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March 7, 2014

The Honorable John Kerry
Secretary
United States Department of State
2201 C Street, NW
Washington, DC 20520

Re: Public Notice 8622 Comments regarding the National Interest Determination for TransCanada Keystone XL Pipeline

Dear Secretary Kerry:

The Institute for 21st Century Energy (Energy Institute) is an affiliate of the United States Chamber of Commerce, the world's largest business federation representing the interests of more than 3 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 Energy Institute believes that construction of TransCanada's Keystone XL (KXL) pipeline project is in our nation's best interest, and is pleased to submit these comments supporting TransCanada's Keystone XL (KXL) pipeline project and the findings of the Final Supplemental Environmental Impact Statement (FSEIS) published in January 2014.

According to the Energy Information Administration (EIA), petroleum fuels will remain the largest energy source worldwide for decades in the future. As the global economy recovers and developing economies continue to rapidly expand, competition for petroleum and all forms of energy will increase throughout the world. Due to American ingenuity, recent technological advancements, and an abundance of natural resources, the recent increase in production of unconventional oil and gas resources has North America poised to reshape global markets, strengthen our economies, grow our manufacturing base, and erode the clout of traditional energy-rich nations.

The Department of State, which has significant discretion in the factors it examines in making a National Interest Determination (NID), indicated in the FSEIS that it is likely to consider some of the following key factors when evaluating the present KXL permit application. We believe that should conclude that the Keystone XL pipeline project is in our national interest after considering the following key points:

- With regard to the environmental impacts of the proposed project—the FSEIS has found that the project will have “limited adverse environmental impacts” during construction and operation. The Department of State has conducted a comprehensive, extensive, and thorough independent environmental review reaffirmed what was found in the 2011 Final Environmental Impact Statement, that “there would be no significant impacts

to most resources along the proposed Project route.” Multiple federal, state and local agencies have been involved, and opportunities for public input were provided throughout the process. The new route avoids the environmentally-sensitive Sandhills region and minimizes potential impacts in Nebraska. It has the approval of both the Governor of Nebraska and the Nebraska Department of Environmental Quality. TransCanada has also agreed to adopt an additional 59 special safety measures that exceed current regulatory requirements which were developed by the U.S. Pipeline and Hazardous Material Safety Administration extraordinarily thorough environmental review of the Keystone XL project. Following more than five years of review it’s time to move this important project move forward.

- Regarding the impacts of the proposed project on the diversity of supply to meet U.S. crude oil demand and energy needs—it is clearly understood that for the foreseeable future the U.S. will need all forms of energy. Expanding pipeline capacity from Canada to the U.S. Gulf Coast via KXL will provide more flexibility to the U.S. supply system, and enable increased U.S. domestic production in the upper Midwest. Consumers will also benefit from a larger, more diverse pipeline system that is more able to handle shifts in demand and supply, such as when hurricanes or global unrest occurs (IHS CERA 2011). U.S. refineries in the Gulf Coast rely mostly on foreign imports of heavy crude oil, particularly from Venezuela and Mexico whose volumes of crude exports are in decline, and less stable countries in the Middle East and Africa. When completed, the KXL pipeline will have the nominal capacity to supply over 800,000 barrels per day of heavy Canadian crude oil to U.S. refineries and new market access and improved distribution to Gulf refineries for 100,000 barrels per day of U.S. domestic crude produced in the Bakken region in Montana and North Dakota. This will yield tremendous benefit to U.S. refiners and consumers.
- Concerning the stability of trading partners from whom the U.S. obtains crude oil—reliable, long-term energy supplies from Canada are critical to U.S. energy security at a time when global supplies are often found in geopolitically unstable regions of the world, and in countries that aren’t concerned with U.S. best interests. While expansion of U.S. domestic energy sources must remain a top priority, imported oil will continue to play a key role in meeting energy demand and oil from Canada can help meet our supply and demand challenges. The increased supply of crude oil from KXL will greatly contribute to our economic and energy security, and our move toward North American energy self-sufficiency. According to the EnSys Energy Report (December 2010) conducted for the U.S. Department of Energy on the KXL pipeline project, the projected increase in the U.S. refining of Canadian crudes “would curb dependency on crude oils from other sources notably the Middle East and Africa.” As recently reported by Bentek (2012), combined U.S. and Canadian production are expected to grow by over 3,100 million barrels per day by 2016, and Canadian imports to the U.S. could increase by 900 thousand barrels during that period, causing crude imports from outside of North America to drop by forty-one percent. In fact, Bentek expects U.S. imports of crude from outside of North America to decrease to less than ten percent of our oil supply by 2020.

- With regard to the impact of a cross-border facility on the relations with the country to which it connects—it is critical to reiterate that Canada is an important and reliable trade partner for the U.S. The Canada and the U.S. already enjoy the largest trading partnership across the longest peaceful border in the world. As stated above, the increased supply of crude oil from KXL will greatly contribute to North American economic and energy security, and our move toward North American energy self-sufficiency. In addition, 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. For every U.S. dollar spent on Canadian products, Canadians return 89 cents through the purchase of U.S. goods and services. Compared to the 27 cent return we get from energy trade partners like Venezuela, the benefits of Canadian trade are obvious, as are the energy security advantages.
- Regarding the impact of proposed projects on broader foreign policy objectives, including a comprehensive strategy to address climate change—the Keystone XL project is a “win-win” for the United States. It will help provide an important source of energy for our nation, boosting our economy, and improving our energy security by reducing our dependence on oil from overseas. Canada is committed to developing its oil sands resources; is steadfast in its efforts to reducing its GHG emissions; and has made great strides in cutting emissions from oil sands. According to the Canadian government, technological advancements have cut per-barrel GHG emissions from oil sands production by 26 percent compared to 1990 levels. Oil from the oil sands is destined to reach the U.S. and our refineries. Efforts to stop crude transportation projects like KXL will have no impact on the development of oil sands. The recently released FSEIS states that approval or denial of any one crude oil transport project 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 U.S. The FSEIS also states that KXL will produce 28% – 42% less GHG emissions than any other possible alternative oil sands transportation scenarios, adding additional benefit for the environment.
- Concerning the economic benefits to the U.S. of constructing and operating the proposed project—the economic benefits from the KXL project are significant. According to the FSEIS, 42,100 Americans will be employed in direct, indirect, and induced jobs during construction of Keystone XL, generating \$2.02 billion in earnings for workers. In addition, the \$3.3 billion project will generate \$66 million in sales tax for goods and services during construction that will infuse economic vitality into local communities. The FSEIS also states that \$3.1 billion will be spent on construction contracts, materials, and other support for Keystone XL – much-needed revenue for companies still struggling to recover from a hard recession. It will also provide \$55.6 million in new property tax revenue in 17 counties with Keystone facilities. Of those counties, a majority would experience an increase of 10 percent or more in property tax revenue, which could be used to build needed projects like schools, roads, and bridges, and pay for teachers, fire and police services, and recreation programs. Overall, the project will contribute \$3.4 billion during construction to the U.S. Gross Domestic Product (GDP). The development of Canadian oil sands resources already supports tens of thousands of American workers in hundreds of companies spread

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throughout the United States. The approval of the Keystone XL pipeline will allow for the continued growth in development of the oil sands and an increased flow of trade between the U.S. and Canada. The Canadian Energy Research Institute (CERI 2011) estimated that increased and continued investment in oil sands development and related projects can create more than 500,000 new U.S. jobs by 2035, and one job created in the U.S. for every two created in Canada.

- With regard to relationships between proposed projects and goals to reduce reliance on fossil fuels, and to increase use of alternative and renewable energy sources—while alternative energy sources will play an important role in our energy future, U.S. government projections indicate that fossil fuels will be used to meet the majority of our energy needs for the next few decades. Advancements in technology and innovation will assist in the responsible and efficient use of these resources and ensure that they are available for generations to come.

The majority of the KXL project has been under review for over 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. This critical project will help enhance American energy security and create much needed jobs and investment, and should be approved as soon as possible.

The Energy Institute opposes any additional review requirements that would further delay the proposed KXL pipeline. This critical project will help enhance American energy security and create much needed jobs and investment, and should be approved as soon as possible. Any further delays will postpone our realization of the economic and energy security benefits of the project.

The Institute for 21st Century Energy urges the Department of State to move forward and designate the Keystone XL pipeline project as in our nation's interest and issue the Presidential Permit needed so that this important project can proceed. Building the Keystone XL pipeline is critical to America's energy and economic security and vital to creating jobs and putting Americans back to work. We appreciate the opportunity to participate in this process and look forward to working with the Department of State and other Federal agencies to enhance our Nation's energy security.

Sincerely,



Karen A. Harbert

cc: The Honorable Ernest Moniz, Secretary of Energy
The Honorable Denis McDonough, White House Chief of Staff