oil Spill Liability Trust Fund, meaning that the Canadian tar sands get a free ride through U.S. pipelines. I have made efforts to correct this loophole by proposing amendments to Keystone XL legislation, but unfortunately, those attempts have been rejected by the majority.

Meanwhile, the Government Accountability Office has already warned us that the Oil Spill Trust Fund is at risk of running out of money because of the cost of recent tar sands cleanup efforts following spills in the Kalamazoo River in Michigan, the Yellowstone River in Montana, and suburban streets of Mayflower, Arkansas, where the cleanup continues. Yes, the tar sands is providing jobs in the United States, cleanup jobs, not what we would like to see.

If we are going to ask the United States to bear all of the environmental risk of transporting this dirty oil, we should at least ensure that the American people see some benefit. However, 60 percent of the gasoline, 42 percent of the diesel produced in the Gulf Coast Texas refineries was exported last year. And we talk about promoting energy security. When I have proposed amendments to guarantee that the oil stays in the United States, they have been rejected by the majority. Now, granted, a significant number of jobs over the couple of years of construction, but the papers filed by the proponents of this bill show that over the long term after the bump of construction jobs, there will be about 30 to 40 permanent jobs in the United States, not 30 or 40,000, 30 or 40 over the long-term.

Now, let's take a look at what has happened over the last 5 years. The concentration of carbon dioxide in the Earth's atmosphere has reached 400 parts per million, a level never seen before by humans. The U.S. has experienced drought, flood, fire, barges aground, tornadoes costing American's lives and dollars. Glaciers are shrinking, sea level is rising, the Earth's temperature is increasing unmistakably.

The United States doesn't need this dirty energy because the fact is we are developing domestic oil, natural gas resources at a record

pace. In the last 5 years U.S. production has steadily increased while per capita construction continues to decline. Combined with increases in renewable energy, we are well on our way to energy independence.

Now, we have heard that the XL pipeline will help us develop our domestic energy resources. As my friend from North Carolina could tell us, we don't need an international pipeline like the Keystone XL to move those resources to market. In this country hundreds of miles of pipeline are already under construction, and as we speak, in the southern portion from Cushing, Oklahoma, to the Gulf Coast, we have pipeline that does not require presidential permit

Now, the chairman spoke about the Golden Gate Bridge and the Lewis and Clark expedition. Yes, we should be creating jobs, \$2 trillion of infrastructure backlog that we need to be investing in to put to work engineers and the pipe trades and the laborers and other workers. We should be investing in energy produced and used here in the United States, clean, sustainable energy.

The President has wisely said that he will not approve the pipeline if it leads significantly to worse climate change, and that is clearly the case.

Now, at the end of the day we know pipelines will leak and oil will spill. Nationwide, about 3.2 million gallons of oil spill every year. We don't want jobs created cleaning up that mess. All risk, no benefit.

Now, one option to mitigate the CO₂ emissions is carbon capture and sequestration. I would like to propose an alternative. Leave the carbon in the ground. Don't cut the forests of Alberta. Don't mine and refine the tar sands. Don't burn that refined product. That will offset trillions of dollars of damage that we are facing over the next thousands of years because of climate change.

[The prepared statement of Mr. Holt follows:]

Testimony of Rep. Rush Holt (NJ-12)

Before the House Energy and Commerce Subcommittee on Commerce,
Manufacturing, and Trade

September 19, 2013

Thank you Chairman Terry, Ranking Member Schakowsky, and other members of the committee for having me here to testify today.

As Ranking Member of the Natural Resource Subcommittee on Energy and Mineral Resources, I have already had the opportunity to extensively debate the merits of the Keystone XL project.

We are talking about a pipeline with the capacity to transport 830,000 barrels per day of tar sands oil—one of the dirtiest energy sources on the planet—from the despoiled Boreal Forests of Alberta, Canada, through the central United States, over one of this country’s most valuable underground aquifers, to Gulf Coast refineries where much of the oil and refined product will be exported to overseas markets.

The tar sands oil that Keystone XL will transport is unbelievably, *not oil* for purposes of paying into the Oil Spill Liability Trust Fund, meaning that Canadian tar sands currently gets a free ride through U.S. pipelines.

I have made efforts to correct this loophole by proposing amendments to Keystone XL legislation considered here in the House, but unfortunately these attempts have been rejected by the Majority.

Meanwhile, the Government Accountability Office has already warned us that the Oil Spill Trust Fund is at risk of running out of money because of the cost of recent

major tar sands cleanup efforts following spills into the Kalamazoo River in Michigan, the Yellowstone River in Montana, and the suburban streets of Mayflower, Arkansas.

If we are going to ask the United States to bear all of the environmental risk of transporting this dirty oil, we should at least ensure that the American people see some benefit. However, 60 percent of the gasoline and 42 percent of the diesel produced at Texas Gulf Coast refineries was exported last year. We talk about promoting energy security, but when I have proposed amendments to guarantee that Canadian oil stays in the U.S. they have also been rejected by the Majority.

Yes, the review of this project has taken time, and justifiably so, but let us take a moment to consider what else has happened in the last 5 years?

The concentration of carbon dioxide in the earth's atmosphere has reached 400ppm, a level never before seen in human history. The U.S. has experienced record drought, flood and fire, costing American's their lives and paychecks. Glaciers are shrinking, sea level is rising and the earth's temperature is gradually increasing.

Recently, Canada has proposed taking steps to mitigate their CO2 emissions in exchange for U.S. approval of the Keystone XL pipeline, but without this pipeline the break neck pace of tar sands development in Canada will undoubtedly stall.

One option to mitigate CO2 emissions is carbon capture and sequestration, and I'd like to propose an innovative new development in the application of this technology—Leave the carbon in the ground. Don't clear cut the forests of Alberta, don't mine and refine the tar sands, and don't burn the refined product.

The United States does not need this dirty energy because the fact is that we are developing our domestic oil and natural gas resources at a record pace. In the last 5 years U.S. oil and natural gas production has steadily increased, while consumption has declined. Combined with increases in renewable energy development we are already well on our way to energy independence.

We have also heard that Keystone XL will help us develop our domestic energy resources, particularly those being developed in the Bakken formation of North Dakota. But we don't need an international pipeline like Keystone XL to move these resources to market. In this country hundreds of miles of pipeline are already under construction, and as we speak the southern portion of this project, from Cushing, Oklahoma to the Gulf Coast, which does not require a presidential permit, is nearing completion.

Additionally, the political posturing on this issue has not expedited the approval of this project. In fact efforts to prematurely approve this project have only led to further delays.

Almost two years ago, on December 16, 2011, the House of Representatives passed the Temporary Payroll Tax Cut Continuation Act of 2011. This "must pass" legislation included an unrelated provision requiring President Obama to make a final decision on the Keystone XL pipeline within 60 days.

President Obama denied the application, based on State Department recommendations, stating that "the rushed and arbitrary deadline insisted on by Congressional Republicans prevented a full assessment of the pipeline's impact, especially the health and safety of the American people, as well as our environment."

This misguided attempt to hastily approve Keystone XL forced TransCanada to re-apply for a permit along a newly-proposed Northern route, and that application is the one that remains under review today.

At the end of the day we know that pipelines will leak and oil will spill. Nationwide about 3.2 million gallons of oil spill every year. If a project takes time to permit, but becomes safer in the process, then I think the timeline is warranted.

Thank you for inviting me here to testify today. I appreciate the opportunity.

Mr. TERRY. Thank you, Mr. Holt.

I now recognize the gentleman from Texas, Mr. Poe, for 5 minutes.

STATEMENT OF TED POE

Mr. POE. Thank you, Mr. Chairman, Mr. Sarbanes. Thanks for inviting me to testify today.

Today is a sad anniversary. It is the anniversary of bureaucracy, red tape, and delay, delay, delay, delay, delay—I think that is five delays—with the permitting process. The Keystone XL pipeline was originally proposed in 2008, and the permit was applied for by TransCanada on September the 19th, 2008. But we wait 5 years later for a decision.

As the chairman has pointed out, 5 years we went to war in World War II on two fronts and won World War II in less than 5 years. Hoover Dam was built in less than 5 years. And we are not talking about building anything. We are talking about a signature on a permit on the dotted line. And it is the American people that pay the price for this inaction by government.

There are 11.3 million unemployed Americans today, and some models say the Keystone XL pipeline project is expected to directly create 15,000 manufacturing jobs, \$118,000 spinoff jobs that could help surely put Americans back to work. And some of these jobs will be in my State of Texas.

The unemployment rate in Port Arthur, Texas, where this pipeline is to end, is 15.7 percent. Many of those unemployed are minority young adults. The pipeline will help some of them get back to work in high-paying and good jobs. And on top of that, the pipeline is expected to bring \$2.3 billion just to the Texas economy. There are currently 13,000 refinery workers in Texas and this will help keep those people employed and create more jobs.

It is also important to remember this is not all about just crude oil. In addition to the 22 gallons of gasoline that a barrel of oil produces, a barrel also produces 12 cylinders of propane, a quart of motor oil, and most importantly, petrochemicals that are used in all kinds of pharmaceuticals, plastics, cosmetics, and foodstuffs.

All of the industries that line the Houston ship channel use oil to make these different products. These industries need a constant, reliable source of crude. And over 50 percent of the exports out of the Houston ship channel are in some way involved with the energy industry. So why would we not want to expand these domestic industries to have a clean, safe, and reliable source of crude from North America? And pipelines are the safest way to move crude oil. It has to be moved some way and a pipeline historically is the best and safest way.

Now, how much oil are we talking about? How will it change the equation, especially the foreign-policy equation in the United States? Keystone would move about 830,000 barrels of oil a day. This represents about half of the daily amount that the United States imports from the Middle East, almost as much as we get daily from Saudi Arabia. With the current instability in the Middle East, approval of the Keystone pipeline is an issue of national security.

Mr. Chairman, we can help make Middle Eastern oil, turmoil, and politics irrelevant if we take care of ourselves and approve this pipeline. Canada is already the largest supplier of energy to the United States meeting 12 percent of current U.S. petroleum consumption needs and 18 percent of U.S. petroleum imports. Canada's 175 billion barrels of oil reserves is second only to Saudi Arabia.

Canada is going to build and sell this oil to somebody. We cannot stop production of oil in Canada even in the tar sands. How would we rather this pipeline be built and sent West to our good buddies the Chinese and all float on their tankers? I think not. Inaction is detrimental to national security.

With greater use of Canadian oil along with all-of-the-above energy policy, it is possible the United States could be really energy independent in 10 years. Imagine how our foreign policy could change if that were the case? The United States should work more with Canada not less and also with our partner-neighbor Mexico to form an economic energy security zone in North America, all for the United States, Mexico, and for Canada.

Mr. Chairman, in my days as a judge if I heard a criminal case and heard all the evidence and after the evidence was in I told the defendant, oh, I will get back with you in 5 years and let you know whether you are going to jail or not, that would be incompetence. We have got the evidence. The evidence is in, and the overwhelming evidence is it is good for the country overall to build and approve this pipeline. Let's get it done.

And I yield back. Thank you.

[The prepared statement of Mr. Poe follows:]

Congressman Ted Poe Statement for Energy and Commerce Subcommittee on Commerce

Manufacturing and Trade

“Keystone’s Red Tape Anniversary: Five Years of Bureaucratic Delay and Economic Benefits Denied”

Thursday, September 19, 2013

First, I would like to thank Congressman Terry for inviting me to testify today, and also for his longstanding work on the Energy and Commerce committee in attempting to get the Keystone XL Pipeline permit approved. Today we are celebrating an anniversary. This is not a happy anniversary; instead, it is **an anniversary of bureaucracy, red tape and playing politics with the permitting process.**

The Keystone XL pipeline extension was originally proposed in 2008, and a permit was applied for by TransCanada on September 19th, 2008. Yet, we still wait---5 years later--for a decision to be made. The US involvement in World War 2 took less time. It took roughly 5 years to build the Hoover Dam. And let’s remember, we are not waiting to build this pipeline, **we are just waiting for the permit.** Unfortunately, it is the American people that are paying the price for this inexcusable inaction by their government.

Today, there are currently 11.3 million unemployed Americans. According to some economic models, the Keystone XL pipeline project is expected to directly create more than 15,000 manufacturing jobs, and 118,000 spin-off jobs, that could help put Americans back to work. Many of those jobs will be in my home state of Texas.

The unemployment rate in Port Arthur, where one of the southern terminuses of the pipeline will be, is currently 15.7%. Many of those unemployed are young adults. This pipeline will help put those folks back to work in high paying, good jobs. And, on top of that, the

pipeline is expected to bring \$2.3 billion in new spending for the Texas economy. There are currently nearly 13,000 refinery workers in Texas and this pipeline will help keep those jobs and create even more.

It is important to remember, this is not all about oil. In addition to the roughly 22 gallons of gasoline that a barrel of oil produces, a typical barrel also produces 4 pounds of charcoal briquettes, 12 cylinders of propane, a quart of motor oil, and petrochemicals used in the productions of all kinds of pharmaceuticals, plastics, cosmetics and foodstuffs. All of the industries that line the Houston ship channel use oil to make these different products. These industries need a constant reliable source of crude. Why would our government not want these domestic industries to have a clean, safe, and reliable source of crude that would last for many years to come? If we don't act, the Canadians will build the pipeline west and offload its oil to China. Do we want Vancouver to become the next Houston? **Not on my watch.**

Finally, we need to consider exactly how much oil we are talking about here, and how this pipeline will change the foreign policy equation in the 21st century. According to the Department of Energy, Keystone XL would be able to move up to **830,000 barrels** of oil per day. This represents about one half of the daily amount that the U.S. imports from the Middle East, and almost as much as we import daily from Saudi Arabia. With the current instability in the Middle East, approval of the Keystone XL permit is an issue of national security. For every barrel of oil that we import from our friendly neighbors to the North, that is one less barrel we have to import from the Middle East.

Canada is already the largest supplier of energy to the United States, meeting 12% of current U.S. petroleum-consumption needs, and representing 18% of U.S. petroleum imports.

Let's make that number bigger.

Canada's 175 billion barrels of oil reserves is second only to Saudi Arabia. **Canada is going to sell this oil to somebody.** Would we rather that they build a pipeline west and sell to our good friends the Chinese? This Congress should not sit back and allow that to happen. Such an action would be detrimental to our national security for generations to come.

With greater use of Canadian oil, along with an "all-of-the-above" energy policy, it is entirely possible that the United States could be energy independent within the next 10 years. Imagine how our foreign policy could change if that was the case? This pipeline is in the long term national security interests of the United States---- and we need to act now. We can't afford to wait another year.

Congress should take all possible action to expedite this permitting process including passing legislation like Rep. Terry and myself have introduced to immediately congressionally approve the pipeline permit. The time for action is now.

Mr. TERRY. Thank you, Mr. Poe.
And I now recognize the gentleman from Montana, Mr. Daines.

STATEMENT OF STEVE DAINES

Mr. DAINES. Thank you, Mr. Chairman. I appreciate the opportunity to testify here today about the importance of the Keystone XL pipeline and the importance to my home State of Montana.

As the lone Representative from the State of Montana, I was just elected last year. Prior to coming to Congress, I spent 28 years in the private sector. I have a degree in chemical engineering and worked in business for 28 years. I was elected last fall.

I have seen a lot of things in Washington that shocked me since I have been elected, but the fact that we are sitting here 5 years after an approval process was initiated for the construction of this pipeline is astounding. This is a prime example of everything that is wrong with Washington. It took Canada 7 months for the leadership of their government to get it approved. President Obama and the Washington bureaucrats have taken 5 years and we don't have an answer. If we did that in the business world, we would be out of business. I am here today to tell you that the Montanans are tired of the gridlock and ready for this pipeline to be approved.

I would love to see some of my colleagues from the States that are thousands of miles away from Montana and North Dakota to come out and spend some time with the families that are dependent for their economic futures here on this pipeline.

The President's inaction and the bureaucratic delays have created uncertainty about whether or not my State will get to reap the benefits of this pipeline. And let me tell you, the benefits are plentiful in Montana.

Over the past few years, small towns in the eastern part of Montana have been revitalized by the exploration and production of oil in the Bakken. Energy development means better opportunities for employment. It means more revenue flowing into state and local government coffers for schools and for roads and economic growth and jobs for our communities.

Now, I want to remind you the Keystone pipeline starts its journey as it goes from Canada; the first State it enters is the State of Montana. We kind of have the outset alpha and omega in here I think with myself and the honorable judge from Texas. Montana shares a 500-mile northern border with Canada. Our State is known for its abundance of natural resources. If you have seen the movie a "River Runs through It," that is Montana. And we cannot think of a better place for the Keystone to initiate its route than into the State of Montana.

It crosses initially in Phillips County. It is going to cross through five other counties in my State. And more than 800 good-paying jobs in Montana will be created by that, with thousands more across the Nation.

Now, let me set a fact straight here that has actually been misquoted in this hearing so far. We talk about the 830,000 barrels of oil per day being transported, and the Senator from North Dakota mentioned this as well. Remember, 100,000 barrels a day of the 830 is Montana and North Dakota oil. So please, as we talk about this, it is not just about Canadian oil. It is about transporting Mon-

tana and North Dakota oil in the most efficient and environmentally safe way across this country. And remember, that is about half of the amount of oil that is currently imported today from the Middle East.

Thirty days ago I was standing on the border between Israel and Syria looking into Syria. Remember what happened back in 1973 in the war of Yom Kippur when oil prices spiked four times in a short period of time and created a shockwave in this economy? It is imperative that we move as quickly as possible to creating North American energy independence, and this moves us a long way down that path.

It also means cheaper energy costs for the people in Montana. Let me tell you something. Again, I would love to have you come out and spend some time with working moms and dads in Montana who are going to be dependent on this pipeline. I spent time with the NorVal electric co-op. They supply electricity for thousands of Montanans. They told me that if the Keystone pipeline is approved, that their utility rates will be held constant for the next 10 years because of the additional load. They are going to supply electricity to a pump station of the Keystone pipeline. Without the Keystone pipeline, rates are predicted to go up 40 percent. That is right on the backs of hardworking Montana families, many where moms and dads are having to try to work every day to make ends meet. In fact, it amounts to \$480 per year additional expense for these families out there that, I tell you what, they are working hard living month-to-month.

The pipeline has undergone four environmental reviews with one more finalization of review yet to come. Believe me, in Montana we understand the importance of protecting the environment. I am an avid outdoorsman. I love to fish, I love to hunt, I love to back pack, I love to climb mountains. But we can have both, and this is the most environmentally safe way to transport oil yet invented. In fact, when compared to any other means of transportation, it is the most environmentally safe way to do it.

These days in Washington it is hard to find any measures that Republicans and Democrats agree on, but let me tell you what, my two Senators from Montana, both Democrats, Max Baucus and Jon Tester, they support the pipeline's construction. This is common sense. Montanans support the construction of the Keystone pipeline. Again, I would invite those Members who are opposed to this, come out and drive around in my Ford truck and spend some time with the Montana families right now that live month-to-month on their paychecks. Why are we still waiting?

[The prepared statement of Steve Daines follows:]

Congressman Steven Daines (MT)
Statement
House Committee on Energy and Commerce
Subcommittee on Commerce, Manufacturing, and Trade

"Keystone's Red Tape Anniversary: Five Years of Bureaucratic Delay and Economic Benefits Denied," (9/19)

Thank you Mr. Chairman. I appreciate the opportunity to testify before you about the importance of the Keystone XL pipeline construction to my state of Montana. As the lone Representative from Montana who was just elected last year, many things I have witnessed in Washington have shocked me. The fact that we are sitting here, 5 years after an approval process was initiated for the construction of Keystone XL, and we're still waiting is astounding. This is a prime example of what's wrong with Washington. It took Canada only 7 months to approve this pipeline— President Obama and Washington bureaucrats have taken 5 years, and we still don't have an answer. I am here today to tell you that Montanans are tired of the gridlock and ready for this pipeline to be approved.

The President's inaction and the bureaucratic delays have created uncertainty about whether or not my state will get to reap the benefits of this pipeline—and let me tell you. The benefits of the Keystone are plentiful in Montana.

Over the past few years, small towns in the eastern part of Montana have been revitalized, due to the exploration and production of oil in the Williston Basin. In Montana, energy development means better opportunities for employment, more revenue flowing into state and local government coffers for schools and roads, and economic growth and jobs for our communities. The Keystone pipeline—which is set to run directly through the eastern portion of Montana— will be no different.

I am honored to represent Montana which shares a 500 mile border with Canada. Our state is known for its abundance of natural resources and I could not think of a better place for the Keystone XL to initiate its route into our country.

The proposed pipeline would cross into the U.S. through Phillips County in Montana. The pipeline will cross through 5 other counties in our state. As the pipeline passes through, more than 800 good-paying jobs in Montana will be created and thousands more across the nation. This economic development will mean better schools, stronger infrastructure throughout our state. Besides creating economic opportunity for hundreds in Montana, the pipeline takes us one step closer to North American energy independence, with up to 830,000 barrels of oil per day transported by the pipeline. That's about half the amount that the U.S. presently imports from the Middle East.

And of the oil moved each day, 100,000 barrels will come from my part of the world—the Bakken formation, which spreads across Montana and North Dakota.

The Keystone pipeline also means cheaper energy costs for Montana families, Seniors, and small businesses. NorVal, an electric cooperative in northeastern Montana, will supply power for one the of pipeline's pump stations. If Keystone is built, they estimate that they can keep their consumer's electric rates steady for the next ten years. However, if the pipeline is not approved, rates for consumers will increase by 40 percent. That's potentially an increase of about \$480 dollars per year for the average household in Montana.

In Montana, resource development and the jobs it creates comes hand-in-hand with a responsibility to ensure the environment we treasure is there for future generations. Protecting our environment, while creating jobs through the responsible development of our resources, is our only option.

The pipeline has undergone four environmental reviews, with one more finalization of the review yet to come. Report after report indicates the pipeline will have no significant impact on the environment. In fact, when compared to other means of transportation, it is perhaps the most environmentally friendly way to transport oil across our country.

These days in Washington, it's hard to find many measures Republicans and Democrats agree on. The Keystone Pipeline's bipartisan support should be telling. In my home state of Montana, both of our Senators—Max and Jon—support the pipeline's construction.

This is common sense. Montanans support the construction of the Keystone XL pipeline and are ready to move.

Why are we still waiting?

PHILLIPS COUNTY

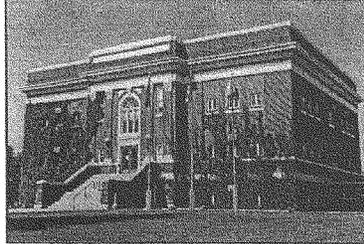
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LESLEY ROBINSON

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MARIAN S. EREAUX

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Sheriff/Coroner
SCOTT MORAN



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Superintendent of Schools

VIVIAN TAYLOR

County Attorney

EDWARD A. AMESTOY

Justice of Peace

GARY L. TAYLOR

District Judge

JOHN C. McKEON

September 18, 2013

House Energy and Commerce Committee Members:

Trans Canada proposed the Keystone XL Pipeline project five years ago. They came to the counties from the start of the process. The impacts to the roads and bridges was our first concern. Trans Canada hired a firm to inventory impacted roads and bridges. The six counties in Montana have signed a road agreement with Trans Canada that our roads and bridges will be in the same or better condition when the project is complete. Phillips County could see up to three million dollars in improvements to the roads and bridges. These are long term capital improvements at no cost to the county.

During construction of the pipeline there will be several opportunities for the local people to benefit from the project. Gravel needed for roads and water and sewer services for the man camps is examples of what can be provided by the local community.

The permanent tax base that is created will benefit all Montanans, well beyond the six counties that the pipeline will be located.

The rural electric coops will build miles of power lines that will furnish power to the pump stations, all at the cost of Trans Canada. This will benefit the members of the coops with a more stable power source. These are permanent capital improvements at no cost to the local taxpayers. The tax base will also increase substantially.

Trans Canada has worked with landowners and local governments to meet all our concerns and those that may arise during construction of the pipeline.

Please urge the administration to approve the application for the Keystone XL Pipeline. It will benefit not only the states that it will be located but the entire United States.

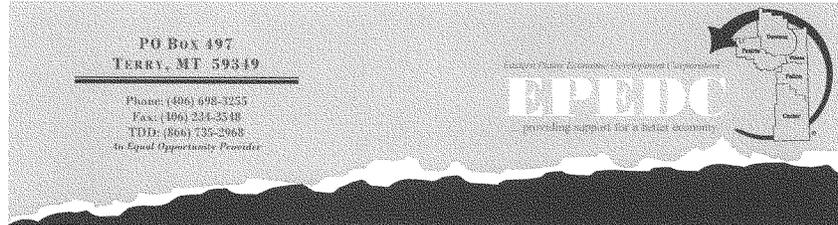
Sincerely,

BOARD OF COUNTY COMMISSIONERS

Richard Dunbar, Chairman

Lesley Robinson, Member

Bruce Christofferson, Member



U.S. House of Representatives
Attn: Steve Daines
206 Cannon House Office Building
Washington, D.C. 20515-2601

September 17, 2013

Re: Keystone XL Pipeline

The Eastern Plains Economic Development Corporation (EPEDC) is a public benefit, regional non-profit corporation serving Carter, Dawson, Fallon, Prairie, and Wibaux Counties in eastern Montana. The EPEDC manages a variety of projects within the following five categories: economy, housing, infrastructure, natural resources, and tourism. Nineteen (19) community leaders from throughout the region comprise the EPEDC's board of directors and, as such, would like to express support for the Keystone XL pipeline in the interest of our local, regional, state, and national economies.

Short-term, the sheer number of TransCanada employees working to install the pipeline will constitute an increase in local business revenue. Long-term, creating the pipeline will increase county revenues, thereby allowing counties to better support local school districts and needed community infrastructure projects. Counties will be able to actively engage in economic development. Tax benefits from the pipeline will also allow counties to pay competitive wages, which will permit them to retain qualified staff who may otherwise be lured away by the promise of better salaries elsewhere. More importantly, the on-ramp planned in Fallon County/Baker will be the only port through which domestic oil enters the pipeline. This will effectively increase productivity associated with Bakken shale oil extraction. It is this benefit to the natural resource industry that will provide one of the greatest economic boosts to our region.

In the past two years, EPEDC staff as well as county and municipal officials have worked collaboratively with TransCanada representatives. Representatives have also attended EPEDC quarterly board meetings to address concerns and relay information to our board of directors. The company has been responsive regarding questions related to environmental and property rights issues, and has made significant investments in our communities.

Again, the EPEDC would like to stress the economic importance of the Keystone XL pipeline. Thank you for your time and consideration concerning this matter.

Sincerely,

Jason Rittal
EPEDC Executive Director



MONTANA PETROLEUM ASSOCIATION, INC.

25 Neill Ave., Suite 202
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Helena, MT 59624-1186

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Telephone (406)442-7582
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David A. Galt
Executive Director

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Phillips 66

Lisa Winn

XTO Energy

September 18, 2013

Honorable Steve Daines
United States Representative
206 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Daines:

The Montana Petroleum Association offers the following comments in support of the Keystone XL (KXL) pipeline project that will traverse Montana.

The MPA is a statewide, non-profit trade association representing oil and gas producers, fuels, natural gas, crude oil and product pipeline companies, service providers to the petroleum industry, and all four petroleum refineries in Montana. MPA supports the Keystone XL pipeline.

MPA supports the efforts that TransCanada has put forth with Montana and North Dakota petroleum producers in an effort to allow an injection point for Williston Basin crude oil. Adequate pipeline capacity in the Williston Basin has been a problem in recent years. According to data on the North Dakota Pipeline Authority's website, crude production will soon out pace current capacity. The KXL line will provide needed additional transportation infrastructure.

KXL will provide much needed good paying jobs to a region of the country that has experienced severe economic hardship. KXL estimates that the project will create nearly 800 construction jobs and a dozen permanent positions. The construction jobs will provide an immediate benefit to struggling communities across eastern Montana. There are nearly 400 pipeline transportation jobs in Montana with an average wage above \$60,000. The Keystone project is estimated to add at least another 10 positions at this average wage level. Keep in mind that Montana's average annual wage is among the lowest in the nation at \$35,800. These 10 long term jobs are extremely important in a part of the state where wage levels bring the extremely low current statewide average even lower.

At this time just about every state and local government in America is experiencing budget revenue shortfalls. In some places this short fall is at a crisis level. Keystone XL will provide \$60+ million dollars in annual tax revenue in several of the least populated and poorest counties in Montana. Let me put that into perspective, the pipeline will more than double the tax base of one of the counties it will pass through.

It is past time to approve this project and MPA supports the efforts of Congress to get the job done.

Best Regards:

David A. Galt
Executive Director

Mr. DAINES. Finally, my constituents would like to enter the statement of support for the pipeline's approval. The group includes the Montana Electric Co-op Association, Phillips County Commissioners, Eastern Plains Economic Development Corporation, and the Montana Petroleum Association. I ask unanimous consent for these comments to be added to the record.

Mr. TERRY. Hearing no objection, so ordered.

And thank you for your testimony. I thank all of you for taking your time out of your busy schedules to join us today. Your input is greatly appreciated.

We will now get ready for our second panel.

First, we have David Delie, President, Welspun Tubular; the next, Hon. Karen Harbert, President and CEO of Institute for 21st Century Energy and the U.S. Chamber of Commerce; Dennis Houston, President and CEO of the Norfolk Area Chamber of Commerce; Ron Kaminski, Business Manager, Laborers Local 1140; Lucian Pugliaresi, Energy Policy Research Foundation. Welcome back. Jane Kleeb, Executive Director of Bold Nebraska making an entry; Anthony Swift, Attorney, International Program, NRDC. And welcome back as well. Thank you.

That is our second panel, and we will start with you, Mr. Delie. You are now recognized for your 5 minutes.

STATEMENTS OF DAVID DELIE, PRESIDENT, WELSPUN TUBULAR, LLC; KAREN HARBERT, PRESIDENT AND CEO, INSTITUTE FOR 21ST CENTURY ENERGY, U.S. CHAMBER OF COMMERCE; DENNIS HOUSTON, PRESIDENT AND CEO, NORFOLK AREA CHAMBER OF COMMERCE; RON KAMINSKI, BUSINESS MANAGER, LABORERS LOCAL 1140; LUCIAN PUGLIARESI, PRESIDENT, ENERGY POLICY RESEARCH FOUNDATION; JANE FLEMING KLEEB, EXECUTIVE DIRECTOR, BOLD NEBRASKA; AND ANTHONY SWIFT, ATTORNEY, INTERNATIONAL PROGRAM, NATURAL RESOURCES DEFENSE COUNCIL

STATEMENT OF DAVID DELIE

Mr. DELIE. Good morning, Chairman Terry and members of the committee. For the record, my name is David Delie and I am the president of Welspun Tubular, LLC, in Little Rock, Arkansas. I have approximately 35 years of experience in the steel industry and I have been president of Welspun for the past 2-½ years.

Welspun invested over \$290 million installing two pipe mills, two coating lines, and auxiliary equipment in Little Rock enabling us to produce line pipe for pipelines in sizes ranging from 6 inches to 60 inches in outside diameter. At our peak, we have had more than 800 employees in our operation, making us one of the largest employers in the city of Little Rock.

Approximately 4 years ago, Welspun was chosen as the largest U.S. supplier for the U.S. portion of the Keystone XL pipeline by TransCanada. In all, we have produced over 330,000 tons or 700 miles of 36-inch API grade X70 pipe for TransCanada on this project. We produced this pipe in Little Rock and we coated this pipe in Little Rock. This project so far has generated over 600 jobs for over 1 ½ years at Welspun alone. This is not counting any of our indirect supporting jobs that are required to operate our plant

on a daily bases. Welspun has also infused over \$108 million into the local economy from this project so far.

Given the delays in the approval process, TransCanada has asked Welspun to store some of the pipe in Little Rock and asked us to apply protective coating so that the pipe can be stored outside without harming the epoxy coating applied to the pipe that is intended to protect the pipe while it is in the ground. I have attached to my testimony a picture of over 180,000 tons or 373 miles of pipe in this storage yard.

Some of the pipe purchased by TransCanada has been installed in a section of the line from Cushing, Oklahoma, to Houston, Texas. That part of the line did not require presidential approval. However, the vast majority of the Keystone will be laid between the Canadian border and Cushing, Oklahoma.

TransCanada has made it clear that if KXL is not approved, outlook changes fairly significant as pipe for the Keystone XL will be redeployed to other TransCanada projects or re-sold to other companies, reducing the pipe production levels in 2014 and beyond. Thus, TransCanada can almost overnight be transformed from our biggest customer to our biggest competitor.

The sale of this pipe to the open market would result in the direct losses of approximately 1,500 jobs in the line pipe industry, thousands more in the steel industry, and will also have massively depressing effects on the prices of line pipe in the U.S. market.

In a recent hearing before the International Trade Commission concerning a sunset review of anti-dumping duty order on large diameter line pipe from Japan, a commissioner asked expert economists hired by the industry to assess the job impact of the Keystone XL pipeline. That economist, Dr. Robert Scott, using information available to the public and in part on research provided by the Congressional Budget Office, found that approximately 80,000 job years over 2 years of construction in the installation of the Keystone pipeline would be created.

In addition to the direct impact of the jobs caused by the 5-year delay in the approval of the Keystone pipeline, there has been very significant indirect adverse effects on pipeline construction within the United States. In spite of both the discovery of production of large new quantities of oil and natural gas from new shale fields, pipeline companies are not installing pipelines to bring these products out from the shale areas to the market.

For example, in the Bakken in the Dakotas, one of the most prolific and largest oil production areas in the U.S. at the present time, more than $\frac{3}{4}$ of that oil production is leaving the region on rail cars. There is little doubt that transportation of oil through pipelines is safer than by rail or tanker trucks. However, the pipeline companies see what has happened to Keystone XL and are foregoing the massive amounts of time and effort necessary in order to get pipelines approved. Thus, in spite of increases of more than 25 percent in overall U.S. oil production over the past 5 years, much of it in new oilfields that require pipeline connections to the marketplace, we are seeing significantly less pipeline construction and demand than we were prior to this increase in oil production. This has a negative impact on the pipeline industry, the domestic steel industry, and U.S. jobs.

The construction of the KXL pipeline will provide more opportunities as the infrastructure grows in support of the development of oil sands in Canada and the Bakken in the United States. The end result is Keystone XL will enable growth which will support ongoing production and jobs in Little Rock. Denying the project will reduce ongoing employment.

I appreciate the opportunity to testify before the committee and hope you are able to pass legislation to require the approval of the Keystone XL pipeline and to remove the bottlenecks on pipeline construction in the United States.

Thank you.

[The prepared statement of Mr. Delie follows:]

Testimony of David J. Delie
President and CEO of Welspun Tubular LLC (USA)
Before the House Energy and Commerce Committee
Subcommittee on Commerce, Manufacturing and Trade
“Keystone’s Red Tape Anniversary:
Five Years of Bureaucratic Delay and Economic Benefits Denied”
September 19, 2013 – 2322 Rayburn House Office Building

Good morning Chairman Terry and members of the Committee. For the record my name is David Delie and I am the President of Welspun Tubular LLC of Little Rock Arkansas. I have approximately 35 years of experience in the steel industry and have been the President of Welspun for the past 2 1/2 years.

Welspun invested over two hundred and ninety million dollars installing two pipe mills, two coating lines and auxiliary equipment in Little Rock enabling us to produce line pipe for pipelines in sizes ranging from six inches to sixty inches in outside diameter. At our peak, we have had more than eight hundred employees at our operations, making us one of the largest employers in the city of Little Rock.

Approximately four years ago, Welspun was chosen as the largest U.S. supplier for the U.S. portion of the Keystone XL pipeline by TransCanada. In all, we produced over three hundred and thirty thousand tons or 700 miles of thirty six inch API grade X70 pipe for TransCanada on this project. We produced the pipe in Little Rock and we coated the pipe in Little Rock. This project so far has generated over 600 jobs for over 1 1/2 years at Welspun alone, this is not counting any of the indirect supporting jobs that are required to operate our plant on a daily bases. Welspun has also infused over 108 million dollars into the local economy from this project so far. Given the delays in the approval process, TransCanada has asked Welspun to store the pipe in Little Rock and asked us to apply protective coating so that the pipe can be stored outside without harming the epoxy coating applied to the pipe that is intended to protect the pipe while it is in the ground. I have attached to my testimony a picture of over one hundred eighty thousand tons or approximately 373 miles of pipe in this storage yard.

Some of the pipe purchased by TransCanada has been installed in a section of the line from Cushing, Oklahoma to Houston, Texas. That part of the pipeline did not require Presidential approval. However, the vast majority of the Keystone will be laid between the Canadian border and Cushing, Oklahoma. TransCanada has made it clear that if KXL is not approved the outlook changes fairly significant as pipe for the Keystone XL will be redeployed to other TransCanada projects or re-sold to other companies, reducing the pipe production levels in 2014 and beyond. Thus, TransCanada can almost overnight be transformed from our biggest customer to our biggest competitor. The sale of this pipe on the open market would result in the direct loss of approximately fifteen

hundred jobs in the line pipe industry, thousands more in steel mills, and will also have a massively depressing affect on the prices of line pipe in the US market.

In a recent hearing before the International Trade Commission concerning a sunset review of an anti-dumping duty order on Large Diameter Line Pipe from Japan, a Commissioner asked an expert economist hired by the industry to assess the jobs impact of the Keystone XL pipeline. That economist, Dr. Robert Scott, using information available to the public and in part on research provided by the Congressional Budget Office, found that approximately eighty thousand job years over the two years of construction in the installation of the Keystone pipeline would be created. In addition to the direct impact on jobs caused by the five year delay in the approval of the Keystone pipeline, there has been a very significant indirect adverse affect on pipeline construction within the United States. In spite of both the discovery and the production of large new quantities of oil and natural gas from new shale fields, pipeline companies are not installing pipelines to bring these products out from the shale areas to the market. For example, in the Bakken in the Dakotas, one of the most prolific and largest oil production areas in the United States at the present time, more than three quarters of the oil production is leaving the region on rail cars. There is little doubt that transportation of oil through pipelines is safer than by rail or tanker trucks. However, the pipeline companies see what has happened to Keystone XL and are foregoing the massive amounts of time and effort necessary in order to get pipelines approved. Thus, in spite of increases of more than 25% in over all US oil production over the past five years, much of it in new fields that require pipeline connections to the market place, we are seeing significantly less pipeline construction and demand than we were prior to this increase in oil production. This has a very negative impact on the line pipe industry, the domestic steel industry, and on U.S. jobs.

The construction of the KXL pipeline will provide more opportunities as the infrastructure grows in support of the development of the Oil Sands in Canada and the Bakken in the United States. The end result is Keystone XL will enable growth which will support ongoing production and jobs at Little Rock, denying the project will reduce ongoing employment.

I appreciate the opportunity to testify before this Committee and hope that you are able to pass legislation to require the approval of the Keystone XL pipeline and to remove the bottlenecks on pipeline construction in the United States. Thank you.

Mr. TERRY. Thank you.
Now, Ms. Harbert, you are now recognized for your 5 minutes.

STATEMENT OF KAREN HARBERT

Ms. HARBERT. Thank you, Chairman Terry, Congressman Sarbanes, and members of the committee. I am Karen Harbert, President and CEO of the Institute for 21st Century Energy at the Chamber of Commerce, the world's largest business Federation. The mission of the Institute is to unify policymakers, regulators, business leaders, and the public behind commonsense energy strategies.

Today marks the 5-year anniversary of the government's review of TransCanada's application to construct the Keystone XL pipeline. The Energy Institute is convinced Keystone is in our Nation's best interest; 15,000 pages of government reviews prove it, and over 80 percent of American citizens support it.

You have already heard numerous reasons why KXL is important. It would create thousands of jobs, generate millions of dollars in tax revenue, and allow America to import less oil from unfriendly nations.

But unfortunately, the issue in front of us is much greater now than Keystone. The failure of the Federal Government after 5 years to grant a construction permit for the Keystone pipeline exemplifies perhaps better than anything else the challenges of building energy infrastructure in the United States. This failure has not only denied Americans the benefit of the economic shot in the arm this project would provide; it has tarnished America's image as a can-do country open to investment, a failure that can be hard to shake from investors' minds.

And this failure comes at a critical time. The U.S. is moving from energy resource scarcity to one marked by abundance. Indeed, the core underlying assumption of our energy policy, scarcity is no longer valid. We now know that North America has the largest fossil fuel resource in the world, yet our policy is still based on the assumption that we are an energy-poor nation subject to the whims of the world's largest and unfriendly energy exporters. In short, our energy policy has not caught up with our energy reality, and now, we are either not caught up or ignoring this remarkable paradigm shift. The first is solvable; the latter is damaging.

The rapid change in our fortunes of energy has caught many analysts and policymakers by surprise, but now, many experts believe the energy self-reliance for North America if not for the United States is actually within reach. Simply put, the world's energy center of gravity is shifting from the Middle East to North America if we let it.

In 2002, North America accounted for about 5 percent of the world's total oil reserves. In 2003, with the addition of Canada's oil sands, those reserves increased to 18 percent. And now, a decade later in 2013, technically recoverable resources from unproved conventional and shale oil resources could be as high as 600 billion barrels, triple the 2003 estimate. When we combine that with the 2 trillion barrels of oil shale in the middle part of our country, North America's crude oil resource is greater than the amount of proved conditional resources and the entire rest of the world.

But the question before us is are we prepared to capitalize on it? The Hoover Dam was built in 5 years, the Empire State building in 1, the New Jersey Turnpike in 4, and now it takes an average of over 3 years merely to complete an environmental impact statement, let alone build anything. So the answer is no, we are not prepared to capitalize on this fundamental and huge opportunity.

Our energy infrastructure today is increasingly inadequate to currently meet our energy-growing demand. Providing energy is a long, capital-intensive undertaking and they require long lead times and massive amounts of new capital. Some of that investment and some of those jobs will never happened or they will go elsewhere if the regulatory environment under which companies operate is too burdensome or unreliable.

Unfortunately, our energy sector does suffer from a lengthy, unpredictable, and needlessly complex regulatory maze that delays or halts the construction of new energy infrastructure. We see federal and state environmental statutes, state siting, permitting, frivolous litigation, and a “build absolutely nothing anywhere near anything” BANANA syndrome routinely used to stop and block every expansion of transmission lines to power plants to pipelines to green energy projects.

As a Nation, a continent, we have been blessed with new abundant natural resources, but fulfilling that economic energy potential requires strategic thinking underpinned by durable policy. But unfortunately, we now have conflicting, contradictory, and myopic energy policies. These extraordinary opportunities created by energy today have come about despite government policy, not because of it, and that has to change if we are to energize our economy, put people back to work, and get the energy infrastructure we need like the Keystone pipeline. If done right, it can drive our nation’s economic recovery and it can change our energy future fundamentally, or we can choose to cede those advantages to other countries.

So let’s unleash the power of the market, approve the KXL pipeline, and show that we believe getting our oil from our trusted ally Canada is better than sending more of our hard-earned money to unfriendly or unreliable countries.

Thank you.

[The prepared statement of Ms. Harbert follows:]

**Subcommittee on Commerce, Manufacturing, and Trade
Energy and Commerce Committee
United States House of Representatives**

**Keystone's Red Tape Anniversary: Five Years of Bureaucratic Delay
and Economic Benefits Denied**

**Testimony of
Hon. Karen A. Harbert
President & CEO
Institute for 21st Century Energy
U.S. Chamber of Commerce**

Thursday, September 19, 2013

Summary

Combined, the countries of North America have the largest fossil fuel resource base in the world. Rapid development of Canada's oil sands and a sharp increase in unconventional oil and gas production in the United States, along with production of abundant coal, means the world's energy center of gravity is shifting from the Middle East to North America. Stable, long-term energy supplies from Canada are a critical part of this shift. The construction of TransCanada's Keystone XL pipeline, therefore, will be vital to realizing the economic and energy security benefits of these resources.

The failure of the federal government after five years to grant a construction permit for the Keystone XL pipeline exemplifies perhaps better than anything the challenges of building energy infrastructure in the United States. This failure has not only denied Americans the benefits of the economic shot in the arm this project would provide, it also has tarnished America's image as a "can do" country open to investment, a failure that can be difficult to shake from investors' minds.

Indeed, the Keystone XL delay is a symptom of a much bigger and costly problem. Much of our energy infrastructure is increasingly inadequate to meet current and projected demand. Providing energy is a long and capital-intensive undertaking, and new energy infrastructure projects require long lead times and massive amounts—tens of trillions of dollars over the next few decades—of new investment.

Unfortunately, our energy sector suffers from a lengthy, unpredictable, and needlessly complex regulatory maze that delays, and often halts, the construction of new energy infrastructure. Federal and state siting and permitting reviews and rules are used routinely to block the construction and expansion of needed energy infrastructure.

For example, installation of required transmission infrastructure has not kept pace with investments in new power generation; export terminals for both LNG and coal face lengthy approval processes from multiple agencies; and limitations on access to federal onshore and offshore lands in Alaska is challenging the operating capacity of Trans Alaska Pipeline System. These are just a few examples of the kinds of issues created by our shortsighted and complex permitting and regulatory system.

Approving the Keystone XL pipeline and making energy infrastructure a priority can help put America on a long-term path to a safe, strong, prosperous, and clean energy future. It is more than past time to move forward and grant the Presidential Permit for the northern section of the pipeline and heed this tortures lesson to take a serious look at how our policies and regulations are restricting access to abundant energy resources and returning investments in needed energy infrastructure.

Subcommittee on Commerce, Manufacturing, and Trade
Energy and Commerce Committee
United States House of Representatives

**Keystone's Red Tape Anniversary: Five Years of Bureaucratic Delay
and Economic Benefits Denied**

Testimony of
Hon. Karen A. Harbert
President & CEO
Institute for 21st Century Energy
U.S. Chamber of Commerce

Thursday, September 19, 2013

Thank you, Chairman Terry, Ranking Member Schakowsky, and members of the Committee. I am Karen Harbert, president and CEO of the Institute for 21st Century Energy (Institute), an affiliate of the U.S. Chamber of Commerce, the world's largest business federation representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations, and dedicated to promoting, protecting, and defending America's free enterprise system.

The mission of the Institute is to unify policymakers, regulators, business leaders, and the American public behind a common sense energy strategy to help keep America secure, prosperous, and clean. In that regard we hope to be of service to this Committee, this Congress as a whole, and the administration.

Introduction: The Strategic Context

Through the application of new technologies, the United States is moving from an era of energy resource scarcity to one marked by energy abundance. Indeed, the core assumption underlying our energy policy—scarcity—is no longer valid. North America has the largest fossil fuel resource base in the world. Yet, America's energy policy is still based on the assumption that we are an energy poor nation, subject to the whims of the world's energy exporters. In short, our energy policy and regulations have either not caught up with our new energy reality or are simply ignoring the remarkable paradigm shift. The first is solvable, the latter is damaging to our economy and to our energy security.

The rapid change in U.S. energy fortunes has caught many analysts and policymakers by surprise. Many experts now believe energy self reliance for North America, if not for the United

States, actually may be within reach in the coming decade. Simply put: the world's energy center of gravity is shifting from the Middle East to North America.

America needs sustained economic growth. The economy continues to expand at a slow pace and unemployment remains stubbornly high. North America's abundant energy resources provide a readily-available mechanism to ensure affordable energy, grow our economy, create millions of well-paying jobs, and strengthen our nation's long-term energy security. We have the largest stimulus package available to our economy in the form of energy and this economic injection is not one that is borne by the American taxpayer.

In addition to very large crude oil resources in the United States, Canada – our largest and most reliable trading partner – is developing a significant oil sands resource in Alberta.

In 2002, North American proved reserves accounted for about 5% of the world total. The following year, the addition of 175 billion barrels of oil from Canada's oil sands to proved reserves boosted North America's reserves to 215 billion barrels and its share of proved global reserves to 18%. In a recent report,¹ EIA estimates that in 2013—10 years later—technically recoverable resources of unproved conventional and shale oil resources could be as high as 594 billion barrels, triple the 2003 estimate. Rapidly improving technology could send this estimate even higher. When combined with the estimated 2 trillion barrels of U.S. oil shale and oil sand resources, North America's crude oil resource is greater than the amount of proved conventional reserves in the rest of the world today. The region can be an energy superpower if we let it.

According to the Energy Information Administration (EIA), petroleum fuels will remain the largest energy source worldwide for decades into the future. As the global economy recovers and developing economies continue to rapidly expand, demand for energy will increase by as much as 56% by 2040 and competition for petroleum and all forms of energy will increase throughout the world. As a result, increasing US imports from Canada will further displace overseas imports and have tremendous economic and national security benefits.

Canada has doubled its oil production over the last two decades, and sends almost all of its oil exports to the United States (though with new outlets for Canadian crude oil in the works, that will change). Production from the Alberta oil sands can increase from the current 1.4 million barrels per day (MMbbl/d) to more than 3.5 MMbbl/d by 2025, and some estimates are higher still. This represents crude oil that we will not need to import from OPEC nations.

Canada is an important and reliable trading partner and is by far the largest supplier of oil and natural gas to the United States, supplying 16% of U.S. petroleum consumption needs and 28% of U.S. petroleum imports. Stable, long-term energy supplies from Canada are critical

¹ EIA. 2013. *Technically Recoverable Shale Oil and Shale Gas Resources: An Assessment of 137 Shale Formations in 41 Countries Outside the United States*. Available at: <http://www.eia.gov/analysis/studies/worldshalegas/>.

to U.S. energy security at a time when global supplies are often found in geopolitically unstable regions of the world, and production from once-reliable sources is slowing.

The Institute's *Index of U.S. Energy Security Risk* shows how increases in energy supplies from reliable trading countries such as Canada can lower energy security risks. Therefore, the construction of TransCanada's Keystone XL pipeline will be vital to lowering our energy security risk while also realizing the economic and energy security benefits of Canadian and U.S. resources.

Keystone XL

We believe it is clearly in the national interest that TransCanada's Keystone XL (KXL) pipeline project proceeds. TransCanada's Keystone XL pipeline is a \$7 billion pipeline expansion project that would increase the existing Keystone Pipeline system that connects Canada's 175 billion barrel oil sands resource to U.S. refining centers from a capacity of 591,000 bbl/d to more than 1.1 MMBbl/d.

The economic impact and long term benefits of the construction of the KXL pipeline are significant and vitally important to American jobs and our economy, especially during this time of sluggish economic growth. An economic analysis of the project by the Canadian Energy Research Institute (CERI) found that construction and operation of the pipeline could generate as many as 25,000 jobs within five years and more than 116,000 jobs after 25 years.²

Keystone also will enhance an already deep trading relationship. It is estimated that for every \$1.00 spent to buy oil from Canada, \$0.90 is returned in the purchase of U.S. goods or services. The development of Canadian oil sands resources already supports tens of thousands of American workers in hundreds of companies spread throughout the United States who are supplying goods and services to oil sands developers. The approval of the Keystone XL pipeline will help allow for the continued growth in development of the oil sands and an increased flow of trade between the U.S. and Canada.

Once the pipeline is built, TransCanada will become one of the single largest property taxpayers in Montana, South Dakota, and Nebraska. During the operating life of the entire pipeline (including the Gulf Coast section nearing completion), TransCanada will pay \$5.2 billion in property taxes to state and local communities. This revenue will help support key local services like schools, fire and police services, and needed projects like roads, bridges, recreation facilities, and new schools—thus helping create and support additional construction jobs and economic benefits.

In addition to its economic benefits, expansion of the Keystone XL pipeline would enhance U.S. energy security. Linkages to the pipeline system also could enable crude oil

² CERI. 2012. Pacific Access: Part I – Linking oil Sands Supply to New and Existing Markets. Study No. 129 – Part I. Available at: http://www.ceri.ca/images/stories/part_i_-_impacts_of_oil_sands_production_-_final_july_2012.pdf.

production from the Bakken formation and, if they are allowed to be developed, oil shale formations in Wyoming to be transported to refineries in the Gulf region more efficiently.

The failure of the federal government thus far to grant a construction permit for the Keystone XL pipeline exemplifies perhaps better than anything the challenges of building energy infrastructure in the United States.

Today marks the five year anniversary of the date when TransCanada first filed its application to build Keystone. And yet after five years of environmental and other reviews, the portion of the northern section of the pipeline from the Canadian border to Steele City, Nebraska, is still awaiting presidential approval. Some have called this the most studied piece of US infrastructure ever. The Prime Minister of Canada called the project a “no-brainer.” And leaders, investors and markets have been watching. This failure has tarnished America’s image as a “can do” country open to investment, a failure that can be difficult to shake from investors’ minds.

Also, while the Keystone XL proposal has been under consideration and delayed, Canadian oil sands developers have been looking to countries other than the U.S, such as China and India, as markets for oil sands crude. Proposals have been developed and accelerated to build pipelines that would stay within Canadian borders, running west from Alberta to the Pacific Coast and move crude to markets in the East.

Finally, during these five years, America has been sending billions overseas to purchase oil from places that are not our allies. It just doesn’t make sense.

Infrastructure Challenge—It’s About More than Keystone XL

The Keystone XL delay is a symptom of a much bigger and costly problem.

Much of our energy infrastructure is increasingly inadequate to meet current and projected demand. Providing energy is a long and capital-intensive undertaking, and new energy infrastructure projects require long lead times and massive amounts—tens of trillions of dollars over the next few decades—of new investment. Some of that investment and the jobs that go with it will never happen or go elsewhere if the regulatory environment under which companies operate is unreliable and inefficient. Regulatory predictability allows business to plan and invest with greater confidence.

Unfortunately, our energy sector suffers from a lengthy, unpredictable, and needlessly complex regulatory maze that delays, and often halts, the construction of new energy infrastructure. Federal and state environmental statutes such as National Environmental Policy Act, state siting and permitting rules, and a “build absolutely nothing anywhere near anything”—BANANA—mentality routinely are used to block the construction and expansion of everything from transmission lines to power plants to pipelines. And just because a project is

“green” does not mean it fares any better. It has become too easy for energy projects of any hue to be wrapped up in “green tape.”

It is useful to remember that the Hoover Dam was built in five years, the Empire State Building in one and the New Jersey Turnpike in four years. Now it takes an average of over three years just to complete an Environmental Impact Statement. The loss of investment and economic productivity can be quite substantial.

Transmission: Investments in expanding the capacity of the electricity transmission system, for example, have not kept pace with investments in new power generation. As a result, the system is not capable of meeting the demands placed on it, and almost daily transmission constraints or “bottlenecks” create congestion that increases electricity costs to consumers and the risk of blackouts.

Many transmission projects, however, are being held up due to broken permitting processes, excessive judicial challenges, and “Not in my backyard”—NIMBY—activism. In addition to the impact on grid reliability, delays have a direct economic cost potentially in the tens of billions of dollars.

Expanding Coal Export Facilities: Coal has earned a place as an essential part of a diverse and reliable U.S. energy mix, and there is no denying that coal has been among our most affordable fuels. Today, however, coal faces significant and growing regulatory challenges. A flood of new air pollution and greenhouse gas regulations combined with an abundance of cheap natural gas are putting tremendous pressure on coal, lowering its domestic demand.

Coal exports have been increasing rapidly, and EIA forecasts the US will become a large exporter of coal, sending on average about 125 million short tons of coal overseas annually. But that cannot happen without expanded port facilities.

Three facilities on the west coast are in line to be expanded, but delays in approving these activities are likely. It is important that regulators ensure that port facilities are able to accommodate higher coal exports, which would be a boon to the U.S. balance of trade while also keeping U.S. coal miners employed.

Access: All the benefits of greater oil and gas production will be at risk, however, if these resources cannot be tapped further and delivered to where they are needed. With 85% of federal onshore and offshore areas unavailable, access to resources on public lands remains a key concern. These restrictions amount to a huge lost economic opportunity. Wood Mackenzie found that “policies that increase access to currently undeveloped regions have the largest potential to create jobs in the U.S.,” which the firm estimates could result in 690,000 new jobs by 2030.³

³ Wood Mackenzie. 2011. *U.S. Supply Forecast and Potential Jobs and Economic Impacts (2012-2030)*. Available at: http://www.api.org/~media/Files/Policy/Jobs/API-US_Supply_Economic_Forecast.pdf.

Data compiled in a Congressional Research Service report,⁴ however, show that all of the increase in domestic crude oil and natural gas occurring from fiscal years 2007 to 2012 took place on non-federal lands. While oil and natural gas output on federal lands was declining 4% and 33%, respectively, output on non-federal lands jumped 35% and 20%. Not only are fewer federal lands being opened up for production, but the time it takes to process permits to drill has risen from 218 days in 2006 to 307 days in 2011, largely because of the greater time it takes industry to comply with an increasingly complex process.

Preserving Existing Infrastructure—Trans-Alaska Pipeline System: Lack of access to oil resources could threaten existing infrastructure. The Trans-Alaska Pipeline System (TAPS) was designed for a throughput of 2.1 MMbbl/d of crude oil from Alaska’s North Slope to ports in the south of the state. EIA now projects pipeline flows will fall below 400,000 bbl/d by 2024. The pipeline’s operator, Alyeska, has reported that throughput below 550,000 bbl/d makes pipeline operations much more difficult and complicated. If Alaskan output is allowed to decline much further, it could threaten the continued viability of TAPS, which, by law, must be dismantled if it cannot operate.

With greater Alaskan production, this risk can be avoided for decades. The problem in Alaska is not a lack of oil resources, the problem is a lack of access. The Arctic is a region potentially rich in crude oil resources. In 2008, the U.S. Geological Survey published its assessment of undiscovered technically recoverable reserves of crude oil in the Arctic. Its mean estimate for crude oil reserves in the Arctic was 90 billion barrels, about one-third of which are thought to be in Arctic Alaska. And yet the Administration has been resistant to the State of Alaska’s attempts to merely quantify the amount of resources that it has.

Conclusion

The Keystone XL pipeline has called attention to a much larger problem in America. The good news is that over the last five years the world’s energy center of gravity has shifted closer to North America. The alarming news is that our energy policy has lagged far behind this reality and is now standing squarely in the way of the realizing a more competitive and secure energy future for America. The question is on the table: “Is America open for business?”

As a nation, we have been blessed with abundant natural resources and a great capacity for technological innovation. Fulfilling America’s energy potential requires strategic thinking underpinned by durable policy. For too long, our approach to energy has been conflicted, contradictory, and myopic. The extraordinary opportunities being created in U.S. energy today have come about despite government policy, not because of it. That has to change if we are to energize the economy and put people back to work, and that means approving needed energy infrastructure, like the Keystone XL pipeline, in a timely manner.

⁴ CRS. 2013. *U.S. Crude Oil and Natural Gas Production in Federal and Non-Federal Areas*. Available at: <http://energycommerce.house.gov/sites/republicans.energycommerce.house.gov/files/20130228CRSreport.pdf>.

If done right, energy can be a potent driver for our nation's economic recovery. We can choose to seize the new opportunities being created across America's energy landscape or simply cede these potential advantages to other countries.

The Energy Institute believes that by unleashing the power of free markets to create a competitive energy marketplace will stimulate economic activity and create jobs. The majority of the Keystone XL project has been under review for about five years, taking into consideration comments and information collected through multiple hearings, comments periods, and interagency processes. Public citizens, governments, Tribal governments, and non-governmental organizations have all taken part in the review process. Over 70% percent of Americans support this pipeline. There is no doubt the oil sands in Alberta will be developed, the only question is where the oil will go. America has a choice of getting more oil from its trusted ally Canada and in the process increasing revenue and investments in the U.S. or to send more of our hard earned money to unfriendly or unreliable countries.

Approving the Keystone XL pipeline and making energy infrastructure a priority will put America on a long-term path to a safe, strong, prosperous, and clean energy future. It is more than past time to move forward and grant the Presidential Permit to allow the northern section of the pipeline to begin.

Mr. TERRY. Thank you.

I now recognize Mr. Houston from Nebraska. You are recognized for 5 minutes.

STATEMENT OF DENNIS HOUSTON

Mr. HOUSTON. Chairman Terry, Congressman Sarbanes, and distinguished members of the House Subcommittee on Commerce, Manufacturing, and Trade, my name is Dennis Houston. I am the President and CEO of the Norfolk Area Chamber of Commerce in Norfolk, Nebraska, the 2013 National Chamber of the Year. The Norfolk area in northeast Nebraska is home to the original TransCanada Keystone Pipeline route built in 2009. Norfolk is also the proud boyhood home of our favorite native son Johnny Carson.

On behalf of the Norfolk Area Chamber of Commerce and its more than 675 member firms, the 15,000 area residents our members employ, and the 125,000 people in the Norfolk trade area, I would like to share our positive experience with TransCanada and the Keystone Pipeline in our area of northeast Nebraska.

The original TransCanada Keystone Pipeline has had an amazing impact on “Main Street” in Norfolk, Nebraska. It would be pretentious for us to say what is best for our friends west of us in Nebraska, but we are very qualified to share our story of what actually happened with the initial Keystone Pipeline in northeast Nebraska.

In June 2009, the Norfolk Area Chamber of Commerce established the Pipeline Task Force. We did this with one mission in mind: we wanted to proactively recruit TransCanada and the Keystone Pipeline to bring their base camp to Norfolk and the Madison County area that summer. Our experience with their organization and their employees was extremely positive. They entered our community as great corporate citizens and quickly became tremendous community partners for Norfolk and all of the neighboring towns in our area.

Our Pipeline Task Force established a pipe liner Web site to welcome them to Norfolk. We hosted a community-wide family welcome BBQ with hundreds of people in attendance. We created a Pipe Liner Partner Discount Card to be used at area businesses to grow the local economy. Every marquee in our community had special messages to welcome our new friends to our community.

The spouses of the pipe liners, who by their own name quickly became known as the “Pipeline Ladies,” completed a renovation of a crisis center for abused children. This was done with a total donation of time, talent, and dollars. After a 12-hour day on the job, pipe liners then brought in heavy equipment to build and landscape children’s playgrounds. They also volunteered their personal time at Bright Horizons and the Orphan Grain Train, both of which are nonprofits. This intense level of community involvement was not simply a goodwill gesture for a weekend project but rather a way of life that took place over a period of 5 months.

The positive economic impact of the TransCanada Keystone Pipeline in Norfolk, a vibrant rural community of nearly 25,000 people, was nothing short of amazing. They brought 750 new jobs into the area. TransCanada became our third largest employer in our area for the 5 months their team was working on the project. We believe

that our partnership and positive experience with TransCanada and the Keystone Pipeline helped us to lead northeast Nebraska in economic success over the past few years. At the end of the day, we experienced a \$10 million economic impact in Norfolk and the Madison County area. Please keep in mind that this was all happening at a time when most areas of the country were experiencing the peak of the recession.

In recent years, CNN and Money Magazine designated Norfolk and Madison County as “The Second-Best Place for Jobs in America” and Norfolk is one of the “Top 100 Best Places to Live in America.” We are very proud of those accolades, but we certainly do not take them lightly. We strive each and every day to make them a reality, and more importantly, we will not do anything to risk our success, the future of our community, or our environment. The positive social and economic development impact from projects like the Keystone Pipeline helped us achieve these accolades and will help our community carry this torch forward for a long time.

For the citizens of Norfolk and all of Madison County, the Keystone Pipeline was not just about bringing 750 workers into our community for 5 months. It was about building a rural economic development success story in northeast Nebraska. It was about new job creation in our part of Nebraska.

Not only was the TransCanada Keystone pipeline a positive experience for the people of Norfolk, Nebraska, during the construction phase in 2009, the pipeline continues to contribute greatly to our future economic development success for years to come. Our community has been developing a new industrial highway around a current industrial park as we expand the park itself. This new industrial highway will help Norfolk create and attract additional new jobs. It was funded by Madison County, the City of Norfolk, and Stanton County. One million dollars was invested in our economic development infrastructure for this project by Stanton County as a direct result of real estate tax dollars collected by the county for the TransCanada Keystone pumping stations and pipeline just down the road.

Rural Nebraska, like many rural areas in America, is not looking for a handout from the Federal Government. We are simply asking for the opportunity to take care of ourselves as we create new jobs, attract more industry, and bring new people to town as a result of projects like this. This would not have been possible without the original TransCanada Keystone pipeline running through the Norfolk area.

Thank you.

[The prepared statement of Mr. Houston follows:]



United States House of Representatives Committee on Energy and Commerce
Subcommittee on Commerce, Manufacturing, and Trade

"Keystone's Red Tape Anniversary: Five Years of Bureaucratic Delay and Economic Benefits Denied."

Thursday, September 19, 2013 - 10:15 A.M. - 2322 Rayburn House Office Building

Executive Summary Discussion Points

- The Norfolk area in northeast Nebraska is home to the original TransCanada Keystone Pipeline route built in 2009. Norfolk is also the proud boyhood home of our favorite native son Johnny Carson.
- The original TransCanada Keystone Pipeline has had an amazing impact on "Main Street" in Norfolk, Nebraska.
- In June 2009, the Norfolk Area Chamber of Commerce established the Pipeline Task Force to recruit TransCanada and the Keystone Pipeline to our community.
- The positive economic impact of the TransCanada Keystone Pipeline in the Norfolk area:
 - Created 750 new jobs into the area.
 - Became our 3rd largest employer in our rural community of nearly 25,000
 - Generated a \$10 million economic impact in the Norfolk area during the recession.
- The Keystone Pipeline is a rural economic development success story in northeast Nebraska. It was about new job creation in our part of Nebraska.
- The pipeline continues to contribute greatly to our future economic development success for years to come with a new industrial highway partially funded by the pipeline taxes.
- Our high level of economic growth would not have been possible without the original TransCanada Keystone Pipeline running through the Norfolk area.



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Dennis Houston
President and CEO



United States House of Representatives Committee on Energy and Commerce
Subcommittee on Commerce, Manufacturing, and Trade

"Keystone's Red Tape Anniversary: Five Years of Bureaucratic Delay and Economic Benefits Denied."

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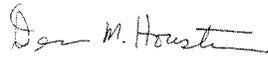
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Not only was the TransCanada Keystone pipeline a positive experience for the people of Norfolk, Nebraska during the construction phase in 2009, the pipeline continues to contribute greatly to our future economic development success for years to come. Our community has been developing a new industrial highway around our current industrial park as we expand the park itself. This new industrial highway will help Norfolk create and attract additional new jobs. It was funded by Madison County, the City of Norfolk and Stanton County. One million dollars was invested in our economic development infrastructure by Stanton County is a direct result of tax dollars collected by the county for the TransCanada Keystone pipeline pumping station just down the road.

Rural Nebraska, like many rural areas in America, is not looking for a handout from the federal government. We are simply asking for the opportunity to take care of ourselves as we create new jobs, attract more industry and bring new people to town as a result of our new industrial highway and industrial park expansion. This would not have been possible without the original TransCanada Keystone pipeline running through the Norfolk area.

Thank you for your public service and for your consideration of this important economic development matter for rural America.

Sincerely,



Dennis Houston
President and CEO
Norfolk Area Chamber of Commerce

Email: dhouston@norfolkareachamber.com
PH: 402.598.6200



Mr. TERRY. Thank you.

Mr. Kaminski, you are now recognized for your 5 minutes.

STATEMENT OF RON KAMINSKI

Mr. KAMINSKI. Mr. Chairman, on behalf of the 500,000 members of the Laborers' International Union of North America (LIUNA) and the 500 plus members of Local 1140, I would like to thank you and acting Member Sarbanes and the members of the subcommittee for inviting me to testify today.

The Laborers strongly support the construction of the Keystone XL pipeline, which will move oil from deposits in Canada to existing refineries in Texas and Oklahoma. LIUNA has been involved with this project for more than 4 years now, which, frankly, is entirely too long for what should have been a routine pipeline permitting process. This project will create millions of work hours for the members of our unions, with good wages and benefits. These delays cost construction workers' jobs during one of the worst economic periods in our Nation's history.

The construction sector was hit particularly hard by the economic recession. The unemployment rate in the construction industry reached over 27 percent in 2010, and joblessness in construction remains higher than virtually any industry or sector, with nearly one million construction workers currently unemployed in the United States. Too many hardworking Americans are out of work, and the Keystone XL pipeline will change that dire situation for thousands of them.

TransCanada has executed a Project Labor Agreement (PLA) with LIUNA, the International Union of Operating Engineers, the United Association of Plumbers and Pipefitters, the International Brotherhood of Teamsters, and the International Brotherhood of Electrical Workers that will cover the construction of the Keystone XL pipeline. Other aspects of construction, including pump stations, will be performed by other unions within the Omaha and Southwest Iowa Building and Construction Trades and the Omaha Federation of Labor.

It is indisputable that jobs will be created and supported in the extraction and refining of the oil, as well as in the manufacturing and service sectors. It is also clear that the construction and maintenance of the Keystone XL will have a ripple effect of consumer spending that will have a positive impact on the States and communities where the pipeline will be located.

Unfortunately, some of the pipeline's opponents have resorted to attacking the nature of work that our members do and have chosen as careers. They have imposed a value judgment that holds construction jobs to be of a lesser value because, eventually, every construction project has a completion date. They call these jobs "temporary" in an effort to diminish their importance to the men and women who have chosen a career in the construction sector. The undeniable truth is that, while opponents of the pipeline have successfully delayed the construction of the Keystone XL, members of my union have lost homes, their healthcare and other benefits. Construction workers deserve more respect.

To further attack the project, they have called these jobs "dangerous" and "dirty." The fact of the matter is construction is in fact

a dangerous occupation and when not performed by trained workers can lead to unacceptable environmental harm. However, when construction is performed by well-trained union workers, these risks can be minimized. I can assure you my members, as well as those workers who are part of the Project Labor Agreement with TransCanada, are the best trained in the world, and will build the safest pipeline in the world. And you don't have to take my word for it. We just finished building the first Keystone pipeline in 2009 in Nebraska and over the Ogallala Aquifer, and it has been operating safely since.

Construction of this pipeline will also help produce needed government revenue at the federal, state, and local levels that can be used to protect communities from harmful budget cuts that have led to layoffs and the elimination of much-needed services.

Many of the pipeline opponents hide behind unfounded and unrealistic expectations that if the project is not built, the development of oil shale deposits will cease. According to the U.S. State Department's very first Environmental Impact Statement, "the proposed Project is not likely to impact the amount of crude oil produced from oil sands." With or without the Keystone XL Pipeline, there will likely be little or no effect on the production of oil sands from western Canada.

To be clear, the refineries in the Gulf Coast will continue to seek supplies of heavy crude oil. If they don't get it from our friend and ally Canada, they will simply continue to rely on oil from foreign regimes where environmental and human rights regulations scarcely exist and oil profits are often used to oppose the United States' economic and security interests.

The Keystone XL pipeline will be the safest pipeline in the world. The 57 special conditions developed by the Pipeline and Hazardous Materials Safety Administration and the State Department, and voluntarily agreed to by TransCanada, have a degree of safety greater than any typically constructed domestic oil pipeline system under current regulation.

Additionally, in order to address environmental concerns about the Nebraska Sandhills and the Ogallala Aquifer, TransCanada rerouted 195 miles of the pipeline. After a special session of our Nebraska legislature unanimously addressed the routing issue, including a final resolution that was agreed to by environmental groups, and our own Nebraska Department of Environmental Quality conducted a rigorous and transparent examination of the environmental impact of the project. Our Governor, Dave Heineman, once an opponent of the pipeline because of environmental concerns, has sent a letter to President Obama approving TransCanada's new 195-mile reroute.

It is also important to note that public opinion surveys in Nebraska over the past 2 years have shown overwhelming support for the project. The elected representatives of Nebraskans and the people of Nebraska have spoken. We want this pipeline—5 years, over 17,000 pages of environmental studies all confirming this project will be safe and is in our national interest. It is time to stop moving the goal posts and approve this project.

Opponents are entitled to their own opinions but they are not entitled to their own facts. Stopping the Keystone XL Pipeline will

not stop the development of Canadian oil. Denial of a presidential permit only increases the likelihood that American markets will miss this opportunity to secure long-term commitments for this North American resource.

If the opponents of American jobs succeed in preventing the Keystone XL Pipeline from being built, the socioeconomic benefits of this project will not be realized. No local, state, and federal revenue will be generated by the construction and operation of the pipeline. There will be no additional income to property owners and businesses along the pipeline route. And critically important to our unions, the jobs that will be created by the massive private investment will be lost.

Thank you for allowing me to testify before you today.
[The prepared statement of Mr. Kaminski follows.]

Testimony of Ron Kaminski
Business Manager
Local #1140
Laborers' International Union of North America
Before the Subcommittee on Commerce, Manufacturing, and Trade
US House of Representatives

Keystone's Red Tape Anniversary: Five Years of Bureaucratic
Delay and Economic Benefits Denied

Mr. Chairman -

On behalf of the 500,000 members of the Laborers' International Union of North America (LIUNA), and the 500 plus members of Local 1140, I would like to thank you and Ranking Member Schakowsky and the members of the subcommittee for inviting me to testify today.

The Laborers strongly support the construction of the Keystone XL pipeline, which will move oil from deposits in Canada to existing refineries in Texas and Oklahoma. LIUNA has been involved with this project for more than four years now which, frankly, is entirely too long for what should have been a routine pipeline permitting process. This project will create millions of hours of work hours for the members of our unions, with good wages and benefits. These delays cost construction workers jobs during one of the worst economic periods in our Nation's history.

The construction sector was hit particularly hard by the economic recession. The unemployment rate in the construction industry reached over 27% in 2010, and joblessness in construction remains higher than virtually any industry or sector, with nearly 1 million construction workers currently unemployed in the United States. Too many hard-working Americans are out of work, and the Keystone XL Pipeline will change that dire situation for thousands of them.

TransCanada has executed a Project Labor Agreement (PLA) with LIUNA, the International Union of Operating Engineers, the United Association of Plumbers and Pipefitters, the

International Brotherhood of Teamsters, and the International Brotherhood of Electrical Workers that will cover the construction of the Keystone XL. Other aspects of construction, including pump stations, will be performed by other unions within the Omaha and Southwest Iowa Building and Construction Trades and the Omaha Federation of Labor.

It is indisputable that jobs will be created and supported in the extraction and refining of the oil, as well as, in the manufacturing and service sectors. It is also clear that the construction and maintenance of the Keystone XL will have a ripple effect of consumer spending that will have a positive impact on the states and communities where the pipeline will be located.

Unfortunately, some of the pipeline's opponents have resorted to attacking the nature of the work that members of unions have chosen as careers. They have imposed a value judgment that holds construction jobs to be of a lesser value because, eventually, every construction project has a completion date. They call these jobs "temporary" in an effort to diminish their importance to the men and women who have chosen a career in the construction sector. The undeniable truth is that while opponents of the pipeline have successfully delayed the construction of the Keystone XL, members of my union have lost homes, lost their health care and other benefits. Construction workers deserve more respect.

To further attack the project, they have called these jobs "dangerous" and "dirty." The fact of the matter is, construction is in fact a dangerous occupation and when not performed by trained workers can lead to unacceptable personal or environmental harm. However, when construction

is performed by well-trained union workers, these risks can be minimized. I can assure you, my members, as well as those workers who are part of the project labor agreement with TransCanada are the best trained in the world, and will build the safest pipeline in the world. And you don't have to take my word for it – we just finished building the first Keystone pipeline in 2009 – in Nebraska and over the Ogallala Aquifer, and it has delivered 500 million barrels of conflict-free oil safely since.

Construction of this pipeline will also help produce needed government revenue at the federal, state, and local levels that can be used to protect communities from harmful budget cuts that have led to layoffs and the elimination of much needed services.

Many of the pipelines opponents hide behind unfounded and unrealistic expectations that if the project is not built, the development of oil shale deposits will cease. According to the US State Department's very first Environmental Impact Statement (FEIS), "[t]he proposed Project is not likely to impact the amount of crude oil produced from the oil sands." With or without the Keystone XL Pipeline, there will likely be little or no effect on the production of oil sands from Western Canada.

To be clear, the refineries in the Gulf Coast will continue to seek supplies of heavy crude oil. If they don't get it from our friend and ally Canada, they will simply continue to rely on oil from

foreign regimes where environmental and human rights regulations scarcely exist and oil profits are often used to oppose the United States economic and security interests.

The Keystone XL pipeline will be the safest pipeline in the world. The 57 special conditions developed by the Pipeline and Hazardous Materials Safety Administration and the State Department – and voluntarily agreed to by TransCanada – have a degree of safety greater than any typically constructed domestic oil pipeline system under current regulations.

Additionally, in order to address environmental concerns about the Nebraska Sandhills and the Ogallala Aquifer, TransCanada rerouted 195 miles of the pipeline. After a special session of our Nebraska legislature unanimously addressed the routing issue – including a final resolution that was agreed to by environmental groups, and our own Nebraska Department of Environmental Quality conducted a rigorous and transparent examination of the environmental impact of the project, our Governor, Dave Heineman, once an opponent of the pipeline because of environmental concerns, has sent a letter to President Obama approving TransCanada's new 195-mile re-route. It's also important to note that public opinion surveys in Nebraska over the past two years have shown overwhelming support for the project. The elected representatives of Nebraskans and the people of Nebraska have spoken. We want this pipeline. Five years. Over 17,000 pages of environmental studies – all confirming this project will be safe and is in our national interest. It is time to stop moving the goal posts and approve this project.

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If the opponents of American jobs succeed in preventing the Keystone XL Pipeline from being built, the socioeconomic benefits of the project will not be realized: No local, state, and federal revenue will be generated by the construction and operation of the pipeline. There will be no additional income to property owners and businesses along the pipeline route. And, critically important to our unions, the jobs that will be created by this massive private investment will be lost.

Thank you for your allowing me to testify before you today.

Mr. TERRY. Thank you, Mr. Kaminski. I appreciate it.
Mr. Pugliaresi, you are now recognized.

STATEMENT OF LUCIAN PUGLIARESI

Mr. PUGLIARESI. Chairman Terry, Ranking Member Sarbanes, thank you so much for this opportunity to talk on this very important topic.

EPRINC has been around a long time, since 1944. We study the relationship between petroleum economics and public policy. So let's go with the first slide.

[Slide shown.]

As you can see by this slide, the vertical axis shows production in 1,000 barrels a day. Actually, in the 1980s you can see we produced 10 million barrels a day together with Canada. Today, we are exceeding that number. It is very important. This additional production is extremely important. Had we not had this production, there would be no excess capacity in the world market today, the price of oil would be \$20 to \$40 higher than it is today, 50 cents to \$1 a gallon more, and instead of anemic economic growth, we would still be in a recession. This is critically important. As a platform, a stable new production in North America is a godsend not just for North America but for the world oil market.

And additionally, every time we produce a barrel of oil and North America, the real resource cost of that oil is substantially less than the claims on our resources from imports. So we produce a barrel of oil, a real resource cost may be \$50. The difference between \$50 and \$100, that is revenue to state, local, federal governments, return on capital, profits of course, and also return on labor. So this is very important. This is a very cost-effective import substitution.

Next slide.

[Slide shown.]

Now, this is our outlook on the future. This is very detailed from well-based data. The U.S. and Canada can move up to 14 million barrels a day by 2020. This doesn't even include natural gas liquids, which would add another 4 million barrels a day. This is an enormous engine of economic growth for the United States. It makes our manufacturing more competitive and requires a very effective network, a very cost-effective network to move this production, much of it out of the northern tier, through the coast refineries. And I will talk about that in a minute.

Next slide, please.

[Slide shown.]

If you look at this slide, the vertical axis shows the percentage of U.S. GMP, that is how much our import bill as a percentage of our GMP. And if you look at, you can see that out to 2019, 2020, the progress looks quite good. Oil imports as a percentage of GMP continue to decline. Now, exports/imports are not a very cost-effective way to think about energy security, but the notion of North America as a platform for stable new production is. And you can see here that when we look at it as a North American lens, which is really important, the U.S. and Canada together take the imports down to less than half-a-percent of GMP. The North American lens is the right way to look at this.

Once again, as many of the other speakers of pointed out, production of Canadian oil and the purchase of it by American consumers comes back to the United States in the purchases of capital and consumer goods by over 90 percent.

Next slide.

[Slide shown.]

This shows the congestion, what we call sort of the congestion of the network. If you think about the United States, we produced our oil in the Gulf Coast. We imported our oil in our parts in the Gulf Coast, and we moved it up. But all of a sudden, we have this surge of production out of the northern tier, North Dakota, Montana, Canada. We need to take that production now and move it to the coast refineries. And it is this congestion here which is causing enormous problems throughout the producing regions of the United States. In fact, if we could get XL built, we believe that it will probably lift well head values throughout North America by \$3 a barrel. A lot of that money shows up in local, state, and federal revenues.

Next slide.

[Slide shown.]

I think it is very important to understand what is going on. The middle of the United States today no longer uses any non-US or non-Canadian oil. As you can see by this chart up here, imports are in the green, so if you produce more oil in Canada or more oil in North Dakota, you have to move that oil to a coastal refining center. The midcontinent of the United States is now using only U.S. and Canadian crude. And so if we don't have an effective transportation system to move this crude to the coastal refining centers, we are not going to embrace the huge benefits that the North American petroleum renaissance is presenting the country. And this actually is a serious problem because when we can't pull the trigger on something as simple as XL, we are sending a message to OPEC, to investors around the world that we are incapable of even embracing the simplest measures that will enhance the petroleum renaissance, our energy security.

Finally, the last slide.

[Slide shown.]

I think there are a couple of issues on expectations I would like to talk about. As we have spoken already, if you look from Cushing to the Gulf Coast, that project is almost done, so it is the missing piece on XL. But what has happened from this decision process in terms of expectations? The first thing that has happened is no Canadian company today or U.S. company will consider a cross-border pipeline. We know this because we have spoken to some and suggested some areas where they could do it, and they have said you guys are crazy. We are not going to go through the torture chamber of the U.S. decision process. It is not good for our company, it is not good for the process, and it is too unpredictable.

The second issue that is really important is that TransCanada—and many people may not know this—TransCanada purchased \$2 billion worth of pipe 2 years ahead of schedule under the expectation that President Obama, like every other American President, would not deny a cross-border pipeline with Canada. That is now sitting in the ground. That loss of expectations is a serious problem.

Thank you, Mr. Chairman.
[The prepared statement of Mr. Pugliaresi follows:]



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Testimony

before

U.S. House of Representatives Committee on Energy and Commerce

Subcommittee on Commerce, Manufacturing, and Trade

**Keystone's Red Tape Anniversary: Five Years of
Bureaucratic Delay and Economic Benefits Denied**

September 19, 2013
Rayburn House Office Building

Submitted by:

Lucian Pugliaresi
President, Energy Policy Research Foundation, Inc. (EPRINC)
Washington, D.C.
www.eprinc.org

Chairman Terry, Ranking Member Schakowsky, and members of Subcommittee on Commerce, Manufacturing, and Trade, I want to thank you for this opportunity to testify on *Keystone's Red Tape Anniversary: Five Years of Bureaucratic Delay and Economic Benefits Denied*. This is a timely hearing and I welcome the opportunity to testify on this important matter.

I am president of the Energy Policy Research Foundation, a non-profit organization that has published extensive research on developments in U.S. and world energy markets since 1944. We have been called on to testify at nearly every session of Congress in the last decade and routinely provide briefings on our research for industry, non-profit organizations, federal, state, and local agencies and Congressional staff. We have just completed a major assessment of the infrastructure requirements to support continued progress in the production gains from the North American petroleum renaissance. Our research concludes that Keystone XL remains a critical backbone to support building out the crude oil transportation network to deliver rising oil production from North America to major refining centers.

Over the last decade the national economy has grown at an average annual rate of less than 2 percent. We should view this anemic rate of growth as a crisis. While our rate of economic growth has its roots in a range of structural and financial setbacks within the economy, we are increasingly facing regulatory and government policies which are delaying or outright prohibiting a large number of high value-added investments from proceeding. Expanding and efficiently moving rising supplies of North American crude oil to domestic refining centers can provide a much needed boost to economic growth if we can overcome the substantial regulatory and political constraints which place these opportunities at risk. My testimony today will focus largely on the economic opportunity offered by proceeding with Keystone XL and the ongoing economic damage from the endless delays and uncertainty surrounding government approval of this important pipeline.

The North American petroleum renaissance is a remarkable achievement of technological innovation and risk taking. Continued improvements in drilling and production technology are providing access to unconventional oil formations in the United States and the lessons from the unconventional development are also enhancing our capability to extract higher volumes from conventional plays. Crude oil production has increased dramatically in Texas and North Dakota over

the past few years following the application of many of the technologies that brought about a massive turn around in U.S. natural gas production. Production of Canada's Athabasca oil sands is increasing steadily in large part because of advances in heavy oil production technology. Canada, which is experiencing little growth in petroleum consumption and has limited outlets for waterborne exports, is facing growing constraints for moving rising oil sands production into the U.S. market via pipeline (and to a lesser extent by rail).

Production from the U.S. and Canada has added over 3 million barrels per day (mbd) to global oil production since 2008 and excellent prospects for continued growth (Figure 1 & 2). These new supplies came online at the very time oil production centers in North Africa and the Middle East suffered setbacks from political turmoil and international sanctions curtailed Iranian crude oil exports. As a result, rising North American production has limited the growth in world oil prices. Oil prices remain high, but would likely be higher (and our economic growth would be lower) without the advances made in U.S. and Canadian oil production. The North American production surge has likely prevented oil prices from rising by \$20-\$40/bbl over the last two years. Recall that in 2008 when oil prices spiked to over \$140/bbl, the world market had no excess capacity. That is where we would be today without the increase in North American crude oil production and the modest economic growth we've experienced would have been wiped out without this added production. In addition, we should view the economic benefits of the petroleum renaissance through a North American lens (Figure 3). The U.S. and Canadian energy markets are highly integrated and U.S. payments for Canadian crude oil, a reliable and stable ally, are repatriated at over 90 cents on the dollar in purchases of U.S. consumer and capital goods.

Together, the U.S. and Canada are producing nearly 11 million barrels of oil each day and these trends are likely to continue if we can efficiently move these new supplies to coastal refining centers. This dramatic rise in U.S. and Canadian production presents a range of logistical challenges. Historically, large volumes of domestic oil production were sourced from onshore and offshore petroleum provinces in the Gulf of Mexico region (Texas and Louisiana). Since the 1950s, the U.S. petroleum complex has been constructed around a network in which most, but not all, major refining centers were located on the coasts. The petroleum transportation network evolved into an integrated

system which moved large volumes of crude oil and petroleum product into the mid-continent and northern tier from the Gulf States. Refineries on the east and west coasts relied heavily on foreign crude oil imports (additionally supplemented by imports of refined products and Alaskan crude shipments to California). As U.S. field production declined, the states along the Gulf of Mexico became a major hub for moving larger volumes of waterborne petroleum imports (crude oil as well as petroleum products) into the mid-continent and northern tier of North America. The transportation network for crude oil (as well as petroleum products) was largely a system which moved supplies from the south to the north.

The recent surge in crude oil production from Canada and North Dakota combined with rapidly rising output from the Eagle Ford and Permian Basin plays in Texas (and now southeast New Mexico) are placing considerable stress on the North American crude oil transportation network (Figure 4). An expansion of our crude transportation network is required to move crude oil from Canada and North Dakota to processing centers not just on the Gulf Coast, but also to the East and West Coasts. The turnaround in North American crude oil production has been so extensive that all refineries in the mid-continent (central U.S. and Canada) have backed out nearly all non-Canadian imports and are processing only U.S. and Canadian crude (Figure 4).

The crude oil transportation network is responding to the emergence of new oil production primarily through expanded rail connections, pipeline construction and reversals (when approvals can be obtained), and extensive barge traffic. Trucking is also playing an important role in moving crude to rail and pipeline terminals from the wellhead. Rail has emerged as an important near and potentially long-term transportation solution (for certain crude oils to certain markets, namely Bakken crude to the East and West Coasts).

So how should we view the economic damage from the endless delays in getting the \$5.3 billion northern leg of the Keystone XL pipeline approved (Figure 5). For starters, delays on moving forward with the project now mean that future U.S.-Canada cross border pipeline projects will take much longer to complete. The owner of the Keystone XL pipeline, TransCanada, purchased \$2 billion worth of steel pipe two years before the anticipated regulatory approval, never expecting the United States would turn

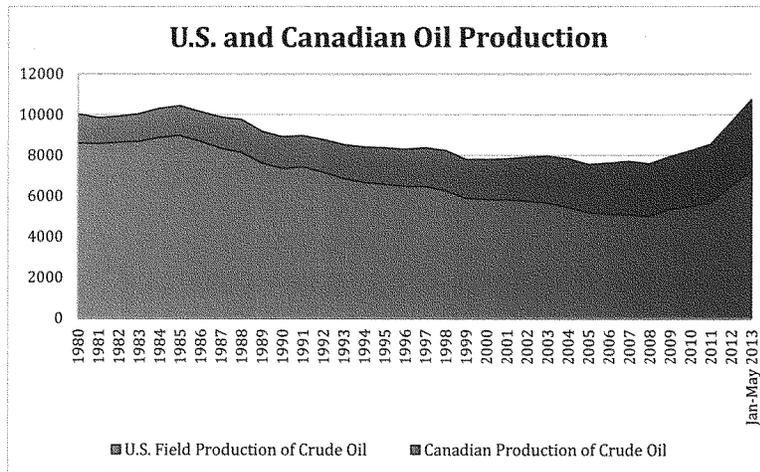
down a pipeline project when unrestricted volumes of Canadian oil sands are already permitted to cross the border when moved by either rail or truck. The President has also stated that the project would not be approved unless it could demonstrate that it would not result in any net additions to greenhouse-gas emissions (GHGs). Putting aside that the State Department's analysis of the project already concluded it would not add to GHG emissions, this requirement raises some obvious questions: Is the Administration planning to ban further shipments by rail and truck? Does the Administration have a plan to prevent the Canadian producers from selling oil in other markets around the world?

There are other economic consequences to the Administration's endless delays on Keystone XL. Few, if any, Canadian companies will propose new cross-border pipelines. No sane company will ever again preorder steel pipe with the expectation that the U.S. regulatory approval process will be both timely and reasonable. Even if other cross-border pipelines are proposed, future projects will await full regulatory approval before any pipeline company will order pipe or equipment, adding at least two years to construction time. While difficult to calculate, the consequences of such regulatory uncertainty are long-term and costly. If the Administration was really interested in job growth, they would put more effort in trying to contain the regulatory and political risks associated with their energy policies. In addition, the endless delays have also undermined the stability of U.S.-Canadian relations, a close ally and our largest trading partner.

We are now in the fifth year waiting for approval of this important infrastructure project. These delays come with significant costs to the national economy and our energy security. One of the hallmarks of an effective energy security strategy is proliferation of new crude oil supplies from secure and reliable producers, of which the U.S. and Canada should be placed on the top of the list. A decision to proceed with the pipeline would have sent a strong signal to investors in domestic crude oil projects and the world petroleum market (including OPEC) that North America is putting into place a long-term and sustained strategy for expanding domestic oil supplies. Approval would also have affirmed the close strategic and economic relationship the U.S. has with Canada. The advances in oil production in both the U.S. and Canada are of enormous economic and strategic value to both countries. We should embrace this petroleum renaissance with an approval process that is quick and attentive, not burdened by endless delays.

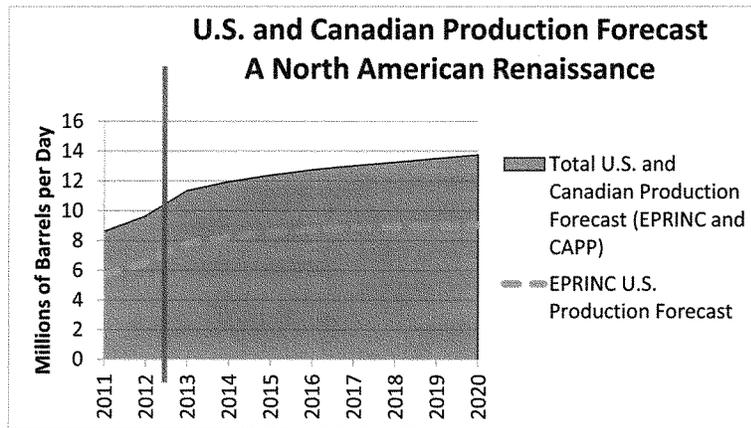
Appendix

Figure 1



Source: EIA

Figure 2



Source: EPRINC, CAPP

Note: Does not include NGLs

Figure 3

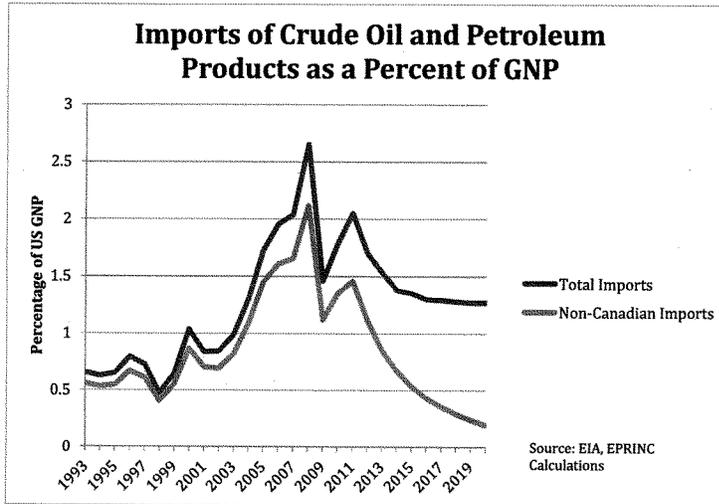
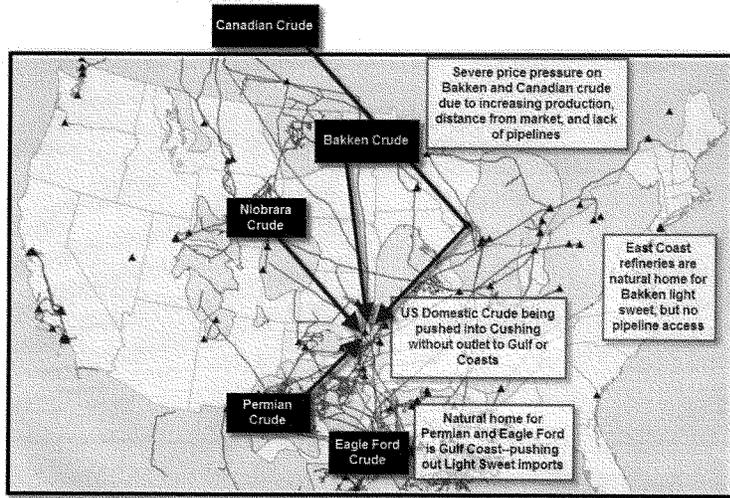


Figure 4
Choke Points in Moving Crude from the Northern Tier



Source: EPRINC

Figure 5
Rising Crude Supplies Must Move Long Distances

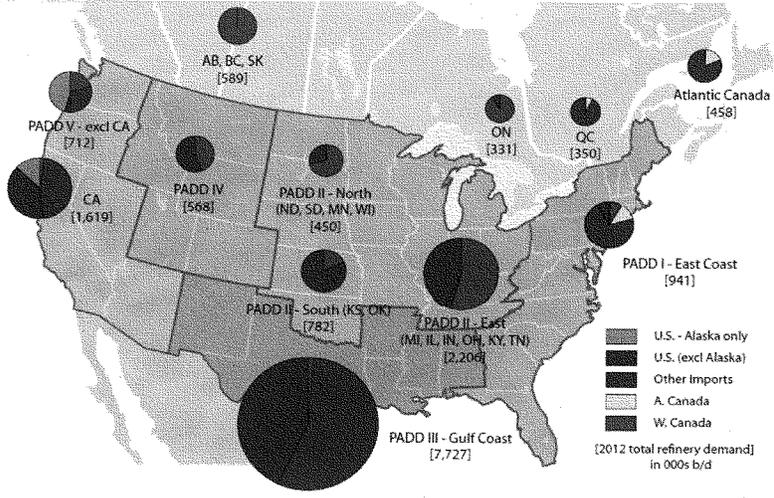
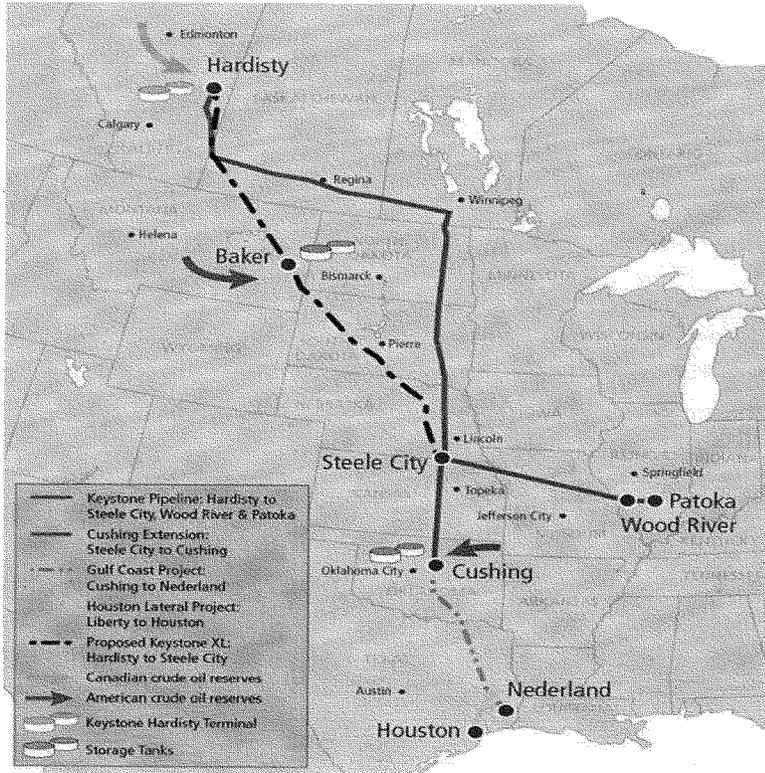


Figure 6
Keystone XL Northern Leg



Source: TransCanada

Mr. TERRY. Thank you.

Ms. Kleeb, you are now recognized for your 5 minutes.

STATEMENT OF JANE FLEMING KLEEB

Ms. KLEEB. Thank you, Representative Terry and members of the committee, and thank you to all the pipeline fighters and landowners watching at home. I am Jane Kleeb, the Executive Director of Bold Nebraska.

As a great Republican President once said, “no man may poison the people for his private profit.” I believe President Teddy Roosevelt was absolutely right. And in Nebraska, we are fighting to keep the Keystone XL away from the delicate Sandhills, which it still crosses, and our precious Ogallala Aquifer.

When Keystone I was built in our State, Nebraskans actually didn’t know much about oil pipelines. We are an ag State; we are not an oil State, and we certainly didn’t know anything about tar sands. As a State, when that pipeline was built, we did not see a huge economic boom, and as a nation, we did not see a huge employment boom. The \$1.8 billion dollars that TransCanada promises our counties must have been paid in Monopoly money because in fact when Keystone I was built, the counties that that pipeline crossed, their tax revenue went down.

Looking at job records on Keystone I and TransCanada’s Gulf Coast Segment, you see about 8 to 900 folks that come in from out of state that are employed for about 6 months to a year and about 100 local folks good jobs for about the same time period. While those are good jobs and those are good people, it is nowhere near TransCanada’s promise of 20, 40, or a million jobs that we have sometimes heard on the Hill.

In April 2010, the Deepwater Horizon platform exploded into the Gulf of Mexico claiming 11 lives and releasing over 5 million gallons of oil. Within 10 days of capping the BP well, Enbridge’s tar sands pipeline ruptured into the Kalamazoo River, and with it lots of cancer-causing chemicals in tar sands.

In 2013, tar sands literally ran down the streets in a town in Arkansas. It was then that our State and our nation were now focused on not the economic benefits of Keystone XL but the economic risk. Our State’s economic backbone is based in agriculture not oil pipelines. Our farmers’ and ranchers’ livelihoods rely on clean and abundant water from the aquifer. We are the number one State in the Nation when it comes to irrigated acres, and it is only because we sit on this vast resource.

There has never been a worst-case water risk analysis done by the State Department or by the Nebraska DEQ and TransCanada admits their pipeline could rupture up to 1.3 million gallons of tar sands and benzene into our water supply, and that is obviously a very eye-catching number because it is about the same amount of tar sands and chemicals that were spilled into the Kalamazoo River. Three years later and over \$1 billion in cleanup, that tar sands is clinging to the edges of that riverbank and is on the bottom of the river. The EPA admits we simply don’t know how to clean it up, and I am sure Chairman Upton knows this risk that faces his State and his community.

We are deeply worried that our rivers—the Platte, the Niobrara, and the Ogallala aquifer—will be the next Kalamazoo River, will be the next Mayflower, Arkansas, or will be the next Gulf Coast of Mexico.

America's national interest is not served by a project that lines the pockets of the few—and I would say foreign—while risking the livelihoods and lives of many Americans. Our families live in rural America for a reason. We like our way of life. We can actually see the stars there. We can drink from the water directly from the aquifer. We gather by the river every year to see the annual migration of the Sandhills cranes, which I proudly wear on my boots. The Department of Interior says that all of that is literally at risk with this project.

When you know this is an export pipeline—every one of you knows it; TransCanada knows it, too—and you know it is going to get refined by countries that you all say you hate—Saudi Arabia and Venezuela—and it is made with foreign steel—Welspun knows that. This is not made-in-the-USA steel. It is rolled and coated in Arkansas. When you know that and you know that TransCanada threatens eminent domain from day one when talking with landowners, you should be ashamed of yourselves for supporting this project.

TransCanada is asking landowners to take on a lifetime of risk, and so we are asking you to intervene. We want you to see their massive lobby and P.R. campaign and all of the millions of dollars of lobby dollars as it is, and it is simply a Hail Mary pass. They are landlocked. They need to get their product to the export market, and when it does, it will open the floodgates to the tar sands pipelines or, as the person who spoke before me, other pipeline companies will then not want to cross the border because they know that they will be facing Nebraska ranchers and farmers.

A risk to our agriculture production in Nebraska or other Midwestern states that rely on the aquifer can easily turn into a catastrophic economic risk. Last weekend, just in a tiny town of Benedict, Nebraska, a group of landowners and concerned citizens like these two folks right here, we started to build a solar-powered barn with wind directly inside the route of the Keystone pipeline. With the drills and hammers, with sturdy backs and a lot of will, we are building our own clean and reliable energy. And the fact of the matter is that little barn, that little clean energy project will put more energy on Nebraska's power grid than the TransCanada Keystone pipeline ever will.

And so we ask you to stand with us, farmers and ranchers, stand against eminent domain, stand against foreign oil, and help us get this pipeline denied.

Thank you.

[The prepared statement of Ms. Kleeb follows:]

Jane Kleeb
Bold Nebraska
"Keystone's Red Tape Anniversary" / Sept. 19, 2013
Subcommittee of Commerce, Manufacturing and Trade

I'm Jane Kleeb, the executive director of the grassroots group Bold Nebraska. As a great Republican President once said, "no man may poison the people for his private profit." I believe President Teddy Roosevelt was right. In Nebraska, we are fighting to keep the Keystone XL pipeline from crossing the delicate Sandhills and risking our critical water resource, the Ogallala Aquifer.

When Keystone 1 was built across our state, Nebraskans didn't know much about oil pipelines or tarsands. As a state, we did not see a huge economic boom. As a nation, we did not see a huge employment boom. The \$1.8 billion dollars that TransCanada claims our state will see must have been paid in Monopoly money because the majority of counties along Keystone 1 actually lost tax revenue during the construction period.

Looking at job records on Keystone 1 and TransCanada's Gulf Coast Segment proves states see about 800-900 relocated and short-term workers and about 100 local folks get jobs for 6 months to a year. While those are good jobs, it's nowhere near TransCanada's false promise of jobs for Keystone XL.

In April 2010, the Deepwater Horizon platform exploded and sank into the Gulf of Mexico, claiming 11 lives and releasing 5 million gallons of oil. Within ten days of capping the BP well, Enbridge's tarsands pipeline in Michigan ruptured and filled the Kalamazoo River with toxic, cancer causing chemicals. In 2013, tarsands literally ran down the streets in Arkansas. All of a sudden our state and our nation are now focused on the economic risk that Keystone XL would bring to the largest freshwater resource in North America, the Ogallala Aquifer.

Our state's economic backbone is based on Agriculture. Our famers and ranchers livelihoods rely on clean and abundant water from the aquifer. We are the number one state in the nation in irrigated acres, and that is only because of this vast resource.

There has never been a worst-case scenario risk analysis for our water. And yet, TransCanada admits their pipeline could spill at least 1.3 million gallons of tarsands and chemicals. That's an eye-catching number, because 1.3 million gallons happens to be about the size of the Kalamazoo River spill in Michigan, which Chairman Upton knows this tragedy first hand.

It's been three years, the total cost is over \$1 billion, and it is still not cleaned up because tarsands are clinging to the edges and bottoms of the Kalamazoo River. Over 200 families had to give up their homes, and residents have been cautioned against swimming in the river or eating its fish.

We are deeply worried that our rivers and our irreplaceable aquifer will be the next Kalamazoo River, the next Gulf of Mexico, or the next Mayflower, Arkansas.

America's national interest is not served by a project that lines the pockets of the few, while risking the livelihoods and the lives of many.

Our families live in rural America because we like our way of life. We can see the stars, we can drink from wells filled by the aquifer, and we can gather by the river to see the annual migration of the Sandhill Cranes. The Department of the Interior tells us that Keystone XL puts all of this at risk. We knew this from Day One of TransCanada's application.

TransCanada poured millions into the political process in Nebraska, passing an eleventh-hour pipeline routing law that violates the state constitution and is currently in court. Eminent domain powers were granted solely to the governor who at one point had to return an illegal campaign contribution from TransCanada.

TransCanada uses eminent domain to intimidate landowners into accepting unfair deals. It's been reported in the press that TransCanada has threatened to level people's homes if they don't cooperate. They do all of this with a smile and a promise to be good neighbors.

When you know this is an export pipeline, that uses foreign steel, gets refined by countries like Saudi Arabia and Venezuela, increases gas prices in the Midwest and the company treats our neighbors unfairly, you can see why the opposition is only growing stronger.

TransCanada is asking landowners to take on unnecessary risk, so we're asking you to intervene. See their massive lobby campaign for what it is: a Hail Mary pass because TransCanada made a bad investment in tarsands and is now dependent on international exports. TransCanada is part of an industry so greedy that they're willing to say anything to get this pipeline pushed through in order to open the floodgates to more and more tarsands pipelines crisscrossing our great country.

By your clock, it has been five years. And yet, we still do not have all the risks analyzed. Time allows us to dig into the issues that you are asking our families to live with forever. A risk to agricultural production of Nebraska—or the other Midwestern states that border us and share the Ogallala Aquifer—can easily turn into a catastrophic economic impact.

Last weekend, just west of tiny Benedict, Nebraska, a group of landowners and concerned citizens started building a solar-powered barn and a wind turbine in the path of the Keystone XL. With drills and hammers, with sturdy backs and their own two hands, they set to create safe and renewable energy.

Our community's barn project will put more energy on Nebraska's grid than TransCanada's Keystone XL pipeline ever will. We know you want to leave a legacy worth sharing, an economic future that is strong. A pipeline won't fix our economy, but this pipeline can break our families' economic futures. Stand with us in saying no to Keystone XL and yes to the very spirit of the homesteaders who built our great state.

Mr. TERRY. Thank you.

Mr. Swift, you are now recognized for 5 minutes.

STATEMENT OF ANTHONY SWIFT

Mr. SWIFT. Thank you, Chairman Terry, Ranking Member Sarbanes, and members of the subcommittee. Thank you for today's opportunity to testify on the economic and environmental issues associated with the Keystone XL tar sands pipeline. My name is Anthony Swift. I am a policy analyst for the Natural Resources Defense Council. NRDC is a national, nonprofit organization dedicated to protecting public health and the environment.

When TransCanada first proposed to build Keystone XL, the controversial project generated public outcry for good reason. The proposed pipeline would have transported 830,000 barrels of tar sands crude—the dirtiest, most carbon-intensive crude in the world—across America's farms, communities, and through some of the Nation's most sensitive water resources. The intervening years of public scrutiny and environmental review have only bolstered the argument that the Keystone XL tar sands pipeline is not in the Nation's interest and should be rejected.

In the period since TransCanada filed its initial application, we have learned through tragic experience of the dangers of tar sands spills. In spills in Kalamazoo, Michigan, and Mayflower, Arkansas, we have seen communities destroyed and learned that tar sands is far more difficult to contain and clean than conventional crude. We watched as TransCanada put two new pipelines, Keystone I and Bison, into service. Both had special safety conditions, and yet in its first year, Keystone I spilled 14 times and had to be shut down by federal regulators while the Bison pipeline exploded.

We have learned that the Keystone XL's supporters have dramatically exaggerated many of the benefits of this project. We were told the Keystone XL was critical to U.S. energy security. We now know that over half of the tar sands from Keystone XL will be exported after it is refined in the Gulf. Rather than a pipeline to the United States, Keystone XL is an export pipeline through it.

While supporters of the pipeline continue to pitch the project as a national jobs creator, the reality is quite different. The State Department's review indicates that the construction of Keystone XL has a job creation potential on par with building a shopping mall, and it will support far fewer jobs after it is built. In fact, it will employ just 50 permanent workers in both the United States and Canada after construction. That is simply not the national jobs plan that its boosters claim.

And we have seen climate change imposing increasing costs on the American people. We just finished last year, the hottest year on record across the continental United States. We spent over \$140 billion to cover crop losses. We saw wildfires that burned 9.3 million acres of our forests and fields and witnessed storms like Hurricane Sandy—which left 130 Americans dead—do more than \$80 billion of damage. Climate-related spending by the government cost the average American taxpayer \$1,100 last year alone.

We have long known that tar sands is incredibly carbon-intensive to produce. Not only are the well-to-tank emissions from gasoline produced from tar sands over 80 percent higher than that from

conventional crude, we now know that a barrel of tar sands produces greater quantities of carbon-intensive byproducts like petroleum coke. Replacing conventional crude at the Gulf with tar sands from Keystone XL would generate annual emissions equivalent to those of over 5 million vehicles. To put that in perspective, Americans would have to drive 60 billion fewer miles every year to make up for the increased carbon emissions from Keystone XL.

We also learned that Keystone XL is the linchpin for the tar sands industry's expansion plans. Goldman Sachs, Standard & Poor's, and other market observers have noted that the current pace of tar sands expansion cannot continue if Keystone XL is rejected. We have heard confirming evidence of that today. The efforts of Keystone XL supporters to secure the approval underlying the importance of this pipeline to the tar sands industry expansion plan and the carbon emissions associated with that plan. Even in the unlikely scenario that every other proposed tar sands transportation project moved ahead, the tar sands industry would still not have sufficient transport capacity to meet its expansion plans without Keystone XL. There is simply no credible way to divorce Keystone XL with the tar sands expansion and the carbon pollution associated with it.

There is a better path forward, one which involves expanding a clean economy that already puts millions of Americans to work today. In recent years, we have watched clean energy become one of the fastest-growing sectors in the U.S. economy creating hundreds of thousands of jobs in the process. In fact, just in the second quarter of this year, 58 new projects in clean energy and clean transportation were announced, which will create over 38,000 jobs.

Our choice is clear: Either we will begin on our watch to reduce the dangerous carbon pollution that is driving global climate change or our children will inherit climate chaos tomorrow. Years of public scrutiny have given us a myriad of reasons to reject this tar sands project. Keystone XL is not in the Nation's interest.

NRDC thanks you for the opportunity to present its views and I would be pleased to answer any questions you may have.

[The prepared statement of Mr. Swift follows:]

Summary of Testimony by Anthony Swift, Natural Resources Defense Council

The Keystone XL tar sands project would pipe some of the dirtiest oil on the planet through the breadbasket of America to be shipped overseas through the Gulf of Mexico. Financial analysts, industry commentators, and the environmental community agree that Keystone XL is a lynchpin for tar sands expansion and the significant carbon pollution associated with it.

TransCanada's reapplied for a Presidential Permit to build the Keystone XL tar sands pipeline in May 4th, 2012 after its first permit application was rejected. Since the original application, the federal review of Keystone XL has revealed significant major risks associated with the proposed tar sands project and shown that the project's benefits have been overstated. Significant new information that has been uncovered since Keystone XL was proposed includes:

- Evidence that Keystone XL is critical to enable expansion of tar sands production and associated carbon emissions.
- New information showing that tar sands is more carbon intensive relative to conventional crudes, including information showing that tar sands crudes generate substantially more petroleum coke than conventional U.S. fuel stocks.
- Spills in Kalamazoo, Michigan and Mayflower, Arkansas demonstrated that tar sands crude is more damaging and difficult to clean, particularly if they contaminate water bodies.
- The federal review process has given Nebraskans of both parties a forum to reject a plan to route the Keystone XL tar sands pipeline through their most sensitive water resources.
- The State Department review of the Keystone XL pipeline showed that the majority of the tar sands from Keystone XL will be exported internationally after it is refined in the Gulf.
- Contrary to claims that the pipeline would be a national jobs creator, State Department review of the project has confirmed that the construction of the pipeline would only generate 3,950 person years of work and once built its operation would only employ 50 personnel in both Canada and the United States.

The substantial risks of the Keystone XL tar sands pipeline outweigh its marginal benefits. In exchange for 50 permanent jobs, Keystone XL would pose a permanent risk to American communities, sensitive water resources, agricultural industry and climate.



**Testimony of
Anthony Swift
Policy and Energy Analyst, International Program
Natural Resources Defense Council**

Before the

**Subcommittee on Commerce, Manufacturing and Trade
Committee on Energy and Commerce
United States House of Representatives
September 19, 2013**

**Testimony to the House of Representative's Committee on Energy and Commerce's Commerce,
Manufacturing and Trade Subcommittee Hearing
September 19, 2013**

Chairman Terry, Ranking Member Schakowsky and members of the subcommittee, thank you for today's opportunity to testify on the economic and environmental issues associated with the Keystone XL pipeline. My name is Anthony Swift. I am a policy analyst for the Natural Resources Defense Council (NRDC). NRDC is a national, nonprofit organization of scientists, lawyers and environmental specialists dedicated to protecting public health and the environment. Founded in 1970, NRDC has more than 1.4 million members and online activists worldwide, serviced from offices in New York, Washington, Los Angeles, San Francisco, Chicago, and Beijing.

I. Introduction

In May 2012, TransCanada applied for a Presidential Permit for the northern section of the Keystone XL tar sands pipeline from Hardisty, Alberta, to Steele City, Nebraska, where it would connect to the southern section of the Keystone XL pipeline already under construction to the Gulf of Mexico. The northern section requires the State Department-administered Presidential Permit because it crosses the international border with Canada.

The State Department released a draft environmental review of the Keystone XL tar sands pipeline project in March 2013 and must consider the more than 1 million comments it received in response. The next step will be a final environmental impact statement, followed by a determination of whether the pipeline is in the national interest, as required under Executive Order 13337.

The economically viable expansion of tar sands production is limited by the capacity of transport systems—mostly pipelines—to move the product to refineries and especially to access overseas markets. Keystone XL, by increasing transport capacity, would enable increased tar sands production and thus trigger all the attendant increases in greenhouse gas emissions.

Because Keystone XL would link Alberta to international markets, it would enable the tar sands industry to access higher world oil prices. This would make tar sands development more profitable, encouraging expanded development. In the absence of the Keystone XL pipeline, expansion of tar sands extraction is not inevitable.

Other pipeline proposals to take tar sands to overseas markets face severe legal and public opinion obstacles. And the higher costs of rail transportation associated will constrain tar sands expansion. Industry's reckless tar sands expansion plans depend on the Keystone XL pipeline.

In short, approval of the Keystone XL pipeline permit will trigger very large increases in carbon pollution that will significantly worsen climate change. Denial of the permit will prevent these increases.

II. Tar sands-derived crudes are significantly more carbon intensive than conventional crude oil.

The extraction, production, and refining of tar sands are much more energy intensive than those processes are for conventional oil. The State Department and the Environmental Protection Agency both concluded that carbon emissions from tar sands processing are 81 percent higher than those from conventional oil on a well-to-tank basis.¹ This comparison singles out the area where tar sands crude is significantly different from conventional oil: in extraction and refining. When the extraction and refining emissions are folded into a full lifecycle emissions analysis (including production, upgrading, refining, transportation and dispensing at gas stations, and the very emissions heavy stage of final combustion), fuel derived from tar sands causes roughly 17 percent more greenhouse gas emissions than fuel from conventional oil.² However, these are conservative comparisons and do not account for carbon emissions from the burning of petroleum coke (a by-product of the tar sands refining process), emissions associated with forest destruction and land-use change, and a variety of other carbon-intensive factors that further exacerbate the climate impacts of tar sands development.

Significant amounts of energy are required to extract oil from tar sands.³ Greenhouse gas emissions vary considerably from project to project because of differences in technologies, practices and tar sands quality.⁴ The

¹ U.S. Department of State, Keystone XL DSEIS Appendix W pg. 64, <http://keystonepipeline-xl.state.gov/documents/organization/205563.pdf>; see also U.S. Environmental Protection Agency, Letter to Assistant Secretary Jose W. Fernandez, U.S. Department of State, April 22, 2013, <http://www.epa.gov/compliance/nepa/keystone-xl-project-epa-comment-letter-20130056.pdf>. Well-to-tank emissions include greenhouse gas emissions from production, upgrading, refining, and transportation and dispensing at gas stations but do not include combustion emissions in vehicles.

² Keystone XL DSEIS, Appendix W pg. 44. In general, lifecycle emissions refer to extracting, in some cases upgrading, transporting, refining, and combusting the tar sands. The 18.7 million metric tons incremental emissions associated with the tar sands in Keystone XL are based on analysis by the National Energy Technology Lab (NETL), which State recognized doesn't account for additional emissions from the use of co-products besides gasoline and diesel produced from tar sands crude, such as petroleum coke (Keystone XL DSEIS at 4.15-105-106).

³ Extracting and upgrading tar sands into synthetic crude oil – a substance similar to conventional crude oil – causes three times more greenhouse gas emissions than extracting conventional crude. Keystone XL DSEIS, Appendix W pgs. 43-44.

⁴ Pembina Institute, Oil Sands 101, <http://www.pembina.org/oil-sands/os101/climate>.

majority of the current extraction is done by strip-mining tar sands and then washing the bitumen from the sand with heated water. Most future tar sands extraction will be done by some type of *in situ* process by which steam is pumped underground in order to melt the bitumen enough that it can be pumped to the surface. *In situ* tar sands extraction is even more greenhouse gas intensive than strip-mining. This means that as more *in situ* projects come online, the climate impacts compared to conventional oil production will rise.

The land use impacts of tar sands development on greenhouse gas emissions are significant, but they are not currently included in the estimates of tar sands emissions. A study in the *Proceedings of the National Academy of Sciences* found that in addition to the reduced carbon sequestration potential of the Boreal forest, landscape changes caused by currently approved tar sands mines will result in the release of 11 million to 47.3 million metric tons of CO₂e from affected peatlands.⁵

In addition to higher extraction emissions, refining a barrel of tar sands bitumen leads to higher greenhouse gas emissions than conventional light crude oil.⁶ When refined, tar sands bitumen generates significant volumes of petroleum coke or petcoke, a high-carbon refining byproduct that is increasingly being used as a cheaper, more carbon-intensive substitute for coal. Gulf Coast refineries export the majority of petcoke internationally.⁷ The increased emissions associated with the combustion of tar sands–derived petcoke increases the carbon intensity of tar sands bitumen in a manner that is not fully captured in lifecycle emission comparisons.⁸

III. Keystone XL would create significant additional climate emissions.

⁵ Rebecca Rooney et. al., Oil sands mining and reclamation cause massive loss of peatland and stored carbon, *Proceedings of the National Academy of Sciences*, March 27, 2012 vol. 109 no. 13 4933-4937, <http://www.pnas.org/content/109/13/4933>.

⁶ A barrel of bitumen contains 24 percent more CO₂ than a barrel of light oil. Oil Change International, *Petroleum Coke: The Coal Hiding in the Tar Sands*, January 2013, pg. 11,

<http://priceofoil.org/content/uploads/2013/01/OCI.Petcoke.FINALSCREEN.pdf>.

⁷ *Id.*

⁸ TIAX found that coke combustion could increase WTW emissions by 14 percent, and Pembina estimated that coke gasification at the upgrader could account for a 50 percent increase in GHG emissions from extraction and upgrading bitumen; IHS CERA found that if petroleum coke combustion is included, tank-to-wheel combustion emissions of refined crude increase about 13 percent. Keystone XL DSEIS, Appendix W pg. 30.

The United States has committed to reducing its greenhouse gas emissions to 17 percent below the year 2005 level in 2020. Meeting this goal will require a large and sustained commitment across many sectors.⁹ Keystone XL would generate a large new pool of carbon that would undermine efforts to achieve these savings. Moreover, the failure to adopt a policy of rejecting infrastructure projects that would increase the average carbon intensity of U.S. energy consumption would undermine efforts to realize the country's climate commitments.

The Keystone XL-induced greenhouse gas emissions would represent a significant increase in U.S. carbon pollution. The State Department's draft analysis of Keystone XL concluded that replacing 830,000 bpd of conventional crude with tar sands would cause the release of an additional 18.7 million metric tons CO₂e.¹⁰ As the State Department recognizes, this number does not account for additional emissions from the use of other products besides gasoline and diesel produced from tar sands crude, such as petroleum coke.¹¹ Including the emissions from those products raises the estimate of Keystone XL's incremental carbon pollution by 30 percent, from 18.7 to 24.3 million metric tons CO₂e.¹² Over the 50-year assumed life span of the project, replacing 830,000 bpd of conventional crude with tar sands would add 935 million to 1.2 billion metric tons of carbon pollution to our atmosphere.¹³ Moreover, none of these estimates include carbon emissions from burning the

⁹ See, e.g., World Resources Institute, *Can the U.S. Get There from Here? Using Existing Federal Laws and State Action to Reduce Greenhouse Gas Emissions*, Feb. 2013, www.wri.org/publication/can-us-get-there-from-here. The report finds that to reduce U.S. emissions 17 percent below 2005 levels in 2020 will require the federal government to apply the most ambitious suite of policies evaluated.

¹⁰ Keystone XL DSEIS Market Analysis, pg. 4.15-105-106, <http://keystonepipeline-xl.state.gov/documents/organization/205618.pdf>. (based on the average slate of crude refined in the United States in 2005).

¹¹ *Id*

¹² The State Department's analysis shows that replacing 830,000 bpd of conventional crude (based on the 2005 U.S. average) with higher carbon tar sands from Keystone XL would increase annual emissions by 18.7 million metric tons CO₂e (Keystone XL DSEIS, pg. 4.15-105). This figure is based on analysis by the National Energy Technology Lab (NETL), which State recognized doesn't account for additional emissions from the use of co-products besides gasoline and diesel produced from tar sands crude, such as petroleum coke (Keystone XL DSEIS, pgs. 4.15-105-106). By request of State, NETL adjusted its framework to include other product emissions, finding that they increased the differential in incremental emissions from tar sands compared to the 2005 U.S. average crude oils by roughly 30 percent (Keystone XL DSEIS, pg. 4.15-106; U.S. Environmental Protection Agency, Comments on Draft SEIS, pg. 2, <http://www.epa.gov/compliance/nepa/keystone-xl-project-epa-comment-letter-20130056.pdf>). Including these emissions in Keystone XL's incremental emissions increases them from 18.7 million metric tons CO₂e to 24.3 million metric tons CO₂e. Over its estimated fifty year lifespan (Keystone XL DSEIS, p. 4.15-2), replacing conventional crude with tar sands from Keystone XL would generate 1.215 billion metric tons in increased emissions.

¹³ Replacing conventional crude with tar sands from Keystone XL would generate between 18.7 to 24.3 million metric tons CO₂e (see footnote 20). Over its estimated fifty year lifespan (Keystone XL DSEIS, pg. 4.15-2), this would add between 935 million and 1.2 billion metric tons of carbon pollution to our atmosphere.

fuel or that result from the land use changes associated with destruction of the Boreal forest, peatlands, and wetlands in tar sands extraction areas.¹⁴

The rejection of Keystone XL would avoid 18.7 million to 24.3 million metric tons of CO₂e per year.¹⁵ By comparison, the first-ever U.S. carbon reduction and fuel efficiency standards for heavy-duty trucks are expected to reduce annual greenhouse gas emissions by 27.4 million metric tons CO₂e by 2020.¹⁶ In the Northeast and Mid-Atlantic, the Regional Greenhouse Gas Initiative (RGGI) program to reduce CO₂ emissions from power plants¹⁷ is projected to reduce emissions by up to 11.9 million metric tons CO₂ per year.¹⁸ Thus, as a single, discrete decision, the rejection of Keystone XL would deliver significant carbon emission savings that are on a scale similar to that of some of the most significant and ambitious emission reduction programs underway in the United States.

Moreover, the climate benefits of a rejection of Keystone XL should be considered within the broader context of U.S. policy regarding high-carbon infrastructure. In addition to the Keystone XL permit decision, the State Department is also considering a proposal to expand the capacity of the Alberta Clipper pipeline by 350,000 bpd. It also has jurisdiction to consider a proposal to reverse the Portland-Montreal pipeline, which could take 192,000 bpd from a reversed Enbridge Line 9 pipeline through Quebec and New England to the coast of Maine.¹⁹

¹⁴ Rebecca Rooney et. al., Oil sands mining and reclamation cause massive loss of peatland and stored carbon, Proceedings of the National Academy of Sciences, March 27, 2012 vol. 109 no. 13 4933-4937, <http://www.pnas.org/content/109/13/4933>.

¹⁵ The distinction between these two figures that bound the range is whether other product emissions like petroleum coke are included (see footnote 20).

¹⁶ This includes an annual reduction 27 million metric tons CO₂ emissions and 0.4 million metric tons CO₂e in methane emissions. National Highway Transportation Safety Administration (NHTSA), Medium and Heavy Duty Fuel Efficiency Rule Final EIS, June 2011, 4.46, www.nhtsa.gov/staticfiles/rulemaking/pdf/cafe/FEIS-MedHD.pdf.

¹⁷ RGGI is a cooperative effort among the states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont to cap and reduce CO₂ emissions from the power sector. Regional Greenhouse Gas Initiative, RGGI 2012 Program Review: Summary of Recommendations to Accompany Model Rule Amendments, http://www.rggi.org/docs/ProgramReview/FinalProgramReviewMaterials/Recommendations_Summary.pdf.

¹⁸ Environment America, A Double Success Tackling Global Warming While Growing the Economy with an Improved Regional Greenhouse Gas Initiative, pg. 15-16, Spring 2013, <http://www.environmentamerica.org/sites/environment/files/reports/A%20Double%20Success%20cover%20vUS%20web.pdf>; see also RGGI Inc., RGGI IPM Analysis: Amended Model Rule, 8 February 2013, www.rggi.org/docs/ProgramReview/February11/13_02_11_IPM.pdf.

¹⁹ The incremental emissions from these projects are calculated by multiplying their barrels per day capacity by the State Department's estimate that substituting tar sands crude for the U.S. average crude produces 2.3 million metric tons CO₂e per year per 100,000 barrels displaced, based on a study by the National Energy Technology Laboratory (NETL) (Keystone XL DSEIS, pg. 4.15-104). The Alberta Clipper expansion would enable an additional 350,000 bpd expansion while the reversal of the Portland-Montreal Pipeline would enable an additional 192,000 bpd of pipeline capacity. Replacing 542,000 bpd of U.S.

These projects would increase annual U.S. carbon emissions by 16.2 million metric tons CO₂. Rejecting Keystone XL and these pipeline modifications would reduce U.S. carbon emissions by 40.6 million metric tons CO₂ per year.²⁰

IV. Keystone XL is necessary to the expansion of tar sands production, due to limited regional refining and export pipeline capacity.

The Keystone XL tar sands pipeline is a necessary element in the oil industry's plan to increase western Canadian heavy tar sands production from 1.4 million bpd in 2012 to 5.8 million bpd by 2030.²¹ Beyond its 2030 production plans, the industry has proposed a long-term goal of 9.4 million bpd of tar sands bitumen production.²² Because export pipelines from the tar sands region are reaching capacity and the ability of refineries to take additional tar sands is limited in both Canada and most regions of the United States where tar sands currently flows, such as the Midwest and the Rockies, Keystone XL will facilitate expansion of tar sands to Gulf Coast refining facilities. Without additional export pipelines, the planned expansion to these levels is technically and economically infeasible, for want of a way to get the product to new and especially overseas markets. In other words, without significant additional pipeline capacity, such as the proposed Keystone XL project, the expansion to these industry targets will not occur. Therefore, the U.S. decision on whether to approve the Keystone XL pipeline will have a direct bearing on whether the tar sands industry can attain those goals, with their attendant increases in carbon pollution.

Export pipelines from the northern Alberta tar sands region are quickly reaching capacity, making new export pipelines essential to expand the tar sands industry. The combined capacity of western Canada's local refineries and export pipelines to outside markets is 3.5 million bpd.²³ The Canadian Association of Petroleum Producers

average conventional crude with tar sands crude would increase annual U.S. emissions by 12.5 million metric tons CO₂. This estimate doesn't account for additional emissions from the use of co-products besides gasoline and diesel produced from tar sands crude, such as petroleum coke (Keystone XL DSEIS, pgs. 4.15-105-106). Incorporating those emissions would increase the annual incremental emissions of these projects by 30 percent, to 16.2 million metric tons CO₂ (Keystone XL DSEIS, pg. 4.15-106; EPA comments, pg. 2).

²⁰ This includes incremental emissions of 24.3 million metric tons CO₂e for Keystone XL, 10.5 million metric tons CO₂e for Alberta Clipper, and 5.7 million metric tons CO₂e for the Portland Montreal Pipeline reversal.

²¹ Canadian Association of Petroleum Producers (CAPP), *Crude Oil, Forecasts, Markets and Pipelines*, June 2013, pg. 37, <http://www.capp.ca/forecast/Pages/default.aspx>.

²² *Oilsands Review*, October 2012.

²³ Western Canadian crude which cannot be processed in local refineries must be shipped to other refinery markets via export transportation facilities to be sold. Western Canada has 649,000 bpd of local refinery capacity, and 2.9 million bpd of export pipeline capacity including 1.78 million bpd for Enbridge mainline; 590,000 bpd for Keystone I; 300,000 bpd for

(CAPP) forecasts that production increases, driven primarily by tar sands, will exceed this transportation capacity around 2014 (see Fig. 1).²⁴ Moreover, the oil industry plans to bring Western Canadian oil production to 7.8 million bpd by 2030 as they plan to bring 4.4 million bpd of additional heavy tar sands production online.²⁵

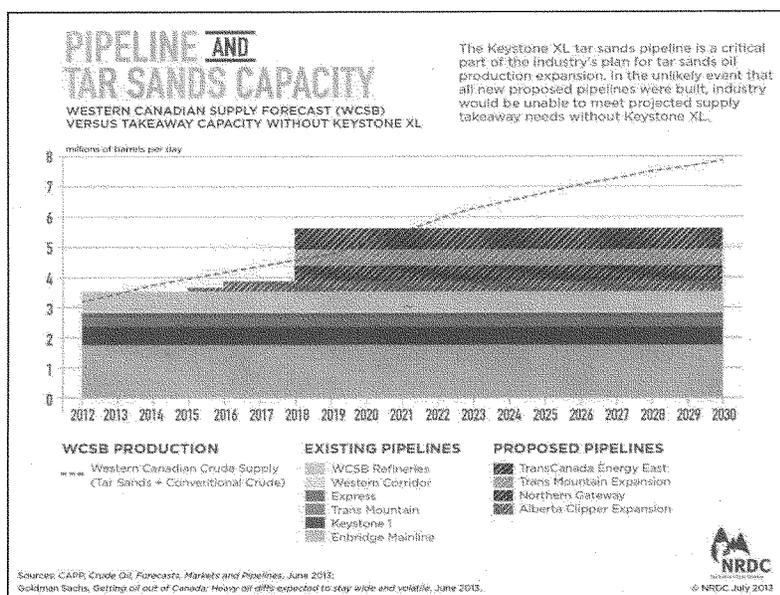


Figure 1: Pipeline and Tar Sands Capacity: Western Canadian Supply Forecast (WCSB) versus Takeaway Capacity without Keystone XL²⁶

TransMountain; 155,000 bpd for Express; and 55,000 bpd for Western Corridor. Goldman Sachs, Oil Infrastructure Research Roundtable: Getting oil out of Canada: Heavy oil diffs expected to stay wide and volatile, June 2, 2013, pg. 13.

²⁴ CAPP estimates Western Canadian oil production as between 3.4 and 3.7 million bpd in 2014. Canadian Association of Petroleum Producers (CAPP), Crude Oil, Forecasts, Markets and Pipelines, June 2013, pg. 37, <http://www.capp.ca/forecast/Pages/default.aspx>.

²⁵ Raw bitumen must be either upgraded or diluted before being transported on transmission pipelines, and these processes increase their volume. CAPP forecasts raw bitumen production to reach 5.2 million bpd and transportation ready tar sands production to reach 6.6 million bpd by 2030, in addition to 1.2 million bpd of conventional crude production. Canadian Association of Petroleum Producers (CAPP), Crude Oil, Forecasts, Markets and Pipelines, June 2013, pg. 37, <http://www.capp.ca/forecast/Pages/default.aspx>.

²⁶ Comparing industry's forecast of Western Canadian crude production through 2030 with local refining capacity, current export pipelines out of Western Canada and proposed export pipeline projects. Ninety-six percent of Western Canada's

The Gulf Coast, with its ability to process significant volumes of heavy crude oil, is a critical target for Canadian producers who desire the refining capacity and the access to overseas markets.²⁷ Western Canada currently produces 3.2 million bpd of tar sands and conventional crude oil but has limited refining capacity.²⁸ The region's refineries have the capacity to process 680,000 bpd of production – the rest must be exported to other refineries markets.²⁹ Over ninety percent of Western Canadian production increases – or 4.4 million bpd – are expected to be heavy tar sands crude which can only be processed by specialized refineries.³⁰ Refineries on the East Coast of North America have only limited heavy crude processing capacity, and this capacity is largely saturated.³¹ The U.S. Midwest, which has 1.1 million bpd of heavy crude processing capacity, is also saturated with Canadian crude.³² CAPP estimates that Midwestern refinery receipts will only increase by 100,000 bpd through 2020.³³ CAPP forecasts that Canadian exports to refineries in the Rocky Mountain region will be stable through 2020.³⁴ California has only 300,000 bpd of heavy crude processing capacity.³⁵ In contrast, the Gulf Coast contains the world's largest concentration of refineries capable of processing heavy crude oil, with up to 6.1 million bpd of heavy crude capacity.³⁶ Only 100,000 bpd of Western Canadian crude oil was transported to the Gulf Coast in 2012, which leaves room for a substantial increase in tar sands oil.³⁷

planned increased production is from tar sands crude. Goldman Sachs, Oil Infrastructure Research Roundtable: Getting oil out of Canada: Heavy oil diffs expected to stay wide and volatile, June 2, 2013, pgs. 13-14, 21. Canadian Association of Petroleum Producers (CAPP), Crude Oil, Forecasts, Markets and Pipelines, June 2013, pg. 37, <http://www.capp.ca/forecast/Pages/default.aspx>.

²⁷ Canadian Association of Petroleum Producers (CAPP), Crude Oil, Forecasts, Markets and Pipelines, June 2013, pg. 9, <http://www.capp.ca/forecast/Pages/default.aspx>.

²⁸ *Id* at pg. 37.

²⁹ *Id* at pg. 10.

³⁰ As Canadian crude production increases from 3.1 million to 7.8 million bpd from 2012 to 2030, 4.3 million bpd is expected in the form of heavy crude (include 4.4 million bpd of increased heavy tar sands production and a decrease in 100,000 bpd of conventional heavy) while only 400,000 bpd of increased production is expected to be light crude. Canadian Association of Petroleum Producers (CAPP), Crude Oil, Forecasts, Markets and Pipelines, June 2013, pg. 38, <http://www.capp.ca/forecast/Pages/default.aspx>.

³¹ PBF Energy's Paulsboro and Delaware City refineries and NuStar Energy's asphalt refinery in New Jersey are the only refineries on the east coast with the coking capacity to process heavy bitumen blends from western Canada, with 122,000 bpd of capacity. Canadian Association of Petroleum Producers (CAPP), Crude Oil, Forecasts, Markets and Pipelines, June 2013, pg. 13, <http://www.capp.ca/forecast/Pages/default.aspx>.

³² Canadian Association of Petroleum Producers (CAPP), Crude Oil, Forecasts, Markets and Pipelines, June 2013, pg. 14, <http://www.capp.ca/forecast/Pages/default.aspx>.

³³ *Id*.

³⁴ *Id* at pg. 17.

³⁵ *Id* at pg. 18.

³⁶ The Gulf Coast has 6.1 million bpd of heavy crude processing capacity, of which 2.1 million bpd is supplied by foreign sources. Goldman Sachs, Oil Infrastructure Research Roundtable: Getting oil out of Canada: Heavy oil diffs expected to stay wide and volatile, June 2, 2013, pg. 12; *Id* at pg. 16.

³⁷ *Id* at pg. 15; U.S. Energy Information Administration, Gulf Coast Impacts of Canadian crude oil, accessed July 14, 2013, <http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=p&f=s&f=m&f=a>.

Constrained pipeline capacity has had a significant impact on the price of tar sands oil, as heavy crude supplies saturate the heavy crude processing capacity of Midwestern and Canadian refineries. Tar sands crude, marketed as Western Canadian Select (WCS), has recently sold at a significant discount—at times approaching \$50 a barrel—relative to international heavy crudes, such as Mexican Maya, which have historically sold at equivalent prices.³⁸ Keystone XL would provide tar sands producers with cheap access to lucrative international markets and divert heavy crude away from saturated refinery markets in Canada and the Midwest. This would significantly increase the profitability of existing and new tar sands production projects. Conversely, Goldman Sachs recently concluded that if Keystone XL is delayed or canceled, Canadian tar sands supply will remain landlocked, putting additional downward pressure on WCS prices.³⁹ RBC Capital recently concluded that a delay or rejection of Keystone XL would reduce investment in tar sands by \$9.4 billion.⁴⁰ The rejection of Keystone XL would create sustained adverse economic conditions for tar sands expansion, resulting in the cancellation or postponement of new tar sands production projects.

V. Other proposed tar sands pipeline projects face obstacles and even if pursued would be insufficient to enable the industry's expansion plan.

Because the tar sands industry's expansion plans are dependent on more than 4 million bpd of additional transportation capacity for heavy crude, they require all proposed pipelines to move forward on schedule.⁴¹ TransCanada's proposed Keystone XL pipeline is the only major proposal for transporting additional bitumen to market in the near term.⁴² For the longer term, four pipeline projects have been proposed that would increase the crude export capacity from Western Canada. These include two pipelines through British Columbia to Canada's western coast, Enbridge's Northern Gateway and Kinder Morgan's Trans Mountain pipeline expansion; Enbridge's Alberta Clipper pipeline expansion into the U.S. Midwest; and TransCanada's Energy East pipeline to Canada's East Coast. There is an additional pipeline reversal proposed—of Enbridge's Line 9 and the Portland-Montreal Pipeline—which would transport tar sands to Portland, Maine, but this would only increase capacity

³⁸ Bloomberg, Valero Looking at Rail, Barges to Ship Canadian Crude to Gulf, Jan. 29, 2013, <http://www.bloomberg.com/news/2013-01-29/valero-looking-at-rail-barges-to-ship-canadian-crude-to-gulf.html>.

³⁹ Goldman Sachs, Oil Infrastructure Research Roundtable: Getting oil out of Canada: Heavy oil diffs expected to stay wide and volatile, June 2, 2013, pg. 25

⁴⁰ RBC Capital Markets Equity Research, Keystone XL and Canadian Oilfield Services, May 27, 2013.

⁴¹ Western Canada has 3.7 million bpd of pipeline capacity. Industry plans to expand production to 7.8 million bpd by 2030 will require an additional 4.1 million bpd of transportation capacity.

⁴² Pembina Institute, The Climate Implications of the Proposed Keystone XL Oilsands Pipeline, January 17, 2013, <http://www.pembina.org/pub/2407>.

from Ontario, not from the tar sands region. However, each of these projects faces significant obstacles that render their ultimate viability uncertain. And none of these projects will come online in time to alleviate the short-term transportation constraints facing tar sands expansion plans.

Moreover, even if all other proposed export pipelines from Western Canada are constructed, they will provide no more than 2.3 million bpd of additional transportation capacity.⁴³ Together they would still not support the transportation capacity needed to enable the tar sands industry's medium-term expansion plans. This makes Keystone XL a key contributor to the cumulative growth of tar sands production, responsible for the attendant increase in greenhouse gas emissions.

A. Proposed Enbridge Northern Gateway tar sands pipeline (British Columbia)

Enbridge's proposed Northern Gateway project is a controversial 525,000 bpd tar sands pipeline across the mountainous terrain and salmon-bearing rivers of north-central British Columbia. In May 2013, the British Columbia government opposed the project in its formal comments to the federal review panel.⁴⁴ This announcement mirrors significant opposition from the public and from legally powerful First Nations. Polling shows that more than two-thirds of British Columbians oppose the Northern Gateway project.⁴⁵

More than 100 First Nations that have aboriginal rights and title and that are affected by the proposed pipeline have publicly opposed both the pipeline and the additional tanker traffic that would result from the project.⁴⁶ Given the strong legal rights afforded Aboriginal Peoples in Canada under the constitution, especially those on unceded territory such as in British Columbia, their opposition represents a considerable legal barrier to the likelihood of the project going forward.⁴⁷

⁴³ Enbridge's Northern Gateway (525,000 bpd), the Trans Mountain expansion (adding 590,000 bpd), the Alberta Clipper expansion (adding 350,000 bpd) and TransCanada East (adding up to 850,000 bpd)

⁴⁴ Argument of the Province of British Columbia Re: Hearing Order OH-4-2011 and File No. OF-Fac-Oil-N304-2010-01 01 Enbridge Northern Gateway Project Application, May 31, 2013, http://www.env.gov.bc.ca/main/docs/2013/BC-Submission-to-NGP-JointReviewPanel_130531.pdf; "B.C. officially opposes Enbridge Northern Gateway pipeline," *CBC News*, May 31, 2013, <http://www.cbc.ca/news/canada/british-columbia/story/2013/05/31/bc-northern-gateway-rejected.html>.

⁴⁵ "Your Insights on the Northern Gateway Pipeline," *Insights West*, February 4, 2013, <http://www.insightswest.com/news/your-insights-on-the-northern-gateway-pipeline/>.

⁴⁶ Alex Stoymenoff, "First Nations resist Enbridge Northern Gateway pipeline cross Canada with Freedom Train," *Vancouver Observer*, April 28, 2012, <http://www.vancouverobserver.com/sustainability/2012/04/28/first-nations-resist-enbridge-northern-gateway-pipeline-cross-canada>.

⁴⁷ Carrie Tait and Nathan Vanderklippe, "First nations dig in against Enbridge Pipeline," *The Globe and Mail*, May 13, 2011, <http://www.theglobeandmail.com/report-on-business/industry-news/energy-and-resources/first-nations-dig-in-against-enbridge-pipeline/article2021928/page1/>.

Many thought leaders in western Canada are now calling for a time-out on the pipeline, which was originally proposed in 2005.⁴⁸ Even oil industry commentators and federal cabinet ministers who historically have been boosters of west coast pipelines have become significantly more muted in their support.⁴⁹ In the unlikely event that the Northern Gateway project is approved by 2019, as Enbridge projects, such a decision will likely be contested in courts for many years by concerned British Columbians and First Nations. These obstacles have led financial analysts to downgrade their expectations for Northern Gateway.⁵⁰

B. Proposed Kinder Morgan TransMountain pipeline expansion (British Columbia)

Canadian pipeline company Kinder Morgan, which is pursuing an expansion of its TransMountain pipeline from Alberta to Vancouver, British Columbia, also faces considerable hurdles. While the company has not yet submitted an application to the government, it has announced it plans to expand its TransMountain pipeline from 300,000 bpd to 890,000 bpd.⁵¹ The expansion would require new permits, the renegotiation of landowner agreements along the route, agreements with First Nations, the dredging of the Vancouver harbor and changes in regulations to allow increased tanker traffic. Even at this early stage, some of these elements of the project proposal have already generated substantial opposition. The mayors of Vancouver and Burnaby, British Columbia, have spoken out strongly against the pipeline proposal and the associated tanker traffic.⁵² Environmental and indigenous activists have staged numerous protests against the pipeline.⁵³

⁴⁸ Deborah Yedlin, "Yedlin: Is it time for a 'time-out' for the Northern Gateway?" *Calgary Herald*, October 12, 2012, <http://www.calgaryherald.com/business/time+time+northern+gateway/7379233/story.html>; Barbara Yaffe, "Barbara Yaffe: 'Time out' needed in Enbridge pipeline debate," *Vancouver Sun*, October 15, 2012, <http://www.canada.com/business/2035/Barbara+Yaffe+Time+needed+Enbridge+pipeline+debate/7393011/story.html>; Rod Love, "A bold way out?," *Rod Love Letters: Random observations on politics and life*, August 17, 2012, <http://rodlove.com/pipeline-solution-duh/>; Tex Enemark, "Dead pipeline walking," *Financial Post*, October 18, 2012, <http://opinion.financialpost.com/2012/10/18/dead-pipeline-walking/>.

⁴⁹ Andy Radia, "Northern Gateway may soon need extraordinary political measures to survive," *Yahoo News*, December 3, 2012, <http://ca.news.yahoo.com/blogs/canada-politics/northern-gateway-pipeline-may-soon-extraordinary-political-measures-183201589.html>.

⁵⁰ Canadian Press, "Oil industry faced with 'serious challenge' as pipelines fill up, TD warns," *Financial Post*, December 17, 2012, <http://business.financialpost.com/2012/12/17/oil-industry-faced-with-serious-challenge-as-pipelines-fill-up-td-warns/>.

⁵¹ In January 2013, KinderMorgan decided to expand the scope of the expansion project to 890,000 bpd. As of January 2013, Kinder Morgan stated that they planned to file an application for a permit for the expansion in late 2013. Kinder Morgan Energy Partners, L.P., Trans Mountain Updates Customer Commitments for Proposed Expansion Project, <http://phx.corporate-ir.net/phoenix.zhtml?c=119776&p=irol-newsArticle&iD=1773410&highlight>.

⁵² Jeff Lee and Brian Morton, "Vancouver and Burnaby mayors decry Kinder Morgan pipeline expansion," *Vancouver Sun*, April 14, 2012,

C. TransCanada Energy East (Alberta to New Brunswick)

TransCanada is in the early stages of exploring the option of a west-to-east pipeline project in Canada to transport up to 850,000 bpd of oil, including tar sands, across six Canadian provinces from Alberta to New Brunswick, a project it has named Energy East. This proposal would require the conversion of a several-decades-old natural gas pipeline (one of the lines that make up the TransCanada Mainline) into an oil pipeline, as well as significant new pipeline construction through Quebec and New Brunswick.

An application for regulatory approval of the project had not been submitted as of July 2013. If and when an application is submitted, the regulatory and siting process is likely to be long and complex, with not only a review process by Canada's National Energy Board (NEB) for the pipeline conversion, but also:

- A more complex NEB review process for the 870 miles of new pipeline construction.⁵⁴
- The potential for additional provincial environmental review from Quebec and New Brunswick regarding the new pipeline construction. These provincial reviews are likely in Quebec given that the Quebec government has called for a provincial review of the Enbridge Line 9 reversal.⁵⁵ In fact, Quebec Premier Pauline Marois and New Brunswick Premier David Alward have together created a working group to assess the risks of allowing tar sands to be pumped across their provinces.⁵⁶
- Consultations with dozens of First Nations that the pipeline could affect in Alberta, Saskatchewan, Manitoba, Ontario, Quebec, and New Brunswick.⁵⁷

<http://www.vancouversun.com/business/Vancouver+Burnaby+mavors+decry+Kinder+Morgan+pipeline+expansion/6457014/story.html>.

⁵³ See, eg. "Protest at Kinder Morgan Trans Mountain Pipeline," *Vancouver Media Coop*, August 27, 2011, <http://vancouver.mediacoop.ca/photo/protest-kinder-morgan-trans-mountain-pipeline/8030>; and "First Nations protest Kinder-Morgan pipeline," *Drive-by Planet*, September 5, 2012, <http://www.drivebyplanet.com/2012/09/first-nations-protest-kinder-morgan.html>.

⁵⁴ The pipeline would consist of 3,000 km (1,864 miles) of existing pipeline, and 1,400 km (870 miles) of new pipeline. TransCanada, Energy East Pipeline, Safety Overview, <http://www.energyeastpipeline.com/about/overview/#>.

⁵⁵ Shawn McCarthy and Kelly Cryderman, "Quebec to hold own hearings on Enbridge pipeline plan," *The Globe and Mail*, May 23, 2013, <http://www.theglobeandmail.com/report-on-business/industry-news/energy-and-resources/quebec-to-hold-own-hearings-on-enbridge-pipeline-plan/article12114484/>.

⁵⁶ Andy Blatchford, "Quebec, N.B., agree to take closer look at oilsands pipelines," *The Canadian Press*, February 18, 2013, <http://atlantic.ctvnews.ca/quebec-n-b-agree-to-take-closer-look-at-oilsands-pipelines-1.1161462>.

⁵⁷ TransCanada's process for the pipeline includes "aboriginal engagement" and TransCanada claims that it "respects the legal and constitutional rights of Aboriginal Peoples and recognizes that its relationships with Aboriginal Peoples are separate and different from that of the Crown." TransCanada Energy East Pipeline, Our Commitment, <http://www.energyeastpipeline.com/aboriginal-relations/our-commitment/>.

This project will likely face considerable public opposition in Quebec. Quebec has been a leader in fighting climate change, with an aggressive Climate Change Action Plan to cut greenhouse gas emissions in the province to 20 percent below 1990 levels by 2020.⁵⁸ Supporting tar sands expansion would be out of step with these goals, and in fact, the Ontario and Quebec governments have previously expressed concerns about the high and growing greenhouse gas emissions associated with tar sands development.⁵⁹ Further, given the major tar sands oil spills into the Kalamazoo River in 2010 and into the community of Mayflower, Arkansas, in March 2013, the public is concerned about transporting tar sands oil via an aging, repurposed pipeline through Quebec. Ontario's Energy Minister has also voiced concern about the project.⁶⁰ Numerous environmental groups in Canada also oppose this project.⁶¹

D. Enbridge Alberta Clipper tar sands pipeline expansion proposal (U.S. Midwest)

While Canadian pipeline company Enbridge has proposed a significant expansion of its Alberta Clipper tar sands pipeline (also known as Line 67), the expansion would facilitate a capacity increase less than half of Keystone XL's capacity, adding just 350,000 bpd.⁶² Therefore, even should this project move ahead, it would not enable the same level of expansion as Keystone XL. Furthermore, the pipeline project will undergo a comprehensive review by the State Department and is already facing considerable opposition from local communities.⁶³ The State Department published a notice in the Federal Register in January 2013 acknowledging receipt of an application from Enbridge for this expansion; it published a subsequent notice in March indicating its intent to prepare a supplemental environmental impact statement (SEIS) and requesting scoping comments on the SEIS.⁶⁴

⁵⁸ Government of Quebec, 2013-2020 Climate Change Action Plan, http://www.mddefp.gouv.qc.ca/changements/plan_action/pacc2020-en.pdf.

⁵⁹ Kelly Cryderman, "Ontario, Quebec say they won't shoulder oil sands burden," *Canwest News Service*, December 13, 2009, <http://www.nationalpost.com/news/story.html?id=2336575>.

⁶⁰ Vito Pilieci, "We need more information on proposed pipeline for Ottawa, politicians say," *Ottawa Citizen*, June 27, 2013, <http://www.ottawacitizen.com/technology/need+more+information+proposed+pipeline+Ottawa+politicians/8583849/story.html>.

⁶¹ Environmental organizations opposing the project include Équiterre, Environmental Defence Canada, Greenpeace Quebec, Council of Canadians, Climate Justice Montreal, and the Canadian Climate Youth Coalition.

⁶² Alberta Clipper (Line 67) Capacity Expansion Phase II, Enbridge, <http://www.enbridge.com/MainlineEnhancementProgram/Canada/Alberta-Clipper-Capacity-Expansion-Phase-II.aspx>. The expansion proposal would enable an increase in capacity from 450,000 barrels per day to 800,000 barrels per day.

⁶³ Jim Snyder and Rebecca Penty, "Enbridge Expansion Could Turn Into Keystone-Like Fight," *Bloomberg News*, May 2, 2013, <http://www.bloomberg.com/news/2013-05-02/enbridge-expansion-could-turn-into-keystone-like-fight.html>.

⁶⁴ See Federal Register Notices from January 2, 2013 <https://www.federalregister.gov/articles/2013/01/02/2012-31557/application-for-a-presidential-permit-to-operate-and-maintain-pipeline-facilities-on-the-border-of> and March 15, 2013 <https://www.federalregister.gov/articles/2013/03/15/2013-06039/notice-of-intent-to-prepare-a-supplemental-environmental-impact-statement-seis-and-to-conduct>.

Since this pipeline was originally permitted, the debate about tar sands has changed dramatically in the United States, with much more awareness and understanding about pipeline safety and climate risks from tar sands, and a strong coalition has come together to oppose this expansion project.⁶⁵

E. Reversal of Enbridge-ExxonMobil pipeline (Central Canada and New England)

The oil industry also faces considerable opposition to the transport of tar sands oil eastward through some of the most important natural and cultural landscapes in central Canada, Vermont, New Hampshire, and Maine. Enbridge has a plan to reverse and expand its Line 9 going through Ontario and Quebec, enabling transport of up to 300,000 bpd of Canadian tar sands oil. A portion of this oil could flow from Quebec to the United States via one of the two ExxonMobil majority owned lines that make up the Portland-Montreal pipeline.⁶⁶ Moreover, this project would not expand export capacity for tar sands production, as the reversal of Enbridge's Line 9 pipeline does not add incremental capacity to Enbridge's mainline pipeline system out of western Canada but only extends it to carry crude east from Sarnia, Ontario.⁶⁷ Enbridge has applied to Canada's National Energy Board to reverse and expand its Line 9 pipeline; there has not yet been a formal application for the Portland-Montreal pipeline reversal.

The project faces considerable opposition from the public as well as from government officials at the local, state, and national level. The opposition to the Portland-Montreal pipeline and Enbridge Line 9 reversal has included these actions:

- A coalition of Ontario municipalities, including the cities of Hamilton, Mississauga, Toronto, and Kingston, has raised concerns over the reversal of Enbridge Line 9 and has launched the formal comment process with Canada's National Energy Board over the proposal.⁶⁸

⁶⁵ Even before the State Department announced receipt of the application for the expansion project from Enbridge, tens of thousands of activists emailed the State Department requesting that this expansion require a Presidential Permit. State Department to Review Tar Sands Pipeline Expansion, January 7, 2013, <http://sierraclub.typepad.com/compass/2013/01/state-dept-to-review-tar-sands-pipeline-expansion.html>. There has also been significant activity from grassroots and environmental organizations calling for a robust Environmental Impact Statement.

⁶⁶ The Portland-Montreal pipeline is made up of two pipelines with capacities of 192,000 barrels a day and 410,000 barrels a day.

⁶⁷ Goldman Sachs, Getting oil out of Canada: Heavy oil diffs expected to stay wide and volatile, June 2, 2013, pg. 21.

⁶⁸ Jeff Lewis, "Ontario municipalities raise oil spill concerns on Enbridge pipeline reversal," Financial Post, March 13, 2013, http://business.financialpost.com/2013/03/25/ontario-municipalities-raise-oil-spill-concerns-on-enbridge-pipeline-reversal/?_lsa=8a80-a16e.

- The province of Quebec announced it would conduct its own public review of the proposed Line 9 pipeline, indicating it would want to have a say in the project.⁶⁹
- Canada's current opposition party in federal Parliament, the New Democratic Party, recently announced its opposition to the Enbridge Line 9 reversal based on flaws in the environmental review process managed by Canada's National Energy Board.⁷⁰
- The Vermont Natural Resources Board has ruled that any effort to reverse the flow of the Portland-Montreal pipeline to transport tar sands will require a state permit.⁷¹
- Dozens of communities have launched efforts through eastern Canada and New England to express opposition to the flow of tar sands through the Enbridge Line 9 and ExxonMobil Portland-Montreal pipeline.⁷² This includes the passage of dozens of resolutions in Quebec, Vermont, and Maine.⁷³
- State and federal representatives, including the entire U.S. House delegation as well as several U.S. senators from the states the pipeline traverses (Vermont, New Hampshire, and Maine), have called for a new Presidential Permit and comprehensive environmental impact statement for the project, expressing concern about the potential impact to climate and communities.⁷⁴ The Vermont Governor Peter Shumlin and New Hampshire Governor Maggie Hassan have sent similar letters.⁷⁵

⁶⁹ Valier Volcovici, "Quebec to do own review of Enbridge pipeline project," *Reuters*, May 23, 2013, <http://uk.reuters.com/article/2013/05/23/quebec-pipeline-idUKL2N0E41IH20130523>.

⁷⁰ Martin Croteau, "Enbridge: Thomas Mulcair rejoint les opposants," *La Presse*, March 15, 2013 <http://www.lapresse.ca/environnement/economie/201305/15/01-4650948-enbridge-thomas-mulcair-rejoint-les-opposants.php>.

⁷¹ Jurisdictional Opinion Re: 10 V.S.A. Sec. 6007(c) disclosure statement; jurisdictional determination Modification of the Portland Pipe Line (where located in Vermont, Northeast Kingdom Region), Vermont Natural Resources Board, District 7 Environmental Commission, April 15, 2013; see also Andrew Stein, "Act 250 coordinator: Tar sands requires Vermont permit," April 2013, <http://vtdigger.org/2013/04/15/act-250-coordinator-tar-sands-requires-vermont-permit/>.

⁷² Beth Quimby and Edward Murphy, "Huge crowd turns out to denounce possible transport of tar sands in region," *Portland Press Herald*, January 27, 2013, <http://www.pressherald.com/news/Tars-sands-oil-opponents-march-in-Portland.html?pagenum=full>.

⁷³ "Dozens of New England Towns Reject Tar Sands Expansion," Natural Resources Council of Maine, March 6, 2013, http://www.nrcm.org/news_detail.asp?news=5238.

⁷⁴ Letter to Secretary Kerry from 15 Representatives and 3 Senators regarding the Portland-Montreal pipeline, February 26, 2013, http://pingree.house.gov/index.php?option=com_content&view=article&id=960.

⁷⁵ Governor Hassan Calls on Federal Government to Protect NH from Potentially Dangerous Tar Sands Oil Pipeline, April 22, 2013, <http://www.governor.nh.gov/media/news/2013/pr-2013-04-22-tar-sands.htm>. Gov. Shumlin calls for new federal review of proposed tar sands pipeline, June 20, 2013, <http://governor.vermont.gov/blog-gov-shumlin-urges-sec-john-kerry-pipeline-review>.

VI. Rail is not an economically feasible alternative for heavy tar sands transport.

The State Department has argued that in the absence of pipelines, rail would provide an equally feasible way to transport the same volume of tar sands crude, and thus would facilitate the same rate of expansion of tar sands production. The State Department used this argument as a central part of its flawed assertion that tar sands development and transportation would happen regardless of whether Keystone XL was approved. However, rail is not an economically viable alternative to pipelines. There are significant economic and logistical obstacles to moving large volumes of heavy tar sands to the Gulf Coast via rail. When the State Department put rail forward as an alternative way to move tar sands, it was not basing its arguments on the economic realities. The high costs of rail for tar sands and the growing concerns over its safety show that the Keystone XL project is a linchpin for the industry's desired tar sands extraction expansion plans and the associated climate emissions.

The July 2013 derailment and explosion of rail tankers carrying oil that killed 50 people in Lac-Mégantic, Quebec, also shows that there are substantial safety concerns with rail. The safety issues are not dealt with in this analysis, but the tragic accident in Quebec shows that they will need to be considered in any review of rail as an alternative mode of transportation. What this paper does show is that if Keystone XL is rejected, rail will not provide an economic means to enable the same level of tar sands expansion and associated climate emissions.⁷⁶

A. Rail is more costly for heavy tar sands crude than for light crude.

While producers are moving increasing volumes of light crude oil from North Dakota, Saskatchewan, and southern Alberta by rail, economic and logistical obstacles have prevented significant volumes of heavy crude such as tar sands oil from moving by rail. The challenges to moving heavy tar sands crude by rail increase its cost, and therefore its feasibility as an option, relative to light crude by rail.

There are several major differences between moving light crude from, for example, North Dakota, and heavy tar sands from northern Alberta.

⁷⁶ Thomas Homer-Dixon, "No trains, no Keystone XL?" *Globe and Mail*, July 11, 2013, <http://www.theglobeandmail.com/commentary/no-trains-no-keystone-xl/article13118294/#dashboard/follows/>.

- Northern Alberta's tar sands are about 900 miles farther away from refinery markets than the North Dakota Bakken oil fields.⁷⁷
- Trains moving light crude can carry nearly 30 percent more crude than trains moving heavy tar sands diluted bitumen (700 barrels versus 550 barrels).⁷⁸
- Moving tar sands requires specialized rail offloading terminals, onloading terminals and heated railcars.⁷⁹
- Onloading and offloading heavy tar sands requires steam heating at terminals.

All of these factors increase the number of railcars and per-barrel costs required to move a given daily capacity of tar sands relative to conventional light crude.

B. Rail is unlikely for new tar sands extraction projects, given high start-up costs.

Given a combination of increasingly high production costs and the likelihood of stable or declining global oil prices, many oil companies will find it difficult to justify the already high start-up costs of new tar sands extraction projects if they also need to account for the greater transportation costs associated with rail. This is why heavy crude such as tar sands has largely been absent in the crude-by-rail boom. While some Canadian oil is moving by rail, both Reuters and Goldman Sachs report that the vast majority of it is light crude, not heavy tar sands.⁸⁰ From 2009 to 2013, transport of oil by rail in North Dakota increased from a few thousand barrels a day to nearly a million bpd.⁸¹ From January 2012 to January 2013, rail transport of light crude from North Dakota

⁷⁷ The greater distance requires longer transit times and more trains to supply a given daily capacity of tar sands to the Gulf, increasing per barrel costs. Patrick Ruckers, "Analysis: Oil-by-train may not be substitute for Keystone pipeline," *Reuters*, <http://www.reuters.com/article/2013/04/18/us-usa-keystone-railroads-idUSBRE93H07120130418>; The trip between northern Alberta and the Gulf Coast takes 18 days roundtrip by train. Keystone XL DSEIS, pg. 1.4-47.

⁷⁸ Heavy crude is denser than light crude, and therefore a barrel of tar sands weighs more than a barrel of light crude oil. Train car weight restrictions will allow loading of approximately 700 barrels of light crude oil or 550 barrels of heavier tar sands. Doug Wilkins, Integrated Midstream Solutions, TD Securities 'Crude By Rail Forum,' October 2, 2012, pg. 11, <http://www.gibsons.com/Doc/Gibson%20Presentation%20-%20TD%20Rail%20Forum%20October%202012.pdf>.

⁷⁹ Doug Wilkins, Integrated Midstream Solutions, TD Securities 'Crude By Rail Forum,' October 2, 2012, pg. 11, <http://www.gibsons.com/Doc/Gibson%20Presentation%20-%20TD%20Rail%20Forum%20October%202012.pdf>.

⁸⁰ Patrick Ruckers, "Analysis: Oil-by-train may not be substitute for Keystone pipeline," *Reuters*, <http://www.reuters.com/article/2013/04/18/us-usa-keystone-railroads-idUSBRE93H07120130418>; Goldman Sachs, Getting oil out of Canada: Heavy oil diffs expected to stay wide and volatile, June 2, 2013.

⁸¹ North Dakota Pipeline Authority, U.S. Williston Basin Rail Export Estimates, April 1, 2013, <http://ndpipelines.files.wordpress.com/2012/04/ndpa-website-data13.xlsx>.

increased from 145,000 bpd to 564,000 bpd, or from 27 percent to 76 percent of production.⁸² In comparison, Reuters reported that heavy Canadian oil by rail to the Gulf Coast only increased only from 15,000 bpd to 25,000 bpd during the same time, or from 0.9 percent to 1.3 percent of production.⁸³ From January to April of 2013, light crude oil shipments by rail in North Dakota increased by a further 230,000 bpd, compared with an increase in rail shipments of heavy Canadian crude of 3,700 bpd for the same time period.⁸⁴

Higher transportation costs associated with rail will undermine the economic feasibility of many new tar sands production projects and will reduce investment in tar sands expansion. The economic feasibility of many tar sands expansion projects is already being undermined by increasing costs and declining crude oil prices. Companies considering tar sands extraction expansion projects will be significantly less likely to commit their capital if they must internalize the higher cost of moving tar sands by rail rather than by pipeline.

i. Rapidly escalating costs in other areas make new tar sands extraction projects especially sensitive to higher transportation costs.

The tar sands industry has a declining ability to absorb any cost increases from transportation by rail because they are already facing rapidly escalating costs in labor and materials. Higher transportation costs from northern Alberta to the Gulf Coast would increase break-even prices and further diminish the economic feasibility of new tar sands projects, given this context of other already high production costs. Higher transportation costs will play an important role in decisions about investment in future tar sands extraction mines and *in situ* facilities.

Alberta's landlocked location, constrained labor pool, and climate raise costs of building and operating tar sands projects relative to conventional production, particularly during periods of expansion.⁸⁵ Tar sands production

⁸² In January 2012, 2012 North Dakota produced 535,000 bpd, of which 145,000 bpd was transported by rail; while in January 2013, North Dakota production increased to 738,000 bpd, of which 564,000 bpd move on rail. U.S. Energy Information Administration, North Dakota Field Production, <http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MCREPND2&f=M>. North Dakota Pipeline Authority, U.S. Williston Basin Rail Export Estimates, April 1, 2013, <http://ndpipelines.files.wordpress.com/2012/04/ndpa-website-data13.xlsx>.

⁸³ Patrick Ruckers, "Analysis: Oil-by-train may not be substitute for Keystone pipeline," *Reuters*, <http://www.reuters.com/article/2013/04/18/us-usa-keystone-railroads-idUSBRE93H07120130418>.

⁸⁴ "North Dakota Sees Record Shipments by Rail," *Associated Press*, June 21, 2013, <http://fuelfix.com/blog/2013/06/21/north-dakota-sees-record-oil-shipments-by-rail/>; Energy Information Administration, Company Level Import Data, April 2013.

⁸⁵ IHS CERA, *Extracting Economic Value from the Canadian Oil Sands Upgrading and refining in Alberta (or not)?* Special Report, 2013, pg. 4.

costs have been rapidly increasing and are likely to continue to do so.⁸⁶ The upper bound of tar sands break-even prices increased by about \$15 a barrel across all types of projects from 2011 to 2012.⁸⁷

ii. Lower world oil price scenarios are less favorable for tar sands expansion and should have been considered in the State Department draft environmental review.

The State Department's analysis of Keystone XL projected global oil prices using the U.S. Energy Information Administration's (EIA) 2011 International Energy Outlook, which was published before the full extent of the tight oil boom was understood.⁸⁸ Expected future oil prices play a key role in a company's decision about whether to go ahead with new tar sands extraction projects and are another factor in the relative importance of transportation costs in decisions about tar sands expansion.

Both the International Energy Agency (IEA) and Chicago Mercantile Exchange point to lower crude oil prices in the medium term than those assumed in the State Department's draft environmental analysis, providing another reason why the relatively higher cost of rail to pipelines will be an important factor in decisions about tar sands extraction expansion projects.

IEA's Medium-Term Oil Market Report forecasts additional shale oil production will create downward pressure on oil prices as they trend down to reach \$93 a barrel in 2018 (in 2013 USD).⁸⁹ In contrast, EIA's older estimates,

⁸⁶ The Canadian Energy Research Institute (CERI) found that year-over-year break-even costs for new tar sands projects have continued to increase. Canadian Energy Research Institute (CERI), Canadian Oil Sands Supply Costs and Development Projects (2012-2046), May 2013, pg. 31, http://www.ceri.ca/images/stories/2013-05-27_CERI_Study_133_-_Oil_Sands_Update_2012-2046.pdf In particular, 2013 break-even costs for new in situ projects reached \$77.85 per barrel (6.3 percent higher than 2012), breakeven costs for new standalone mines reached \$99.49 per barrel (13.2 percent higher than 2012) and new mines w/ upgraders required \$103.16 per barrel (10.9 percent higher than 2012). These estimates assume low transportation costs. CERI assumed transportation from the field to Cushing, Oklahoma would cost \$4.51 per barrel. CAPP estimates the costs of moving a barrel of oil by pipeline from Alberta to the Gulf at \$9 a barrel. Moving heavy tar sands by rail costs \$20 to \$30 a barrel.

⁸⁷ Energy Conservation Resources Board, ST98-2011: Alberta's Energy Reserves 2010 and Supply/Demand Outlook 2011-2020, June 2011, pg. 3-24, <http://www.aer.ca/documents/sts/ST98/st98-2011.pdf>; Energy Conservation Resources Board, ST98-2012, Alberta's Energy Reserves 2011 and Supply/Demand Outlook 2012-2021, June 2012, pg. 3-30, http://www.strategywest.com/downloads/ERCB_ST98_2012.pdf.

⁸⁸ Keystone XL DSEIS, pg. 1.4-55.

⁸⁹ IEA's Medium Term Market report forecasts that increasing tight shale oil production will allow global oil production to reach 103.6 million bpd by 2018. This is over six million bpd higher than in EIA's international estimates used by the State Department. These additional supplies will create downward pressures on oil prices. IEA's forecast suggests that global oil prices will trend downward to reach \$93 a barrel in 2018 (in 2013 USD). International Energy Administration, Oil Medium Term Report: Market Trends and Projections to 2012, 2013, pg. 8, 18. Energy Information Administration, International Energy Outlook, pg. 26; Keystone XL DSEIS, pg. 1.4-55. Bureau of Labor Statistics, CPI Inflation Calculator, http://www.bls.gov/data/inflation_calculator.htm.

predicting a much more constrained international oil market, had forecast that international oil prices would steadily increase to reach \$117 a barrel in 2020 (in 2013 USD).⁹⁰

Commodity market expectations validate the IEA's more recent lower oil price scenario. Chicago Mercantile Exchange futures traders currently anticipate Brent crude prices to decline from their current levels of \$106 per barrel in August 2013 to \$88 per barrel in December 2019.⁹¹ Future traders expect West Texas Intermediate (WTI) price levels to decline to \$81 a barrel by 2020.⁹² These prices are substantially below those assumed in the State Department's environmental review, which assumed that in 2020 Brent crude prices would approach \$130 a barrel and WTI prices would exceed \$100 a barrel.⁹³

Companies bear very high costs to build new tar sands mines and *in situ* drilling facilities. Tar sands oil companies depend on high oil prices as well as lower fuel, materials, labor, and transportation costs to justify building new extraction facilities. The anticipated lower oil prices highlight the economically marginalized position occupied by proposed tar sands expansion projects and suggest that these projects will be significantly more sensitive to higher transportation costs associated with alternatives such as rail than assumed by the State Department in its draft environmental review of Keystone XL.

VII. Industry and market expert opinion points to the Keystone XL pipeline as a linchpin for tar sands expansion.

Statements from the financial community further show that Keystone XL is critical to the expansion of tar sands production. Goldman Sachs, TD Economics, Standard & Poor's, CIBC, and other market observers have noted that the current pace of tar sands expansion plans cannot continue if Keystone XL is rejected. The following is a selection of statements showing the widespread view among market analysts, industry experts, and think tanks that Keystone XL will enable increased tar sands production:

⁹⁰ IEA's most recently published International Energy Outlook, published in 2011, estimated that global oil prices would reach \$108 a barrel in 2020 (in 2009 USD) or \$117.27 in 2013 USD, which is \$24.24 a barrel less than IEA's 2013 global oil price estimate of \$93 a barrel (in 2013 USD). Energy Information Administration, International Energy Outlook 2011, September 2011, pg. 28; Bureau of Labor Statistics, CPI Inflation Calculator, http://www.bls.gov/data/inflation_calculator.htm (accessed July 11, 2013).

⁹¹ All in 2013 USD. Chicago Market Exchange (CME) Group, Brent Crude Oil Last-Day Financial Futures, http://www.cmegroup.com/trading/energy/crude-oil/brent-crude-oil-last-day_quotes_globex.html (accessed June 16, 2013).

⁹² All in 2013 USD. Chicago Market Exchange (CME) Group, WTI Crude Oil Last-Day Financial Futures, http://www.cmegroup.com/trading/energy/crude-oil/light-sweet-crude_quotes_globex.html (accessed June 16, 2013).

⁹³ Keystone XL DSEIS, pg. 1.4-53.

“The... decision regarding Keystone XL is critical because it constitutes a vital export link for Canadian oil production in the 2015–17 time frame. Should Keystone XL be rejected, Canadian oil sands producers will need to rethink expansion plans, timelines, and export pipeline solutions.” —RBC Capital Markets⁹⁴

“The logistics are critical in the development of the oil sands. If Keystone is delayed this year, I believe the industry will not be able to keep up with the current pace of development.” —André Goffart, managing director, Total Exploration and Production Canada⁹⁵

“[T]he approval of the [Keystone XL] project could bring forward investments in oil sand projects which would add upside to our production forecasts.” —International Energy Agency⁹⁶

“[W]ith [Keystone] XL in place and operating at capacity, bitumen production could increase substantially.” —Canadian Energy Research Institute⁹⁷

VIII. Canada is not pursuing climate policy that would effectively enable it to counteract the significant growth of greenhouse gas emissions or meet its international climate target.

In the review process for Keystone XL, there is a new focus on the effectiveness of Canada’s climate policies to address high levels of greenhouse gas emissions from tar sands development. However, Canada and the province of Alberta have weakly regulated the rapid growth in greenhouse gas emissions from the tar sands, and this is unlikely to change in the near term. The United States cannot assume that Canadian climate regulations will reduce the high greenhouse gas emissions from the tar sands.

The growth of greenhouse gas emissions from the tar sands sector is a major barrier to enabling Canada to meet its international climate target of a 17 percent reduction below 2005 levels by 2020.⁹⁸ In fact, the Government of

⁹⁴ RBC Capital Markets, *Energy Insights: Keystone XL – Weighing the Outcomes*, February 11, 2013, pg. 5.

⁹⁵ Sylvia Pfeifer, “Faster and cheaper is watchword for Canada’s oil sands,” *Financial Times*, May 27, 2013, www.ft.com/cms/s/0/771d7062-bef0-11e2-87ff-00144feab7de.html#axzz2UmxXtgyT.

⁹⁶ International Energy Agency, *Oil: Medium-Term Market Report 2013*, May 2013, pg. 129.

⁹⁷ Canadian Energy Research Institute, *Pacific Access: Part I – Linking Oil Sands Supply to New and Existing Markets*, July 2012, pg. 28, www.ceri.ca/images/stories/part_i_-_impacts_of_oil_sands_production_-_final_july_2012.pdf.

⁹⁸ Environment Canada, *Canada’s Emissions Trends (201)*, Figure 6 and pgs. 19-24, http://www.ec.gc.ca/Publications/253AE6E6-5E73-4AFC-81B7-9CF440D5D2C5/793-Canada's-Emissions-Trends-2012_e_01.pdf.

Canada projects that Canada's national emissions will grow from today's level, with the result that Canada will miss its 2020 target by 113 million metric tons CO₂e, or more than the current emissions of Canada's entire electricity sector.⁹⁹ The projected growth of greenhouse gas emissions from the tar sands sector from 2005 to 2020 is large enough to cancel out many of the emission reductions taking place elsewhere in the Canadian economy over the same period.

Given the growth of the tar sands sector, total emissions have continued to rise. While in the past, technological improvements marginally reduced the intensity of greenhouse gas emissions from tar sands operations, additional improvements are not likely without a substantial improvement in climate policies at both the federal and the provincial levels.¹⁰⁰ Current regulations from the province of Alberta are inadequate to counteract the growth of emissions.¹⁰¹ And despite promises made from the last four federal-level Canadian environment ministers, the Canadian federal government has yet to introduce new rules for limiting greenhouse gas pollution from the nation's oil and gas sector. For Canada to meet its international climate target, it would need to substantially reduce the growth of emissions from the tar sands sector. According to the Pembina Institute, a Canadian think tank, this would translate to a 42 percent reduction from the projected 2020 emissions level.¹⁰² If the federal government proceeds as it has indicated to develop federal regulations that offer companies an option to reduce intensity or seek offsets through a financial levy, such oil and gas regulations would need an intensity target of 42 percent and a financial levy of \$100 to \$150 per ton.¹⁰³ In contrast, reports of the federal government's negotiating position show an intensity target of 30 percent and a financial levy of \$30 a ton.¹⁰⁴ This position would leave oil and gas emissions in 2020 higher than they are today.¹⁰⁵

⁹⁹ The Government of Canada projects that Canada's national emissions will grow from 701 million metric tons CO₂e to 720 million metric tons CO₂e. This analysis factors in the effects of all current government policies, including Alberta's greenhouse gas regulations of heavy industry and the federal government's regulations on coal power plants. Clare Demerse, One more time with feeling, why we're not halfway there yet on climate, The Pembina Institute, April 25, 2013, <http://www.pembina.org/blog/713>.

¹⁰⁰ Matthew Bramley, Simon Dyer, Marc Huot and Matt Horne, Responsible Action? An assessment of Alberta's Greenhouse Gas Policies, The Pembina Institute, 2011, pg. 31, <http://www.pembina.org/pub/2295>.

¹⁰¹ *Id.* at pgs. 12-15.

¹⁰² P.J. Partington, Matt Horne, and Clare Demerse, Getting on Track for 2020: Recommendations for greenhouse gas regulations in Canada's oil and gas sector, The Pembina Institute, April 2013, <http://www.pembina.org/pub/2427>.

¹⁰³ *Id.*

¹⁰⁴ Nathan Vanderklippe, "Alberta, industry face wide gap on carbon tax," *The Globe and Mail*, April 9, 2013, <http://www.theglobeandmail.com/report-on-business/industry-news/energy-and-resources/alberta-industry-face-wide-gap-on-carbon-tax/article10911280/#dashboard/follows/>

¹⁰⁵ Clare Demerse and P.J. Partington, Key issues to watch in federal oil and gas climate regulations, The Pembina Institute, June 24, 2013, <http://www.pembina.org/pub/2456>.

IX. Climate changes poses significant costs to taxpayers and the economy

Climate change is imposing large and growing costs on the American people. We just finished - last year - the hottest year on record across the continental United States. The United States spent \$140 billion to cover crop losses, wildfires that burned 9.3 million acres of our forests and fields, and storms like Hurricane Sandy, which left 130 Americans dead and did more than \$80 billion of damage.¹⁰⁶ When all federal spending on last year's droughts, storms, floods, and forest fires are added up, the U.S. Climate Disruption Budget was nearly \$100 billion, equivalent to 16% of total non-defense discretionary spending in the federal budget—larger than any official spending category.¹⁰⁷

That's the face of climate change - and these are the kinds of costs we're paying for it now. And yet, it isn't only, or even mostly, the costs we bear today that call out for urgent action, but the certainty that those costs will only rise for future generations unless we act on their behalf.

X. Conventional spill response methods have proven ineffective for tar sands diluted bitumen spills.

During the Kalamazoo tar sands spill, conventional cleanup methods failed, and in some cases made the spill worse.¹⁰⁸ EPA officials were forced to improvise, using extreme measures to recover oil from riverbeds and the nearby Morrow Lake.¹⁰⁹ The spill cleanup continues, but now EPA officials have focused on ensure new areas are not contaminated, concluding that it would be too damaging to fully clean the nearly 40 miles of the Kalamazoo River that are already contaminated by tar sands.¹¹⁰ While not the largest pipeline spill in U.S. history, the Enbridge Kalamazoo tar sands spill has become the most expensive, within cleanup activities costing over one billion dollars.¹¹¹ The extent of damage done to the region's watershed may not be known for years to come. Michigan State University Biologist Stephen Hamilton concluded:

¹⁰⁶ Dan Lashof, The High Cost of Doing Nothing: Americans are already paying billions in a climate disruption tax amid inaction on climate change, April 2013, <http://www.nrdc.org/globalwarming/climate-disruption-tax.asp>.

¹⁰⁷ NRDC, Who Pays for Climate Change? U.S. Taxpayers Outspend Private Insurers Three-to-One to Cover Climate Disruption Costs, May 2013, <http://www.nrdc.org/globalwarming/taxpayer-climate-costs.asp>.

¹⁰⁸ Lisa Song, Cleanup of 2010 Mich. Dilbit Spill Aims to Stop Spread of Submerged Oil, InsideClimate News, March 27, 2013, <http://insideclimatenews.org/news/20130327/cleanup-2010-mich-dilbit-spill-aims-stop-spread-submerged-oil>.

¹⁰⁹ Anthony Swift, Kalamazoo One Year Later: Anatomy of a Tar Sands Spill, July 26, 2011, http://switchboard.nrdc.org/blogs/aswift/kalamazoo_one_year_later_anato.html.

¹¹⁰ EPA, in the Matter of Enbridge Energy et. al., Order for Removal Under Section 311(c) of the Clean Water Act, October 3, 2012, <http://www.epa.gov/enbridgespill/pdfs/20121003-proposed-order-for-removal.pdf>.

¹¹¹ Enbridge, Application for a Certificate of Need for a Crude Oil Pipeline, (Adobe pg. 69) <https://www.edockets.state.mn.us/Efiling/edockets/searchDocuments.do?method=showPoup&documentId=%7bF1813575-3D71-4CAA-A86A-05CE1FBBCA38%7d&documentTitle=20138-90363-03>.

"This kind of crude oil is a complex mix of hundreds of compounds—some known to be toxic—that has not been studied much. We just don't understand the consequences well enough."¹¹²

Earlier this year, an Exxon pipeline spilled over 200,000 gallons of heavy tar sands into the community of Mayflower, Arkansas.¹¹³ This spill has only highlighted major gaps in local, state and federal regulations to ensure communities are adequately protected from the health impacts of these spills.¹¹⁴

Over two years ago, NRDC called for an evaluation of the risks of tar sands spills and improved spill response planning for diluted bitumen spills in close consultation with local emergency response teams and community. Unfortunately, neither regulators nor industry has made progress in evaluating or addressing the risks caused by tar sands spills.

XI. Keystone XL's employment benefits have been overstated

While supporters of the Keystone XL pipeline continue to pitch the project as a national jobs creator, the reality is quite different. The State Department's draft Supplemental Environmental Impact Statement (SEIS) indicates that the construction of Keystone XL, which would generate 3,950 person years of work, has a job creation potential on par with building a shopping mall or the campus renovations the University of Oregon announced last week.¹¹⁵ Moreover, after it's built, Keystone XL will only employ between 35 and 50 people – and some of

¹¹² David Hasemeyer, EPA Worries Dilbit Still a Threat to Kalamazoo River, More Than 2 Years After Spill, InsideClimate News, October 12, 2012, <http://insideclimatenews.org/news/20121011/epa-dilbit-enbridge-6b-pipeline-kalamazoo-river-cleanup-tar-sands-oil-sands-keystone-xl-landowners-environment?page=3>.

¹¹³ InsideClimate News, What Sickens People in Oil Spills, and How Badly, Is Anybody's Guess, June 18, 2013, <http://insideclimatenews.org/news/20130618/what-sickens-people-oil-spills-and-how-badly-anybodys-guess>; Sam Eifling, Ark. Spill Victims on 'Wrong' Side of Fence Left to Fend for Themselves, Aug. 7, 2013, <http://insideclimatenews.org/news/20130807/ark-spill-victims-wrong-side-fence-left-fend-themselves>.

¹¹⁴ The Fortuna Galleria Mall project on Long Island generated about 3,000 construction jobs, while the University of Oregon's campus renovations are expected to generate about 2,700 construction jobs, John McQuiston, As Work Begins on a Big New Mall, L.I. Officials Hope for an Economic Lift, New York Times, April 20, 1992, <http://www.nytimes.com/1992/04/20/nyregion/as-work-begins-on-a-big-new-mall-li-officials-hope-for-an-economic-lift.html>; University of Oregon Office of Strategic Communications, Wave of UO construction gaining momentum, July 23, 2013, <http://around.uoregon.edu/story/construction/wave-uo-construction-gaining-momentum>.

these positions will be filled in Canada.¹¹⁶ That's less than two percent of the long term employment benefits you could expect from a shopping mall.¹¹⁷

By pitching the tar sands industry's pet project as a national jobs generator in an economy of 150 million, Keystone XL's Congressional boosters are incurring a significant opportunity cost on behalf of their constituents who need jobs, not empty promises from the oil industry. While the Keystone XL tar sands pipeline is not a national jobs creator, it would be a significant new source of climate pollution.

All together, State's analysis concludes that constructing Keystone XL would generate 3,950 person years worth of work.¹¹⁸ Of course, this is a necessary equivalency. While Keystone XL will be built over two years, it will not hire construction workers for two year - or even one year - contracts. As the table shows, 99% of construction workers will work on twenty week contracts.¹¹⁹

XII. Conclusion

The substantial risks of the Keystone XL tar sands pipeline outweigh its marginal benefits. Keystone XL would enable a substantial expansion of tar sands expansion and substantial climate pollution associated with it. The pipeline would endanger critical jobs on ranches and farms in the Great Plains states in order to transport tar sands to the Gulf Coast where it can be refined and exported. In exchange for 35 permanent jobs, Keystone XL would pose a permanent risk to American communities, sensitive water resources and agricultural industry.¹²⁰ We need to protect those jobs, not put them at risk of the kind of tar sands blowout that has poisoned nearly 40 miles of the Kalamazoo River in Michigan or the recent spill in Arkansas, which sent up to 420,000 gallons of tar sands oil flowing through the community of Mayflower.¹²¹

¹¹⁶ State Department, Draft Supplemental Environmental Impact Statement, 4.10-24, March 2013, <http://keystonepipeline-xl.state.gov/documents/organization/205612.pdf>.

¹¹⁷ The Gulf Coast Galleria in D'Iberville, Mississippi is expected to create 2,500 permanent jobs, fifty times more than Keystone XL. Washington Examiner, Gulf Coast Galleria plans revealed in D'Iberville, June 20, 2013, <http://washingtonexaminer.com/gulf-coast-galleria-plans-revealed-in-diberville/article/feed/2108114>.

¹¹⁸ Anthony Swift, Putting Keystone XL tar sands pipeline's jobs numbers in context, August 6, 2013, http://switchboard.nrdc.org/blogs/aswift/putting_keystone_xl_tar_sands.html.

¹¹⁹ State Department, Draft Supplemental Environmental Impact Statement, 4.10-6, March 2013, <http://keystonepipeline-xl.state.gov/documents/organization/205612.pdf>.

¹²⁰ State Department, Draft Supplemental Impact Statement Executive Summary, pg. 13-14, March 1, 2013.

¹²¹ National Response Center, Report 104298, March 30, 2013, http://www.nrc.uscg.mil/reports/rwservlet?standard_web+inc_seq=1042498.

The Keystone XL tar sands pipeline would undermine U.S. efforts to reduce its carbon emissions, threaten communities and sensitive water resources, and increase refinery emissions in the Gulf Coast in order to provide tar sands producers a means of exporting their product on the international market. This tradeoff is not in the nation's interest. TransCanada's application to build the Keystone XL pipeline should be rejected.

Mr. TERRY. Thank you, Mr. Swift.

And that concludes the testimony of our witnesses and now begins our question-and-answer period. Each Member has 5 minutes to ask questions. I am going to start as the chairman.

So, Mr. Kaminski, an accusation was laid that the jobs have been overstated. Your labor hall has a contract, as I understand, with TransCanada to supply labor.

Mr. KAMINSKI. That is correct. We constructed the first Keystone line with TransCanada. TransCanada was a great partner. They wanted the best workers building that pipeline. That is why we believe they signed the Project Labor Agreement to ensure union members were put to work.

I find it quite amusing that all these studies that have so-called taken place about jobs numbers, no one has ever contacted me about a survey or a study on how many jobs were created on the first Keystone line, nor on the second one. The ideas that these are temporary jobs, every job in construction is temporary. We construct wind turbines, we construct ethanol plants, biodiesel plants, and we build those wind turbines. We can build 120 wind turbines in about a quarter of the time that we would build this pipeline. So to say that because it is an alternative source of energy or a type of energy it is not a temporary job is just pretty funny to me.

Mr. TERRY. I appreciate that.

Mr. Houston, you had testified that there was a positive economic impact from the employees and from property taxes generated from the pipeline. Was there a decrease in tax revenues during the construction of the pipeline?

Mr. HOUSTON. Just the opposite for us. When I mentioned the industrial road around our industrial part, that million dollars is coming from those tax dollars that are coming in from Stanton County and from the pipeline pumping stations and in those areas. It is money that is coming in that is paying for those roads. It is allowing us to grow our community.

Mr. TERRY. All right. And so they are paying taxes?

Mr. HOUSTON. Yes.

Mr. TERRY. And during the time of the construction, was there an increase in tax revenues or a decrease?

Mr. HOUSTON. A dramatic increase. When you look at where the national economy was, you know, at the height of the Great Recession in the summer of 2009, to have 750 additional workers who are away from home that are out there, you know, working hard day in and day out on these 12- and 14-hour days building the pipeline, they all spend their money in our community and all the neighboring communities. It had an economic impact of more than \$10 million, and that is a very conservative number. Even from trying to accommodate that many people in a rural community, I mean we had people that did a 2-week time period that built additional RV parks working literally 24 hours a day around the clock to build RV parks just so people would have a place to live during that time period.

Mr. TERRY. OK.

Mr. HOUSTON. Because in that rural community of 25,000 you don't have 750 extra apartments or homes available when people move into the area.

Mr. TERRY. Well, I appreciate that.

Mr. Pugliaresi, as I understand, from the oil sands in Alberta there is to the west a pipeline that is under construction and been approved for the Kinder Morgan pipeline to the west. So let's make an assumption that there is no Keystone pipeline and the oil sands are moved to the east and west in Canada not through the United States. Is there an economic impact to the United States?

Mr. PUGLIARESI. Yes. Once again, it is important to look upon this as a network issue. We really want the whole North American network to be as efficient as possible to move crude to the coastal refining centers that are most adept and who add the most value in processing those crudes. So for Canada to move it east and west it is a second-best solution. It is a solution I believe they will pursue. But the most efficient solution is to move the oil sands production to the Gulf of Mexico where the existing technology, the cokers, and the refineries are there to process it. The light, sweet crude should be moving to California and to the PADD 1.

So when we impose this restriction by prohibiting it from moving, all we are doing is imposing an economic cost on both countries. That economic cost is going to show up not just in lower profits but lower revenues for state, federal, and local governments.

Mr. TERRY. All right. Thank you. My time—

Ms. KLEEB. Mr. Chairman, just the—

Mr. TERRY. No.

Ms. KLEEB. OK. Well, there is—

Mr. TERRY. My time is up, and by the way, the rules of this are that you will be asked questions. You don't get to blurt out.

And now Mr. Sarbanes will help you. You are recognized for 5 minutes.

Mr. SARBANES. Thank you, Mr. Chairman.

Ms. Kleeb, do you want to finish your thought?

Ms. KLEEB. Mr. Terry had said that there was an east and west pipeline. Neither is under construction, neither has a permit, and both are facing fierce opposition both from First Nation tribes, as well as farmers and ranchers and other folks in Canada who are opposed to tar sands just as much as we are.

Mr. SARBANES. Thank you.

A couple things: first off, I find the testimony about the job creation around this project compelling. However, I don't accept the notion that there aren't other tremendous opportunities to create jobs, construction jobs, through infrastructure investment that will be more environmentally sound than this one. And I don't want to get trapped into the notion that if we don't pursue this particular project we have abandoned the imperative of trying to create good, strong jobs and do that within the construction industry.

Now, Mr. Swift, I wanted to talk a little bit about this issue of whether the construction of this pipeline is in fact critical to the future of the tar sands industry because this is an important point. You know, we have looked at the environmental issue from these two sides. Some people are focusing pretty exclusively on whether it is safe to transport it through the pipeline and we have heard testimony about the 57 points of safety that have been developed. I am not convinced that there aren't still significant risks, and when tar sands is involved, I think those risks are even greater.

But most of the people that are focusing on that are not talking about the first instance of the environmental impact, which is the extraction and reduction of it, which makes it the dirtiest source of transportation fuel out there.

So those of us who are very concerned about that, how it contributes to climate change and do kind of focus on that piece of it, it would be somewhat dispositive of our view of this thing if we were convinced that it is going to happen anyway, right, that even if we don't do Keystone, they are going to continue to find the opportunity to develop this source of energy. And so the climate change impact is going to be there anyhow.

But I think you have a different perspective. I would like you to maybe expand on that. I mean the State Department made a statement that they thought it was unlikely to impact the rate of development in the oil sands, but there are financial and industry experts who have a different view, and if you could speak to that, again, I think it is really important that we try to nail this down as best we can.

Mr. SWIFT. Thank you so much. And that is a critical question. Wall Street generally believes that Keystone XL is critical to enable tar sands expansion, and the reason for that, one thing that is important to understand is that new tar sands projects have very high breakeven rates. In order to simply break even, many of these projects require anywhere from \$80 to \$100 a barrel to be profitable. And because of those high costs, many companies are on the fence right now about moving forward with tar sands production projects, new ones.

The difference between moving tar sands by pipeline and by rails appears to be fairly substantial. Pipelines offer the cheapest transportation option for companies to move tar sands from northern Alberta to the Gulf. And it is becoming relatively clear that many new projects are at a critical juncture as far as their profitability, and without a clear indication that numerous new pipelines are going to be moved forward with, they are not going to pull the trigger on that production. And this is an opinion that is shared by groups like Goldman Sachs as well.

So the folks that are really invested in identifying which way production is going to go and what the impact of the Keystone XL decision will be on tar sands expansion indicate that the decision to permit the pipeline would enable significant tar sands expansion.

Mr. SARBANES. Well, I appreciate that. I mean those of us who are very focused on the climate change impact of a project like this need to understand that this if this project doesn't go forward, it really could have a significant impact in reducing those CO₂ emissions. And we have heard a lot of statistics, comparative statistics, about how large that impact would be.

So I appreciate your testimony and I thank the panel.

Mr. TERRY. Thank you, Mr. Sarbanes.

And now we recognize the vice chairman of the subcommittee. Mr. Lance, you are recognized.

Mr. LANCE. Thank you very much, Mr. Chairman, and good morning to you all.

Not to make a decision is in effect making a decision, and I have been listening to the testimony and I respect the testimony of all of those on the panel. However, it is my position that a decision should be rendered by the Administration, yea or nay, and then we in Congress can react to that once that occurs.

To each member of the panel, do you believe the Administration should render a decision and when do you believe the Administration should render a decision?

Mr. DELIE. I believe the decision should have been rendered years ago, not today, but, you know, every day we wait it is costing us jobs.

Mr. LANCE. You favor a decision today?

Mr. DELIE. Yes. I could give you one quick example. There is a 55,000-ton order that TransCanada is going to build in Canada needing pipe, and I just came to the understanding that that would be 3 months' work for my employees that they are going to use pipe from KXL to build that project and not produce new pipe for that.

Mr. LANCE. Thank you.

Ms. HARBERT. Yes, it is past due and there is, contrary to what Jane said, an existing pipeline that they will be reversing on the oil sands to go to the east coast that is under consideration right now with the government's full backing.

Mr. LANCE. Thank you. Mr. Houston?

Mr. HOUSTON. My answer, yes, and my time frame would be yesterday.

Mr. LANCE. So that means by definition today?

Mr. HOUSTON. Yes.

Mr. KAMINSKI. I believe that in our organization, like I said, we care deeply about the environment. I believe that the process does have to take time. Do I think 5 years is too long? I do. So I think that decision has to be made as soon as possible.

Mr. LANCE. Thank you very much.

Mr. PUGLIARESI. Yes, it should be made immediately.

Mr. LANCE. Yes. Ms. Kleeb?

Ms. KLEEB. I stand with the President. As he said, when all the proper studies are done—

Mr. LANCE. Yes.

Ms. KLEEB [continuing]. Including—

Mr. LANCE. Yes.

Ms. KLEEB [continuing]. A worst-case scenario spill on our water—

Mr. LANCE. Yes. And what would your time frame be?

Ms. KLEEB. When the proper studies are done.

Mr. LANCE. Well, can you estimate for the panel when your time frame would be?

Ms. KLEEB. If the State Department can do that study in 2 months, 6 months, it depends on when that study can be done. I will also make sure that the panel knows I am not sure if Representative Terry told you, but the Nebraska route is actually in question. It is in court, has been in court for over a year. We have our lawsuit trial on September 27. That could throw out the Nebraska route and force TransCanada to go through—

Mr. LANCE. So what would your time frame be? Could you estimate for us when you think would be an appropriate—

Ms. KLEEB. We feel confident that the President would deny the pipeline today, and so if he makes the decision today, that is fine with me. We have been confident from day one.

Mr. LANCE. And do you favor the President making a decision today?

Ms. KLEEB. I favor the President making the decision when he thinks that all the studies have been done.

Mr. LANCE. And do you agree that not making a decision is in effect making a decision?

Ms. KLEEB. I think by him waiting until all the studies are and has provided the evidence that we need to prove that this pipeline is not in our national interest.

Mr. LANCE. And do you believe 5 years is too long?

Ms. KLEEB. No, because we still don't have a water risk analysis.

Mr. LANCE. No. So you do not believe 5 years is too long?

Ms. KLEEB. No, we still don't have a water risk analysis. It was TransCanada's—

Mr. LANCE. Would 6—

Ms. KLEEB [continuing]. Own fault and arrogance of why we are in this position right now. They should have never tried to cross the Sandhills or the aquifer to begin with.

Mr. LANCE. Would 6 years be too long?

Ms. KLEEB. If we still don't have the proper water study, then it is not long enough.

Mr. LANCE. Six years is not long enough in your opinion?

Ms. KLEEB. If we don't have the proper water risk analysis, yes.

Mr. LANCE. Thank you. Mr. Swift?

Mr. SWIFT. I think a decision should be made. This current application is dated from 2012, and I do believe that, given the State Department has a million comments to go through, it is critical that they get the process right and that they get the best information—

Mr. LANCE. And do you believe a decision should be made?

Mr. SWIFT. I do believe that a decision—

Mr. LANCE. And perhaps you and I might disagree as to what that decision should be; I respect that. And you believe a decision should be made now?

Mr. SWIFT. I believe that a decision should be made once the best information is evaluated based on the best information available. We have to remember this pipeline, TransCanada intends to use it as a perpetual resource that is rated for—

Mr. LANCE. And what would your time frame be, Mr. Swift?

Mr. SWIFT. It is based on content of the information—

Mr. LANCE. Yes, I have 27 seconds.

Mr. SWIFT. As soon as possible.

Mr. LANCE. As soon as possible. I agree with that. And I think 5 years is too long. And let me repeat I believe not making a decision is making a decision. And you and I might disagree as to what the decision would be, and I respect your position and your organization has done distinguished work in the United States, but you and I agree that a decision should be made as soon as possible?

Mr. SWIFT. No sooner than possible.

Mr. LANCE. Thank you very much, Mr. Chairman.

Mr. TERRY. I recognize the gentleman from Georgia for 5 minutes.

Mr. BARROW. Thank you, Mr. Chairman, and thank you for holding this hearing on the Keystone XL pipeline.

I am a supporter of the Keystone XL pipeline. I believe its approval is long overdue. It will increase our access to North American energy production and that will better protect families here at home from the effects of energy market uncertainty caused by political and economic troubles in other parts of the world. And let's project that construction of the pipeline will create at least 13,000 new construction jobs and an additional 7,000 manufacturing jobs. These are highly skilled jobs that folks all across the country are looking for.

When the Keystone XL pipeline is complete, it will move an estimated 840,000 barrels of oil per day. That amounts to 10 percent of America's net daily oil imports, enough to displace the oil we import every day from Venezuela. When the folks in my district in Georgia look at this project, they realize that it won't increase our dependence on oil as our primary source for transportation energy as we are already totally dependent on oil for our transportation energy. But it will make us less dependent on hostile rivals and more reliant upon friendly allies for our transportation energy.

I also understand that it will not harm the environment because this oil energy is going to be reduced and refined and consumed by somebody. The only real question is whether we get first dibs on it or whether we have to get to the back of the line behind countries like India and China for our own North American oil. For all of these reasons, I urge all parties involved to work together to make the Keystone XL pipeline a reality.

And with that, I yield back the balance of my time.

Mr. TERRY. Thank you.

At this time I recognize Mr. Olson from Texas for 5 minutes.

Mr. OLSON. I thank the chair and I would like to start my comments with a quote about the southern leg of the Keystone XL pipeline, and here is the quote: "Moving oil from the Midwest to the world-class, state-of-the-art refineries on the Gulf Coast will modernize our infrastructure, create jobs, and encourage American energy production." That quote did not come from Chairman Terry. It didn't come from a Texan like me. It came from President Obama's head spokesman, James Carney, earlier this year. Create jobs, modernize our infrastructure, encourage American energy production.

I would like to follow up on Mr. Kaminski's spot-on comments about we all have our own opinions but not our own facts. I would like to offer every panelist a little multiple-choice question about transporting liquids, whether it is milk or oil. And so starting at the end there with you, Mr. Delie—is that pronounced correctly?

Mr. DELIE. Yes, sir.

Mr. OLSON. What is the safest way to transport liquids? Is it train, truck, ocean liner, or pipeline?

Mr. DELIE. Pipelines.

Mr. OLSON. Pipeline.

Ms. HERBERT. Domestic pipelines, but we are going to need more than just pipelines as well with this abundance.

Mr. OLSON. Yes, ma'am, just the safest one statistically. Yes, I agree completely.

Mr. Houston? Great last name, by the way.

Mr. HOUSTON. Thank you. Pipeline.

Mr. OLSON. Mr. Kaminski?

Mr. KAMINSKI. No question, pipelines.

Mr. OLSON. Mr. Pugliaresi?

Mr. PUGLIARESI. Yes, long-term data show pipelines have the lowest risk.

Mr. OLSON. Ms. Kleeb?

Ms. KLEEB. It actually depends on what stats you are looking at, which Mr. Swift, I am sure, can talk about. But as President Obama said, we have enough pipelines to wrap around the world. We don't need another one, especially a foreign oil one.

Mr. OLSON. OK. You dodged the question. And Mr. Swift?

Mr. SWIFT. There is some question in this—

Mr. OLSON. Truck, ocean liner, trailer, or pipeline, four choices. We are in real world here.

Mr. SWIFT. Yes.

Mr. OLSON. Just stay in real world. Those are our four choices, liquid, milk.

Mr. SWIFT. It is unclear. We found there are some issues with both forms actually, all four.

Mr. OLSON. OK. And one final point about the Ogallala aquifer, it is not just under Nebraska.

Ms. KLEEB. Yes.

Mr. OLSON. It is under Wyoming and South Dakota and Colorado and Kansas and New Mexico and Oklahoma, in my home State of Texas. Right now, there are at least 25,000 miles of pipeline over the aquifer in all those States, 2,000 over Nebraska. And again start at the end, does that sound right, accurate, yes or no? And it is with you, Mr. Delie, 25,000 over the aquifer and 2,000 over Nebraska?

Mr. DELIE. That sounds correct.

Ms. HARBERT. We have a tremendous amount of pipeline infrastructure and we need a lot more to move these molecules around for the benefit of our economy.

Mr. OLSON. Mr. Houston, I love saying that last name, sir.

Mr. HOUSTON. Keep saying it. I would agree.

Mr. OLSON. Mr. Kaminski?

Mr. KAMINSKI. I would agree and I don't think that this argument is about the Sandhills or the aquifer. If it was about the Sandhills, the environmental groups in Nebraska would not agree to the resolution we came up with and that all—

Ms. KLEEB. Which environmental groups—

Mr. KAMINSKI [continuing]. Super majority of the State Senators and the Governor approved. I don't think this is about the aquifer or the Sandhills. I think that is an excuse.

Mr. OLSON. Right. It is pipelines.

Mr. KAMINSKI. Yes.

Ms. KLEEB. There are not 2,000 miles of tar sand pipelines—

Mr. OLSON. Not tar sands, pipeline.

Ms. KLEEB. Yes, there are—

Mr. OLSON. Pipeline, pipeline, pipeline.

Ms. KLEEB. There are things like water pipelines, fertilizer pipelines—

Mr. OLSON. And also—

Ms. KLEEB [continuing]. Things that produce the agriculture—

Mr. OLSON [continuing]. Still it is also petroleum products, not just—

Ms. KLEEB. So—

Mr. OLSON [continuing]. Keystone is not unique. Yes, ma'am, I—

Ms. KLEEB. The only tar sands pipeline that crosses our State right now is Keystone I, and when it went in the ground, people have actually thought it was a water or natural gas pipeline, so that is only one tar sands pipeline. And I will say that this pipeline still crosses the Sandhills. No environmental group signed off on a crooked map that TransCanada and our government—

Mr. OLSON. I am out of time, ma'am. Mr. Swift—

Ms. KLEEB [continuing]. Tried to force down our throats.

Mr. OLSON [continuing]. You are up, sir. Does that sound about right, sir, 25,000 over the aquifer, 2,000 over Nebraska?

Mr. SWIFT. Well, I come from West Texas where most of those pipelines are, and I can tell you that most of that pipeline mileage is in the West Texas part of the aquifer. Most of the aquifer's water is actually in Nebraska, the vast majority of it and not the overlying other States.

Mr. OLSON. Yes, sir. I would just like to talk briefly about the jobs.

Mr. Chairman, I ask unanimous consent to submit a letter for the record from Hudson Products Operation, a corporation in my district. I went down and visited them during the work period, drove down U.S. 59, soon to be I-69, and they are a small business which makes fans that are being used in the pipeline up there in the tar sands in Canada and they will be used to export LNG to other countries. So again this is real jobs in Beasley, Texas. This pipeline is necessary. It is safe.

And I yield back the balance of my time.

It has been 5 years.

Mr. TERRY. Thank you. And without objection, so ordered.

[The information appears at the conclusion of the hearing.]

Mr. TERRY. Mr. Harper, you are now recognized for 5 minutes.

Mr. HARPER. Thank you, Mr. Chairman, and thank each of you for being here on what is continuing to be a very important topic.

And if I could ask Mr. Pugliaresi some questions here. You know, as has been stated, much of the Canadian crude is now being transported by truck or rail and barge, so what would you say to folks as to why we need the pipeline?

Mr. PUGLIARESI. So once again, we have this problem. We produced and shipped our crude oil and products from the south up to the northern tier. We have large-scale production now coming out of the northern tier. It needs to be moved efficiently in order to set a set of expectations that we can continue to produce this oil. This oil has huge net value. This is something I don't think we really understand. You can say you don't want to build Keystone XL, you can say you don't want to drill offshore, but you can't say it is free. We are going to give up that value. And if we give up

that value, at least we ought to be honest about what we are losing out on because the numbers are very, very big.

Mr. HARPER. You know, we of course on this side of the aisle are very supportive of this project moving forward and the need to do that. So if you are telling someone and you are rating the efficiency and cost of the various methods, where does the pipeline stack up with the transportation methods on cost and efficiency?

Mr. PUGLIARESI. I would say that when you have a long-lived resource like the Canadian oil sands, it is at least three times more efficient because you can amortize the cost of the pipeline over 20 years and everything can be built out efficiently.

Mr. HARPER. As has been stated, we have other pipelines, many pipelines crossing our borders. How does the Keystone XL compare to these other cross-border pipelines in terms of the scope of the review and the timeline for approval, as others have seen?

Mr. PUGLIARESI. As I said, there has never been a cross-border pipeline turned down by an American President. So historically, we have treated the North American trade relationship with Canada as an open border, highly integrated economic conditions, highly integrated ownership patterns and this is the first time, and it has become more a symbolic fight than an actual fight. If you look at the data, you take it through all the way, it is not something that should have created all this furor.

Mr. HARPER. And this President has approved a cross-border pipeline in the past, has he not?

Mr. PUGLIARESI. Absolutely.

Mr. HARPER. All right. Here is one thing we look at is we look around the world in the global economy that we are in and we look at the private sector, how would the private sector here in the United States and around the world be viewing us as we go through this process on Keystone XL?

Mr. PUGLIARESI. Yes, I think the real danger of this is we look incompetent. We have this enormous value, this transformation of North America that is before us and we can't do the simplest thing to embrace it. I really think the fight over this is not about whether we build the pipeline or not; it is about the fact that the breakthroughs in hydraulic fracturing and horizontal drilling, the in situ production in Canada suggests that we are no longer living in an era of limitations and scarcity. We can restore growth. We can enhance our strategic outlook. And this is a kind of ideological fight because a lot of people don't—that was not the world they wanted to see.

Mr. HARPER. And if I could, Mr. Kaminski, this is obviously very important to your members as a project, and again, give the numbers that you would say would be employed if this moves through?

Mr. KAMINSKI. Within our organization locally, we are talking hundreds and hundreds of jobs, but we are only one piece of unions that are actually going to construct this pipeline and the pump stations.

Mr. HARPER. Total among those that you would say were union members, how many jobs are we talking about across—

Mr. KAMINSKI. I would think with the northern segment probably 9,000, 10,000 jobs. And that is trades that I spoke about earlier. National AFL-CIO is in support of this, state AFL-CIO, Building

and Trades, every labor organization that deals with construction is in support of this project.

Mr. HARPER. Ms. Kleeb, don't you think those jobs are important?

Ms. KLEEB. I think union jobs are very important.

Mr. HARPER. OK.

Ms. KLEEB. In fact, I worked with Ron on trying to pass the Employee Free Choice Act, and so there is no question—

Mr. HARPER. OK.

Ms. KLEEB [continuing]. About union support—

Mr. HARPER. OK.

Ms. KLEEB [continuing]. But those job figures just simply don't pan out.

Mr. HARPER. OK. Well, what if it is—

Ms. KLEEB. When you look at the job records on Keystone I, it clearly says that about 8 to 900 workers—

Mr. HARPER. OK.

Ms. KLEEB [continuing]. For about 6 months to a year—

Mr. HARPER. Fine.

Ms. KLEEB [continuing]. Worked on that line in that State.

Mr. HARPER. Let's say—

Ms. KLEEB. And they build man camps for 900, not 9,000.

Mr. HARPER. Let's say it is 8 to 900.

Ms. KLEEB. Sure.

Mr. HARPER. Are those homes and lives and jobs and families, are they not important, too? Those are—

Ms. KLEEB. They are critically important—

Mr. HARPER [continuing]. Important, are they not?

Ms. KLEEB [continuing]. So are the families—

Mr. HARPER. Well, then let's get them—

Ms. KLEEB [continuing]. And generations of farmers and ranchers—

Mr. HARPER. Let's get them to work.

Ms. KLEEB. Nobody is—

Mr. HARPER. This has been dragged on—

Ms. KLEEB. Yes, let's put them to work.

Mr. HARPER [continuing]. For way too long.

Ms. KLEEB. You don't have to wait 5 years for this project. Put them to work on the backlog—

Mr. HARPER. This—

Ms. KLEEB [continuing]. Of infrastructure jobs that you guys continue to block—

Mr. HARPER. This project—

Ms. KLEEB [continuing]. Because of the Republican party.

Mr. HARPER. OK. Look, this job is important. It is important to America. It is important to our national security and energy security and it puts people to work.

And I yield back.

Mr. TERRY. Thank you.

Mr. Johnson, you are recognized.

Mr. JOHNSON. Thank you, Mr. Chairman.

Ms. Kleeb, the CV that you submitted to the committee lists some work you did from 2008 to 2010 for the SEIU as Nebraska State Director.

Ms. KLEEB. Yes.

Mr. JOHNSON. Your CV goes on to state that you currently run a group called Bold Nebraska.

Ms. KLEEB. That is correct.

Mr. JOHNSON. Is the SEIU one of the groups you are working with in your role at Bold Nebraska?

Ms. KLEEB. No, SEIU was just—

Mr. JOHNSON. OK. That is all I need.

Ms. KLEEB. OK.

Mr. JOHNSON. So if the SEIU, a group that you claim to have worked for at roughly the same time that you started Bold isn't funding you, then who is?

Ms. KLEEB. So we actually have a list of donors. You can see if you go on rally.org/build. Thanks for the plug.

Mr. JOHNSON. How about you provide them to this committee? How about you do that?

Ms. KLEEB. I would be more than—

Mr. JOHNSON. Thank you.

Ms. KLEEB [continuing]. Happy to—

Mr. JOHNSON. Do you have any other jobs besides your activities at Bold?

Ms. KLEEB. Will you ask Ron Kaminski that same question?

Mr. JOHNSON. No. No.

Ms. KLEEB. OK.

Mr. JOHNSON. I am asking the questions.

Ms. KLEEB. He started a front group, so—

Mr. JOHNSON. I am asking the questions—

Ms. KLEEB. OK.

Mr. JOHNSON [continuing]. Ms. Kleeb.

Ms. KLEEB. OK.

Mr. JOHNSON. OK? Let me explain how this process works. You are testifying before the American people. That means I ask the questions and you answer.

Ms. KLEEB. And I am a citizen—

Mr. JOHNSON. OK?

Ms. KLEEB [continuing]. Paying your salary.

Mr. JOHNSON. Hey, that is not what this meeting is about. You get to vote back in Nebraska. That is who your elected representatives are. I am in power right now to ask questions on behalf of the American people, so don't start filibustering me.

Ms. KLEEB. I am in power—

Mr. JOHNSON. Do you have any other jobs besides your activities at Bold?

Ms. KLEEB. I work for Bold Nebraska. I am the executive director.

Mr. JOHNSON. OK. I understand that your husband is the CEO of a woman-owned business called Energy Pioneer Solutions, which received an \$800,000 grant from the Department of Energy in late 2010.

Ms. KLEEB. That is correct.

Mr. JOHNSON. Are you the woman referred to in the grant application?

Ms. KLEEB. No, I am not.

Mr. JOHNSON. OK, good.

Ms. KLEEB. That is hilarious, though.

Mr. JOHNSON. Do you have a financial stake in this company?

Ms. KLEEB. No. Because my husband—

Mr. JOHNSON. Let me remind the committee that the jobs, development, economic stimulus, and the tax revenue that will come if we build Keystone at no cost to the taxpayers. Meanwhile, we have activists that are trying to game the system to benefit their own financial interests and then turn around and take taxpayer dollars to boot.

Ms. KLEEB. That is completely inappropriate.

Mr. JOHNSON. Ms. Kleeb, you have made a number of extreme statements about Keystone and climate change over the years. Upon review, I have some of those quotes from prominent scientists—

Ms. SCHAKOWSKY. Mr. Chairman—

Mr. JOHNSON [continuing]. Experts who have engaged in this debate.

Ms. KLEEB. Yes.

Mr. JOHNSON. David Keith, a Canadian climate scientist with a Ph.D. from MIT, currently serving professor of applied physics at Harvard. He says, “the extreme statements that this is game over for the planet are clearly not intellectually true.” Do you agree with Mr. Keith, yes or no?

Ms. KLEEB. When—

Mr. JOHNSON. Yes or no?

Ms. KLEEB. No, I don’t because—

Mr. JOHNSON. OK, good.

Ms. KLEEB [continuing]. When that statement—

Mr. JOHNSON. Ken Caldeira—

Ms. KLEEB. Are you going to let me answer or are you just going to continue to yell at me?

Mr. JOHNSON. Ken Caldeira, a climate researcher at the Carnegie Institution for Science and a professor in Stanford’s Environmental Earth Systems Sciences Department with a master’s degree and a Ph.D. from NYU says, “I don’t believe that whether the pipeline is built or not will have any detectable climate affect.” Do you agree with Mr. Caldeira’s—

Ms. KLEEB. Clearly, I don’t—

Mr. JOHNSON [continuing]. Yes or no?

Ms. KLEEB [continuing]. Or I wouldn’t have dedicated the last 4 years—

Mr. JOHNSON. OK. No. Michael Levi—

Ms. KLEEB [continuing]. Of my life to try to beat this pipeline—

Mr. JOHNSON [continuing]. Senior fellow for Energy and Environment at the Council on Foreign Relations who has also served as director of the Federation of American Scientists Strategic Security Project and holds an M.A. in physics from Princeton and a Ph.D. from the University of London. He says this: “And despite fears by climate change activists that increased oil sands production has profoundly negative consequences to global warming, Alberta’s massive reserve base contributes relatively little to the problem at a global scale.” Do you agree with Mr. Levi, yes or no?

Ms. KLEEB. I agree—

Mr. JOHNSON. Do you agree with Mr. Levi?

Ms. KLEEB [continuing]. Providing——

Mr. JOHNSON. I am not interested in the picture——

Ms. KLEEB. I think——

Mr. JOHNSON [continuing]. That you have got there.

Ms. KLEEB. Well——

Mr. JOHNSON. I am interested in your answering my questions.

Ms. KLEEB. These are the generations that we are fighting for and you are continuing——

Mr. JOHNSON. Mr. Chairman, would you instruct her to answer the questions?

Mr. TERRY. I will instruct both. Give her a little bit of time——

Ms. KLEEB. No, I don't agree with any of your questions——

Mr. TERRY. Ms. Jane Kleeb, I am—all right. Continue with your questions.

Mr. JOHNSON. Now, I will quote from President Obama's own State Department from its draft 2013 assessment which found that "Canada will develop its oil sands with or without the project. Approval or denial of the proposed project is unlikely to have a substantial impact on the rate of development in the oil sands or on the amount of heavy crude oil refined in the Gulf Coast area." Do you agree with the President's Administration, specifically the Department of State, yes or no?

Ms. KLEEB. Representative Johnson, I do not agree with the State Department's analysis, which is widely known because it was written by——

Mr. JOHNSON. Good.

Ms. KLEEB [continuing]. A TransCanada——

Mr. JOHNSON. We have got three experts with numerous advanced degrees from the world's most prestigious universities and the President's own Department of State saying that the environmental impact of the Keystone pipeline would be nonexistent. What qualifies you other than your activist title to dispute the assertions made by so many aforementioned experts?

Ms. KLEEB. Because the——

Mr. JOHNSON. Do you hold a graduate-level degree in any relevant field?

Ms. KLEEB. Because I——

Mr. JOHNSON. Do you hold a graduate degree in any relevant field?

Ms. KLEEB. I have a——

Mr. TERRY. Let her answer the question.

Ms. KLEEB [continuing]. Graduate degree in international training and education.

Mr. JOHNSON. Did you ever take a chemistry course?

Ms. KLEEB. No, sir, I did not.

Mr. JOHNSON. Did you ever take a physics course?

Ms. KLEEB. Have you ever worked on a farm or ranch?

Mr. JOHNSON. Oh, absolutely. I am a two-wheel, wagon-rutting mule farmer.

Mr. TERRY. All right.

Mr. JOHNSON. Do you want to hear my mule stories?

Mr. TERRY. Your time is expired for both.

And now we have the ranking member, Ms. Schakowsky, who has 5 minutes.

Ms. SCHAKOWSKY. Mr. Chairman, when I attempted to intervene at what I believe was an inappropriate harangue, which included suggesting that people including, I guess, Ms. Kleeb—he is gone now—that somehow she brought it on herself, I would like to say that in this committee I would hope that we treat witnesses who have come here a bit better than that, and nobody deserves to be harangued in the manner that she was. And I take great exception. And what I would like to do right now is give Ms. Kleeb an opportunity to respond in any way you would like to the questions to which you were not given appropriate time to answer.

Ms. KLEEB. Thank you, Representative.

I mean I am quite certain that even Representative Terry would know that I am in this fight for very clear reasons. My husband's family homesteaded in the Sandhills. We have a long line of ranchers and farmers in our family. There is one reason why we are fighting this pipeline and it is because we don't believe that American farmers and ranchers should have to take on the risks of a foreign tar sands export pipeline. It is pretty simple. And people can kind of lob and he is not even here to look at me in the eye to continue. I guess he didn't have the courage to stand here and wouldn't allow me to fully answer. So I am willing to debate anyone, anytime on this pipeline. I don't have to have a chemistry degree to know that this pipeline is all risk and no reward. It is simply that easy.

Ms. SCHAKOWSKY. And let me just say, too, the pipeline itself we can argue about jobs or whatever, but the issue of unleashing the dirtiest source of energy, the tar sands in Canada, is a dangerous and unnecessary way in my view to proceed right now. I don't think that this is—and I have talked to my friends in labor who made it very clear there are a lot of jobs fixing pipes right now that need to be done. We see one after another of leaks that are erupting. I support that. We need to do infrastructure. Those are real jobs. Those are real jobs.

And, you know, I am not saying these pipeline jobs aren't but to do something that I think not even in the long run but in the short run exacerbates what many of my colleagues on the other side of the aisle want to simply deny that climate change is real and detrimental and that we are contributing to it.

I wondered, Mr. Swift, as one of our other witnesses, I wondered if you wanted to contribute to this?

Mr. SWIFT. Well, I would just add with regard to the importance of tar sands is an emitter of carbon, increasing emissions from tar sands are why Canada is on track to miss its climate obligations, its 2020 climate obligations.

Ms. SCHAKOWSKY. Well, and it also withdrew from the Kyoto Treaty, right?

Mr. SWIFT. That is exactly right. They withdrew in 2011 from Kyoto. They committed to reduce their carbon emissions by 17 percent in 2020 and almost entirely because of increasing tar sands emissions, they are going to miss that goal by quite a bit.

And beyond 2020, the plans to triple tar sands production from, you know, 2010 to 2030 would have a very large impact on carbon.

Ms. SCHAKOWSKY. Well, could you comment on whether or not this is going to happen anyway? My understanding is the United States does not agree to this, that this is not necessarily going to happen anyway.

Mr. SWIFT. That is exactly right, and that is why the tar sands industry is so committed to try to get this pipeline through because it is a lifeline to their expansion plans. Even if every other transportation project went through that they proposed, they wouldn't have enough transport potential to supply their expansion plans, and most of those other projects have serious issues. Most of them are not going to go through. Keystone XL is one of the largest and the most immediate projects available to them. A rejection of Keystone XL would send a significant signal to the investment community that tar sands are simply too carbon-intensive. There is no social license for developing them. They are too high-cost to put money into.

Ms. SCHAKOWSKY. Well, I want to thank you for that. You know, rather than spending its time trying to defund and stop any kind of clean energy project whatsoever in this country, which is a fact time after time after time on the other side of the aisle, I have suggested and will suggest again that my friends on the Republican side of the aisle ought to get their heads out of the tar sands. Thank you.

Mr. TERRY. I now recognize the gentleman from Missouri, Mr. Long, for 5 minutes.

Mr. LONG. Thank you, Mr. Chairman. I appreciate the introduction.

I want to thank you all for being here today, number one, and, Ms. Kleeb, you have had a lot of questions asked of you today and you would be what I call fairly combative and I will give you a little tip on dealing with me. If you don't answer my questions, just get really, really loud and really, really animated, because the louder you get, the more I am going to lower my voice, and pretty soon, I won't be talking at all. So—OK.

Do you know the average age, Ms. Kleeb, of those pipelines that we have enough of to wrap around the world that President Obama referred to?

Ms. KLEEB. Yes, and my mom would call it assertive or independent.

But we have an aging pipeline infrastructure. PHMSA has talked about this actually more recently. They talked about how they actually don't have enough staff to really be monitoring the pipelines in a safe manner and that they wish that more States like Nebraska would actually take on a state review process.

Mr. LONG. You are going into a lot of detail. I have only got 5 minutes. I am just asking about do you know the average age of them?

Ms. KLEEB. I think it is somewhere between 40 and 50 if I am correct.

Mr. LONG. OK. Common sense would dictate to me—because that is kind of what I have been saying out there when I am talking about Keystone XL—but common sense would dictate to me that pipelines that are 40, 50, 60, some 70 years old and better would

probably not be nearly as safe as a new state-of-the-art pipeline that we could build today.

You have, Ms. Kleeb, what did you say your mom said? It is assertive?

Ms. KLEEB. Yes, independent, assertive—

Mr. LONG. All right.

Ms. KLEEB [continuing]. Yes.

Mr. LONG. I was going to say that you have attacked people, but I am going to change that. I am going to say that you have been assertive with people, as your mother would say, who support Keystone XL as extreme, reckless, desperate—those three things come to mind. And I am not here to judge your opinion, but given those remarks which are out there in the public domain, I want to put them in a little bit of context.

So let's look at a record of the Democratic-controlled United States Senate. We have people such as—this is the one time that Keystone XL was voted on—was allowed a vote. It passed 62 to 37; 17 Democrats voted in favor. One, which I am assuming either Senator Chris Coons was extreme, reckless, or desperate, and I will let you pick which one of those he was, but he is a Democrat from Delaware and someone with a lifetime voting record of 96 percent with the League of Conservation Voters, which I am sure you are well aware of is a pretty liberal environmental group. He voted for it.

Senator Carper, Democrat from Delaware, with a lifetime League of Conservation Voters rating of 80 percent, voted for Keystone XL. Senator Michael Bennet, Democrat from Colorado, with a League of Conservation Voters lifetime rating of 90 percent, voted for Keystone XL. Senator Bob Casey, a Democrat from Pennsylvania, with a lifetime League of Conservation Voters record of 93 percent, voted for Keystone XL. Senator Kay Hagan, lifetime League of Conservation Voters, 84 percent, voted yes; and Senator Jon Tester, Democrat from Montana, with an 84 percent record with the League of Conservation Voters.

So, again, being one of the most liberal environmental groups, if they think the Senators are just great most of the time on most issues, are you really calling them reckless, extreme, and desperate?

Ms. KLEEB. I think that the vote was wrong, and honestly, the only folks that I care about and take direction from are the farmers and ranchers in our State on this particular project and—

Mr. LONG. So I will take that as a yes, you are calling those Democrat Senators—

Ms. KLEEB. Well, I never said that, Mr. Long, but if you want to put words in my mouth, feel free.

Mr. LONG. I am not trying to put words in your mouth. I am just saying that—

Ms. KLEEB. I said their vote was wrong. And I am sure I have written many letters to their offices saying as much and so have farmers and ranchers and other citizens have.

Mr. LONG. And when you are confrontational with people that support Keystone XL as extreme, reckless, and desperate, I just want to put it in some context.

It was brought up and you laughed it off, but just for the record, in your husband's woman-owned business, who is that woman?

Ms. KLEEB. He has many female investors, and so if you want to ask my husband about his business, which I am not sure that you asked any other panelist about their spouses' business—

Mr. LONG. Well, you can be sure of that—

Ms. KLEEB [continuing]. Which I find completely sexist—

Mr. LONG [continuing]. Because I haven't asked any other—

Ms. KLEEB [continuing]. Mr. Long.

Mr. LONG [continuing]. Panelists anything.

Ms. KLEEB. So if you would like to bring my husband in to talk about his business, which is very successful, which employs more individuals than—

Mr. LONG. Can you provide us—

Ms. KLEEB [continuing]. TransCanada's Keystone XL pipeline—

Mr. LONG [continuing]. With a name of the—

Ms. KLEEB. No, Mr. Long. I won't—

Mr. LONG. You can't provide the committee with that name?

Ms. KLEEB. No, I won't do that, but if you want to ask my husband to come and visit about his business, I am sure he would be happy to.

Mr. LONG. I will leave that up to the chairman. That is not at my discretion.

Ms. KLEEB. OK.

Mr. LONG. But I would think that you would know who owned your husband's business so—

Ms. KLEEB. I do. I never said—

Mr. LONG. With that, I yield back.

Ms. KLEEB [continuing]. That I didn't.

Mr. TERRY. All right. The gentleman yields back.

And having no further Members to ask questions, that concludes our hearing.

To the panelists that are here, thank you for being here. We appreciate your testimony. The Members have the right to send it written questions within 10 days to you. If you receive written questions, we would appreciate a prompt reply. Prompt would be a couple weeks, just not several months.

So with that, we stand adjourned.

[Whereupon, at 12:26 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]



HUDSON PRODUCTS CORPORATION

September 19, 2013

The Honorable Lee Terry
Chairman
Subcommittee on Commerce,
Manufacturing and Trade
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Jan Schakowsky
Ranking Member
Subcommittee on Commerce,
Manufacturing and Trade
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Terry and Ranking Member Schakowsky:

I am the President and CEO of Hudson Products Corporation, a small business located in Beasley, TX. Since 1939, Hudson Products Corp. has designed and manufactured air-cooled heat exchanger equipment to serve the oil, gas and petrochemical processing industries.

I am interested in today's hearing on the Keystone XL pipeline because Hudson Products Corp. has experienced a direct, positive impact from the development of the Canadian oil sands. Since 1980, we have been supplying air-cooled heat exchangers to various oil sands production and processing plants, and this represents a significant portion of our operations. While it is difficult to directly quantify the employment impact, we estimate that we have added 50-100 jobs because of the oil sands development.

The expansion of the Keystone XL pipeline, which will positively impact the Canadian oil sands region, will also benefit Hudson Products Corp. by allowing us to continue producing and supplying heat exchangers to be used in the expanded oil sands operations. In fact, many small businesses like Hudson Products Corp. will benefit from the Keystone XL pipeline, boosting employment numbers and positively impacting the economies in our local communities right here in the United States.

Thank you for the opportunity to submit this letter to the Commerce, Manufacturing, and Trade Subcommittee of the Energy and Commerce Committee on the important issues of the Keystone XL pipeline and the development of the Canadian oil sands. We greatly appreciate all of the Committee's work on these topics.

Sincerely,

A handwritten signature in black ink, appearing to read 'Grady Walker'. The signature is fluid and cursive, written over a horizontal line.

Grady Walker
President and CEO
Hudson Products Corporation

HUDSON PRODUCTS CORPORATION

9660 Grunwald Rd., Beasley, TX 77417 Phone (281) 396-8100 Fax (281) 396-8211
www.hudsonproducts.com



Ambassador Karan K. Bhatia
Vice President and Senior Counsel
Global Government Affairs & Policy

1299 Pennsylvania Avenue, NW
Suite 900
Washington, DC 20004
USA

T +1 202 637 4268
F +1 202 637 4299
karan.bhatia@ge.com

May 8, 2013

The Honorable John F. Kerry
Secretary
U.S. Department of State
2201 C Street N.W.
Washington, D.C. 20520

Re: Federal Register Notice ER-FRL-9008-1

Dear Secretary Kerry:

In response to the Federal Register notice, on behalf of GE, I want to reiterate our strong support for the approval of the Keystone XL Pipeline Project. GE continues to believe that this project advances two vital national priorities: improving U.S. energy security and creating U.S. jobs.

As a global energy leader, GE provides integrated product and service solutions across the industry. GE has been at the forefront of developing clean and energy-efficient technologies, but recognizes that fossil fuels will remain an important part of the United States' energy mix for the foreseeable future. GE technologies improve the environmental performance of energy producers by reducing energy and water use, and contributing state-of-the-art pipeline safety technology. We are committed to continuing to work with the industry to develop innovative solutions that will further improve efficiency and environmental performance.

The construction of the Keystone XL pipeline will have an immediate positive economic impact in the United States. The State Department Draft SEIS findings state that construction of Keystone XL will support the creation of 42,000 jobs, providing over \$2 billion in wages to U.S. workers, and will contribute over \$3.4 billion to the U.S. economy. This pipeline will further strengthen the US-Canada economic partnership - America's largest and most important commercial relationship. \$1 trillion of trade and investment move across the US-Canada border each year in support of some 8 million U.S. jobs.

The Honorable John Kerry
May 8, 2013
Page Two

The Keystone XL project also offers a significant opportunity to improve America's energy security. Canada is the largest foreign supplier of oil to the United States, providing nearly 20 percent of U.S. imports and has vast oil reserves, behind only Saudi Arabia and Venezuela. The Keystone XL pipeline will significantly increase the flow of Canadian crude oil, while also providing a much needed route to market for domestic U.S. oil production in Montana and North Dakota. In total, the pipeline could deliver more than 800,000 barrels per day of crude oil to US refineries.

Ongoing transition and instability in the Middle East and uncertainty in global energy markets underscore the importance of reliable suppliers. Building the pipeline will also help offset declining supplies from traditional foreign suppliers and ensure that a greater proportion of U.S. oil imports come from a longstanding ally. Canada is actively exploring alternative export markets for Canadian crude oil and regardless of whether the U.S. issues the permits necessary for this pipeline, this oil will be extracted and sold. For America's energy security, it is better to have this oil sold to the United States than to other overseas markets.

We urge the State Department to expeditiously move the review process forward and approve the pipeline as soon as possible, and strongly believe that issuing a Presidential Permit for Keystone XL is in the national interest of the United States.

Sincerely,



Karan Bhatia

cc: Genevieve Walker
NEPA Coordinator, U.S. Department of State

FRED UPTON, MICHIGAN
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA
RANKING MEMBER

ONE HUNDRED THIRTEENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6115
Majority (202) 225-2927
Minority (202) 225-8841

October 27, 2013

Mr. David Delie
President
Welspun Tubular LLC
9301 Frazier Pike
Little Rock, AR 72206

Dear Mr. Delie,

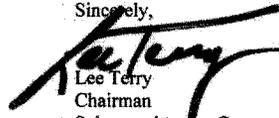
Thank you for appearing before the Subcommittee on Commerce, Manufacturing, and Trade on Thursday, September 19, 2013 to testify at the hearing entitled "Keystone's Red Tape Anniversary: Five Years of Bureaucratic Delay and Economic Benefits Denied."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

To facilitate the printing of the hearing record, please respond to these questions by the close of business on Monday, November 11, 2013. Your responses should be e-mailed to the Legislative Clerk in Word format at Kirby.Howard@mail.house.gov and mailed to Kirby Howard, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, D.C. 20515.

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,



Lee Terry
Chairman
Subcommittee on Commerce,
Manufacturing, and Trade

cc: Jan Schakowsky, Ranking Member, Subcommittee on Commerce, Manufacturing, and Trade
Attachment

Additional Questions for the RecordThe Honorable Lee Terry

1. **You testified that as many as 1,500 jobs in the pipe industry – and possibly thousands more jobs in steel mills – could be lost if Keystone is not approved because TransCanada will become your biggest competitor as the owner of almost 400 miles of unused pipe. Can you explain how that translates into lost jobs for your company and others in your business sector?**

First let me correct one thing. TransCanada has 1,179 miles of available pipe for the Keystone XL project that is to be used in the construction of the pipeline from Hardisty, Alberta to Steel City, Nebraska. Currently 435 miles of these 1,179 miles of pipe is sitting at Welspun in Little Rock waiting for TransCanada to let us know where they are going to use it. Recently, TransCanada was going out for bid for a new project of 129 miles called “Heartland”. Welspun received a letter (see Attached) that cancelled the request for proposal for pipe. I understand TransCanada is using pipe made for Keystone XL to meet their requirements for the Heartland project. If Keystone XL was being built, 129 miles of pipe would come from new production. This lost production means jobs at the pipe companies like Welspun, steel industry and countless other companies that support our industries. This is just one example of what is to come if the Keystone XL is not built.

2. **In your testimony, you stated that pipelines are a safer method of transportation for oil compared to rail, yet the demand for pipeline construction has decreased significantly from its prior level, even with the recent increase in oil production. Why has this happened?**

The difficulties in obtaining permits to build pipelines, the risk of extended project delays and the high costs associated with these issues are delaying construction of much needed pipeline infrastructure and increasing the more dangerous transportation of oil by rail. The oil companies must get their oil to the market and rail is providing an alternative to pipeline although more expensive and dangerous. As recently as November 8th there was another derailment in Aliceville, AL, as more and more oil is transported by rail the incident rate will increase and the US will experience a disaster similar to what happened near Lac-Megantic, Quebec where oil tankers caught fire, leveled a town and killed 47 people.



September 26, 2013

Welspun Corp Limited
15721 Park Row, Suite 230
Houston, Texas
77084 USA

VIA EMAIL

Attention: Mr. Vivek Kashyap

CC: Ms. Megan Phillips

RE: TransCanada RFP No. 12188 Heartland and Liege Lateral Loop Pipeline Project
Welspun Corp Limited No. H13052

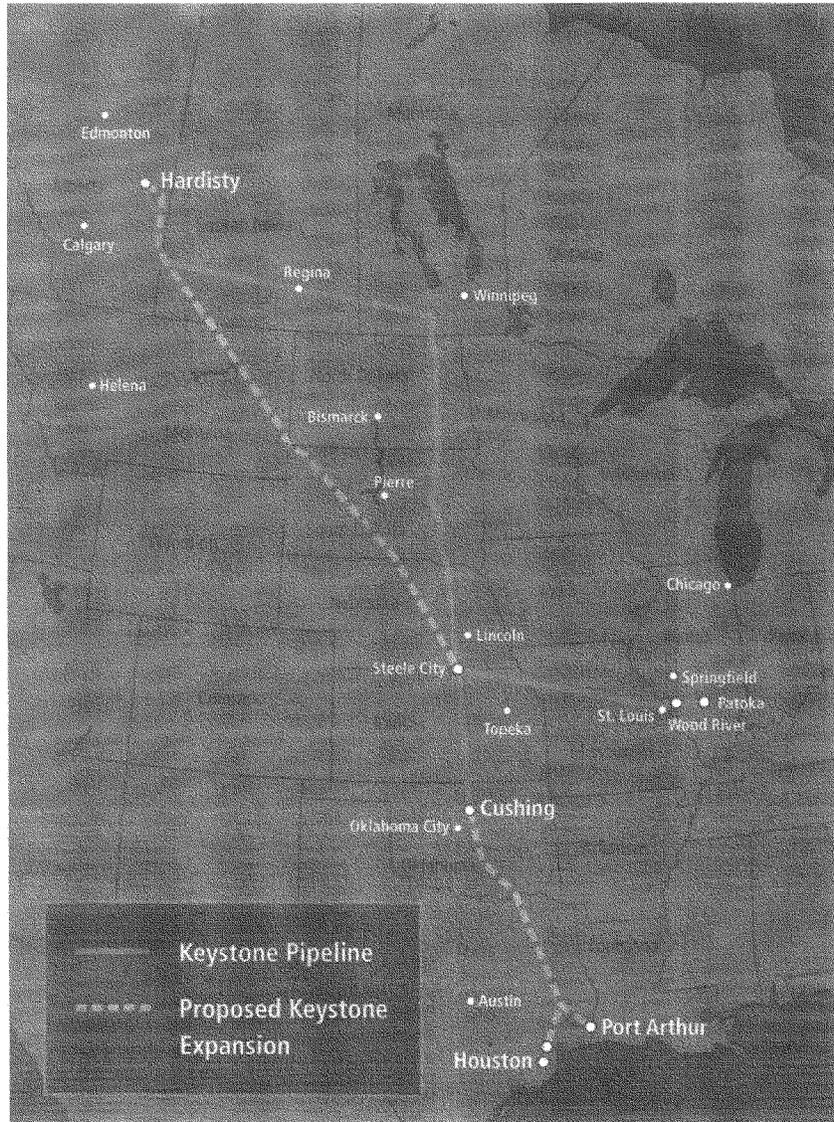
Dear Mr. Kashyap:

This letter is to advise that TransCanada's Request for Proposal No. 12188 for the Heartland and Liege Lateral Loop projects has been cancelled.

We would like to thank you for the time and effort taken to prepare your proposal and the timely responses to the clarifications. We look forward in having your support in the future.

Respectfully yours,

Ignacio Monterrubio,
Manager - Line Pipe Procurement
Supply Chain Management - Major Projects
TransCanada PipeLines Limited
450 1 St SW, Calgary, AB T2P 5H1
Canada



FRED UPTON, MICHIGAN
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA
RANKING MEMBER

ONE HUNDRED THIRTEENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6115
Majority (202) 225-2827
Minority (202) 225-3641

October 25, 2013

The Honorable Karen Harbert
President and CEO
Institute for 21st Century Energy
U.S. Chamber of Commerce
1615 H Street, N.W.
Washington, D.C. 20062

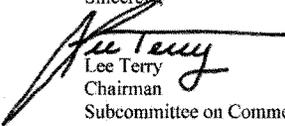
Dear Ms. Harbert,

Thank you for appearing before the Subcommittee on Commerce, Manufacturing, and Trade on Thursday, September 19, 2013 to testify at the hearing entitled "Keystone's Red Tape Anniversary: Five Years of Bureaucratic Delay and Economic Benefits Denied."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

To facilitate the printing of the hearing record, please respond to these questions by the close of business on Friday, November 8, 2013. Your responses should be e-mailed to the Legislative Clerk in Word format at Kirby.Howard@mail.house.gov and mailed to Kirby Howard, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, D.C. 20515.

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,

Lee Terry
Chairman
Subcommittee on Commerce,
Manufacturing, and Trade

cc: Jan Schakowsky, Ranking Member, Subcommittee on Commerce, Manufacturing, and Trade
Attachment

**United States House of Representatives
Committee on Energy and Commerce
Subcommittee on Commerce, Manufacturing, and Trade**

**Hearing on September 19, 2013
“Keystone’s Red Tape Anniversary: Five Years of Bureaucratic Delay and
Economic Benefits Denied.”**

Questions for the Record

**The Honorable Karen A. Harbert
President and CEO
Institute for 21st Century Energy
U.S. Chamber of Commerce**

The Honorable Lee Terry

- 1. The Canadian Energy Research Institute (CERI) predicts that Keystone XL will create 117,000 new jobs in the U.S. over the next 15 years thanks to the oil sands development linked to the project. Could you share your insights on the benefits to all businesses by developing oil sands and building the KXL pipeline?**

The completion of Keystone XL can benefit all U.S. businesses in many ways. Canada is an important and reliable trade partner for the U.S. Due to the deep trading relationship, it is estimated that for every \$1.00 spent to buy oil from Canada, \$0.90 is returned in the purchase of U.S. goods or services. As indicated, continued development of Canadian oil sands will directly benefit American companies and workers that supply goods and services to oil sands developers. In addition, the increased supply of North American crude from Canada is critical to helping stabilize U.S. prices during supply disruptions and unease in other parts of the globe. Also, during the operating life of the entire pipeline (including Gulf Coast project), TransCanada would pay \$5.2 billion in property taxes to state and local communities. This revenue would help support key local services like schools, fire, and police services, and needed projects like roads, bridges, recreation facilities, and new schools – thus helping create and support additional construction jobs and economic benefits.

- 2. Recently, the House passed legislation (H.R. 2052) aimed at improving the United States’ ability to attract foreign direct investment (FDI). The legislation calls on the Secretary of Commerce, together with the heads of other relevant federal agencies, to study how the U.S. can become more competitive in attracting FDI and submit recommendations to Congress based on the findings**

of that study. How do the Keystone XL project and its delays bear on our future ability to attract foreign direct investment for infrastructure projects?

As with the Keystone XL situation, project delays due to bureaucratic red tape, unclear public policies, or over-burdensome regulatory impediments in the U.S., send a signal to foreign investors that there is increased risk to investing in the U.S. and in U.S. projects. These increased risks may drive important and much needed investment dollars elsewhere, especially as developing nations demand more goods, services, and infrastructure, and competition for investment dollars is high. The U.S. will need to reduce regulatory barriers, and demonstrate that large capital projects can get built and produce a good rate of return in a reasonable amount of time, in order to continue to attract capital investment from overseas.

3. Would there be an economic loss to the U.S. if the permit for Keystone XL is never approved, or if TransCanada were to abandon the project? If so, how much?

The failure to build the Keystone XL pipeline would have dramatic, negative, short- and long-term economic impacts for the United States, and would send a signal to foreign investors throughout the rest of the world that the United States is not open for business.

According to the State Department's own Draft Environmental Impact Statement (DSEIS), KXL would create 3,900 direct construction jobs annually and 42,100 direct and indirect well-paying jobs during KXL's two-year construction phase, providing over \$2.05 billion in earnings for American workers. Along with the \$3.3 billion that TransCanada would spend on construction materials, over \$65 million in sales and use taxes will be generated during construction for state governments and local entities where the pipeline is located.

As mentioned above, during the operating life of the entire pipeline (including Gulf Coast project), TransCanada would pay \$5.2 billion in property taxes to state and local communities. This revenue would help support key local services and needed projects, thus helping create and support additional local economic benefits and building communities over the long term.

As stated earlier, Canada is an important and reliable trade partner for the U.S. The development of Canadian oil sands resources already supports tens of thousands of American workers in hundreds of companies spread throughout the United States who are supplying goods and services to oil sands developers. The approval of the Keystone XL pipeline would help allow for the continued growth in development of the oil sands and an increased flow of trade between the U.S. and Canada – all of which benefit our economy and workers.

FRED UPTON, MICHIGAN
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA
RANKING MEMBER

ONE HUNDRED THIRTEENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6115
Majority (202) 225-2927
Minority (202) 225-3641

October 25, 2013

Mr. Ron Kaminski
Business Manager
Laborers Local 1140
11212 North 72nd Street
Omaha, NE 81222

Dear Mr. Kaminski,

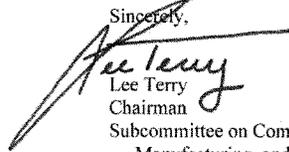
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Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,



Lee Terry
Chairman
Subcommittee on Commerce,
Manufacturing, and Trade

cc: Jan Schakowsky, Ranking Member, Subcommittee on Commerce, Manufacturing, and Trade
Attachment

142



LABORERS INTERNATIONAL UNION
OF NORTH AMERICA, LOCAL #1140
5626 Sorensen Parkway, Suite 200
Omaha, NE 68152
(P) 402.573.7878 (F) 402.573.8746
www.laborers1140.org

November 8, 2013

Mr. Kirby Howard
Legislative Clerk
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Kirby,

The following are my responses to the questions that Congressman Lee Terry asked in your letter, dated October 25, 2013. Please feel free to contact me with any other questions you may have. Thank you for your efforts to put Americans back to work.

Sincerely,
Ron Kaminski
Business Manager
Laborers Local #1140
5626 Sorensen Parkway
Omaha, NE 68152

Subcommittee on Commerce, Manufacturing and Trade
"Keystone's Red Tape Anniversary: Five Years of Bureaucratic Delay and Economic Benefits Denied"
Response by:
Ronald Kaminski, Business Manager, Laborers Local #1140

Additional Questions asked by Chairman Lee Terry for the Record:

1. You stated in your testimony that, by definition, nearly all construction jobs are temporary. Does the temporary nature of these jobs make them any less important or helpful to the economy?

No!

2. What is the significance of the construction sector, the sector where your union predominantly functions, on our economy? What is the necessity of these "temporary" jobs?

The significance is huge. These aren't minimum wage jobs without benefits. These are jobs that members invest their own time and money to get the best training to perform. These are jobs that pay "family sustaining" wages and benefits, that include health insurance, for them and their dependents, and a pension. Our members want to work and these are jobs that ensure our members don't have to rely on government assistance if they are unemployed. These are private companies that will build the Keystone XL and they want the best trained and experienced workers building it, that's why they have contracts with the Laborers International Union of North America and other union organizations.

3. Critics often charge that the type of construction jobs that would be created by the Keystone XL project do not benefit the area in which the construction occurs because labor is brought in from other areas. In your testimony, you stated that "[you] just finished building the first Keystone pipeline in 2009." During the construction phase that concluded in 2009, how many of your local members or members of your sister unions were employed in that project?

Laborers are only one of many trades that built the Keystone pipeline and its pump stations. When it comes to Laborers, the Keystone pipeline project put over 400 members to work, with multiple contractors, from our local union.

FRED UPTON, MICHIGAN
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA
RANKING MEMBER

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COMMITTEE ON ENERGY AND COMMERCE
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Minority (202) 225-3641

October 25, 2013

Mr. Lucian Pugliaresi
President
Energy Policy Research Foundation
1031 31st Street, N.W.
Washington, D.C. 20004

Dear Mr. Pugliaresi,

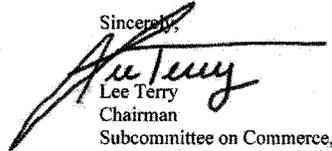
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Lee Terry
Chairman
Subcommittee on Commerce,
Manufacturing, and Trade

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Subcommittee on Commerce, Manufacturing, and Trade
Hearing on September 19, 2013
“Keystone’s Red Tape Anniversary: Five Years of Bureaucratic Delay and
Economic Benefits Denied.”

Response of Mr. Lucian Pugliaresi
President, Energy Policy Research Foundation

Additional Questions for the Record

The Honorable Lee Terry

1. Do you believe that the degree to which the Keystone XL project has been delayed will now lengthen construction time for future projects? How would similar future delays affect future economic growth?

Efficient and timely construction of large scale infrastructure projects, such as the Keystone XL project, must overcome a large number of technical, project and financial risks. The financing of such projects requires the developer and the shipper to have confidence that the project can be completed on time, within budget, and that both parties can fulfill their obligations for successful operation of the project over a long time horizon. For Keystone XL, amortizing the cost of such a large project requires both the developer and shipper to undertake an agreement that can last 20 years or more, and then proceed and convince financing entities that strategies are in place to address financial and technical risks.

Prior to the delays imposed on the Keystone XL project, U.S.-Canadian cross border pipeline projects faced a predictable and understandable regulatory program, in which as long as appropriate criteria were met, approvals were forthcoming from both Canadian authorities and the U.S. State Department. Historically, the process was so predictable that a pipeline developer would preorder pipe and construction materials before final approvals under the expectation that if the appropriate procedures were followed, approval would be granted. This helped make pipeline projects more cost-effective by providing for timely construction and operation of the pipeline.

The delays and the capricious handling of the regulatory review of the Keystone XL project on the U.S. side has imposed long-term damage to the confidence among investors. TransCanada, the developer of Keystone XL project, purchased steel pipe before final approvals under the expectation that the regulatory review process would be both predictable and follow a traditional set of review procedures. Instead the process has become highly unpredictable with ever changing criteria from the U.S. Government. The damage from this unpredictable and uncertain regulatory process is that investor confidence, not only in cross border pipeline, but virtually any large projects requiring U.S. regulatory review faces a much higher risk profile.

The North American petroleum renaissance is a remarkable achievement of risk taking and technological innovation. The benefits of this new oil and gas production can accelerate economic growth through expansion of manufacturing facilities, new infrastructure, and value-added processing in refineries and petrochemical plants. Unfortunately, all of these investment opportunities are subject to a growing regulatory review process which is both unpredictable and often capricious. As a result, the U.S. economy will suffer lower economic growth and higher unemployment if we fail to address this serious problem.