

April 10, 2013

The Honorable John Kerry  
Secretary of State  
U.S. State Department  
2201 C Street NW  
Washington, DC 20520

Dear Secretary Kerry:

The Department of State and the Administration must decide whether the Keystone XL pipeline is in the US national interest. I submit that the Keystone XL pipeline is not in the national interest.

**There is negligible energy security benefit to Keystone XL**

KeystoneXL is frequently promoted with the argument that it is better to get our oil from Alberta than from Venezuela. This argument applies, for example, to the existing Keystone pipeline which ends at refineries near Patoka, Illinois. The refined product is distributed in the US.

The tar-sands oil that would be transported in the Keystone XL pipeline and refined in Houston, however, is for export, not for domestic use. The Seaway and Pegasus pipelines, which used to carry oil from Houston to Cushing, OK and Patoka, IL, respectively, now flow in the other direction in order to relieve the glut of oil in the Midwest, so refined products leave Houston mainly by sea. Thus, the US does not reduce its dependence on foreign, non-Canadian oil, nor does it gain any isolation from international oil price fluctuations.

Even if the Keystone XL oil were not being exported, the US should not want it. We have plenty of oil from less expensive and less polluting sources, including a 990,000 barrel per day (bpd) increase in North Dakota and Texas oil production in the last year alone. If anything, we need less imported oil than we already get because domestic production is increasing and the EIA's forecast shows falling gasoline consumption and flat oil consumption out to 2040.<sup>1</sup>

**One pipeline or two, that is the question**

Enbridge, a competitor to TransCanada, is building a pipeline of about the same capacity as Keystone XL along existing rights of way. It currently has cross border capacity of 2.5 million bpd in six parallel pipes, of which 450,000 bpd is heavy crude. Enbridge is increasing that heavy crude capacity to 800,000 bpd by increasing the pressure on the line and to that end they are requesting an amendment to the existing Presidential border crossing permit.<sup>2</sup> Current company schedules show the Enbridge pipeline being finished 3 to 6 months before Keystone XL.

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<sup>1</sup> AEO 2013 Early Release Overview, <http://www.eia.gov/forecasts/aeo/er/index.cfm>

<sup>2</sup> <http://www.state.gov/e/enr/applicant/applicants/202433.htm>

If the Keystone XL permit is granted, it is very unlikely that the Enbridge amendment will be denied. The real question, then, is whether there should be two pipelines carrying a total of nearly 1.7 million bpd of Alberta tar sands oil to Houston by 2015.

### **Why is the Enbridge pipeline not considered an Alternative to Keystone XL?**

The Department of State Draft Supplemental Environmental Impact (SEIS) report<sup>3</sup> (section 2.2.3, No Action Alternative) does consider the Enbridge pipeline in some detail but does not consider it an alternative to Keystone XL because it may not be able to accept all of the oil contracted by TransCanada for Keystone XL. Why does the Department of State seem to feel a special obligation to the clients of TransCanada or their oil? Again, the question to State is, how much tar sands oil should the US import from Canada?

If the answer is around 800,000 bpd, why isn't Enbridge an alternative? Since the entire Enbridge pipeline runs along existing rights of way, might this alternative not be preferable?

### **There is little economic benefit to the United States from approval of the project**

The main economic benefit cited in the draft SEIS is employment: 3900 temporary construction jobs and perhaps 50 permanent jobs. Foregoing these jobs is politically difficult. It should be recognized, however that there is a boom in pipeline construction in the US at the present time due in large measure to increases in US production and there are far more construction and operations jobs being created elsewhere than for Keystone XL. Not counting Keystone XL, there are at least 3,835 miles of pipelines in development or under construction with committed funding of more than \$13 billion. These projects do not depend on increased deliveries of Alberta tar sands oil.

Natural gas pipelines are likewise expanding and creating jobs.

The US is beginning transition to low carbon fuels that will provide vastly greater employment in the very states through which Keystone XL passes, as well as in many other states. A recent survey of companies<sup>4</sup> that produce low carbon fuel found nearly 7000 construction jobs and 11,500 permanent jobs associated with facilities under construction and an additional 11,000 construction jobs and 18,000 permanent jobs associated with projects in development. And most of jobs that provide the agricultural feedstock for cellulosic ethanol and biofuels are not counted here.

Indeed there is significant economic harm that oil pipelines cause because of their propensity to leak. The SEIS discusses environmental risks in detail and I leave it to others to address these issues in their comments.

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<sup>3</sup> <http://keystonepipeline-xl.state.gov/draftseis/index.htm>

<sup>4</sup> "Advanced Biofuel Market Report 2012"

<http://www.e2.org/ext/doc/E2AdvancedBiofuelMarketReport2012.pdf><http://www.e2.org/ext/doc/E2AdvancedBiofuelMarketReport2012.pdf>

### **Keystone XL counteracts US policy**

It is this Administration's goal to reduce the adverse effects of climate change and to reduce our dependence on oil. By permitting Keystone XL and future pipelines to carry increased production of Alberta tar sands oil, we support world addiction to the most polluting source of oil and we aggravate the climate change effects that it is our policy to prevent.

### **How much heavy crude oil does the United States want to trans-ship?**

1.7 million bpd does not exhaust the potential flow of oil from Alberta tar sands, estimated to be ~ 6 million bpd by 2030. At what point do we stop building pipelines, expanding refinery capacity and assisting Canada in polluting the planet?

The more pipelines we permit the greater is the environmental and economic risk we assume. Were we, or any other major consumer, to significantly reduce our oil consumption, the price of oil would fall and the most expensive source of oil, Alberta tar sands, would be driven from the market. This would weaken TransCanada's ability to pay for any cleanup, or for a decommissioning of the pipeline.<sup>5</sup> This line of reasoning is especially pertinent since tar sands oil is not considered to be crude oil under the 1986 excise tax that funds oil spill cleanups.<sup>6</sup>

It is time to recognize that Alberta tar sands oil deliveries to Houston provide negligible energy security and little to no net economic benefit to the US, and that granting a Presidential border crossing permit effectively counteracts US policies of reducing our dependence on oil and addressing the effects of climate change. The US has no national interest in allowing the trans-shipment of Alberta tar sands crude oil across the United States on the proposed Keystone XL pipeline.

Sincerely,

Anthony Bernhardt, PhD

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<sup>5</sup> The National Energy Board of Canada has proposed a "pipeline abandonment trust" to in which to set aside funds from pipeline companies for this purpose

<sup>6</sup> cf. H.R. 786 "Tar Sands Tax Loophole Elimination Act" of 2013