



INSTITUTE FOR 21ST CENTURY ENERGY

U.S. CHAMBER OF COMMERCE

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October 7, 2011

The Honorable Hillary Rodham Clinton
Secretary of State
U.S. Department of State
2201 C Street, NW
Washington, DC 20520

Re: Public Notice 7574 Comments on Proposed Keystone XL Pipeline Project Final Environmental Impact Statement and whether Keystone XL is in the national interest;

Dear Secretary Clinton:

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 three million businesses and organizations of every size, sector and region. 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 the KXL pipeline project and the findings of the Final Environmental Impact Statement (FEIS).

According to the Energy Information Administration (EIA), petroleum fuels will remain the largest energy source worldwide for decades to come. As the world economy recovers from the financial crisis, demand and competition for petroleum and all forms of energy will increase in the U.S. and throughout the globe. In fact, EIA has projected that the United States will need 21% more energy by 2035. The

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Department of State itself has said that the rising demand for crude oil in the U.S. cannot be entirely met by increased efficiency, conservation, or use of renewables, and recognized that as crude oil demand increases, the overall domestic supplies of crude oil are not able to meet total demand.

Canada is an important and reliable trade partner and is by far the largest supplier of oil and natural gas to the United States, supplying 12 percent of U.S. petroleum consumption needs and 18 percent of U.S. petroleum imports. Stable, 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 production from once-reliable sources are slowing. At current production rates, Canadian oil sands alone could produce much needed energy for more than 100 years.

According to the EnSys Energy Report (December 2010) conducted for the U.S. Department of Energy on the KXL pipeline project, "U.S. refining of Canadian crudes could rise from 1.9 million barrels per day (mbd) in 2009 to 4 mbd by 2030. Associated oil sands streams imports would rise from under 1 mbd in 2009 to over 3.6 mbd by 2030. This projected increase would curb dependency on crude oils from other sources notably the Middle East and Africa." EnSys also reports, "A combination of increased Canadian crude imports and reduced U.S. product demand could essentially eliminate Middle East crude imports longer term."

The recently published June 2011 report by the Canadian Energy Research Institute (CERI) concluded that the number of U.S. jobs created or preserved as a result of oil sands development in Canada is expected to grow from 80,000 in 2010 to 600,000 by 2035. In addition, CERI determined that as oil sands production increases in Canada, so will the demand for imported U.S. goods and services, adding an estimated \$200 billion - \$800 billion to the U.S. gross domestic product between 2010 and 2035.

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The economic impact and long-term benefits of the construction of the KXL pipeline are significant. When completed, the KXL pipeline will have the nominal capacity to deliver over 900,000 barrels per day of crude oil to U.S. refineries. The KXL pipeline project will create more than 20,000 well-paying construction jobs by the end of 2012. According to the FEIS, \$349 million to \$419 million in total wages would be generated by the project and \$140.5 million in annual property tax revenue will result for state governments and local entities where the pipeline is located.

The FEIS also highlights the benefits of two connected KXL projects to newly developed U.S. domestic energy resources. The FEIS specifically identifies the Bakken Marketlink and the Cushing Marketlink Projects which will have improved distribution and access to new markets when KXL is completed. The Bakken Marketlink would allow transport of up to 100,000 bpd of crude oil from the Bakken formation in Montana and South Dakota to refining centers in the South and Midwest. The Cushing Marketlink would allow transport of up to 150,000 bpd to travel from Cushing, Oklahoma to points in Texas. American industry and consumers will also see additional connected benefits from electrical transmission and distribution lines that will need to be built for the project according to the FEIS.

It is also extremely important to note that failure to issue a Presidential Permit for Keystone XL will increase our country's growing energy insecurity, and potentially increase greenhouse gas emissions from nations with less stringent environmental regulations. Canadian energy suppliers are beginning to look to markets other than the U.S. for their oil. Growing demand for crude and planned expansion in refining capacity in Asia, along with increased ownership by Chinese companies in oil sands production, greatly improves the likelihood that Canadian oil sands crude could go to markets elsewhere. Plans are already underway to increase access for Western Canadian Sedimentary Crude (WCSB) to markets in Asia, specifically to China. Rail transport is being improved and a pipeline is currently being built to transport WCSB from Alberta to western Canadian ports. As highlighted by the EnSys report, U.S.

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dependency on supplies from the Middle East and Africa could *increase* if more western pipeline projects are built in Canada:

Such increased [pipeline] capacity would alter global crude trade patterns. WCSB crudes would be “lost” from the USA, going instead to Asia. There they would displace the world’s balancing crude oils, Middle Eastern and African predominantly OPEC grades, which would in turn move to the USA. The net effect would be substantially higher U.S. dependency on crude oils from those sources versus scenarios where capacity to move WCSB crudes to Asia was limited.

After more than three years of consideration and coordinated review by more than a dozen agencies, the Energy Institute opposes any additional review requirements that would further delay the National Interest Determination for the KXL pipeline project. This critical project will help enhance American energy security, create much needed jobs and investment, and should be approved by year’s end or before.

Furthermore, the Energy Institute supports the findings in the Executive Summary of the FEIS regarding the preferred route, “None of the alternative designs or facility locations were considered safer or environmentally preferable to the proposed Project design.” Moreover:

The Department of State did not find any of the major alternatives (routes) to be preferable to the proposed Project for the reasons presented in the final EIS and summarized above. As a result, the agency-preferred alternative is the proposed Project route with the variations and minor route realignments described in the EIS, and the proposed location of the Cushing tank farm.

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The Energy Institute urges the Department of State to move forward and designate the KXL pipeline project as in our nation's interest and issue the Presidential Permit needed so that this important project can proceed. Building the KXL 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,

A handwritten signature in blue ink, appearing to read 'K. Harbert', with a stylized flourish at the end.

Karen A. Harbert

cc: The Honorable Steven Chu, Secretary of Energy
The Honorable William Daley, White House Chief of Staff