Research

Forum Comments on Keystone XL Pipeline

CATRINA RORKE | MARCH 7, 2014

I appreciate the opportunity to comment on the Department of State's pending determination of whether construction of the Keystone XL pipeline (KXL) is in the national interest of the United States. This comment relies on information provided in the Final Supplemental Environmental Impact Statement prepared by the Department ("Final SEIS" or "Report"), and finds that construction of the pipeline is unequivocally in our best interest to support energy security, and minimize the environmental and safety risk of the burgeoning North American energy trade.

I. Inevitability of Tar Sands Development

Demand for oil and refined oil products is consistent and high, and will remain so for the foreseeable future. Growing international demand, particularly in emerging markets, will continuously strain an increasingly tight global oil market. Even as the United States successfully reduces oil demand through improvements in transportation efficiency and alternative transportation fuels, access to a plentiful, reliable, and affordable source of oil remains an important national priority.

As such, market conditions will continue to favor oil development in the Western Canadian Sedimentary Basin (WCSB) and Bakken Shale. In fact, the State Department finds that only with long-run oil prices below $65-$75 per barrel is production likely be constrained. The last year during which the average price of oil fell below the $75 mark was 2009, in the depths of a global financial crisis. The U.S. Energy Information Administration forecasts average prices over 2013-2035 to hover between $100-$113 barrel, well above levels that encourage production.

Moreover, crude oil from the WCSB and Bakken has a multitude of potential routes to market. Rail transportation continues to expand aggressively, and existing pipeline capacity is being reoriented around delivering these relatively new oil sources to refineries. Even the Report states, "approval or denial of any one crude oil transport project, including [KXL] is unlikely to significantly impact the rate of extraction in the oil sands or the continued demand for heavy crude oil at refineries in the United States."

II. Minimizing Climate, Environmental, and Safety Risk

If production at the WCSB and Bakken oil fields is unavoidable given market conditions and forecast trends, priority falls to delivering this crude oil to market with minimal impact on the environment and neighboring communities. The Final SEIS analyzed several viable alternatives to constructing the KXL that would afford Gulf Coast refineries access to these crude oil streams.

Should no new cross-border pipelines come online to carry WCSB oil, the market will rely on fast-growing oil-by-rail operations. Rail can move oil (a) over the border to a U.S. pipeline hub where it will be offloaded onto domestic infrastructure, (b) to Canada's western coast where it will be loaded onto tankers and routed through the Panama Canal to Gulf Coast refineries, or (c) directly to Gulf Coast refineries from the oil fields. The Report finds that these rail-based alternatives would have considerably larger unfavorable impacts than would a pipeline.

First, the additional energy required to power trains, tankers, and transfer stations would generate 28 – 42 percent more annual carbon emissions than if that oil traveled via pipeline. Second, though oil train accidents are less likely to result in very large oil, spills are also considerably more frequent. The Final SEIS states, "the number of barrels released per year for the [alternative rail] scenarios is higher than what is projected for the proposed Project." Third, and perhaps most significantly in the wake of tragic oil train disasters like in Lac-Megantic, Quebec, the rail transport alternatives would be more dangerous. A cross-border pipeline carrying 830,000 barrels of oil per day would result in one additional injury and no fatalities each year; pushing that same volume of oil onto rail is expected to cause 49 additional injuries and six additional fatalities each year.

Of course, it is possible that a different cross-border pipeline would be built, though even after five and half years of study, the Department of State failed to identify any one route that is universally preferable to the one proposed. All alternative pipeline routes explored in the Report would have impacts roughly similar to or considerably larger than those of KXL on the climate, immediate environment, and local communities.

III. Costs of Delay

If we concede that the Department of State is correct, and the climate, oil spill, and human endangerment risks favor construction of a cross-border oil pipeline, it is only logical to find KXL in the national interest and grant a presidential permit.

As the Report states, this pipeline requires a $3.3 billion investment by TransCanada, which would create 42,100 jobs during construction, generate more than $2 billion in earnings, and add $3.4 billion to the GDP. The pipeline would traverse 27 rural, sparsely populated counties and increase local property tax receipts by 10 percent or more in 17 of those counties, supporting future local priorities. These benefits are still available and can be realized with pipeline approval.

Unfortunately, consideration of this pipeline has been fraught with delay and has already cost Americans. The pipeline would deliver 700,000 barrels per day of Canadian oil and 130,000 barrels per day of domestic oil to Gulf Coast refineries. These sources are considerably cheaper than the waterborne foreign oil imports currently feeding the refineries. If the pipeline had received presidential approval in early 2012, it would have saved Americans $7.7 billion in additional oil spending that we will send overseas before the pipeline comes online. As consideration continues to drag out, this figure is only growing.

IV. Diplomatic Considerations

Lastly, it is quite poignant that this comment period is closing during the escalating turmoil in Ukraine and Crimea. As the energy boom continues to play out in North America, it is increasingly clear that the international energy trade is no longer only about securing access to resources, but about using resources to achieve diplomatic gains.

Throughout this lengthy process, our Canadian allies have reminded us that it is crucial to engage in a clear and open dialog about the importance and future of the KXL pipeline. We have repeatedly failed them in this regard, and have eroded both our energy security and our diplomatic relationship with this close ally. As we consider how this pipeline will rebuild diplomatic and trade ties with Canada, we may also consider how exporting our valuable energy resources may help us strengthen our diplomatic position overseas.

Conclusions

The benefits to approving the Keystone XL pipeline are clear. We can create 42,100 jobs, bring 830,000 barrels of oil safely to market daily, and add $3.4 billion to the GDP with one infrastructure project. A cross-border pipeline will reduce emissions by 28 to 42 percent compared to the rail alternatives that the market will otherwise naturally gravitate toward. Given prevailing market trends and the evidence of the Final SEIS, it is only logical to conclude that KXL is in the national interest. It is rare that the administration can make a singular decision with such great impact, let's not squander this opportunity.

Thank you for the opportunity to express these views to the Department of State on this important issue. If you have any questions about this comment, please do not hesitate to reach out via phone or email.

Sincerely,

Catrina Rorke