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H.R. 3, THE NORTHERN ROUTE APPROVAL ACT

HEARING

BEFORE THE

SUBCOMMITTEE ON ENERGY AND POWER

OF THE

COMMITTEE ON ENERGY AND COMMERCE

HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

APRIL 10, 2013

Serial No. 113–26

Printed for the use of the Committee on Energy and Commerce

energycommerce.house.gov

U.S. GOVERNMENT PRINTING OFFICE

82–179 WASHINGTON : 2013

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

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H.R. 3, THE NORTHERN ROUTE APPROVAL ACT

WEDNESDAY, APRIL 10, 2013

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

The subcommittee met, pursuant to call, at 10:05 a.m., in room 2322 of the Rayburn House Office Building, Hon. Ed Whitfield (chairman of the subcommittee) presiding.

Members present: Representatives Whitfield, Scalise, Hall, Shimkus, Pitts, Terry, Burgess, Latta, Cassidy, Olson, McKinley, Gardner, Griffith, Barton, Upton (ex officio), Rush, McNerney, Tonko, Engel, Green, Capps, Barrow, Matsui, Christensen, Dingell, Waxman (ex officio), and Jackson Lee.

Staff present: Nick Abraham, Legislative Clerk; Gary Andres, Staff Director; Charlotte Baker, Press Secretary; Mike Bloomquist, General Counsel; Sean Bonyun, Communications Director; Allison Busbee, Policy Coordinator, Energy & Power; Patrick Currier, Counsel, Energy & Power; Tom Hassenboehler, Chief Counsel, Energy & Power; Jason Knox, Counsel, Energy & Power; Nick Magallanes, Policy Coordinator, CMT; Brandon Mooney, Professional Staff Member; Mary Neumayr, Senior Energy Counsel; Andrew Powaleny, Deputy Press Secretary; Chris Sarley, Policy Coordinator, Environment & Economy; Phil Barnett, Democratic Staff Director; Greg Dotson, Democratic Staff Director, Energy and Environment; Caitlin Haberman, Democratic Policy Analyst; and Alexandra Teitz, Democratic Senior Counsel, Environment and Energy.

Mr. WHITFIELD. I would like to call this hearing to order this morning, and I will be introducing our witnesses after the opening statements. Before we actually start the hearing formally, I wanted to make a little presentation as just a note of my sympathy to the Chairman of the full committee, Mr. Upton. I don't know if some of you may remember that Louisville beat Michigan in the NCAA championship game. And so I just hope that this would make him feel a bit better, this——

Mr. UPTON. You know, this is a true story. A couple people asked about where you were yesterday because you missed an important meeting on the chair, vice chair meeting. You missed the first of three votes on the House Floor. And I said have you talked to Whitfield? And he said I did. I gave him some food little bit earlier this afternoon but I haven't given him the antidote yet. But now I know what the antidote is, Maker's Mark.

Mr. WHITFIELD. Yes, well, that particular product is made in my district——

Mr. UPTON. Yes.

Mr. WHITFIELD. So we just wanted to help make you feel better.

Mr. UPTON. I think that that may have.

OPENING STATEMENT OF HON. ED WHITFIELD, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF KENTUCKY

Mr. WHITFIELD. But I want to thank all of you for being here today on this very important hearing. We are going to be discussing H.R. 3, the Northern Route Approval Act, which would remove the federal delays that continue to block the Keystone XL pipeline expansion project.

Keystone pipeline has become a household name across the country. Unfortunately, this is far from the first hearing on the topic and far from the first bill designed to grant Keystone its long overdue federal approval. But this project is too important to give up on, and we again offer legislation to green-light it.

Remember, TransCanada first made an application on this project in September 2008, almost 5, 6 years ago. Our first legislative attempt to approve Keystone was criticized by some as unnecessary on the grounds that the Obama Administration was already committed to make a final decision by the end of the year, and by that year, I mean 2011. Well, the bottom line is we still do not have a final decision.

Next, we were told that a dispute over a portion of the route through Nebraska needed to be addressed. Early this year, the governor of Nebraska notified the President that the intrastate issues have been resolved. And the Secretary of State's office, through their Supplemental Environmental Impact Statement, have noted that this project would not have negative environmental impacts.

So to be truthful, at this point we believe that the Administration has continued to delay this because we invited to testify today someone from the U.S. Department of State, the Bureau of Land Management, the U.S. Fish and Wildlife Service, the U.S. Army Corps of Engineers, and U.S. EPA, and no one would agree to come.

But throughout all of the delays, two things have not changed. The Nation still faces unacceptable levels of unemployment. This project would provide employment. And we know, going into the summer, we are going to have higher gasoline prices. This would provide additional oil for our consumers.

So to put it in a nutshell, any energy project today basically turns out to be a fight between environmentalists and people who want to expand and make available energy independence in America. We have a unique opportunity to be energy independent in America. And there are more safeguards put on this pipeline than any that has been proposed to be built ever.

[The prepared statement of Mr. Whitfield follows:]

PREPARED STATEMENT OF HON. ED WHITFIELD

Today, we will be discussing H.R. 3, the "Northern Route Approval Act," which would remove the federal delays that continue to block the Keystone XL pipeline

expansion project. The Keystone XL pipeline has become a household name across the country. Unfortunately, this is far from the first hearing on the topic and far from the first bill designed to grant Keystone XL its long-overdue federal approval. But this projectis too important to give up on, and we again offer legislation designed to green-light it.

The timeline of this project is a bit ironic. Our first legislative attempt to approve Keystone XL was criticized by some as unnecessary on the grounds that the Obama administration was already committed to making a final decision by the end of the year—and by year I mean 2011. As we all know, that did not happen.

Next, we were told that a dispute over a portion of the route through Nebraska needed to be addressed prior to any presidential decision. But early this year, the Governor of Nebraska notified the president that the intra-state issues have been resolved. And following the first Environmental Impact Statement released in August 2011, the latest Supplemental Environmental Impact Statement from the State Department that incorporates the Nebraska re-route, concludes that the project would have limited adverse environmental impacts.

At this point, we are led to believe that the administration has come up with a new excuse for further delays. But unfortunately we are unlikely to learn about it today since none of the federal agencies we asked to testify accepted our invitation. For the record, we asked the following agencies to attend: The U.S. Department of State, the Bureau of Land Management, the U.S. Fish and Wildlife Service, the U.S. Army Corps of Engineers, and the U.S. Environmental Protection Agency. However, we are pleased that an excellent group of non-governmental experts are with us today, and we look forward to hearing theirperspectives.

Throughout all of the delays two things have not changed—the nation still faces unacceptable levels of unemployment as well as high gasoline prices. Keystone XL would help address both. Whether you are an unemployed welder or a low-income mom struggling to afford each fill-up at the pump, the delays are particularly unfair to the least fortunate among us. Little wonder the American people overwhelmingly favor this project- Democrats, Republicans, and Independents. America is a nation of builders, and the American people want to see Keystone XL built.

Yet, the approval process has dragged on for over four years and there is still no clear end in sight. And even if the president does eventually approve the pipeline, there is a real risk of litigation from environmental groups creating additional years of delays. The Northern Route Approval Act addresses all of these potential impediments and expeditiously approves the project.

I might add that this year marks the 40th anniversary of the Trans-Alaska Pipeline Authorization Act of 1973. Much like Keystone XL, the Alaska pipeline was held up for several years by federal red tape. It took an act of Congress to remove the roadblocks and finally approve the project. 40 years later, we now know that the Alaska pipeline has been a tremendous success, delivering over 16 billion barrels of oil to the American market while creating jobs and amassing an excellent environmental and safety record.

In retrospect, it seems ridiculous that the Alaska pipeline was nearly prevented from being built. And it is just as ridiculous that Keystone XL is taking this long. Once again, it is time for Congress to act.

By passing H.R. 3, we will soon see the 20,000 direct jobs and 100,000 indirect jobs, and then the million barrels per day of much-needed oil flowing from Canada to refineries in the Midwest and Gulf Coast.

I'd like to thank my friend Lee Terry of Nebraska for his leadership on this issue and for his sponsorship of H.R. 3. I hope that this bipartisan Keystone bill is the last one that will be necessary to start the project and that the next thing we hear about regarding the Keystone XL pipeline is the sound of thousands of workers building it.

# # #

Mr. WHITFIELD. So with that, at this moment, I would like to yield such time as he may consume, the gentleman from Nebraska who introduced H.R. 3, Lee Terry.

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

Mr. TERRY. Well, thank you, Mr. Chairman, for holding this hearing.

We have been involved with this issue for now over 2 years in this committee. What is interesting is that not until Congress got involved did the Administration even begin to move the process at the State Department. And of course, with one of the bills that actually passed and was signed into law, we know that they stalled the process when the State Department recommended denial and the President in fact denied the permit in January of 2012.

So here we are, April 2013, still mired in the process. My bill H.R. 3 puts an end to that. The bill declares that no presidential permit shall be required for the project and deems the final Environmental Impact Statement of August 26, 2011, along with the additional work of the Nebraska DEQ of January 2013, as sufficient.

The additional provisions of the bill will ensure the pipeline is built. History is a great educator. In 1973, Congress passed, and President Nixon signed into law, the transatlantic Alaska pipeline. Authorized to ensure that because of the "extensive governmental studies already made of this project and the national interest in early delivery of North Slope oil to domestic markets, the trans-Alaska pipeline be constructed promptly without further administrative or judicial delay or impediment." Sound familiar? That is what we are saying now.

In effect, Congress ended the paralysis by analysis and green-lighted the project. Keystone XL is the trans-Alaska pipeline of our day. We need to cement our relationship with our best trading partner and friend in Canada, and secure our national security interests and energy security interests by approving this pipeline. And I yield back.

[The prepared statement of Mr. Terry follows:]

PREPARED STATEMENT OF HON. LEE TERRY

Mr. Chairman -

Thank you for holding this hearing today. As you know, I have been involved in this issue for close to two years. What is interesting is that not until Congress got involved did the Administration even begin to move the process at the State Department. Of course, we all know that they also stalled the process when they recommended to the President that he deny the pipeline application in January 2012. So hear we are—April 2013, still mired in process.

My bill, HR 3, puts an end to that.

The bill declares that no presidential permit shall be required for the project and deems the Final EIS of August 26, 2011 along with the additional work of the Nebraska DEQ of January 2013 sufficient. The additional provisions of the bill will ensure the pipeline gets built.

History is a great educator. In 1973, Congress passed and President Nixon signed the Trans-Alaska Pipeline Authorization Act to "to insure that because of the extensive governmental studies already made of this project and the national interest in early delivery of North Slope Oil to domestic markets, the trans-Alaska pipeline be constructed promptly without further administrative or judicial delay or impediment. In affect, Congress ended paralysis-by-analysis and green-lighted the project.

Keystone XL is the Trans-Alaska pipeline of our day. We need to cement our relationship with our best trading partner.

Mr. WHITFIELD. At this time I would like to recognize the gentleman from Illinois, Mr. Rush, for a 5-minute opening statement.

OPENING STATEMENT OF HON. BOBBY L. RUSH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. RUSH. Thank you, Mr. Chairman. And Mr. Chairman, I watched the game on Monday night and anecdotally, I thought of this hearing and I thought of my colleagues on the other side and I think that the one thing that Mr. Pitino showed that he could adjust his game according to the dictates of the game, and I see my Republican friends cannot adjust their game to the dictates of what is happening to the American people. And so where Mr. Pitino is going to the Hall of Fame, my Republicans on the other side there will be inducted into the hall of shame for their refusal to have hearings with scientists on climate change.

Mr. Chairman, we can appreciate, I am sure those on the other side can appreciate the irony that we are here today for the umpteenth time debating a bill that will circumvent the ongoing State Department review process mandating any approval of the Keystone pipeline, and limit citizens' abilities to file lawsuits against the project. Shame. And while at the same time, Exxon and Mobil are still scrambling to clean up the Pegasus oil spill in Mayflower, Arkansas, which ruptured on March 29 while carrying crude oil from my home State of Illinois to the Gulf Coast intention. Shame.

Currently, it is still unclear exactly why the Pegasus leak occurred. But yet my Republican colleagues are here trying to force through another major pipeline project before the American people even have the answers for what caused the most current oil spill. Shame.

Mr. Chairman, let me state the obvious, that the timing of this hearing does very little to bolster the majority side's arguments for circumventing the review process and forcing through another major pipeline project. Shame. I must admit that this subcommittee would be much better served by holding hearings on issues that affect American families and consumers. From farmers on the plains and the Midwest States of America who have seen record drought and crop loss, to the business owners and homeowners on the Gulf and mid-Atlantic Coast who have seen their homes and their livelihoods engulfed in regular floods, to the firefighters who have been fighting severe wildfires in Colorado, Arizona, and California over this past year.

Mr. Chairman, as you know, Ranking Member Waxman and I have sent to you two dozen letters to you and Chairman Upton, since May 2011 requesting that this subcommittee hold hearings into the science of climate change and the likely impacts of raising temperatures so that members of this body can better understand the nature of the threat that faces this Nation.

In your March 14 response, you and Chairman Upton state that "in the 112th Congress, the Committee frequently addressed climate change issues and that the Committee heard from more than 30 witnesses, including climate scientists, who testified concerning climate change-related matters." Mr. Chairman, however, your letter to me and Mr. Waxman failed to acknowledge that out of the dozens of hearings and 30-plus panelists that have testify before this subcommittee, the vast majority of those invited represented electric utilities, coal companies, oil refineries, and chemical manu-

facturers. Mr. Chairman, not one unbiased, unaffected scientist was ever invited to testify to any hearings.

Today, we have scheduled only one hearing dedicated to learning about the actual science of climate change and that was held way back in 2011 and only after so many Democrats decided to exercise our right and demand a minority hearing under House Rule 11. Mr. Chairman, everybody in this room understands that the bill before us will never, ever see the light of day. So why are we here?

With that, I yield back the balance of my time.

Mr. WHITFIELD. Thank you, Mr. Rush.

At this time I recognize the Chairman of the full committee, Mr. Upton, for a 5-minute opening statement.

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

Mr. UPTON. Well, thank you, Mr. Chairman. When my friend Mr. Rush started talking about change, I thought maybe it was the change that we went from 56 votes in the Senate to now 62 votes in support of the Keystone bill as was illustrated with the vote on the budget as one of the amendments last month.

Today, we take an important step in support of the Keystone XL pipeline. It is called jobs and affordable energy. And I want to remind folks that one of our goals is to develop a North American Energy Independent Plan so that we are not at the mercy of the Middle East or countries like Venezuela. In much of this country, gas prices have more than doubled since January '08, and this Administration has predicted that the average gas prices are going to be over $4.15 very soon. Our most vulnerable cannot afford these prices on top of an already weak economy that only created 98,000 jobs last month.

The President said last year that he would do whatever it takes to create U.S. jobs. Well, here is a $7 billion construction project with more than 20,000 direct jobs and 100,000 indirect jobs, and after more 4 years, what are we waiting for? As policymakers, our job is to ensure that America can take full advantage of our Nation's valuable resources by unlocking the power of our innovators and entrepreneurs.

This committee has embarked on a path to explore this new era of North American energy abundance and rapid technological innovation. And the ability to successfully unlock these resources will lead to increased American prosperity and less energy imports from geopolitically unstable regions of the world.

We should be measuring our energy policy proposals by whether they help contribute to increasing American energy self-sufficiency. Do they help to reduce volatility from foreign sources, keep costs low for consumers, help maintain or contribute to a diverse energy supply portfolio, and are protective of the environment? By those standards, I am happy to say that this bill, H.R. 3, passes the test.

We have all heard the unemployment numbers associated with this project and the tens of thousands of direct and indirect jobs that will be created, but today, I am pleased to welcome somebody who will help put a face to those numbers, Keith Stelter of Delta Industrial Valves in Niles, Michigan. Delta's made-in-America valves and jobs that go with them, which I have witnessed, are an

important part of Keystone XL energy. But these jobs don't happen unless the pipeline gets built.

This pipeline will also include a number of state-of-the-art features that will make it the safest oil pipeline in existence. The pipeline would incorporate some 57 additional safety standards proposed by the Pipeline and Hazardous Materials Safety Administration and adhere to the strongest new pipeline safety standards that were signed into law by President Obama last year, the product of legislation that I helped developed along with my colleague John Dingell and supported by every member of this committee. Even the Obama Administration's State Department concluded in its EIS that the project poses minimal environmental risk. Not building Keystone elevates risk as tankers and trains have significantly higher spill rates than pipelines.

The project has broad bipartisan support in the House and the Senate with nearly 100 cosponsors and enjoys broad public support as well among Republicans and Democrats. It is time for Congress to come together and help make this legislation a reality. This important bill takes the lessons that we learned from the trans-Alaskan pipeline when it was met with unnecessary roadblocks. Just as the TAP pipeline was a game changer in the '70s, the Keystone project will be a game changer in our pursuit of North American energy independence.

I want to particularly thank Chairman Whitfield for his tireless efforts, Lee Terry and the other cosponsors on both sides of the aisle. And I would yield my balance of my time to—who was seeking time—Joe Barton.

[The prepared statement of Mr. Upton follows:]

PREPARED STATEMENT OF HON. FRED UPTON

Today, we take an important step in support of the Keystone XL pipeline, its jobs and affordable energy. I want to remind folks that one of our goals is to develop a North American energy independence plan to ensure we are not at the mercy of the Middle East or countries like Venezuela.

Gas prices have more than doubled in many parts of the country since January 2009, with numerous communities enduring $4 a gallon today and prices are expected to only go up this summer. Our most vulnerable cannot afford these prices on top of an already weak economy that only created 88,000 jobs last month. The president last year declared that he'd do "whatever it takes" to create U.S. jobs. Well, here's a $7 billion construction project that will put thousands of Americans back to work. After more than four years—what are we waiting for?

As policymakers, our job is to ensure America can take full advantage of our nation's valuable resources by unlocking the power of our innovators and entrepreneurs. The committee has embarked on a path to explore this new era of North American energy abundance and rapid technological innovation. The ability to successfully unlock these resources will lead to increased American prosperity and less energy imports from geopolitically unstable regions of the world.

We should be measuring our energy policy proposals by whether they help contribute to increasing American energy self-sufficiency. Do they help to reduce volatility from foreign sources, keep costs low for consumers, help maintain or contribute to a diverse energy supply portfolio, and are protective of the environment? By those standards, I am happy to say H.R. 3 passes the test overwhelmingly.

We have all heard the employment numbers associated with this project, the tens of thousands of direct and indirect jobs that will be created, but today I am pleased to welcome somebody who will help put a face to those numbers, Keith Stelter of Delta Industrial Valves in Niles, Michigan. Delta's made-in- America valves and the jobs that go with them are an important part of the Keystone XL story. But these jobs can't happen unless Keystone XL gets built.

Keystone XL will also include a number of state-of-art features that will make it the safest oil pipeline in existence. The pipeline would incorporate 57 additional safety standards proposed by the Pipeline and Hazardous Materials Safety Administration and adhere to stronger new pipeline safety standards that were signed into law, the product of legislation I helped develop along with my colleague Rep. John Dingell. Even the Obama administration's State Department concluded in its Environmental Impact Statement (EIS) that the project poses minimal environmental risks. Not building Keystone elevates risks as tankers and trains have significantly higher spill rates than pipelines.

The project has broad bipartisan support in the House and Senate and enjoys broad public support as well. It is time for Congress to come together and help make Keystone a reality by approving the Northern Route Approval Act. This important bill takes the lessons we learned when the Trans-Alaskan Pipeline was met with unnecessary roadblocks. Just as the Trans-Alaskan Pipeline was a game changer in the 1970s, the Keystone XL project will be a game changer in our pursuit of North American energy independence.

I would like to thank my friend Ed Whitfield and his subcommittee's tireless efforts to break the administration's four-year long impasse and approve Keystone XL. I also would like to thank my friend Lee Terry for his sponsorship of this bipartisan and commonsense bill.

# # #

Mr. BARTON. Which I support what the chairman just said and I want to yield to Mr. Barrow of Georgia.

Mr. BARROW. Well, I thank you, Mr. Barton. I thank the Chairman for convening this hearing. I am proud to be an original cosponsor of this legislation. Every day we don't act on this project the United States becomes more dependent on countries that don't like us for the transportation energy that we absolutely need. And we are missing out on the opportunity to put thousands of people to work here in America.

Critics believe that this project will only make us more dependent upon oil as our primary source of transportation energy in this country, but you can't be more dependent on something than we already are dependent upon oil. The only issue here is whether or not we are going to become dependent on countries that are friendly to us, to allies and commercial partners, or become more dependent on folks who are rivals of ours who do not like us.

In that light I am proud to support this legislation. It is good for this country, it is great for the economy, and I look forward to moving this legislation forward. Thank you, sir. And I yield back the balance of my time.

Mr. WHITFIELD. The gentleman's time has expired. At this time I recognize the gentleman from California, Mr. Waxman, for 5 minutes.

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

Mr. WAXMAN. Thank you, Mr. Chairman. Today, this subcommittee is holding a hearing on legislation to make climate change worse by giving preferential treatment to TransCanada's Keystone XL tar sands pipeline. I believe this would be a terrible mistake.

Step outside today. The temperature is going to be around 90. The normal high temperature for April 10th in the District of Columbia is 65, according to the National Oceanic and Atmospheric

Administration. This isn't an isolated incident. Last year alone, the United States broke or tied 34,000 high temperature records.

We know climate change is happening now, and the costs are beginning to mount. The Government Accountability Office added climate change to its high risk list, due to the huge financial exposure it poses for the United States. In 2011 and 2012, our country experienced weather and climate disasters from Hurricane Sandy, to droughts, to floods, to all sorts of problems that affected not only our farmers but the coastal areas all over this country. And if you add up the costs of these disasters, it came to around $188 billion. These disasters aren't over. We are going to expect far more disasters in the future.

So faced with a climate change issue, this committee, you would expect, would be holding hearings and trying to work together on legislation. But that is not what we are doing. We won't even hold a hearing on the science of this issue. Look at the record of this committee. In the last Congress, the House Republicans voted to say that climate change was a hoax. They voted 53 times to block any action on climate change. They voted to defund research. They voted to block action by the EPA to control pollution, to prevent energy efficiency measures from going into effect, and to stop the Administration from encouraging developing countries to do their part to address this serious international global issue.

Well, this is a problem. And we asked the Republicans to hold a hearing with the experts, because they have said over and over again the science is not clear. But they won't bring in the scientific experts to talk about the matter.

They say we need a North American energy independence. Well, part of our energy independence is to be independent of using oil. And we could fuel our motor vehicles by electricity and hybrids and other sources, natural gas. Instead, we want to develop more oil.

Well, we are going to need oil for the foreseeable future and I wish we didn't need as much of it, but why do we need the source of oil to be from the dirty tar sands of Canada? Just to get the tar sands out of the ground and ready to go through a pipeline, it goes through an enormous process that takes a lot of energy to make the oil available to go through the pipeline. And if we do not agree to import this tar sands oil, Canada is going to find a difficulty in what to do with it because they can't get it to the coast of Canada to take it to China. They want to take it through the United States in a pipeline, with all sorts of problems that pipelines offer, and then bring it to the Gulf of Mexico where it likely will be, taken on freighters to China to help them with their demand for oil.

They say we are going to need more oil—that is right. But market economics actually tell us that the most competitive oil will be produced. Tar sands oil is expensive to extract, land-locked, and highly polluting. Producers are already facing lower prices for their product because of transportation constraints. Absent the Keystone XL pipeline, getting tar sands to market will cost more, and tar sands will be less competitive with the alternatives. Thos alternatives now include a lot more U.S. shale oil from the Bakken and other areas.

So I think it would be a mistake to agree to the tar sands pipeline. But this decision is under consideration right now by the

State Department under the Obama Administration. Rather than let them make a deliberate decision—and I hope they don't make a decision that I would disagree with—this committee would like to legislate a special earmark to help this particular project. No other project is going to get this special treatment. In this committee, the oil people get special treatment. Those who are worried about climate change don't even get a chance to be heard from.

Our job is to do something about problems that are going to affect the future of our country, our children, and grandchildren. This committee is absent without leave on the issue of climate change.

Mr. WHITFIELD. The gentleman's time has expired.

At this time I would like to introduce the witnesses that we have with us today. First of all, I want to thank all of you for joining us on this important hearing as we explore ways for America to be more energy independent. First of all, we have with us today Mr. Alexander Pourbaix, who is the president of the Energy and Oil Pipeline at TransCanada. We have Mr. Keith Stelter, who is the president of Delta Industrial Valves. And I passed over Mr. Swift, but Mr. Swift is with us, Anthony Swift, who is the attorney for Natural Resources Defense Council. And then we have Mr. David Mallino, who is the legislative director for the Laborers International Union of North America. And then we have Dr. Mark Jaccard, who is professor and research director at Simon Fraser University.

So thank all of you for being with us this morning, and I am going to recognize each one of you for a period of 5 minutes for your opening statement. And there is a little box on the table that will turn red when your time has expired so you can be aware of that, not that we won't let you finish, but Mr. Pourbaix, we will recognize you first for 5 minutes for your opening statement.

STATEMENTS OF ALEXANDER POURBAIX, PRESIDENT, ENERGY AND OIL PIPELINES, TRANSCANADA; ANTHONY SWIFT, ATTORNEY, NATURAL RESOURCES DEFENSE COUNCIL; KEITH STELTER, PRESIDENT, DELTA INDUSTRIAL VALVES, INC.; DAVID MALLINO, JR., LEGISLATIVE DIRECTOR, LABORERS INTERNATIONAL UNION OF NORTH AMERICA; AND MARK JACCARD, PROFESSOR AND RESEARCH DIRECTOR, SIMON FRASER UNIVERSITY

STATEMENT OF ALEXANDER POURBAIX

Mr. POURBAIX. Thank you, Mr. Chairman.

I would like to thank this subcommittee for the opportunity to testify once again today on behalf of TransCanada, the developer of the Keystone XL pipeline project, and the operator of the Keystone pipeline system.

We are very excited to be developing the $14 billion Keystone pipeline system, which will link securing growing supplies of U.S. and Canadian crude oil with the largest refining markets in the United States, thereby significantly improving North American energy security.

The first two phases of the Keystone pipeline system already are in service with the capacity to deliver almost 600,000 barrels a day

of crude oil to U.S. refineries every day. To date, the existing Keystone system has safely delivered over 400 million barrels of oil, meeting a vital market need.

In 2008, TransCanada filed its presidential permit application with the State Department for the proposed 830,000 barrel-a-day Keystone XL pipeline. The State Department conducted a comprehensive environmental review over the next 3 plus years, concluding with a final EIS in August 2011. The final EIS concluded that, first, the project would have no significant impacts to most resources along the proposed project corridor; second, the project would be safer than any other typically constructed domestic oil pipeline system; and third, construction and operation of the pipeline would not constitute a substantive contribution to U.S. or global carbon emissions.

Before completing its national interest review however, the Administration announced last January that it was denying TransCanada's application because it could not complete its review by the deadline imposed in the 2011 payroll tax legislation. Last May, TransCanada re-filed its presidential permit application to allow construction of the northern leg of the XL pipeline from the U.S.-Canada border to Steele City, Nebraska. The application maintained the previously studied and approved project route through Montana and South Dakota.

In Nebraska, we committed to reroute the pipeline to move it out of the Sandhills region. Following completion of the public review process established by the Nebraska Legislature in January of this year, Governor Heineman approved the new route, which is incorporated in our pending State Department application. In June, the State Department announced its intent to prepare a Supplemental Environmental Impact Statement for KXL. The State Department is now conducting a public comment period on the March 1, 2013, draft SEIS which continues through the 22nd of this month.

As we understand the State Department review process, a number of further procedural steps are expected to follow upon completion of the current public comment period. It appears now that a decision on the pending presidential permit application could be many more months down the road. I would like to express TransCanada's appreciation for the sentiments behind the recently proposed Northern Route Approval Act.

This morning, I would just like to very briefly highlight the need for, and the benefits of, the Keystone XL pipeline. The project is fundamentally about meeting the needs of U.S. crude oil refiners, enhance U.S. consumers for a reliable and sustainable source of crude oil to supplement or replace declining foreign supplies without turning to greater reliance on Middle East sources. The primary purpose of the Keystone XL project is to transport heavy crude oil from Western Canada for delivery to Cushing, Oklahoma, and Gulf Coast refineries.

In addition, the proposed KXL project would provide needed transportation capacity for Bakken and midcontinent crude oils. There can be little dispute that these purposes enhance U.S. energy security at a critical juncture. The need for the project is clearly demonstrated by the existing firm long-term contracts for more than 500,000 barrels a day of western Canadian crude oil to

be transported through the Keystone XL pipeline in the Gulf Coast project to Texas refineries.

Keystone has also made available up to 100,000 barrels a day of capacity on the proposed project for domestic U.S. crude oil produced in the Bakken area of Montana and North Dakota, and has signed long-term contracts to transport 65,000 barrels per day of Bakken production.

I should also point out that by transporting crude oil from growing, secure North American basins in Canada, Montana, North Dakota, Oklahoma, and West Texas to the U.S. refining market, Keystone could serve as part of the solution to higher U.S. consumer energy prices by increasing crude oil supply to the United States and improving the perception of future U.S. supply availability.

Construction and operation of the Keystone XL project would provide significant economic benefits with no government subsidy or expenditures. The project is privately funded and financed and is shovel-ready, waiting only for the pending presidential permit decision.

The March 2013 draft SEIS recognizes a wide range of socioeconomic benefits that would be derived for construction and operation of the project, including the following: construction of the project would contribute approximately 3.4 billion to U.S. GDP. Construction contracts, materials, and support purchased in the U.S. would total approximately 3.1 billion. Approximately 10,000 construction workers engaged for 4- to 8-month seasonal construction periods would be required to complete the proposed project. A total of 42,100 jobs throughout the United States would be supported by construction of the proposed projects. And total earnings of workers supported by the proposed project would be approximately 2.05 billion.

The Keystone pipeline system is subject to comprehensive pipeline safety regulation under the jurisdiction of the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration. To protect the public and environmental resources, Keystone is required to construct, operate, maintain, inspect, and monitor the pipeline in compliance with the PHMSA regulations, as well as relevant codes and standards.

Above and beyond the PHMSA regulations, Keystone has agreed to comply with 57 additional special conditions developed by PHMSA for the XL project. Taking these 57 special conditions into account, the draft SEIS specifically recognizes that these measures provide for an additional safety factor on the proposed project that exceeds those typically applied for in domestic oil pipeline projects.

Finally, I wanted to reiterate that the XL project has undergone a thorough and comprehensive environmental review over the last 4 plus years. After all of this review, the March 2013 draft Supplemental EIS yet again concluded that "the analyses of potential impacts associated with construction and normal operation of the proposed project suggest that there would be no significant impacts to most resources along the proposed project route."

With respect to carbon emissions, a draft SEIS found that it is unlikely the proposed project would have a substantial impact on the rate of western Canadian oil sand development and that if the

project were approved, there be no substantial change in global GHG emissions. Thanks for the time.

[The prepared statement of Mr. Pourbaix follows:]

TESTIMONY OF ALEX POURBAIX
PRESIDENT, ENERGY AND OIL PIPELINES, TRANSCANADA CORPORATION
HOUSE COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON ENERGY AND POWER
APRIL 10, 2013

Good morning. My name is Alex Pourbaix. I am President, Energy and Oil Pipelines for TransCanada Corporation. In my position, I am responsible for TransCanada's oil pipeline business, as well as the Company's power and non-regulated gas storage businesses.

I would like to thank the Subcommittee for the opportunity to testify once again today on behalf of TransCanada, the developer of the Keystone XL Pipeline Project and the operator of the Keystone Pipeline System. As I have previously testified, TransCanada is a leader in the pipeline industry with more than 60 years of experience in the responsible development and reliable operation of North American energy infrastructure. Our network of wholly owned natural gas pipelines extends more than 40,000 miles, tapping into virtually all of the major natural gas supply basins in North America and has the capacity to move 20% of the natural gas produced daily in North America. TransCanada is one of the largest providers of gas storage and related services on the continent with approximately 406 billion cubic feet of storage capacity. Moreover, TransCanada owns, or has interests in, over 11,000 megawatts of power generation in Canada and the United States, which is enough electricity to power approximately 12 million homes. Now with the Keystone Pipeline System, TransCanada is developing one of North America's largest oil delivery systems.

TransCanada serves the vitally important role of safely and responsibly delivering energy to North American consumers who need it for their daily lives.

TransCanada is excited to be developing the $14 billion Keystone Pipeline System, which will link secure and growing supplies of U.S. and Canadian crude oil with the largest refining markets in the United States, thereby improving North American energy security. While we expect North America to significantly reduce its reliance on oil over the coming decades, it would be unrealistic and irresponsible to ignore the reality that the United States will remain dependent on imported oil for decades. In the meantime, it is critical to the economic and energy security of the continent that reliable crude oil supplies be available and accessible from North American sources.

In June 2010 TransCanada commenced commercial operation of the first phase of the Keystone Pipeline System, which extends from the crude oil marketing supply and pipeline hub at Hardisty, Alberta, Canada to the refining and market centers at Wood River and Patoka, Illinois. TransCanada received a Presidential Permit from the U.S. Department of State in 2008, authorizing the international boundary crossing for the initial phases of the Keystone Pipeline System, after a thorough and complete 23-month review.

Subsequently, TransCanada constructed the Keystone Cushing Extension of the Keystone Pipeline System from Steele City, Nebraska to Cushing, Oklahoma. The Cushing Extension went into service in February 2011. Cushing is a major crude oil marketing and pipeline hub serving numerous Midwest

refineries. Together, these first two phases of the Keystone Pipeline System have the capacity to deliver almost 600,000 barrels of crude oil to U.S. refineries and the Cushing hub every day. To date, the Keystone system has safely delivered over 400 million barrels of oil to those refineries, meeting a vital market need.

On September 19, 2008 TransCanada filed its Presidential Permit border-crossing application with the State Department for the proposed Keystone XL Pipeline. As originally proposed, Keystone XL was an approximate 1,700-mile, 36-inch crude oil pipeline designed to begin at Hardisty, Alberta and extend southeast through Saskatchewan, Montana, South Dakota and Nebraska. It incorporated the Keystone Pipeline Cushing Extension through Nebraska and Kansas to serve markets at Cushing, Oklahoma before continuing through Oklahoma and Texas to terminate in the Texas Gulf Coast refining centers. When fully constructed, Keystone XL will have a nominal capacity to transport up to 830,000 barrels of oil per day of Canadian and U.S. crude oil production.

Following our 2008 application, the State Department conducted a comprehensive, multi-agency environmental review over the next three-plus years. This review included numerous public meetings, hundreds of thousands of public and agency comments, and publication of a Draft Environmental Impact Statement, a Supplemental Draft EIS, and a Final EIS. The August 2011 Final EIS concluded that the project would have no significant impacts to most resources along the proposed Project corridor. (FEIS at p. 3.15-1). It also concluded, in consultation with the Pipeline and Hazardous Materials Safety

Administration (PHMSA), that the project would be safer than any other typically constructed domestic oil pipeline system. (Id.) Further, the Final EIS concluded that construction and operation of the pipeline would not constitute a substantive contribution to U.S. or global carbon emissions. (Id. at p. 3.14-44).

Subsequent to issuance of the Final EIS, the State Department commenced a National Interest review of the Project, which included a series of public meetings along the pipeline route and here in Washington. Just as the 90-day National Interest period was approaching its close last January, the Administration announced that it was denying the Presidential Permit application solely because it could not complete its review by the deadline imposed by Congress in the 2011 payroll tax legislation.

In February 2012, TransCanada responded by informing the State Department that what had been the 485-mile Cushing to U.S. Gulf Coast portion of the Keystone XL Project had its own independent value to the marketplace and would be constructed as the stand-alone Gulf Coast Project, rather than as part of the Presidential Permit process. As the President recognized when he visited TransCanada's Cushing pipe yard last spring, the Gulf Coast Project is a critically important addition to the U.S. pipeline infrastructure, which helps to relieve the significant bottleneck of crude oil at Cushing and the related pricing dislocations, caused by existing pipeline capacity limitations. The Gulf Coast Project represents an opportunity to reduce U.S. dependence on foreign offshore oil supplies by increasing the availability of domestic production to Gulf Coast refineries. The market need for the Gulf Coast Project is demonstrated by

binding shipper contracts to transport crude oil from Cushing to Nederland and Houston.

After receipt of the necessary permits and approvals last summer, TransCanada began construction of the Gulf Coast Project in August 2012. Notwithstanding several unfortunate episodes of civil and criminal disobedience spearheaded by anti-oil activists, construction of the Gulf Coast Project is approximately 60 percent complete and the project remains on schedule to be placed in service by the end of this year.

In the meantime, TransCanada re-filed its application with the State Department almost one year ago for a Presidential Permit to allow construction of the northern leg of the Keystone XL Pipeline, extending approximately 875-miles from a point on the international boundary near Morgan, Montana to Steele City, Nebraska. The re-filed application maintained the previously-studied project route in Montana and South Dakota. Those two States have already granted their respective state approvals of the Project, pursuant to their legislated formal state review processes. In Nebraska, Keystone committed to re-route the pipeline to move out of the controversial "Sandhills" region, following the state environmental agency's public review process as established by the Nebraska Legislature.

In April 2012, TransCanada proposed a new route across a portion of Nebraska to avoid the Sandhills region. We participated in the Nebraska review process throughout 2012, as did Nebraska agencies, the State Department, and

hundreds of Nebraska citizens. In January of this year, following release of a favorable Final Evaluation Report by the Nebraska Department of Environmental Quality, Governor Heineman approved the new route and transmitted his approval to the State Department. TransCanada has formally incorporated that re-route into its pending State Department application.

Upon receipt of TransCanada's May 2012 Presidential Permit application, the State Department announced its intent to prepare a Supplemental Environmental Impact Statement (SEIS). While changes to the previously studied Project were largely limited to the proposed reroute in Nebraska, the State Department conducted another comprehensive, multi-agency review and issued a 4-volume Draft Supplemental EIS last month, which covers a multitude of topics. Currently, the State Department is conducting a public comment period on the Draft SEIS, which continues through April 22, and which includes yet another public meeting scheduled to be held next week in Nebraska.

As we understand the State Department review process, a number of steps are expected to follow upon completion of the current public comment period. First, the Department will review and address the comments on the Draft SEIS. Based on prior comment periods, it is expected that there will be hundreds of thousands of comments submitted. Then, the Department will issue a final Supplemental EIS. At that point, the Department is expected to re-initiate the National Interest review with an as-yet undefined time frame. That is followed by the issuance of a Record of Decision and a National Interest Determination. At that point, a number of agencies (many of whom have been participants in the

ongoing reviews since 2008) will have the opportunity to comment on the issuance of a Presidential Permit. If no agency objects within 15 days, the State Department is free to issue a Permit. If there is an objection, it is addressed through interagency consultation. If that consultation fails, the entire matter is referred back to the President for a decision. Accordingly, it appears that a decision on the pending Presidential Permit application is many more months down the road.

I would like to express TransCanada's appreciation for the sentiments behind the recently proposed Northern Route Approval Act, which would remove the requirement for a Presidential Permit for KXL and grant the additional federal approvals and authorizations needed for construction. We believe the legislation contains a number of important findings that highlight and confirm the importance of the Project to the energy security and economic well-being of the United States. We particularly appreciate the Committee scheduling this hearing, which serves to call attention to the need for a prompt decision on this application and which creates an environment for reasonable and thoughtful discussion of issues critical to the nation's economic and energy security.

I would like to briefly make a number of points that I believe highlight the need for the Keystone XL Project and for prompt action on the pending Presidential Permit application.

ENERGY SECURITY

The Keystone XL Project is fundamentally about meeting the needs of U.S. crude oil refiners – and hence U.S. consumers -- for a reliable and sustainable source of crude oil to either supplement or replace reliance on declining foreign supplies, without turning to greater reliance on Middle Eastern sources. There can be little dispute that this purpose enhances U.S. energy security at a critical juncture.

As the recent State Department Draft SEIS recognizes, the primary purpose of the Keystone XL project is to provide the infrastructure necessary to transport heavy crude oil from Western Canada to the interconnect with the existing Keystone system at Steele City, Nebraska for onward delivery to Cushing, Oklahoma and the Gulf Coast refineries. Equally important, the proposed Keystone XL project would provide needed transportation capacity for domestically produced Bakken and Midcontinent crude oils that could access the pipeline, respectively, at Baker, Montana and at Cushing.

The recent Draft SEIS confirms that there is existing demand by Gulf Coast area refiners for stable sources of crude oil. As the Draft SEIS recognizes, currently, refiners in the Gulf Coast area obtain heavy crude oil primarily via waterborne foreign imports, but the reliability of those supplies is uncertain because of declining production and political uncertainty associated with the major traditional suppliers, notably Mexico and Venezuela. Moreover, the additional supply of light crude from formations like the Bakken is expected to

enable domestic refiners to reduce their imports of more expensive light and possibly medium gravity sweet imported waterborne crude oil.

The need for the project is clearly demonstrated by the existing firm, long-term contracts for approximately more than 500,000 barrels per day of Western Canadian crude oil to be transported through the Keystone XL Pipeline and the Gulf Coast Project to Texas refineries. An additional 155,000 barrels per day that is currently delivered to Cushing on the existing Keystone Pipeline would be transferred to Keystone XL, freeing up capacity on the Keystone Mainline to deliver more barrels to Midwest refineries. Keystone has also made available up to 100,000 barrels per day of capacity on the proposed project for domestic U.S. crude oil produced in the Bakken area of Montana and North Dakota and has signed, long-term contracts to transport 65,000 barrels per day of Bakken production. These existing contracts not only demonstrate the demand for the project but also underlie its financial viability.

I should also point out that by transporting crude oil from growing, secure North American basins in Canada, Montana, North Dakota, Oklahoma, and West Texas to the U.S. refining market, Keystone XL could serve as part of the solution to higher U.S. energy prices by increasing crude oil supply to the United States and improving the perception of future U.S. supply availability. The price of gasoline for much of the U.S. is heavily affected by the refining economics of Gulf Coast refiners because they supply a significant proportion of U.S. gasoline demand.

Specifically the Keystone XL Project could play a role in moderating high gasoline prices by: (i) providing capacity for North American production that is comparable in volume to nearly half of U.S. Persian Gulf imports; (ii) creating new crude oil supply access to Gulf Coast refiners who are vulnerable to OPEC supply disruptions; (iii) providing supply diversity that is comparable in size to recent supply disruption events; (iv) signalling domestic producers to continue to grow production by reducing the risk of constrained market access; (v) sending a powerful message to Canadian producers to continue to bring crude to the United States instead of to foreign countries; and (vi) reducing the risk of future United States supply uncertainty, which reduces the trading activity that puts upwards pressure on crude oil prices.

ECONOMIC IMPACT

Construction and operation of the Keystone XL Project would provide significant economic benefits, with no government subsidy or expenditures. The Project is privately funded and financed and is shovel-ready, waiting only for the pending Presidential Permit decision.

The March 2013 Draft SEIS recognizes a wide range of socioeconomic benefits that would be derived from construction and operation of the KXL project. The DSEIS found that construction of the proposed project would generate temporary, positive socioeconomic impacts as a result of local employment, taxes, spending by construction workers, and spending on construction goods and services. The following are some examples of the benefits found in the State Department's review:

- Construction of the proposed Project would contribute approximately $3.4 billion to U.S. GDP if implemented.
- Construction contracts, materials, and support purchased in the US would total approximately $3.1 billion.
- Approximately 10,000 construction workers engaged for 4- to 8-month seasonal construction periods (approx. 5000-6000 per construction period) would be required to complete the proposed Project. (When expressed as average annual employment, this equates to approximately 3900 jobs).
- A total of 42,100 jobs throughout the United States would be supported by construction of the proposed Project. 12,000 would be in the Project area states. 1000 more jobs would be associated with construction of the related Bakken Marketlink Project.
- Total earnings supported by the proposed Project would be approximately $2.053 billion. An additional $59.4 million would be associated with the Bakken Marketlink Project.
- Effects on minority and low-income populations would generally be small and short term. Risks associated with potential releases would not be disproportionately borne by minority or low-income populations.
- Total estimated property taxes from the proposed Project in the first full year of operation would be about $34.5 million, spread across 31 counties in three states. Other sales, use, and fuel taxes would accrue during two years of construction:
    - South Dakota - $45.6 million
    - Nebraska - $ 16.5 million
    - Kansas - $2.7 million
    - Montana – some additional tax revenue will accrue.
- Construction camps could generate a total of about $2 million in tax revenues.

SAFETY

The Keystone Pipeline system is subject to comprehensive pipeline safety regulation under the jurisdiction of the U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration (PHMSA). To protect

the public and environmental resources, Keystone is required to construct, operate, maintain, inspect, and monitor the pipeline in compliance with the PHMSA regulations at 49 CFR Part 195, as well as relevant industry standards and codes. These regulations specify pipeline material and qualification standards, minimum design requirements, required measures to protect the pipeline from internal and external corrosion, and many other aspects of safe operation.

Above and beyond the PHMSA regulations, Keystone has agreed to comply with 57 additional Special Conditions that go beyond the existing PHMSA regulations that have been developed by PHMSA for the Keystone XL Project. Keystone has agreed to incorporate these special conditions into its design and construction, and its manual for operations, maintenance, and emergencies required by 49 CFR 195.402. These 57 Special Conditions address issues including (i) steel properties; (ii) pipe manufacturing standards and quality control and assurance; (iii) pipe welding standards; (iv) puncture resistance; (v) pipe testing; (vi) corrosion resistant coating; (vii) construction practices; (viii) depth of cover for the pipeline; (ix) computerized monitoring of the pipeline in operation; (x) internal inspection of the pipeline by special tools ("pigs"); (xi) special corrosion avoidance measures and monitoring; (xii) pipeline marking and patrolling; (xiii) pipeline assessment during its in-service life; and (xiv) special PHMSA reporting and recordkeeping requirements. PHMSA has the authority to inspect and enforce any items contained in the pipeline operator's manual; making the 57 Special Conditions legally enforceable by PHMSA.

The State Department took these 57 Special Conditions into account in the Draft SEIS. The Draft SEIS specifically recognizes that "[t]hese measures provide for an additional safety factor on the proposed Project that exceeds those typically applied to domestic oil pipeline projects." (DSEIS at p. 4.13-64). The additional design standards represented by the 57 special conditions enable the entire length of the pipeline system to have a degree of safety similar to that which is required in a High Consequence Area (HCA) as defined in 49 CFR Part 195.450. Based on its comprehensive review of the Project, the State Department's Draft SEIS further concludes that "[s]pills associated with the proposed Project that enter the environment are expected to be rare and relatively small." (DSEIS at p. 4.16-5).

In the event of a disruption, Keystone has a sophisticated series of overlapping computerized leak detection systems that can quickly detect loss of pressure in the pipeline. The pipeline can be quickly shut down remotely from the Operational Control Center and emergency response personnel, pre-staged along the length of the pipeline route, can be quickly deployed with all necessary response assets. As required by the PHMSA regulations, Keystone must prepare a comprehensive emergency response plan and submit it to PHMSA for approval prior to commencing operations.

COMPREHENSIVE REVIEW PROCESS/LIMITED ADVERSE ENVIRONMENTAL IMPACTS

Finally, I want to reiterate that the Keystone XL Project has undergone a thorough and comprehensive environmental review over the past four-plus years. This multi-agency review has now included thousands of pages of information

submittals, hundreds of thousands of public comments, numerous public meetings, and no less than four draft, supplemental, and final environmental impact statements. After all of this review, the March 2013 Draft Supplemental EIS yet again concludes that "[t]he analyses of potential impacts associated with construction and normal operation of the proposed Project suggest that there would be no significant impacts to most resources along the proposed Project route . . . ."

With respect to carbon emissions, the Draft SEIS found that Western Canadian crude oils, as would likely be transported through the proposed Project, are on average somewhat more GHG-intensive than the crudes they would displace in the U.S. refineries. However, the DSEIS further found that it is unlikely that the proposed Project construction would have a substantial impact on the rate of Western Canadian oil sands development. Even when considering the incremental cost of non-pipeline transport options, should the proposed Project be denied, a 0.4 to 0.6 percent reduction in WCSB production could occur by 2030, and should both the proposed Project and all other proposed pipeline projects not be built, a 2 to 4 percent decrease in WCSB oil sands production could occur by 2030. Further, the DSEIS found that if the project were approved there would likely be no substantial change in WCSB imports to PADD 3 with or without the proposed Project in the medium to long-term and, most significantly, there would be no substantive change in global GHG emissions .

Based on this record, I would suggest that it is time to bring this process to a close and proceed expeditiously to a final approval of the Keystone XL Pipeline. The project will reduce the United States' reliance on higher-priced foreign oil and replace it with stable, secure supplies from both Canada and the U.S. It will create high paying American jobs, inject billions of dollars into the U.S. economy, and pay millions in taxes for decades to come. This project is needed – the benefits are clear – and time is of the essence to move forward.

Thank you and I would be pleased to address any questions that you may have.

Mr. WHITFIELD. Yes. Thank you, Mr. Pourbaix. And the lights evidently are not working so I let him go over quite a bit, so you all take your time.

Mr. Swift, you are recognized for 5 minutes.

STATEMENT OF ANTHONY SWIFT

Mr. SWIFT. Thank you. Chairman Whitfield, Ranking Member Rush, and members of the committee, thank you for today's opportunity to testify on Congressman Terry's proposal.

My name is Anthony Swift. I am an energy policy analyst with the Natural Resources Defense Council. NRDC is a national, nonprofit organization dedicated to protecting public health and the environment.

The Keystone XL tar sands pipeline is a lynchpin for the expansion of tar sands production in Canada. On this point, market analysts, the tar sands industry, and the environmental community agree. Industries plan to triple tar sands production by 2030, and the significant environmental impacts of that plan simply cannot take place without the approval of Keystone XL. Alternative proposals will not allow the same level of tar sands expansion, and the associated climate emissions is a Keystone XL pipeline.

Pipelines to the West and East Coast are stalled by entrenched public and First Nations opposition. Several proposals would require the use of aging pipelines to move tar sands to communities in sensitive watersheds. After the rupture of the Pegasus pipeline in the Arkansas community of Mayflower, the risks of these projects is becoming more apparent to the public.

In its draft environmental review of Keystone XL, while the State Department acknowledged that tar sands is significantly more carbon-intensive over its lifecycle than conventional crude, the agency mistakenly suggested that rail could provide an economic alternative to Keystone XL. We should remember the State Department made a similar prediction in 2011. We now know the agency's conclusions and underlying assumptions were wrong. Two years later, they continue to be wrong. A cornerstone of State's conclusion that rail is a feasible alternative to Keystone XL is the example of rail use by oil producers in North Dakota. From 2009 to 2013, North Dakota producers increased their use of rail to move light crude from a few thousand barrels a day to over half-a-million barrels per day. Now, over ⅔ of North Dakota's total production moves by rail.

As they turn to rail, North Dakota's domestic light oil producers have even rejected major pipeline proposals. The dramatic increase of crude by rail in the United States and southern Canada is almost entirely light crude moving from the Bakken oil fields. It is not northern Alberta's tar sands. Data from the U.S. Energy Information Administration shows that no more than 21,000 barrels per day, less than 1 percent of Canadian tar sands and conventional heavy crude, moved by rail to U.S. refineries and markets in the Gulf Coast in December of 2012.

There are two major reasons why tar sands producers haven't turned to rail to move their product to market. First, it is significantly more expensive for them to do so; and second, they have significantly tighter profit margins than Bakken light crude pro-

ducers. Tar sands diluted bitumen is significantly more expensive to move by rail than Bakken light crude. After all, northern Alberta is about 1,000 miles farther from refineries than North Dakota.

Moreover, moving heavy tar sands by rail has additional complications. Producers can't fit as much heavy crude on a rail car. Specialized real cars are required. Specialized on-loading and off-loading facilities are required. And by and large, they are not being built to handle tar sands. All of these factors increase the cost of moving a barrel of tar sands to the Gulf Coast refineries by rail. That is why the rate producers are actually paying to move tar sands to the Gulf by rail is twice that of what State estimated. New tar sands projects have very tight margins. Some have break-even costs above $100 a barrel. Many of these projects won't move forward with substantially higher transportation costs.

In addition to its impacts on climate, Keystone XL would endanger critical jobs on ranches and farms in the Plains States in order to transport tar sands to the Gulf Coast where can be refined and then exported internationally. I want to make the point that the State Department has indicated Keystone XL would have no impact on gasoline prices, and in fact, it will increase oil prices in the Midwest by significant margins.

In exchange for 35 permanent jobs, Keystone XL would pose a permanent risk to American communities, sensitive water resources, and the agricultural industry. We need to protect those jobs, not put them at risk for the type 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.

The substantial risks of the Keystone XL tar sands pipeline outweigh its marginal benefits. Keystone XL is a lynchpin for tar sands expansion and the substantial climate pollution associated with it. The pipeline would threaten American communities, lands, and water resources in order to transport tar sands to the Gulf where it can be refined and exported internationally.

Simply stated, Keystone XL is not in the Nation's interest and should be rejected on that basis. NRDC thanks you for the opportunity to present its views and I would be pleased to answer any and all of your questions.

[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 carbon pollution associated with it. Rail has proven a feasible transportation option for light crude from the Bakken formation of North Dakota and southern Canada. However, despite greater market pressures to move tar sands to the Gulf Coast than those faced by Bakken producers, rail continues to be a marginal transportation option for heavy tar sands producers in northern Alberta.

- In January 2013, when over two thirds of light Bakken production moved to refinery markets by rail, less than 2% of Albertan tar sands and conventional heavy crude production was transported by rail.
- Rail is a significantly more expensive option for northern Alberta tar sands producers – tar sands projects are 1000 miles farther from refinery markets, less heavy tar sands can be loaded onto rail cars than light crude, and tar sands by rail requires specialized rail cars, onloading and offloading terminals.
- Many new tar sands projects do not have sufficient margins to profitably internalize an additional $10 to $20 per barrel cost associated with rail transport.

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, agricultural industry and climate.

Anthony Swift
Natural Resources Defense Council

Testimony to the US Congress Subcommittee on Energy and Power hearing entitled "H.R. 3, the Northern Route Approval Act."

April 10, 2013

Chairman Whitfield, Ranking Member Rush and members of the Committee, thank you for today's opportunity to testify on Congressman Terry's proposal. 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 1.2 million members and online activists worldwide, serviced from offices in New York, Washington, Los Angeles, San Francisco, Chicago, and Beijing.

Keystone XL is critical for tar sands expansion and associated climate emissions

The Keystone XL tar sands pipeline is a lynchpin for the expansion of the tar sands bitumen production in Canada. On this point, market analysts, voices in the Albertan tar sands industry, and the environmental community agree. Industry's plan to triple tar sands production by 2030, and the significant environmental impacts associated with that plan, cannot take place without the approval of the Keystone XL tar sands pipeline as a major avenue to the needed new markets for tar sands crude.[1]

Alternative pipeline and rail tar sands transportation proposals will not allow for the same level of tar sands production expansion and the associated climate emissions as the Keystone XL

[1] Canadian Association of Petroleum Producers (CAPP), Crude Oil, Forecasts, Markets and Pipelines, June 2012, pg. 38, http://www.capp.ca/forecast/Pages/default.aspx.

pipeline. As analysts at the CIBC bank in Canada have observed, tar sands oil producers in Alberta need every proposed tar sands infrastructure project – including Keystone XL - to move forward in order to meet industry production expansion goals.[2] For the following reasons, many of these proposed tar sands transportation projects are unlikely to move forward.

Pipelines to the west and east coasts are stalled by entrenched public and First Nations opposition.[3] Many of these proposals will require the use of aging pipelines to move tar sands through communities and sensitive watersheds.[4] After the rupture of the Pegasus pipeline in the Arkansas community of Mayflower, the risks of these projects is becoming more apparent to the communities they would cross.

In its most recent draft supplemental environmental impact statement, while the State Department acknowledged that tar sands is significantly more carbon intensive over its lifecycle than conventional crude, the agency mistakenly suggested that rail could provide an economically feasible alternative to Keystone XL.[5]

The State Department made the prediction that tar sands by rail was on the verge of rapid expansion in 2011.[6] State's forecast proved inaccurate then and its 2013 forecast on the viability of rail continues to be substantively flawed. For the reasons laid out here, rail does not provide an economically feasible alternative for the Keystone XL tar sands pipeline.

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[2] Vanderklippe, Nathan. "Glut of Cheap Crude Raise Doubts Over Oil Sands Expansion." *Globe and Mail* 17 August 2012. http://www.theglobeandmail.com/globe-investor/pipelines-glut-of-cheap-crude-raise-doubts-over-oil-sands-expansion/article4485891/.

[3] Nathan Lemphers, The Climate Impacts of the Proposed Keystone XL Oilsands Pipeline, January 17, 2013, pgs. 8-9, http://www.pembina.org/pub/2407.

[4] The proposed reversal of the Portland Montreal pipeline through New England and TransCanada's conversion of its natural gas pipeline system through its east coast both require the use of pipeline systems which are over fifty years old.

[5] The State Department found that the crudes expected to be transported on Keystone XL were likely to be up to 19 percent more greenhouse gas intensive on a well-to-wheel basis when compared to reference crudes. State Department, Draft Supplemental Environmental Impact Statement, Appendix W: Life-Cycle Greenhouse Gas Emissions of Petroleum Products from WCSB Oil Sands Crudes Compared with Reference Crudes, pg. 60, March 1, 2013, http://keystonepipeline-xl.state.gov/documents/organization/205563.pdf.

[6] EnSys, Keystone XL - No Expansion Update, August 12, 2011, pgs. 52-53, 75, www.keystonepipeline-xl.state.gov/documents/organization/182263.pdf.

A cornerstone of State's conclusion that rail is a feasible alternative to Keystone XL is the example of rail use by oil producers in North Dakota and Montana. However, although over the last three years producers of light crude in the Bakken oilfields have responded to price discounts and transportation constraints by turning to rail to move their crude to market, this same scenario does not apply in the Canadian tar sands.

From 2009 to 2013, transport of oil by rail in North Dakota increased from a few thousand barrels a day to over half a million.[7] In January 2013, over two thirds of light crude produced in North Dakota was transported to refineries by rail.[8] As they turned to rail, domestic light oil producers have even rejected major pipeline proposals – including Oenok's 200,000 barrel per day Bakken pipeline.[9] When analysts talk about the upsurge of rail transport in the United States and southern Canada, this is what they're referring to – an enormous expansion of light crude from the Bakken.

However, a similar expansion has not occurred in Alberta's tar sands despite the need for additional transportation infrastructure. Data from the Energy Information Administration show that about 35,000 bpd of Canadian tar sands and conventional heavy crude – or less than 2% – moved to US refineries markets in the Gulf and East Coasts by rail in December 2012.[10]

The answer does not seem to be pricing discounts. From 2009 to 2012, producers of tar sands faced the same price discounts that Bakken producers did, if not greater ones.[11] There are two major reasons why tar sands producers haven't turned to rail to move their product to market.

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[7] 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.

[8] Justin Miller, Wayzata firm to expand N.D. rail terminal for Bakken crude oil, Star Tribune, March 15, 2013, http://www.startribune.com/business/198551531.html?refer=y.

[9] Chicago Tribune, Oenoek Update 1: Cancels 200,000 bpd Bakken Project, Nov. 1, 2012, http://articles.chicagotribune.com/2012-11-27/news/sns-rt-oneok-bakkenpipeline-update-1l1e8mrbzd-20121127_1_overland-pass-pipeline-bakken-crude-express-pipeline-oneok-partners-lp.

[10] Company level import data from December 2012 shows that 21,000 bpd of heavy Canadian crude (API below 25) processed in Gulf Coast refineries after having crossed a potential rail port while 14,000 bpd to have Canadian crude was processed in East Coast refineries after having crossed a potential rail port. U.S. Energy Information Administration, Company Level Imports, http://www.eia.gov/petroleum/imports/companylevel/.

[11] Anthony Swift, On the wrong track: Rail is not an alternative to the Keystone XL tar sands pipeline, March 6, 2013, http://switchboard.nrdc.org/blogs/aswift/on_the_wrong_track_rail_is_not.html.

First, it is significantly more expensive for them to do so, and second, they have significantly tighter profit margins than Bakken producers.

Tar sands diluted bitumen is significantly more expensive to move by rail than Bakken light crude. There are a number of reasons for this:

- The tar sands are about 1,000 miles farther away from refinery markets than the Bakken oil fields.
- Trains moving light crude can carry nearly 30% more crude than trains moving heavy tar sands diluted bitumen.[12]
- Moving tar sands requires specialized rail offloading terminals, onloading terminals and heated rail cars.[13]

All of these factors increase the cost of moving a barrel of tar sands to Gulf Coast refineries. Shipping a barrel of tar sands diluted bitumen to the Gulf is currently costing tar sands producers $31 a barrel.[14] Moving it by pipeline only costs $8 to $9.50 a barrel.[15]

Tar sands producers also have much tighter margins than conventional Bakken producers. Tar sands crude is a lower value commodity than Bakken light crude. In addition, it has significantly higher production prices. With breakeven production costs ranging from $60 a barrel to over $100 a barrel – and increasing by each year – new tar sands projects cannot profitably bear significantly greater transportation costs associated with rail.[16]

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[12] Light crude train cars can move up to 700 barrels while heavy train cars can only move 550 barrels. Doug Wilkins, Integrated Midstream Solutions, TD Securities 'Crude By Rail Forum, pg. 11, October 2, 2012.
[13] *Id.*
[14] Nicole Mordant, Analysis: Crude-by-rail carves out long-term North American niche, Reuters, Nov. 4, 2012, http://www.reuters.com/article/2012/11/04/us-railways-oil-northamerica-idUSBRE8A30AX20121104.
[15] State Department, Supplemental EIS, Market Analysis, 1.4-49, 50, March 1, 2013.
[16] Energy Conservation Resources Board, ST98-2012 Alberta's Energy Reserves 2011 and Supply/Demand Outlook 2012–2021, pg. 3-30, June 2012; Pembina Institute: January 28, 2013 "Beneath the Surface" Report (Pg. 57) http://www.pembina.org/pub/2404; Katusa, Marin. "Oil Price Differentials: Caught Between the Sands and the Pipelines." *Forbes* 6 June 2012. Web. http://www.forbes.com/sites/energysource/2012/06/21/oil-price-differentials-caught-between-the-sands-and-the-pipelines/3/

Infrastructure is needed for tar sands expansion, and it is clear to most observers that the permit decision for Keystone XL plays a critical role in the future of tar sands production and the greenhouse gas emissions associated with it. Producing tar sands generates at least three times as much carbon as conventional crude. The Environmental Protection Agency (EPA) estimates that simply replacing the conventional crude with tar sands from Keystone XL would increase U.S. carbon emissions by as much as 27.6 million metric tons CO_2e - equivalent to the tailpipe emissions of nearly 6 million cars.[17] The first step in addressing climate change is to stop making the problem worse – and that means rejecting the Keystone XL tar sands pipeline and the higher carbon emissions associated with it.

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.[18] 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.[19]

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 built the Keystone XL pipeline should be rejected.

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[17] Environmental Protection Agency, Comments to Draft Environmental Impact Statement (DEIS), June 6, 2011, http://www.bilateralist.com/wp-content/uploads/2011/06/keystone-xl-project-epa-comment-letter-20110125.pdf; EPA, Greenhouse Gas Equivalency Calculator, http://www.epa.gov/cleanenergy/energy-resources/calculator.html.

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

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

Mr. WHITFIELD. Thank you, Mr. Swift.

Mr. Stelter, your recognized for 5 minutes.

STATEMENT OF KEITH STELTER

Mr. STELTER. Thank you. I have never done anything like this before. I am not an expert at anything, just ask my wife.

I think Mr. Upton probably invited me here because, as we have gotten to know each other, I am in a kind of unique position. We are a manufacturer of American-made valves that are used in oil production. I also am a person who holds patents on valve design so I know the technology. I also probably spent more time in Alberta, Canada, at the oil sands than possibly everybody else in this room combined, other than my associate from that region.

I guess I would just say that, first and foremost, the Canadians are completely perplexed and stymied why—I am just talking about the general public and the executives of the companies and such, why America is just thumbing their nose at this ability to have this crude. One of the guys said it would be like if you owned a catering company and your best friend was throwing a wedding and he chose an enemy of both of you to do the catering for your daughter's wedding instead of your friend.

The need for crude oil is not going to go away anytime soon. I do agree that it is in everybody's best interest to get away from it for many reasons, but that is technology that needs to be developed and brought forward.

I can tell you as a member of the private sector, when things are in demand and when the technology is there, we will grab a hold of it and run with it. If other sources of power were available and were practical and consumers wanted them, we would be all over it.

My company has benefited as a manufacturer. We started out back in the oil sands back in the early '90s when it was really just a handful of crazy guys that had gone up there and had this idea of getting the oil out of this frozen tundra. Now they have developed it. If you have looked at my testimony, they are the world-low producer cost-per-barrel if not one of the. I am not exactly sure on a month-by-month basis.

If the XL pipeline doesn't go through, the oil sands production companies are not going to close up and go away. China wants that oil. Like I say, I am up there constantly. PetroChina is making investments, they are up there lobbying, they are buying out entire oil production facilities, and they are also buying portions of others. They will get pipelines put in to the West Coast; there is no doubt about that. I mean it is a done deal if we don't do the XL pipeline.

Knowing manufacturing, I can tell you that companies like mine, with the help of Mr. Upton and other people in the government, are taking steps to make our plants more efficient, whether it is the lighting we use. We have gone away from toxic chemicals with our cooling for our machining. I can tell you that our counterparts in Asia and China in particular are not doing those things.

So I guess to call a lesser of two evils, if somebody is going to get their hands on that crude oil and use it, which they are, I think it is in our best interest that companies in America who are trying

to do the right thing, are trying to be more efficient, are able to get a hold of that.

I will comment also that in the time I spent up there and in just the last few years, a majority of the products that we sell up in the oil sands region are going into the environmental portion as opposed to the direct production of oil sands oil crude. Their recent thing is tailings reclamation. Back in the '70s, '80s, and such up until the early 2000s, basically the oil sands companies, tar sands companies were just pumping their tailings out in these big ponds and kind of just leaving them. They would put some air cannons out there to keep birds from landing on them or animals going through them.

But the Canadian Government has gotten very strict and now they are the fast track thing called the tailings reclamation. And because of that, they are reclaiming these large oil tailings reclamation ponds and they have gotten to the point where they have to—before they go and extract from an area, they take pictures of it and they literally—I have seen this—they have to go and replant, replace dead trees in that area, and when you go by there now, you would never know that anything ever took place there as far as oil production.

The technology is sound for the pipeline. As I mentioned, I hold some patents in valve design, own a company that manufactures them. Like anything else, the problem is in the maintenance. If you buy a tire, if the technology of that tire is sound, if you put it on your car and run it for 100,000 miles and don't rotate it or anything, it is going to blow out. And the same is true of a pipeline. You know, it is the problem with every—I can't say every, but every one I have ever seen—pipeline problem has been a maintenance issue where they weren't maintained properly or something has caused the earth to shift and cracked the pipeline. But the technology is sound.

[The prepared statement of Mr. Stelter follows:]

BEFORE THE COMMITTEE ON ENERGY AND COMMERCE

SUBCOMMITTEE ON ENERGY AND POWER

HEARING ON "H.R. 3, THE NORTHERN ROUTE APPROVAL ACT."

APRIL 10,TH 2013

TESTIMONY OF KEITH F. STELTER, CO-OWNER OF DELTA INDUSTRIAL VALVES, INC.

SUMMARY OF TESTIMONY

- BRIEF BACKGROUND OF MYSELF AND MY COMPANY
- HISTORY AND CURRENT STATUS OF CANADIAN OIL SANDS PROJECTS
- IMPACT OF KEYSTONE XL PIPELINE DELAYS ON US AND CANADIAN COMPANIES
- CHINA'S INCREASING INVOLVEMENT IN CANADIAN NATURAL RESOURCE PRODUCTION
- PERSONAL OPINIONS AND REQUESTS

BEFORE THE COMMITTEE ON ENERGY AND COMMERCE

SUBCOMMITTEE ON ENERGY AND POWER

HEARING ON "H.R. 3, THE NORTHERN ROUTE APPROVAL ACT."

APRIL 10,TH 2013

TESTIMONY OF KEITH F. STELTER, CO-OWNER OF DELTA INDUSTRIAL VALVES, INC.

Good Morning,

My name is Keith Stelter, and I am the president and co-owner of Delta Industrial Valves, Incorporated, located in Niles, Michigan.

We are an American manufacturer of industrial valves, with a focus on producing the highest quality, AMERICAN MADE valves from AMERICAN parts and components.

I have been with the company basically from its start in the mid-1980's. I was initially hired as a salesman, and after about a year was promoted to general manager, then President about a year after that.

I have served the company in that capacity since then, and was blessed (along with my business partner Mr. Mark Johnson) to have the opportunity to purchase the company in 2003.

Prior to my coming to Delta Industrial, I worked for several companies in technical sales and engineering.

I grew up on a small, family farm in Baroda, Michigan, where I was taught to work hard, and to take advantage of every opportunity to learn and better myself through honest effort.

Delta Industrial Valves, has also been very blessed in that we have been able to grow and prosper for the past ten years through careful, controlled expansion of our sales throughout the world. A significant amount of this growth has occurred in the oil sands producing area of Western Canada, where the high quality of Delta Industrial Valve's products are both needed and appreciated by the valve users there.

Not only has this increased business helped Delta Industrial Valves, directly, but because of our growth we have also been able to increase our purchases of goods and services with other companies in our area (which has been seen a substantial decline in manufacturing and jobs in general). Companies from large corporations like Parker Hannifin down to small, two or three man shops in our town have seen their orders with us double or triple in the past few years because of our increased business in the Canadian oil sands.

The specific reason for my testimony this morning is my concern regarding the continued delay in building the Keystone XL pipeline from Western Canada to the US. I have been making regular business trips to Western Canada since the early 1990's. I have seen the oil producing companies there go from a group of "crazy" speculators whose cost of production for a barrel of oil was four or five times the production cost of OPEC, to being

the world's low cost producer of crude oil, with all of the "major players" in the oil business now involved.

Up until a few years ago these oil companies were growing at a tremendous rate, with large, billion-dollar projects taking place as quickly as logistically possible given the limited access to manpower and materials (such as valves) in the Alberta area.

But when the US Government failed to move forward with the Keystone XL pipeline many of the large projects were put on hold or cancelled. MANY US companies were hurt by this, including Delta Industrial. We had just moved from our 25,000 square foot manufacturing facility to a "new" 90,000 square foot plant, and had begun to fill it with additional equipment, and more importantly, the WORKERS to operate that equipment. We were lucky in that both Mr. Johnson and myself are very conservative financially, and had managed to purchase the larger facility and equipment without incurring any additional debt. Many other companies who supply the oil sands with goods and services were not as fortunate and had to either lay off workers or close entirely because of the projects that were cancelled or delayed due to the US not moving forward with the Keystone XL pipeline.

Delta Industrial was also blessed that we were able to find new business in other parts of the world where we had not been selling our valves previously and therefore didn't have to lay off any workers or scale back on production.

Although Delta Industrial Valves are not actually used IN oil pipelines, our valves are used extensively in the facilities on both ends of the pipelines. So the completion of the Keystone XL pipeline is very important to us and MANY MANY other American companies! If the Keystone XL pipeline can be built, I would see my company probably

doubling in size over the next ten years because of the oil sands projects that were cancelled or put "on hold" being brought to life again.

But the bigger picture that needs to be realized and understood by the current administration and congress is that because of what the Canadians perceive as the US "thumbing their nose" at Canada, Canada has allowed PetroChina to become more and more involved in the oil sands. I have included new articles that detail PetroChina's increased foothold in the Alberta oil sands. As the US continues to delay the Keystone XL pipeline, the Canadians feel both justified and obligated to allow PetroChina to invest more and more, to the point where PetroChina now fully owns several oil producers in the Alberta area, in addition to making very significant investments in natural gas producing operations in Canada as well.

This is (or should be) VERY concerning to the US government, the current administration, and also the US population in general! Especially since this is an alarming trend that started a decade or so ago with the Chinese purchase of several large mining operations in Canada that produce a significant amount of the world's natural resources such as Copper and Nickel.

Everyone knows that China has money to spend, and the US has a hard enough time competing with them for things like minerals and oil that are VITAL to our national security and economy, without HELPING them by insulting our Canadian neighbors….

Because of the perceived American attitude regarding the Keystone XL pipeline, several plans are currently moving forward for updated and new pipelines across Western Canada, so that the oil sands crude can be moved to Vancouver for transport via tanker ship to China.

Although I understand the environmentalist's concerns regarding the Keystone XL pipeline, I'm sure that data would show that both the number and severity of environmental issues involving crude oil are much higher for oil that is transported via tanker trucks, tanker rail cars, and tanker ships than oil that is transported via pipeline. I'm frankly amazed that the Canadian people would allow the Vancouver harbor to be used for oil loading and transport due to it's beautiful and somewhat "pristine" nature. So it seems like a very logical decision to complete the Keystone XL pipeline for economic, national security, AND "big picture" environmental reasons.

Both Delta Industrial and also me personally feel that the entire world needs to concentrate on new technologies that will eventually move away from our dependency on crude oil. But unfortunately that technology just doesn't exist right now. Things like hybrid cars are getting better, but are still not practical for many people in the US. Especially in Northern climates. And when things like corn or soybeans are used in place of petroleum for plastic production, some data appears to show that MORE oil is used to produce the corn or beans than is saved.

We have learned that "legislating away" things like incandescent light bulbs without first having practical new technology available to replace it just doesn't work.

So until new, legitimate, cost effective technologies are discovered, crude oil will continue to be high in demand not only in America, but all over the world.

I believe that I speak not only for myself and my company, but also for thousands and thousands of other US companies, along with millions of Americans who struggle with the double edged sword of disappearing manufacturing jobs and ever higher oil prices.

Personally I blame the current administration for many of these problems, especially the delay in moving forward with the Keystone XL pipeline. But I also realize that there is plenty of blame to go around.

So in closing I would like to thank the committee and especially Mr. Upton for this opportunity to testify, and humbly ask that the committee do whatever possible to facilitate the Keystone XL pipeline for the good of the American people.

Mr. WHITFIELD. Well, thank you very much, Mr. Stelter.

And Mr. Mallino, you are recognized for 5 minutes.

STATEMENT OF DAVID MALLINO, JR.

Mr. MALLINO. Thank you, Mr. Chairman.

On behalf of the 500,000 members of the Laborers International Union of North America, I would like to thank you, Ranking Member Rush, and all the members of the subcommittee for allowing me to testify today on the union's behalf.

My union strongly supports the construction of the Keystone XL pipeline. The benefits of this privately funded infrastructure project are too great to allow it to be derailed by environmental extremism. The Keystone XL will create millions of hours of work with good wages and benefits for the union construction workers who build this pipeline.

For many members of LIUNA, this project is not just a pipeline; it is in fact a lifeline. The construction sector was hit particularly hard by the recession with unemployment in the industry reaching over 27 percent in 2010. Joblessness in construction remains far higher than any industry or other sector of the economy. It is nearly double the national unemployment rate with over 1 million construction workers currently sidelined. Too many 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 with LIUNA and four other construction unions, guaranteeing that this pipeline will be built with the best-trained, highest-skilled construction workers in the world. Regardless of the characterizations by the project's opponents, it is indisputable that jobs will be created and supported by the building of this pipeline. These jobs will have a ripple effect of consumer spending that will have a positive impact on the States and communities where the pipeline is going to be located.

Unfortunately, some of the pipeline's opponents have resorted to attacking the nature of the work that our members have chosen as careers. They have imposed a value judgment that holds these construction jobs to be of a lesser value because by its very nature a construction project has a completion date, and therefore, that individual job will come to an end at some point. They call these jobs temporary in order to diminish their importance and they recruit others to join in a chorus of negativity in the mistaken belief that these jobs have no real value to society. To attack the project, they have called these jobs dirty and dangerous.

The fact of the matter is construction is in fact a dangerous occupation, and when not perform by trained workers, it can lead to unacceptable levels of environmental harm. However, when construction is performed by well-trained union workers, it is less dangerous and can be conducted in a more environmentally sensitive manner.

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

The Keystone XL pipeline will be the safest pipeline in the world, as you have heard. The 57 special conditions that have been mentioned before have a degree of safety higher than any typically constructed domestic oil pipeline under the current regulations.

Additionally, in order to address environmental concerns about the Nebraska Sandhills and the Ogallala Aquifer, TransCanada rerouted 195 miles of the pipeline. The Nebraska governor, Dave Heineman, once an opponent of the pipeline because of environmental concerns, recently sent a letter to the President approving TransCanada's new 195-mile reroute.

If the Keystone XL pipeline is not built, Canadian producers will seek alternatives to the American markets. This oil will not remain in the ground. Producers will find ways to move it to market. Denial of a presidential permit of the Keystone XL increases the likelihood that American markets will miss the opportunity to secure long-term commitments for this North American resource.

The Laborers support H.R. 3, the North American Route Approval Act, a bipartisan bill which will clear away the remaining roadblocks preventing construction of the pipeline. As mentioned, similar legislation was necessary to allow construction of the trans-Alaska pipeline which has been a great boon for our members in particular, as well as other unions that worked on the project.

If 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, or federal revenues will be generated by the construction and operation of the pipeline, and there will be no additional income to property owners and businesses along the pipeline route. And critically important to LIUNA and our members, the jobs that will be created by this massive private investment will be lost.

I appreciate the opportunity to testify and I will be happy to try to answer any questions you may have.

[The prepared statement of Mr. Mallino follows:]

Testimony of David L. Mallino
Director, Legislative Department
Laborers' International Union of North America
Before the Subcommittee on Energy and Power
Committee on Energy and Commerce
US House of Representatives

Northern Route Approval Act
H.R. 3
April 10, 2013

Mr. Chairman -

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

LIUNA strongly supports the construction of the Keystone XL pipeline which will move oil from deposits in Canada to existing refineries in Texas and Oklahoma. Our union has been involved with this project for 4 years and we believe that the benefits of this pipeline are too many to allow it to be derailed by environmental extremists. This project will create millions of hours of work hours for the members of our unions, with good wages and benefits.

For many members of the Laborers, this project is not just a pipeline; it is in fact, a life-line. The construction sector has been particularly hit hard by the economic recession. The unemployment rate in the construction industry reached over 27% in 2010, and joblessness in construction remains far higher than any industry or sector, with over 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 the Laborers, International Union of Operating Engineers, the United Association of Plumbers and Pipefitters, United Brotherhood of Teamsters, and the International Brotherhood of Electrical Workers that will

cover the construction of the Keystone XL. The construction industry desperately needs the massive infusion of private capital generated by the Keystone XL Pipeline.

Regardless of characterizations by the project's opponents, it is indisputable that jobs will be created and supported in the extraction, transportation and refining of this oil, as well as, in the manufacturing and service sectors. While economic experts may disagree as to the scale of the impact, there is no dispute 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, by its very nature, a construction project has a completion date and therefore that individual job will come to an end at some point. They call these jobs "temporary" in order to diminish their importance and recruit others to join in a chorus of negativity in the mistaken belief that these jobs have no "real" value to society.

To further attack the project, they have characterized these jobs as 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, it is less dangerous and conducted in a more environmentally sensitive manner.

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

Many of the pipeline's opponents do not understand the importance of the jobs impact that the Keystone XL Pipeline will have. They hide behind unfounded and unrealistic expectations that if the project is not built, the development of these oil 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.

The fact is that refineries in the Gulf Coast will continue to seek supplies of heavy crude oil. The failure to secure a long-term energy supply from our Canadian allies will cause these facilities to continue to rely on oil supplied by unstable, foreign regimes where environmental regulations scarcely exist and oil profits are 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. Nebraska Governor Dave Heineman, once an opponent of the pipeline because of environmental concerns, recently sent a letter to President Obama approving TransCanada's new 195-mile re-route. It should also be noted that about 85% of oil the spills from inland pipelines goes to containment areas around breakout tanks or to solid ground. This minimizes the environmental impact of these unfortunate spills as compared to discharges or spills that occur at sea.

If the Keystone XL Pipeline is not built, Canadian producers will seek alternatives to American markets. This oil will not remain in the ground; producers will find ways to move the oil to market. Several projects are in the planning and permitting phases that would allow the movement of this valuable energy resource to Canadian ports for shipment to China and other Asian markets. Denial of a Presidential Permit to the Keystone XL increases the likelihood that American markets will miss the opportunity to secure long-term commitments for this North American resource, which could be lost forever to China.

The Laborers support H.R. 3, The Northern Route Approval Act, a bipartisan bill which will clear away all remaining roadblocks preventing construction of the Keystone XL pipeline. This legislation will eliminate the need for a Presidential Permit, address other necessary federal permits, and limit litigation designed to further impede that construction of this important energy infrastructure project. Similar legislation was necessary to allow construction of the Trans-Alaska Pipeline.

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, or 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. Our organization believes that the Keystone XL Pipeline must be built.

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

Mr. WHITFIELD. Thank you, Mr. Mallino.

Dr. Jaccard, you are recognized for 5 minutes.

STATEMENT OF MARK JACCARD

Mr. JACCARD. Thank you, Mr. Chairman.

The State Department assumes that denying Keystone XL will not slow development of the Alberta oil sands, yet a great deal of evidence contradicts this assumption. And ironically, much of the evidence comes not from environmentalists but from industry analysts, Canadian politicians, and even the oil sands producers themselves. Quite simply, plans to triple oil sands production over the next two decades cannot be realized without increased pipeline capacity. In addition to Keystone XL, two key proposals to ship Alberta bitumen across the province of British Columbia are the northern gateway of Enbridge and the Trans Mountain expansion of Kinder Morgan.

I happen to live in Vancouver, British Columbia, where I am a professor of energy economics, former chair of the Utilities Commission, and a frequent advisor on energy and climate policy. Industry analysts now rate the probability of these two projects at below 50 percent and with good reason. Aboriginal bands along the overland routes and on the coast where oil tanker traffic would increase dramatically are strongly opposed. And because these native bands have never signed treaties to extinguish their land title, they have a powerful legal position in the Canadian courts.

Just as important, there is strong public opposition in B.C. to both projects. The city of Vancouver opposes the use of its port to export oil. And the provincial opposition party vows to stop northern gateway if it forms the next government. It has a 20-point lead in the opinion polls and the election is next month.

So if we ask if denial of Keystone XL will slow oil sands development and the carbon pollution it causes, the answer is a resounding yes. Without these three projects, oil sands expansion will be slowed as producers scramble to develop less effective, more costly alternatives.

But this is not the most important question to ask when considering a project like Keystone XL. We must have the honesty and political courage to ask a more important question. We must ask what we must be doing today to slow the global rise of carbon pollution and ask what role the decision about Keystone XL can play in this difficult but hugely important challenge. It is not an easy question. Oil industry executives don't want to talk about it. They prefer to discuss jobs and wealth from extracting more fossil fuels from the Earth's crust. But rising carbon pollution in our atmosphere is a classic tragedy of the commons. Since each source of carbon pollution is only some percentage of the whole, each polluter argues that it may as well continue, even expand.

China says it should burn coal as long as North America still burns fossil fuels. Canada says it should develop oil sands as long as China still burns coal. Next, with this logic, Venezuela will argue it should develop all of its enormous deposits of heavy oil. Given the incredible amount of fossil fuels in the Earth's crust, scientists have been quite clear that this game's end state is a dramatically hotter, more unstable planet than the one we have based

our economies on. A planet we are hurtling toward with great momentum.

And if we are honest about this tragedy of the commons conundrum, U.S. political leaders know that domestic efforts to reduce carbon pollution are meaningless if they are not taken in concert with serious efforts by others. Yet Canada and the province of Alberta in particular are not doing their share. And this is very unpopular in a large percentage of the Canadian population.

In 2009, President Obama stressed the urgency of U.S. action as part of a global effort, and on that basis, set a target for the U.S. to reduce its emissions by 2020 to 17 percent below their 2005 level. Independent sources now confirm the U.S. is on track to achieve this target. In solidarity, the Canadian Government promised to achieve the same target for 2020. But last year, the Canadian auditor general reported that emissions in 2020 are likely to be 7 percent higher rather than 17 percent lower. And the main reason, not surprisingly, is the projected oil sands growth.

The Keystone XL decision provides the ideal opportunity for the U.S. Government to signal to its allies, trading partners, and the rest the world that the climate tragedy of the commons cannot be addressed if we are not pulling together. It cannot be addressed if we accelerate the extraction of fossil fuels from the Earth's crust. It cannot be addressed if countries like Canada are free-riding on the efforts of countries like the U.S.

In denying Keystone XL, the U.S. Government would simply explained to Canada that it is extremely concerned with rising carbon pollution and with the fact that it is incurring costs to keep its pollution reduction promises and expects other countries to meet their promises, too. It would also explain that it will next be talking to other countries like China about free-riding on U.S. efforts.

In solving this extremely difficult global climate tragedy of the commons, we should expect nothing less from the world's most powerful Nation.

Thank you. I will be pleased to answer questions.

[The prepared statement of Mr. Jaccard follows:]

Asking the wrong question about Keystone XL

Dr. Mark Jaccard
Simon Fraser University, Vancouver

Testimony to the US Congress Subcommittee on Energy and Power hearing entitled "H.R. 3, the Northern Route Approval Act."

April 10, 2013

Summary

The Draft Supplemental Environmental Impact Statement of the US State Department assumes that denying the Keystone XL pipeline will not appreciably slow development of the Alberta oil sands and the carbon pollution it produces. There is considerable evidence that contradicts this finding. Notably, the lowest cost and highest volume method of transporting oil sands product is via pipelines, yet the other two major proposed pipelines from the oil sands – both of them crossing British Columbia – are unlikely to be approved. Denial of Keystone XL and both of these two pipelines will definitely slow development of the oil sands.

This is an important step in addressing increasing carbon pollution in our atmosphere, but it must be combined with many such acts in North America and the rest of the world. Decisions about projects like Keystone XL are of little use unless they are leveraged to greater effect. In this case, the US government should note that it cannot support oil sands expansion while the Canadian government is not making the effort necessary to achieve its 2020 emission reduction target – a target that the US is on course to achieve.

Scientists calculate the global carbon budget that would prevent global temperatures from rising more than 2 °C above pre-industrial levels, and from this energy analysts estimate the economic viability of fossil fuel resources, like the oil sands. In 2012, researchers at the MIT Joint Program on Science and Policy of Global Change published a paper showing the oil sands as non-viable if global emissions fall enough to prevent a 2 °C increase, the very target to which President Obama and other world leaders are committed. Disallowing Keystone XL is an important first step in keeping our promises to ourselves and our children.

Will Keystone denial reduce oil sands development?

The Draft Supplemental Environmental Impact Statement of the US State Department assumes that denying the Keystone XL pipeline will not appreciably slow development of the Alberta oil sands and the carbon pollution it produces. There is considerable evidence that contradicts this assumption, and its importance is noted by industry analysts, Canadian politicians and even the oil sands producers themselves.

Quite simply, in the absence of Keystone XL, oil sands producers will find it more difficult to profitably get their product to market. Over the next two decades, the oil sands industry is considering plans to triple its production. To move forward, these projects require a significant expansion of low cost transportation infrastructure. They have potential alternatives to Keystone XL, but these are more costly and more difficult to scale-up to the capacity of Keystone XL, and each faces significant impediments.

Because of their large capacity and low cost, pipelines are preferred. Thus far, the two major pipeline proposals that might compensate for the denial of Keystone XL would ship Alberta bitumen through British Columbia (BC) and then by oil tanker to refineries in Asia and elsewhere. One is the Northern Gateway pipeline proposal of Enbridge, which would be a new pipeline from the oil sands straight west to the north BC coast. The other is the proposal of Kinder Morgan, which would significantly expand the existing Trans Mountain pipeline from Edmonton to Vancouver. Both of these would involve a dramatic increase in oil tanker traffic on the BC coast, in the latter case through the port of Vancouver.

The Northern Gateway pipeline proposal is opposed by aboriginal bands along its route and on the coast, and their land rights in BC have a strong standing in the courts (most have not signed treaties that extinguished their land claims). Just as important, BC will have a provincial election in May. The main political opposition has a significant lead in opinion polls (almost 20 points for the past several months) and has promised to do everything it can to stop Northern Gateway should it be elected, and should the project be approved by the Canadian federal government. As

a new government, it could launch its own environmental assessment, and afterwards impose stringent conditions that would effectively render the project infeasible.

The Trans Mountain pipeline expansion proposal is opposed by key municipal governments in the Vancouver metropolitan region, including the city of Vancouver. These municipal political leaders reflect the strong concerns of a significant percentage of their voters about the risks of pipeline ruptures and oil tanker accidents. Since governments at the provincial and federal level are dependent on voter support in the region, political enthusiasm for the project is unlikely. Again, aboriginal bands along the route and on the coast oppose the project and vow to fight it in the courts. Thus far, most opposition to bitumen transport through BC has focused on the Northern Gateway. If the project is cancelled, this opposition would shift its focus to the Trans Mountain expansion proposal.

Industry analysts have noted that these pipelines through BC have less than a 50% chance of being built. If they and Keystone are not built, industry watchers agree that oil sands output will be reduced from what it otherwise would have been.

This is not to say, however, that oil sands producers will stop pursuing new means of getting their product to market. Facing significant discounts for their product, some oil sands producers have turned to rail as a temporary solution. However, rail alternatives are more complicated and costly, and extremely difficult to scale-up to the level of throughput that would fully compensate for the absence of Keystone and either of the BC pipelines. Also, efforts to expand the use of rail for transporting bitumen will create its own counter pressure from concerned citizens along rail right-of-ways and trans-shipment hubs.

More recently, TransCanada is exploring the option of transforming its west-to-east mainline from natural gas to bitumen. This proposal would require the conversion of a half century old natural gas pipeline right-of-way to move oil sands bitumen – a plan that will generate more public scrutiny following the rupture of the repurposed Pegasus pipeline in Arkansas. Moreover, TransCanada's plan would require the construction of a pipeline along new right-of-ways through Quebec and New Brunswick. This would not equate to all of the oil sands development

that would have been enabled by Keystone XL and either of the BC pipelines, and it would again trigger a reaction as provincial governments along the way were presented with public concerns similar to those in BC. It must be remembered that opinion polls show that at least 40% of Canadians oppose oil sands expansion. Opposition toward oil sands infrastructure in Quebec, where new pipeline right of ways and construction would be required, is particularly strong.

What should we be asking about Keystone XL?

In the short to medium term, the denial of Keystone XL will help to slow development of the oil sands. As a growing source of carbon emissions, slowing the expansion of oil sands is an important step. But this act alone is not enough to stem the rapid rise of human carbon pollution. It must be combined with many such acts in North America and the rest of the world. And that's why the decision about Keystone XL must be made in consideration of a far broader, far more important question.

The earth's atmosphere is a global commons, and as such it is threatened by the well-known "tragedy of the commons" that humans have faced in many other situations. And what we know about these situations is that a single act is never enough. If you reduced your cod catch on the Grand Banks 30 years ago, and this was not required of everyone, others would still decimate the cod stock – which is exactly what happened. If your factory stopped spewing harmful effluent into a nearby lake, the five neighboring factories would still pollute the lake – in the absence of an effluent restriction or fee. If you alone switched to transit for your commute to work, this would not eliminate urban smog caused by other vehicles. All of these are obvious manifestations of the tragedy of the commons and the solution it requires: we must prevent actions that individually seem modest, but that cumulatively impose significant costs on us and our children.

In the case of the atmosphere, we must soon decrease and ultimately stop its use as a dumping ground for carbon dioxide and other greenhouse gases if we are to avoid locking-in to risky, and certainly costly, levels of global warming. This is an extremely tall task – as three decades of failure show. It's a tall task because this particular tragedy of the commons is global – everyone

on the planet can access the atmosphere for dumping carbon pollution. We have enough challenges dealing effectively with tragedies of the commons within a single political jurisdiction – like reducing urban smog or protecting a local lake from effluent. The difficulty is magnified exponentially when it requires cooperation among the countries of the world – like preventing the decimation of an ocean fish stock.

Because of this broader imperative, the more important question to ask about the Keystone XL decision is not what its incremental effect on emissions might be, but rather what its cumulative effect could be if used as a lever to influence other decisions affecting carbon pollution.

President Obama, Secretary of State Kerry, and other US political and corporate leaders have stressed the urgency of US action as part of a global effort to reduce carbon pollution. On this basis, the president has set a target to reduce US greenhouse gas emissions by 2020 to 17% below their 2005 levels. In 2009, the Canadian government shifted its own 2020 target so that it was identical to that of the US. Canada also adopted US vehicle fuel efficiency standards and like the US is reducing the use of coal to generate electricity, primarily because of policies of the Ontario government.

But the similarities end there. For the US is on pace to achieve its target, while Canada is most definitely not. Last year Canada's Auditor General relied on Environment Canada forecasts to report that total emissions in 2020 were likely to be 7% above rather than 17% below 2005 levels.[1] The main reason for the inability of Canada to meets its common target with the US is the rapidly rising emissions from its increasing oil sands production, emissions that would continue to increase if new pipelines allow significant expansion of the oil sands by 2020.

US political leaders know that domestic efforts to reduce carbon pollution are meaningless if they are not realized in concert with efforts by other countries. The focus on Keystone XL has illustrated the problems with Canada's currently weak climate policies. The US government can and should express its concern that Canada, its biggest trading partner, is not keeping its promise

[1] Auditor General of Canada, Commissioner of the Environment and Sustainable Development, 2012, *Report to the House of Commons*.

to reduce emissions on pace with the US, especially considering how Canada is its largest source of foreign imported oil. Until there is a credible federal climate policy in Canada, and a strong likelihood that such a policy would lead to comparable emission reductions in Canada, the U.S. administration should deny approval of the Keystone XL pipeline.

What is the future of the oil sands and associated infrastructure with a 2 °C constraint

A US government decision to reject Keystone XL would be a start at tackling the global challenge of our atmospheric tragedy of the commons. But much more is needed.

Climate scientists, economists focused on sustainable energy like me, and many others rightfully concerned about global warming know that we cannot be building long-lived infrastructure that causes carbon pollution and still hope to prevent dangerous levels of global warming. And this is why we must ask what should happen to the oil sands, and associated infrastructure like Keystone XL, in a world in which the international community acts to prevent a 2 °C increase of the average global temperature from pre-industrial levels – a threshold that scientists find significantly increases the likelihood of catastrophic climate change in this century. Fortunately, many leading independent researchers are doing these calculations – repeatedly.

Several recent research papers in the journals Science and Nature have calculated the carbon budget for not exceeding a 2 ° C increase. One example is the 2013 paper by Rogelj et al.[2] Like other papers, it shows that global greenhouse gas emissions, of which carbon dioxide is by far the most important, should be falling by 2020, and declining rapidly to mid-century so that global emissions in 2050 are 50-75% lower than today.

The connection between this global carbon budget and the economic viability of fossil fuel resources like the oil sands has also been studied. A 2010 report by the International Energy Agency includes scenarios that estimate how global carbon emission constraints would affect the

[2] Rogelj, McCollum, O'Neill and Riahi, 2013, "2020 emission levels required to limit warming to below 2°C," *Nature Climate Change*, V.3, April, 405-412.

output from various conventional and unconventional oil resources.[3] Since unconventional oil resources have higher production costs, they are most vulnerable to a declining global demand for oil as we reduce carbon pollution. In other words, investments to significantly increase the total oil production from a combination of US shale oil, Canadian oil sands and Venezuelan heavy oil are inconsistent with the 2°C limit. This does not mean shutting down production of shale oil and oil sands today. But it clearly means not expanding production facilities and not building major new pipelines to support this expansion.

In some cases, independent researchers have even assessed the economic prospects for individual fossil fuel developments under carbon constraints. In the case of the Alberta oil sands, researchers at the MIT Joint Program on the Science and Policy of Global Change published a paper in 2012 by Chen et al. in the journal Energy Policy.[4] While that study did not test a scenario in which global emissions fell enough to prevent a 2°C increase, it did test a less-constraining scenario in which emissions fell about 30% by 2050. In other words, this is closer to a 4°C increase scenario – one that many climate scientists describe as catastrophic. Yet even in this less-constraining scenario for carbon pollution, the oil sands are found to be non-viable and production ceases by mid-century. If we act to prevent dangerous climate change – to which President Obama says he is committed – there is definitely no need for new pipelines to the oil sands, and even existing ones may be in peril over the coming decades as production stagnates.

Acting on the right question

If countries had started to reduce carbon pollution when this necessity was first acknowledged by a group of world leaders in 1988, when each G7 country committed to a reduction target, and if these countries had succeeded in the coming decade in globalizing their effort – again, probably by a combination of financial support to developing countries and the threat of trade measures to prevent free-riders (carrots and sticks) – the transition away from a carbon polluting path would have been much easier. Initially low carbon pollution levies in the range of $5-$10 per ton of CO_2 pollution from fossil fuels would have risen in modest increments of say $5 per year to a

[3] International Energy Agency, 2010, *World Energy Outlook*.
[4] Chan, Reilly, Paltsev and Chen, 2012, "The Canadian oil sands industry under carbon constraints," *Energy Journal*, V.50, 540-550.

level of about $120 per ton today. With this pollution constraint, an economy like China might not have grown at 10% per year, but energy-economy models predict that its growth would still have been well above 5% per year, while avoiding the dramatic increase in its carbon pollution to its current leading level in the world. And the effect over a long-time period on the growth rate of OECD economies would have been negligible, while their carbon pollution would have fallen substantially.

Unfortunately, we have procrastinated – badly. And this leaves us in a situation in which instead of allowing private companies and individuals to decide what investments to make in a world that has a rising price on carbon pollution (and in which that pollution is declining), we have to responsibly rule out investments that they would not be making had we not procrastinated. Under the circumstances, that is the only responsible way to act. If corporations won't rule out carbon polluting investments of their own accord (in spite of their marketing claims of being "sustainable" and adhering to principles of "corporate social responsibility), we must ask governments to prevent such investments. In the specific case of the oil sands, we must ask governments not to allow investments that make it easier to increase their contribution to carbon pollution, whether in North America or elsewhere. This means denying Keystone XL.

Mr. WHITFIELD. Thank you, Dr. Jaccard. And thank all of you for your testimony.

At this time, the members of the panel will be asking questions, and I will recognize myself for 5 minutes.

I think Dr. Jaccard did make a good point and that is, as we know in America, for example, our CO_2 emissions are the lowest they have been in 20 years, and yet we know China and some other countries' CO_2 emissions continue to increase dramatically. And it is difficult to talk about any energy project today anywhere without a discussion about the impact on climate change.

And many of you may have read the five-page article in the most recent issue of the Economist in which it talks about climate change scientists are puzzled that the temperature rise has been flat for the last 10 years even though carbon dioxide emissions are going up significantly in most other countries around the world except in the U.S. and maybe some in Europe.

So there are some interesting developments coming right now on this issue, and one of the problems we have in the U.S., we feel like that we don't have to take a backseat to anyone on the good job that we have done with the environment. But the question is China talks a good game but they are burning more fossil fuels now than ever, and here in the U.S., we are the only country in the world that technically you cannot even build a new coal-fired plant in this country if the greenhouse gas regulations are finalized, which they will be soon, and so we are sort of shooting ourselves in the foot.

But this is about Keystone pipeline and our ability to be energy independent. So Dr. Pourbaix, one question I would like to ask you—we had a hearing on this a year or so ago and one of the members raised an interesting point and was talking about that they estimated 800,000 tons of steel would be used in this project. And this member had indicated that he was upset because he understood that TransCanada was not going to be buying U.S. steel, not buying steel produced in the U.S. He specifically pointed out that they would be coming from an Indian multinational company called Welspun Corporation, and also a Russian company. And this member said that he would feel a little bit better if just one small amount of the steel for this project would be coming from America. Would you address that issue? Would there be steel coming from America if this project is approved?

Mr. POURBAIX. Sure, I would be happy to, Chairman.

In order to be in a position to build this pipeline, we had to start the procurement of pipe for the pipeline years ago, and we have procured approximately 75 percent of the pipe for this project from North American suppliers mixed between a Canadian supplier in Saskatchewan and a supplier in Arkansas. And we would have procured more, but at the time, those were the two companies that had the ability to produce steel with the very sophisticated specifications we require. Since that time, we have announced a number of expansions to the Keystone XL project and 100 percent of the pipe for those projects, 40,000 tons, has been sourced directly from American suppliers.

Mr. WHITFIELD. And you all have already purchased the steel?

Mr. POURBAIX. Yes.

Mr. WHITFIELD. And could you share with us the amount of money that that cost roughly?

Mr. POURBAIX. It would be in the ballpark of somewhere between probably 1 ½ and $2 billion.

Mr. WHITFIELD. Two billion?

Mr. POURBAIX. Yes.

Mr. WHITFIELD. And one thing about Keystone, there is not any government money involved in the Keystone project, is there?

Mr. POURBAIX. No, not at all.

Mr. WHITFIELD. It is all private dollars?

Mr. POURBAIX. Yes.

Mr. WHITFIELD. OK. Now Mr. Mallino, you had mentioned in your testimony that the labor unions had signed a project labor agreement with TransCanada. That is the case, right?

Mr. MALLINO. It is. And also, can we get a couple more heat lamps on me? If my mom is watching and if I am not truly crimson she will be disappointed if I can't even out the red in my face.

TransCanada has been a great partner in this and the project labor agreement was executed probably close to 2 years ago and it will guarantee that the construction on the U.S. portion of this pipeline will be built 100 percent union. And there are five unions totally involved.

Mr. WHITFIELD. How many jobs would you anticipate that would bring?

Mr. MALLINO. Well, this has been an issue and I don't take up too much of the time. In the construction sector, we talk about hours because depending upon how many people you have on a job, you can get it done much more quickly.

Mr. WHITFIELD. Right.

Mr. MALLINO. It will be millions of hours for the laborers.

Mr. WHITFIELD. OK.

Mr. MALLINO. Right now, we have done about a half-a-million on the Southern Gateway project just in the last 6 months of last year. There is probably an equal number down there on that project.

Mr. WHITFIELD. OK.

Mr. MALLINO. Keystone XL is a multiple of that.

Mr. WHITFIELD. OK, thanks. Mr. Rush, you are recognized for 5 minutes.

Mr. RUSH. Thank you, Mr. Chairman.

Dr. Jaccard, I am in kind of a difficult position. Maybe you can help me out. It seems as though the environmental community of which I have had a lot of respect for and a lot of collaboration with over the years, it seems to me that they are really downplaying the impact in importance of jobs as it relates to this particular issue. And I represent a district that is struggling economically, multigenerational unemployment, and it seems as though there is no concern or any contemplation of the problems that my constituency and other constituencies across the country have in terms of economic plight. Where do the environmentalists place as a priority on this particular project the creation of jobs?

Mr. JACCARD. Thank you. I don't represent environmental community, but I am an economist who studies how economies respond to different kinds of policies. Ten years ago, I wrote a book called "Sustainable Fossil Fuels." I wrote that book because I have noth-

ing against any fossil fuel. I actually believe that fossil fuels are a very valuable resource for humanity. I just refuse to close my eyes to the impacts of carbon pollution if we burn those fossil fuels and don't capture the carbon.

Mr. RUSH. Thank you. Thank you.

Mr. JACCARD. And so therefore——

Mr. RUSH. Thank you. I——

Mr. JACCARD. I looked at the jobs. There are a lot of jobs created in capturing carbon, burying it, in making alternatives to fossil fuels.

Mr. RUSH. Thank you. Mr. Swift, will you answer that, my question?

Mr. SWIFT. Yes. Well, in the United States, the environmental jobs, green jobs, have been one of the fastest-growing sectors in the U.S. economy. It was one of the only sectors that grew during the recession. If you look at the dollar investment in clean energy generates about three to four times as many jobs as a dollar invested in the fossil fuel industry. And these are the sort of jobs that tend to be jobs that stay with us, that are manufacturing jobs, jobs that allow us to export the solutions to the energy dependence or oil dependence issue that United States——

Mr. RUSH. Thank you, very much. Thank you.

Mr. Mallino, how many of the jobs that is now in the southern sector of this project that is currently operating, what is the percentage of minority participation in terms of contracts and also jobs?

Mr. MALLINO. You know, we have answered this question for you in the past, Congressman. We responded for the record last time we don't track those numbers, but our union reflects the communities where we are located. So in areas where there is high diversity, our union is very diverse. In areas of low diversity, we are not as diverse. We reflect the communities where our locals are located, but we don't track that number.

Mr. RUSH. All right. Mr. Pourbaix, do you track those numbers?

Mr. POURBAIX. We do try to track those numbers, and my experience is that on the southern leg of the Gulf Coast it does depend by community, but I had asked for this information a day or so ago and I saw ranges. Depending on what community, it was anywhere between 12 percent minority participation in the workforce and 55 percent minority participation in the workforce. So we do have significant minority participation in the southern leg.

Mr. RUSH. All right. Mr. Chairman, I yield back.

Mr. WHITFIELD. Thank you, Mr. Rush. At this time I recognize the gentleman from Texas, Mr. Barton, for 5 minutes.

Mr. BARTON. Thank you. Thank you, Mr. Chairman.

I don't think it is a secret that I am a proponent and supporter of the Keystone pipeline, so it is somewhat redundant for me to ask too many questions. So I would point out, though, that people like me that support hydrocarbon development don't deny that the climate is changing. I think you can have an honest difference of opinion on what is causing that change without automatically being either all in that it is all because of mankind or it is all just natural. I think there is a divergence of evidence.

I would point out that if you are a believer in the Bible, one would have to say the great flood is an example of climate change. And that certainly wasn't because mankind had overdeveloped hydrocarbon energy.

So in any event, I would ask the gentleman from the Canadian Government if you agree with the professor at the other end of the table that if we don't do Keystone that these projects won't be developed that get the oil to the west coast of Canada and onto Japan and China. Do you agree that it is Keystone or nothing, or do you think that the energy will be developed and sent somewhere?

Mr. POURBAIX. I think I would disagree with that that characterization and the similar characterization made by Mr. Swift. In fact, I mean, I think what we are seeing, the reason that there has been so much more rail transport out of the Bakken is that there were very few existing pipelines and so rail was the only option. Until very recently in Alberta, the existing pipelines had the capacity to take away that oil.

As those pipelines are reaching capacity—and I am speaking with the senior people in these oil companies on an almost daily basis and all of them are executing on strategies to build more rail terminals and to move more oil by rail. The typical number that we see quoted is $15 a barrel to get that oil from the oil sands to the U.S. Gulf Coast. I would also add that comes with a three times higher emission of greenhouse gas to move a barrel of oil by rail than by pipeline and a much significantly higher risk of a spill by doing it that way.

So in fact if the oil is going to be produced and is going to be moved by rail, which I think the evidence is clearly in favor of that, by denying the Keystone XL permit, you are almost certainly going to increase global GHG as these rail sources proliferate. And that is exactly what we are seeing right now. And if you talk to the major Canadian rail companies, they see it as their largest area of growth is moving oil out of the oil sands to U.S. markets.

Mr. BARTON. Of what we call the Keystone pipeline, which is not a legal term, it is just a general term, how much of that is either in existence or already permitted and in the process of being built?

Mr. POURBAIX. So we have already—we call it base-Keystone that has been service since 2010. That was a project that was in the range—it is about a $7 billion project that is moving 600,000 barrels of oil a day to Cushing and refining markets in the Midwest. We are presently building the southern leg of what was originally Keystone XL from Cushing to the Gulf Coast, and all of that is soon to be in service. The only thing we are here——

Mr. BARTON. How many miles is that?

Mr. POURBAIX. Oh, gee. I would probably get it wrong, but it would be of the——

Mr. BARTON. This is the government. It doesn't have to be exact. I mean——

Mr. POURBAIX. I mean probably if you add it all up, it is probably somewhere in the range of over 2,000 miles of pipe.

Mr. BARTON. You got about 2,000 either built or being built. How much is in question in this permit that we are——

Mr. POURBAIX. Just that portion from the Alberta border to Nebraska, and so probably about 800 miles.

Mr. BARTON. So about ⅔ of it is built——

Mr. POURBAIX. Yes.

Mr. BARTON [continuing]. Or ready to be built and about 1/3 is under debate.

Mr. POURBAIX. Exactly.

Mr. BARTON. OK. Mr. Chairman, my time is up but I must think we are going to change minds in this hearing. Those of us that are for it are going to be for it, and those of us that are against it are going to be against it. I would hope that we would schedule a vote and bring it to the floor and let's get it out of committee and get to the floor and have a vote and send it to the Senate.

Mr. WHITFIELD. Thank you. At this time, I recognize Mr. McNerney for 5 minutes.

Mr. MCNERNEY. Thank you, Mr. Chairman. I want to thank the panel for your testimony today. It is even and well-balanced and I want to thank the chairman for inviting a balanced panel this morning.

Mr. Swift, how do you believe construction of the Keystone pipeline would affect domestic gas supply and domestic gas prices?

Mr. SWIFT. Well, the important thing to understand is Keystone XL is really a pipeline intended to get oil out of the U.S. Midwest and to the Gulf Coast. And so what Keystone XL will do is it will divert oil from the Midwest where it can be refined in the Gulf Coast increasing oil prices in the Midwest. And one thing to understand about the Gulf Coast refineries is there—sorry about that. The Gulf Coast refineries where Keystone XL would bring the oil are exporting a significant amount of their refined product. Nearly 3 million barrels a day was exported from Gulf Coast refineries in December of 2012.

Mr. MCNERNEY. Anyone else care to answer that question, how Keystone will affect domestic gas prices?

Mr. POURBAIX. I would be happy to——

Mr. MCNERNEY. Sure.

Mr. POURBAIX [continuing]. Give a brief comment on that. Mr. Swift did make an accurate characterization with respect to right now, because there is a lack of pipeline takeaway capacity in the U.S. Midwest, recently, crude oil prices in the U.S. Midwest have been lower than they have been on the Gulf Coast. That is being solved by our Gulf Coast project. Enbridge has a project; Enterprise has a project. That bottleneck is being removed. This Keystone XL project we are talking about today is only from Alberta to Cushing. So it is not going to exacerbate or change that problem, but that differential between Gulf Coast prices and Midwest prices is going to be removed in any event by the projects that are under construction.

And one other point I would say is the fact that there has been lower-priced oil in the Midwest has not led to lower gas prices for Midwest consumers; it has led to higher margins for refiners that have been benefiting by that. So to suggest that any of those projects will increase gasoline prices would be incorrect.

Mr. MCNERNEY. Or to lower them?

Mr. POURBAIX. I would just say on balance what Keystone is doing is adding another source of supply to a finite demand. And it has been a long time since I took economics, but typically, when

you add incremental supply to a finite demand, the impacts should be to reduce prices. But I don't think anyone is suggesting that it would be a very significant reduction.

Mr. MCNERNEY. Thank you.

Mr. Swift, how much more carbon is emitted per unit of gasoline produced and sold to a consumer from tar sands versus conventional oil?

Mr. SWIFT. I think the State Department's estimates were somewhere in the up to 17 percent as far as the lifecycle emissions for a unit of gasoline and——

Mr. MCNERNEY. Does that include the energy required to get the oil out of the ground?

Mr. SWIFT. I believe it does. I believe it does. But much of that is from the production side of things.

Mr. MCNERNEY. Anyone else care to answer that question?

Mr. POURBAIX. Just one quick comment I would say on that is that the range I think they had given was somewhere between about 12 and 17 percent. They base that analysis on a barrel of oil sands oil versus the average barrel of oil refined in the U.S. It is worth noting that those Gulf Coast refineries that Keystone is targeting are presently configured and run heavy oil so they will not be replacing a barrel of Canadian heavy with a barrel of light. They will be replacing it with a barrel of Venezuelan heavy or some other heavy, in which case that percentage, I would argue, would be smaller.

Mr. MCNERNEY. Thank you.

Mr. Jaccard, I assume that you believe that global warming is caused to a large degree by human activity.

Mr. JACCARD. I believe in listening to scientists.

Mr. MCNERNEY. Thank you. One of the things in your written testimony that was brought out was that in order to achieve a less than 2 degree Celsius change in global temperatures, the Keystone pipeline needs to be a part of that, whether it is prevented or not. Could you comment on that?

Mr. JACCARD. That Keystone needs to be part of it. What I would like to say is that I am involved in a lot of analysis of what happens to global energy markets to meet the constraints of 2 degrees Celsius that scientists and political leaders have talked about. And when we run those, you don't expand oil sands in Canada, you don't expand the Venezuela heavy oil, and that means it doesn't mean shutting down the oil sands. It would run for decades, but you are not trying to triple production. And that means projects like Keystone and the projects in British Colombia I mentioned are not part of that feasible future. And in my testimony I refer to a study by MIT researchers that just focused on the Alberta oil sands.

Mr. MCNERNEY. Thank you, Mr. Chairman.

Mr. WHITFIELD. At this time I recognize the gentleman from Texas, Mr. Hall, for 5 minutes.

Mr. HALL. I thank you, Mr. Chairman.

Mr. Pourbaix, I have a question to ask you but I first want to just note that the chairman introduced in the record the impact of climate change, and we have been debating that here for years. And Dr. Jaccard says he believes in listening to the scientists.

Well, we have listened too much to the scientists. And the liberal press doesn't always report it to the people what the scientists on either side say. They say more. We need more work, more investigation, more hearings. And we have sent 22 bills over to the Senate. One of them got through and the President vetoed it.

And Mr. Barton says he doesn't deny that the climate is changing. It is changing so none of us deny that. We know we have to keep an eye on that. We know we have to be aware of it, but I will tell you who is keeping an eye on it, it is the taxpayers of this country. We spent $34 billion and we haven't changed one iota. So that makes me think I am more concerned about global warming than I am global freezing.

And the testimony and all the acts of this Congress has been to look at it, be aware of it, listen to scientists that come here under oath to tell the truth.

So my question to you, Mr. Pourbaix, in your written testimony—I am not going to allude to you that you didn't tell the truth at all—in your written testimony, though, you mentioned that 60 percent of the southern pipeline segment is complete. And would you give some of the examples of the economic impact that that is having?

Mr. POURBAIX. I think it is important to remember that that small portion of what was originally the Keystone XL pipeline is in and of itself a 2–1/2 to $3 billion pipeline. We have put 5,000 construction workers directly to work working on that project and the pipe, the pumps, the consumables, all of that equipment that is required for that project was largely sourced from American sources, and so all of those spinoff benefits are accruing to the communities that supplied that equipment.

Mr. HALL. Tell me specifically how is that affecting Texas?

Mr. POURBAIX. I don't have the specific data right in front of me, but obviously the lion's share of that project is in the State of Texas so a large part of those economic benefits would be accruing in the State of Texas.

Mr. HALL. By the way, are you exercising eminent domain in Texas at this time?

Mr. POURBAIX. TransCanada——

Mr. HALL. Are you purchasing any land in the State of Texas at this time?

Mr. POURBAIX. We have purchased massive quantities. We have purchased easements which give us the right to go on property. Over 99 percent of those easements were negotiated——

Mr. HALL. Does that easement require you to have the landowners' right in offering letting you go on the property?

Mr. POURBAIX. Yes, absolutely. And in 99——

Mr. HALL. Well, that is not the way it is occurring in my family. I live in the smallest county in Texas and you are going right through the middle of it.

Mr. POURBAIX. Yes.

Mr. HALL. I support the bill's overall thrust. I support telling the President that we don't agree with him on crossing the State on the international boundary because of the influence that this amount of money and jobs would mean to all of us.

But when they talk about ANWR, little ANWR is just 19 million acres and we want to drill on 2,000 acres. If that runs at 19 million acres, it is like saying drop a silver dollar in Yankee Stadium and it ruins the whole outfield. That is outrageous. What it has done is cost the American taxpayers $34 billion and we haven't changed one iota of global warming. Do you agree with that?

Mr. POURBAIX. I——

Mr. HALL. If we have changed it, tell me where you have changed it.

Mr. POURBAIX. No, I think it is a fact that the efforts to date have had relatively little impact on the global temperature. I have seen a number of studies done on Keystone that if Keystone were denied and were not built, it would have—or sorry, if the oil sands were not developed, it would have an impact of less than somewhere in the range of 5/100 of 1 percent.

Mr. HALL. And I will yield back my time in a minute, but I just have to say that the only changes I have noted is the change in Al Gore's deposits at the bank and a bunch of scientists that come here and testify for money. I yield back.

Mr. TERRY [presiding]. Thank you, Mr. Hall. At this time we recognize the full committee ranking member, Mr. Waxman.

Mr. WAXMAN. Thank you, Mr. Chairman.

Dr. Jaccard, I appreciate your thoughtful testimony today. Some supporters of the Keystone XL pipeline acknowledge that using oil from the tar sands produces much more carbon pollution than conventional oil. And they recognize this extra carbon pollution will make climate change worse. Some, none on this committee, but some.

But they argue that building the Keystone XL pipeline to move this tar sands oil won't make climate change worse. The argument is that the oil companies will carry out their plans to triple production of the tar sands whether or not Keystone XL is built. But oil companies can only do that if they have real alternatives to Keystone XL. They can't expand the tar sands if they can't get oil to the market. And right now, that is a big problem for the oil industry.

So this is a key question. Is Keystone XL necessary to tar sands expansion plans? If yes, then building the pipeline will produce more carbon pollution and make climate change worse. Is there any way that tar sands producers can realize their plans to triple production levels without building new pipelines or figuring out other ways to get the tar sands oil to market?

Mr. JACCARD. I don't believe so, not when we are talking tripling. Yes, of course, you can move some by rail and so on but that will have its own challenges about allowing massive amounts of rail transport of oil even as Mr. Pourbaix talked about what those risks and impacts are. So if you stop building pipelines—and it won't just be Keystone but it is in my own jurisdiction—that is how you slow down climate change.

Mr. WAXMAN. Yes. The State Department draft environmental analysis acknowledges that the Keystone XL pipeline could affect the climate. It finds that if currently proposed pipeline projects were blocked, tar sands production would be lowered. But the analysis also finds that this effect would be small. That is because the

State Department assumes that if Keystone XL and other proposed pipelines are not built, producers will move all the tar sands oil on trains instead.

So let's look at whether these assumptions are realistic. The first key question is will Canada build other pipelines to the west coast of Canada? A few years ago the State Department assumed that if we didn't approve the Keystone XL pipeline, the oil would simply go west to China. Dr. Jaccard, how good does that assumption look now?

Mr. JACCARD. One can't be certain, but as I stated in my testimony, the odds are against it right now.

Mr. WAXMAN. Why?

Mr. JACCARD. The reasons that I mentioned is that there is a lot of opposition in British Columbia. When one says that Canadians support developing the oil sands, yes, in Alberta they support that, and yes, there is some support elsewhere in the country, but there many regions of the country where they don't support that. And British Columbia is where that is much more difficult to find that support. And opposition to pipelines crossing British Columbia is very strong and being manifested politically.

Mr. WAXMAN. The State Department basically agreed with that. Instead, the State Department assumed that tar sand producers would use the railroads to get the tar sands the Gulf, but my understanding is that this analysis is also flawed. Mr. Swift, is moving all of this tar sands oil by railroads really a viable option, and if not, why not?

Mr. SWIFT. It isn't. And the reason why not, I mean, one way to evaluate this, the Bakken production and tar sands, they have been under the same market pressure to move by rail. Tar sands producers haven't been able to manage it and it is because there are a lot of unique challenges to moving tar sands by rail that light oil doesn't have and northern Alberta is a lot farther away. So simply stated, it is far more expensive and tar sands producers don't have the margins to afford it.

Mr. WAXMAN. The rail option is economic for Bakken oil, but not for tar sands. Tar sands crude requires specialized railcars and loading and offloading equipment, must travel further and is heavier, meaning less can be moved per car. Current rail costs for tar sands are $31 a barrel versus $8 to $9.50 a barrel for pipeline. And new tar sands projects have high breakeven costs, so substantially higher transportation costs are going to make them much less attractive. Is that your——

Mr. SWIFT. That is correct.

Mr. WAXMAN. Now, approving the Keystone XL tar sands pipeline is key to getting tar sands oil to market. Without Keystone XL, producers won't be able to triple the production of tar sands oil. So approving Keystone XL would give the green light to a huge amount of additional carbon pollution. We can't vastly expand use of the dirtiest oil and avoid catastrophic climate change. The only responsible action is to say no to Keystone XL tar sands pipeline. I hope the Obama Administration and others, Secretary Kerry at the State Department understand this and don't use this well-it-is-going-to-happen-anyway rationale because it is just not accurate

according to you, Mr. Swift, and Dr. Jaccard. Is that a fair statement?

Mr. JACCARD. Yes.

Mr. SWIFT. Yes.

Mr. WAXMAN. Thank you, Mr. Chairman. I yield back.

Mr. TERRY. Thank you, Mr. Waxman. And I recognize the vice chairman of the subcommittee, Mr. Scalise.

Mr. SCALISE. Thank you. I want to thank Mr. Terry as well for your leadership on the Keystone pipeline and trying to get this approved.

You know, when you look at the jobs number that just came out last week, again another weak jobs report, more people unemployed, millions of Americans who have given up looking for work because the economy is so weak, and yet literally with the stroke of a pen, President Obama can create more than 20,000 new jobs in America by approving the Keystone pipeline. And it is just that simple, just with his signature. This doesn't require an act of Congress.

Unfortunately, we are here today because, for whatever reason, for more than 4 years the President has refused to approve the Keystone pipeline. And you are talking about a program that not only would create 20,000 direct American jobs, studies show that over 100,000 new jobs to be created in America. Billions of dollars of private investment would be spent in America, and then when you talk about America's energy security, there would be about a million barrels a day of oil coming from a friend in Canada that we don't have to buy from Middle Eastern countries who don't like us. It is not like America's demand for oil has dropped just because the President said no to the Keystone pipeline. We still use the same number of barrels of oil a day than if he would have approved it yesterday.

The problem is, the gas prices are going up every day; people are paying more at the pump in part because of volatility in the Middle East. Our trade deficit is up because we send billions of dollars to Middle Eastern countries who don't have a great trade relationship with us.

When you talk about approving the Keystone pipeline, there are many advantages to doing it. Of course, the first is the great impact to jobs and the reduction of threats to our energy security. But if you look at the trading relationship we have with Canada—Canada is a great friend. There is no reason for the President to be harming our relationship with Canada by stringing them out for years, bowing to radical environmentalists, when everybody else who looks at this, everybody who is impartial that looks at this says it should have been done years ago. The Keystone pipeline should have been approved years ago.

But if you look at our relationship with Canada, if we are trading those same barrels of oil with Canada instead of these Middle Eastern countries who don't like us, we get about .85 or .90 on the dollar back from every dollar we send to Canada in trade. And that same dollar that goes over to Middle Eastern countries, we get less than .50 on the dollar back.

So again, we are using the same amount of oil. The question is who are we going to get it from? Are we going to get from Canada,

who has got a great trade relationship with us, who has got a great historical relationship with us right across the border, or are we going to continue to send billions of dollars to Middle Eastern countries who don't like us, who use that money against us? That is the question before us. And so it boggles most people's minds when they look at this from a commonsense perspective and say why does the President continue to say no to Keystone?

So that is why we are here today. Without action from Congress, it can be done. But for whatever reason, if the President doesn't want to do it, when the Congress has addressed this issue before, it has been large bipartisan votes in support. This is not a partisan issue. I think the fact that you look at the panelists today that have been here to support it, these aren't traditional Republican groups or Democrat groups. These are people that understand the economic impact.

I want to ask you, Mr. Stelter, because you talked a little bit in your testimony about what the delays mean to jobs in America. You know, if you can expand on that. I mean we have heard about businesses that have either closed down or have had to delay operations that are waiting, that would do great in America, American businesses not even Canadian businesses, American businesses that are being hurt every day by inaction from the President. Can you expand on that and give some examples?

Mr. STELTER. As I mentioned in my testimony, my company has been blessed in that we have been able to expand into other parts of the world that we weren't selling to previously to stave off layoffs or cutbacks. But I know some of our competitors, big American companies, Tyco International, DeZURIK, some of the big players in the pipeline industry and labor, even though there is still a high demand up in that area for labor, it is definitely scaled back because of the delays and cancellations of a lot of these projects.

Mr. SCALISE. And that is a shame. There is no reason for those jobs to be lost. We could have those jobs today, as I mentioned earlier.

I want to ask you, Mr. Pourbaix, there has been some suggestion that this oil is just going to sit there and if the American President just waits a couple more years, then Canada is just going to sit and do nothing with this valuable asset that they have. I have also heard reports to the contrary that China aggressively wants to get this oil. China wants those jobs. China wants that energy security that America would be denied if the President doesn't approve Keystone. Can you talk to what happens if the President doesn't say yes to Keystone? Does it just sit there in the ground or is there potential that this goes to another country and they benefit from it?

Mr. POURBAIX. No. I have said this many times, but the oil sands are truly the economic engine that will be driving Canada's economy for the next 50 years. The Canadian Government has been exceedingly supportive of our project and all the other projects to get the oil out of the country. We are in a great situation that we have production far in excess of our needs and that oil will be developed; it will get to market. You have already heard me talk about if it can't get by pipe, it is going to get by rail.

I would take exception to a characterization that these pipeline projects will not be approved by the regulators. In Canada, the reg-

ulator for pipelines is the National Energy Board. It is a federal agency. That same federal agency approved the Canadian portion of Keystone XL years ago, approved the base Keystone, and the Canadian federal government has gone on record repeatedly saying that they are in support of both the western projects and projects to take oil east.

So I think it is absolutely clear that the oil sands are going to be developed and this oil is going to get to markets. The only question is what market is it going to get to?

Mr. SCALISE. Thank you, Mr. Chairman. I yield back.

Mr. WHITFIELD. The gentleman's time has expired. At this time I recognize the gentleman from Texas, Mr. Green, for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman. First of all, Mr. Mallino, I want to thank you for being here and all our panel. You mentioned that similar legislation was necessary to allow construction of the trans-Alaska pipeline back in the 1970s. Could you elaborate on that?

Mr. MALLINO. I was a child back then, Congressman. I have been doing this for 20 some years but I wasn't around. So I would have to get much more specifics and have to get back to you on it.

Mr. GREEN. OK. That is close enough. I was actually a state legislator in Texas in the '70s, but I did not remember that Congress had to step in and approve the trans-Alaska pipeline.

Mr. MALLINO. I think what the Congress had to do was step in and kind of clear up some of the final regulatory hurdles. But again, I am not an expert on it.

Mr. GREEN. It sounds like what we are trying to do here.

Mr. MALLINO. Exactly.

Mr. GREEN. So we are not breaking new ground by this particular legislation.

Dr. Jaccard, I visited the oil sands last summer and I learned that in 2007 the province of Canada actually begin regulating large industrial sources of greenhouse gas emissions immediately requesting each unit to reduce their GHG output by 12 percent. And per the March 2012 statistic, over 34 million tons of emissions have been avoided. They have also indicated that the province will revisit this in the near future to strengthen the standard and update the law.

From your testimony, Canada as a nation hasn't made the decision but obviously the province of Alberta has. Has British Columbia taken that kind of stance on GHG?

Mr. JACCARD. Yes. British Columbia—and I helped with the work on those policies—has a carbon tax across the board now of $30 per ton of CO_2. And also we have a requirement that no electricity be generated that produces greenhouse gases even though we have very cheap coal and gas.

Mr. GREEN. OK. Let me interrupt.

Mr. JACCARD. Alberta——

Mr. GREEN. I only have 5 minutes.

Mr. JACCARD. Yes.

Mr. GREEN. How much electricity is British Colombia produced by hydropower? What percentage?

Mr. JACCARD. About 93 percent but——

Mr. GREEN. Pardon? Pardon?

Mr. JACCARD [continuing]. Ninety-three percent——

Mr. GREEN. OK.

Mr. JACCARD [continuing]. But we have the cheapest natural gas and coal in the country.

Mr. GREEN. Oh, I understand. But if 93 percent of your electricity comes from hydropower and obviously in Texas we don't have that topography benefit that some places have. But I understand that——

Mr. JACCARD. We won't allow any——

Mr. GREEN [continuing]. It is easier to not use natural gas and export it because most of their electricity comes from hydro, just like British Columbia. But Alberta has made an effort to control the GHG in their province.

Mr. JACCARD. The regulation as I have studied it carefully basically tracks what our normal efficiency gains that have happened. The actual cost on a per-ton-of-CO_2 basis is about $1 or $2, effectively close to zero.

Mr. GREEN. OK. Well, since you have studied this—and I know the refineries that are my area, typically, we import heavier crude from Venezuela, from all over the world. Do you know of any of our importing countries that we have that have done what Alberta has done? Let's take Venezuela as an example.

Mr. JACCARD. If you mean a dollar per ton of CO_2 or $2, no. But it is inconsequential.

Mr. GREEN. Well, obviously it is not. And so that is our decision and I appreciate your opinion. Again, the question——

Mr. JACCARD. The number of $1 or $2 is from the Canadian Association of Petroleum Producers.

Mr. GREEN. Well, another question for both you, Doctor, and Mr. Swift, I actually represent refineries where most of the oil sands product would go. And the fact that the refineries will continue to seek supplies and heavier crude whether Keystone XL is approved or not, the problem is that the failure to secure long-term energy supply from Canada will only cause these facilities to purchase oil from unstable foreign countries that do not have anywhere near the environmental regulations that Alberta does. Is that correct, Mr. Swift?

Mr. SWIFT. The 2010 incident report actually suggested that Venezuela imports into the Gulf were going to decline either way.

Mr. GREEN. Well, and I agree with you. Venezuela is losing production just like Mexico. But again, the question is, are those countries that we are going to import from have stronger standards or even equal standards of what Alberta has?

Mr. SWIFT. Well, we are seeing those imports being replaced by domestic production. I mean, Eagle Ford shale, there have been plants that actually replace heavy production capacity with light production capacity. Our imports are declining independent of Keystone XL.

Mr. GREEN. Well, but they would even decline more if we had TransCanada pipeline.

Mr. Pourbaix, as a pipeline developer and operator working in western Canada, do you agree with Mr. Mallino and Mr. Swift's assessment that neither of the two eastern pipelines through British Columbia will be built?

Mr. POURBAIX. No, as I said, I believe there is a very high likelihood that Canada's National Energy Board will find a need for those pipelines and will approve those pipelines.

Mr. GREEN. Well, I have to admit coming from Houston, Texas, that we have a Houston company that has an interest in one of those pipelines so we either get the crude oil to our refineries or I guess we will send it to Asia through Kinder Morgan has that pipeline. So Mr. Chairman, thank you for your time.

Mr. WHITFIELD. At this time I recognize the gentleman from Nebraska, Mr. Terry, for 5 minutes.

Mr. TERRY. Thank you. Mr. Pourbaix, I appreciate you being here again.

Besides the need to obtain a presidential permit, which is the basis of H.R. 3, can you discuss some of the other outstanding permitting issues?

Mr. POURBAIX. The obvious biggest issue is the presidential permit. We do require some other federal approvals, key among them would be some issues with respect to migratory birds and endangered species and water crossing, those type of issues.

Mr. TERRY. And what specific permits are required for those? Take crossing waterways——

Mr. POURBAIX. We——

Mr. TERRY. Who do you have to get a permit from?

Mr. POURBAIX. That is the Army Corps of Engineers. And we require a permit that will allow us to cross any major wetlands or water bodies.

Mr. TERRY. Then for which agency would permit any endangered species issues?

Mr. POURBAIX. That is Fish and Wildlife.

Mr. TERRY. Yes. I appreciate that. And if TransCanada fails to receive any one of those permits, what impact would it have on the construction of the pipeline?

Mr. POURBAIX. Well, we are not able to proceed with the construction of the pipeline until we are in receipt of all those required federal permits. So it would continue to remain on hold until we received those permits.

Mr. TERRY. So in that regard, what litigation has TransCanada already faced in federal courts over the construction of this pipeline?

Mr. POURBAIX. I don't have the exact number of lawsuits but the opponents of this project have long come to the conclusion that ultimately delay means denial. So generally, their strategy has been at every possible stage in the process to put legal claims up against the project. To this point, we have won every one that has been brought against us, but there have been many, many legal suits filed.

Mr. TERRY. And you participate anymore?

Mr. POURBAIX. I fully anticipate there will be many more.

Mr. TERRY. What is your basis of your feeling that there would be many more?

Mr. POURBAIX. Just the fact that our opponents—they truly are focused on a strategy of delay with the view that eventually either the project proponents or the shippers will give up.

Mr. TERRY. Yes, the opponents have not been shy about saying that they have petitions sitting on their desk ready to file.

Mr. POURBAIX. Yes, absolutely.

Mr. TERRY. Now, could these lawsuits and others that have yet to be filed if the presidential permit is approved, seriously delay or impact this pipeline?

Mr. POURBAIX. You know, this is nothing new. Our opponents have brought these same suits in all major pipeline and energy infrastructure projects, and in all cases that we have been involved in, we have been able to succeed in all of those legal cases and we would expect we will succeed in these. So once we receive the presidential permit, we will commence construction and fight the lawsuits.

Mr. TERRY. All right. Since I represent Omaha, Nebraska, that has a history with rail, in fact, we grew into a corporate town because of the railroad——

Mr. POURBAIX. Yes.

Mr. TERRY [continuing]. They have told me that even with the Keystone pipeline, and they as Union Pacific and BNSF, have said that even with the pipeline, they still expect to be hauling from both the Bakken and Alberta oil sands. Can you tell us your understanding of how, even with the pipeline, the rails and trucks would still be involved?

Mr. POURBAIX. You know, there will always be a role for trucking and rail in moving oil around. They serve a legitimate purpose. The point that I have always taken is that as the distances get very long and the volumes to be moved get very large, the benefits of pipelines become very apparent with respect to their cost-benefit. It is much cheaper to move oil through pipelines. Their safety record is higher, there is less likelihood of spill, and there is significantly less greenhouse gas emissions when you move large volumes of oil a long distance. So there will still be real movements and truck movements to get oil to those main collection points where the pipelines can take it away from.

Mr. TERRY. All right. Thank you, and I yield back.

Mr. WHITFIELD. The gentleman yields back.

At this time I recognize the gentleman from Michigan, Mr. Dingell, for 5 minutes.

Mr. DINGELL. Mr. Chairman, I thank you for your courtesy.

My question is for Anthony Swift. Mr. Swift, most of these will be yes or no because of our limited amount of time. Is there currently an open comment period for draft Supplemental Environmental Impact Statement regarding the Keystone XL pipeline? Yes or no?

Mr. SWIFT. Yes.

Mr. DINGELL. When does this period end?

Mr. SWIFT. At the moment I believe it is April 21.

Mr. DINGELL. OK. Is the draft Supplemental Environmental Impact Statement currently open for public comment, the same as the one referenced in H.R. 3? Yes or no?

Mr. SWIFT. Yes.

Mr. DINGELL. Now, this legislation deems approval of certain permits within the jurisdictions of the Department of State, Inte-

rior, and Defense and prohibits EPA from being involved in providing input for permits under the Clean Water Act. Is that so?

Mr. SWIFT. Yes.

Mr. DINGELL. Are we certain that all the information has been gathered to justify issuing these permits? Yes or no?

Mr. SWIFT. No.

Mr. DINGELL. All right. Mr. Chairman, never have the American people being comforted by the words I am from the government and I am here to help. President Bush established a process to issue these types of permits and I believe that allowing the public to know how this project will affect their communities is simple common sense.

I would point out that they were going to go through in Nebraska over a very, very, very sensitive aquifer and they found out that it posed enormous risk. That information was not available to the public. And as a House author of NEPA, on which I labored long and hard, I can tell you that it was created to create transparency so that the people would know the impact of a project and what it would be on their communities.

However, this bill will circumvent that transparency even as a public comment period is in progress and is only going to create more delays. Instead of allowing the process to properly play out, Congress is choosing to rush the Administration without allowing the established process to run its course. This has already caused us trouble on one occasion. And now, by rushing the Administration to make a decision at the beginning of last year, they were forced to start this process back again at square one further delaying a final decision.

I repeatedly said that I support the building of this pipeline. I believe it is in the national interest. It is also in the national interest that we should comply with the law, should know the facts, and should see that the permits are properly issued and that they reflect the need for us to address the public interest. That is why we passed the Clean Water Act, why we passed Endangered Species, and why we passed the National Environmental Policy Act.

Now, I would much rather see the manufacturing, construction, and other jobs that are going to be created in this construction to go down south through the United States rather going west to China where the oil will be processed and spent and burned in a very dirty way. However, the bill that we have passed already, this bill would do exactly the opposite. It circumvents the established process and potentially opens the process and the project to a plethora of lawsuits where the lawyers are going have a wonderful time delaying the process and the construction even further.

Instead of legislating the permitting process where it is not needed, this committee should instead be focusing on comprehensive energy legislation and on supervising the processing of this to see that it goes forward properly. As I have observed, the Keystone pipeline, in my opinion, should be a useful part of our national energy strategy and not be given into litigation of this kind. It should be viewed as an opportunity to make technological advances, changes in the economy, to gather new information, and we should be giving consideration to this as a part of our national energy pol-

icy, including spurring a large number of things like nuclear, renewable, and fossil fuel.

Let us stop helping where it is not needed. The bill is a solution to a problem that does not exist. I very much want to support the pipeline. I believe it is in the national interest. But you are compelling me and many other Americans to oppose this legislation and to oppose the construction of the pipeline because you do not choose to do it in a proper way in conformity with the law. These unnecessary changes that you are making to hasten the process are counterproductive in the extreme, and I beg the committee not to engage in this kind of silly activity.

Mr. WHITFIELD. Thank you, Mr. Dingell.

At this time I recognize the gentleman from Texas, Dr. Burgess, for 5 minutes.

Mr. BURGESS. I thank the Chairman for the recognition.

Mr. Pourbaix, did I pronounce that correctly?

Mr. POURBAIX. Yes, sir.

Mr. BURGESS. Let me just ask you, you heard Chairman Emeritus Dingell just speak about this. Do you feel rushed? Do you feel like we are rushing you? I feel like it is Groundhog Day. I mean every time I come into the subcommittee, Mr. Chairman, we are talking about the Keystone pipeline. It has been like that for 2–1/2 years.

Mr. POURBAIX. I think it is without dispute that the environmental review process for this process has been certainly the most involved, the longest certainly in any experience I have ever had with energy infrastructure projects. We have had dozens of public hearings. We have had hundreds of thousands of pages of public comment in testimony. I don't think anyone could argue that every material issue related to this project has not been exhaustively analyzed.

Mr. BURGESS. Let me just tell you one of the things that troubles me. Texas is my home State. March 22 of last year, President Obama went to Cushing, Oklahoma, and said he wanted the pipeline built from here to the Gulf of Mexico, meaning Oklahoma to the Gulf of Mexico. So your company has been doing that work. It has not been without some anxiety at home, and I will admit that. There are people who have had their lands disrupted by the placement of the pipeline. But OK. It is in the national interest and the interest for our economy to get this going and Texans, we are understanding of energy issues and the necessity of getting energy to market.

But here is the problem that I have. Why is it OK to build the pipeline from Oklahoma to the Gulf of Mexico, disrupt the lives of hard-working Texans, when the Administration apparently never had any intention of completing the other part of the pipeline that would actually make it economically relevant and economically beneficial to the Nation?

Mr. POURBAIX. Yes.

Mr. BURGESS. We have asked Texans to give of their land for the pipeline and yet the Administration still seems immobile in its ability to make a decision for the betterment of the country. Am I missing something here?

Mr. POURBAIX. No. And I think at the time the President denied the permit early last year, TransCanada took the initiative. We saw the opportunity to sever the southern portion from the larger Keystone XL application because there was an independent need in the industry to reconnect Cushing to the U.S. Gulf Coast. So we took that opportunity. That was not something that the Federal Government encouraged. It was an opportunity we saw to take that portion of the project that had independent utility and remove it from this presidential permit application process.

One comment I would just say on your comment about the land, there is no company that takes those issues with right-of-way and landowners more serious than TransCanada. In Texas alone, more than 99 percent of our landowners we reached voluntary negotiated easements and did not have to go to any eminent domain procedure. We are down to literally a handful of landowners.

Mr. BURGESS. And I appreciate that. I appreciate the fact that this was a privately instigated and funded venture but still, the President want to Cushing, Oklahoma, and with 200 invited guests, did a photo op in March of last year. It was an election year, you may recall. And I have always felt a little bit of unease by the willingness of the Administration to capitalize on, hey, I am here for creating jobs in America, building in America, and all the right things, and yet, really if America is going to capitalize on the promise of delivering this energy where it can be refined in Mr. Greene's district, the rest that pipeline has to be built.

You know, I don't know that I am smart enough to do this. We will have the GDP figures coming out for the first quarter of this year. Last quarter of last year was pretty disappointing. I will just submit if you were to subtract the Texas component to the GDP for this quarter we just finished and the last quarter, I wouldn't be at all surprised if the country was not still in a recession with negative growth in two successive quarters, which is the definition. It is Texas' forward-leaning activities in the energy field that have really prevented the recession from being so much more desperate in the entire country.

When people talk about the re-industrialization of America, they need to look at what is happening in the shale plays in north Texas and south Texas. It has been a game-changer. And if we really were serious about re-employing Americans, this is where we would concentrate our efforts.

I thank you for your indulgence, Mr. Chairman. I will yield back the balance of my time.

Mr. WHITFIELD. The gentleman yields back.

At this time I recognize the gentlelady from California, Ms. Capps, for 5 minutes.

Mrs. CAPPS. Thank you, Mr. Chairman.

And thank you, each of you, for your testimony. After multiple hearings and markups on this committee in recent years, this is an issue that we are all very familiar with. And that is why I must say that I am disappointed that one of our first legislative hearings is again on this well-vetted issue when there are so many other important issues that we could be considering.

I continue to have serious concerns about this legislation and the potentially devastating impacts of the Keystone pipeline on public

health and the environment. Of course, one of the main issues in this discussion is jobs, and rightfully so. There is no denying that construction of the pipeline will create temporary jobs. And these jobs are still desperately needed, especially in the construction industry.

But as policymakers, I believe we must also look at the big picture. When we are facing estimated job losses of 750,000 due to sequestration, creating a few thousand temporary jobs, though helpful, does not constitute the comprehensive jobs legislation our Nation needs right now. It is our responsibility to pursue policies that advance the long-term interests of our Nation as a whole. Doubling down on limited fossil fuels is a dead-end policy that pollutes our planet and only delays the inevitable, especially considering the serious impacts Keystone could have on public health and the environment.

As our witnesses have testified, development of oil sands is even more carbon-intensive than traditional oil development. So this is a big step in the wrong direction. To me it makes far more sense to focus on promoting the development of clean renewable technologies we all know we are going to need down the road. These new technologies reduce our dependence on oil, but also create quality long-term jobs that cannot be shipped overseas.

I see this all the time on my district in the central coast of California. Local companies like Infinity Wind, REC Solar are harnessing clean renewable energy sources to create jobs and strengthen economic growth. So Dr. Jaccard, or Jaccard. How do I say it?

Mr. JACCARD. Jaccard.

Mrs. CAPPS. Jaccard. In your testimony, you focus on the environmental and economic impacts of developing the Alberta oil sands and how the Keystone pipeline plays into that. And I have a second question to ask as well. Could you briefly discuss some of the economic and environmental benefits of developing clean and renewable energy resources compared to fossil fuels? Make a comparison for us if you will.

Mr. JACCARD. Yes. Well, in California certainly I follow the numbers. I don't have numbers at the tip of my finger for California but I do for British Columbia because when we passed the rule of clean electricity, it meant that two coal plants and a natural gas plant that were going to be built in the 2007 to 2011 period were not built. Instead, we develop run-of-the-river hydro, a small-scale hydro, wind, and wood waste power and they produced three times as many jobs.

Mrs. CAPPS. Perfect. Thank you very much.

I have a question for you, Anthony Swift. Jobs are obviously critical to economic growth, but we must remember that environmental and public health are also critical to a strong workforce and resilient economy. In 1969, my home district was a victim to one of the worst oil spills in the United States history offshore. So I know firsthand that local communities bear the brunt of industrial accidents for a long time after they occur.

The proposed pipeline would cut straight through America's heartland, putting numerous communities at risk. These farmers and ranchers depend on clean soil and clean water to grow the crops and raise their livestock that are feeding our entire Nation.

A spill here could have devastating effects on local wildlife, public health, the economy, and our Nation's food supply.

Mr. Swift, would you elaborate on this, and what are some of the economic impacts a spill could have on the communities along the pipeline?

Mr. SWIFT. Certainly. There are over 500,000 agricultural jobs along the pipeline and they depend on clean water, clean lands. And we have learned, unfortunately, through two major spills, one in Kalamazoo, Michigan, and another in Arkansas, that tar sands spills have significantly different and longer-term impacts. In Kalamazoo, Michigan, nearly 3 years after that spill of 800,000 gallons of tar sands and nearly $1 billion in cleanup activities, 38 miles of that river are still contaminated. And spill responders don't think that they are going to build up at the river back to the state it was before the spill. So tar sands pipelines and tar sands spills pose unique and pretty dramatic risks to sensitive waterways and the places they crossed it. Regulators have not got a handle over it.

Mrs. CAPPS. And if I could ask you very briefly, with a few seconds left, to discuss some of the differences between the safe use of tar sands, if there is such a thing, that would flow through the Keystone pipeline, and the crude that we normally know. Would you go into the difference on that?

Mr. SWIFT. Yes. Tar sands is being moved as something called diluted bitumen. And bitumen is basically solid at room temperature. It has to be mixed with light petrochemicals and is moved as a thick substance through the pipeline. You know, the State Department estimated that frictional heating on Keystone XL will send the temperature to between 130 and 150 degrees in some places. We have learned in California that high-temperature pipelines are much more likely to spill. And when a spill occurs, the light stuff gases off, and if the heavy stuff, the heavy bitumen tar, hits a water body, it sinks below the water body. And at that point spill responders have a very difficult time either containing it or cleaning it.

Mrs. CAPPS. So tar sands and conventional crude are very different——

Mr. SWIFT. Dramatically different, yes.

Mr. WHITFIELD. At this time I recognize the gentleman from Texas, Mr. Olson, for 5 minutes.

Mr. OLSON. I thank the chair, and good afternoon and welcome, witnesses. I represent a suburban Houston district, so as you can imagine, the Keystone XL pipeline coming into the Port of Houston and the Port of Port Arthur is very important to my State. And we are all entitled to have our own opinions, but none of us are entitled to have our own facts. So before I start my questions, I just want to reiterate a few facts that seem to be forgotten in this debate.

Fact number one, Canadian oil from Alberta is already coming to the United States. The Keystone pipeline, Mr. Pourbaix, I think, called it the base Keystone pipeline. That pipeline is bringing over 500 million barrels a day for our country right now. The Alberta clipper is bringing about 450,000 barrels a day to Superior, Wisconsin.

Fact number two, there are 25,000 miles of pipeline over the Ogallala Aquifer right now, 25,000, 2,000 over Nebraska.

Fact number three, this Canadian oil will be brought to market. Either it comes to the United States or it goes to China or India or some other country. White House Press Secretary Jay Carney echoed my reasons to support Keystone XL when he said last year, "moving oil from the Midwest to the world-class, state-of-the-art refineries on the Texas Gulf Coast will modernize our infrastructure, create jobs, and encourage Americans' energy production. We look forward to working with TransCanada." I inserted Texas there, just a literary preference. But those are the facts.

Mr. Pourbaix, TransCanada now is almost halfway done with the southern leg of the pipeline through East Texas. Can you please describe the steps that you are taking to ensure the safety of his pipeline?

Mr. POURBAIX. Sure. I mean right off the bat I think it is very important to understand that the Keystone pipeline system is truly a state-of-the-art pipeline system. It uses modern high-strength steel, fusion bond epoxy coating, multiple redundant leak detection technologies.

You heard me say this in my prepared statements, but in addition to following federal code, we have voluntary agreed to follow 57 additional special conditions. Those are things like reduced spacing of isolation valves, burying the pipe deeper, doing more inspections. All major river crossings where it is feasible to do so, we are in fact doing horizontal directional drill. So we are 20 to 40 feet below the bottom of the river in bedrock, so we don't ever have to worry about the kind of problems that occurred at Kalamazoo or the Yellowstone problem that Exxon had. I mean these modern pipelines have incredible records with respect to spill and safety, and we are building the most modern pipeline ever built in the U.S.

Mr. OLSON. So again, in your opinion, the Keystone XL pipeline is designed to be the safest pipeline in the history of the world?

Mr. POURBAIX. Yes, and you don't have to take my word for it. That is actually the finding of the Department of State in the Environmental Impact Statements.

Mr. OLSON. And a question for you, Mr. Mallino, in your opening statement you said the Keystone XL is not a pipeline, it is a lifeline. And you mentioned that opponents say that many of these jobs being created are going to be temporary. Can you explain how a lifeline is not a temporary job?

Mr. MALLINO. In our industry, our members work job-to-job. The job starts, the job ends. Sometimes you go on to the job, off the job, and go do something else and come back to that job. Not just your pay but the way your benefits package is structured, the way you earn your health insurance, the way you earn your pension credits are determined by the number of hours you work in a given quarter. So without a project that creates hours, whether it is a highway project, a bridge project, an infrastructure project for energy, water, without projects, our members don't work, and if our members don't work, they don't earn a living and they don't earn benefits. And in that sense it is a lifeline. A temporary job has been used to dismiss these jobs and that is unfortunate because it truly

doesn't take into account how the construction industry works. It is done in a very derogatory way by people who want to dismiss the importance of these jobs.

Mr. OLSON. One final question for you, sir. What is the salary range of these lifeline jobs and the educational level necessary to have these jobs? Because I made $75,000 max as a pilot in the United States Navy. That is over all my training and all these things—I suspect that those salaries are in that range. Can you comment——

Mr. MALLINO. It varies by craft so depending upon what your skill set is and which union craft you work for, it would vary. In some parts of the country our pipeline workers make about 20 bucks an hour plus a benefits package. In other parts of the country that is much, much higher. If you are with the operating engineers who may still be back in the back of the room somewhere, their benefits package is structured and salary are structured entirely different. Their salary and benefits are going to be much higher. So it depends upon what you are doing on the project. But they are good jobs and they are some of the best jobs in the construction industry.

Mr. OLSON. And I am out of time. So just to sum up, 800,000 barrels a day, 20,000 good-paying jobs, energy security, national security. I yield back.

Mr. WHITFIELD. At this time I recognize the gentlelady from the Virgin Islands, Ms. Christensen, for 5 minutes.

Mrs. CHRISTENSEN. Thank you, Mr. Chairman.

There is a lot that really bothers me about the bill we are considering today but one is that I am concerned that the committee is proposing to give one project a regulatory earmark. And I don't see why one particular project owned by a foreign corporation should get special treatment. My constituents in the U.S. Virgin Islands are American citizens. We are experiencing extremely high energy price spikes in a community with limited resources. My constituents are suffering.

While help is being offered, there is no special legislation for the Americans in the U.S. Virgin Islands or support for my bill, H.R. 92. But the subcommittee is proposing to move yet a third bill in 2 years granting special treatment to TransCanada's Keystone XL pipeline and has held four hearings on this project in the same period.

As a physician, I am also concerned about how the Keystone XL tar sands pipeline would affect public health. Of course, crude oil pipelines can directly harm public health when there is an accident. We are reminded of the pictures of oil flowing down the streets of Mayflower, Arkansas, and Mr. Swift, I believe, talked about Kalamazoo, Michigan. So despite Mr. Pourbaix's——

Mr. POURBAIX. Pourbaix.

Dr. CHRISTENSEN [continuing]. Pourbaix's testimony, TransCanada's safety record doesn't provide a tremendous amount of reassurance that Keystone XL would operate without accidents.

The Keystone XL tar sands pipeline threatens human health in other ways as well. I understand that low-income and minority communities near the refineries in Houston and Port Arthur, Texas, already have a 50 percent higher chance of contracting leu-

kemia and other diseases linked to pollution. These communities are worried that refining more tar sands crude will add to the pollution that is already harming their health.

So Mr. Swift, let me ask you. Are these communities right to be concerned and does the State Department's analysis adequately address the impacts on those communities, minority and poor communities?

Mr. SWIFT. To the first question I would answer yes. Tar sands bitumen has some of the dirtiest crude in the world both in carbon emissions but it also has higher sulfur content, much higher heavy metal content. The sort of emissions that you expect from refining these complicated, heavy, high sulfur bitumen would be at the top of the scale. And the State Department did not adequately address the impact of these increased emissions on communities in the refinery areas. They basically assumed that these refineries would be processing oil either way and so they didn't really evaluate how much more pollution would be generated by these refineries if Keystone XL goes through.

Mrs. CHRISTENSEN. And we were refining up to about a year-and-a-half ago Venezuela heavy crude and our toxic emissions inventory was out of the roof in the Virgin Islands. So I suspect it will be the same.

And Dr. Jaccard, we know that Keystone XL pipeline will exacerbate climate change, as you stated, and that also has devastating health impacts. So could you also please speak to this? And also if granting special treatment to TransCanada will benefit our constituents and do those benefits really outweigh the harm?

Mr. JACCARD. Right. The point I was trying to make is that it is very difficult to deal with climate change so you have to have political courage to say we start here and we have to push for things to happen in Canada, things to happen in China. There is no other way to solve it. When you do that, what you are trying to do is prevent acidification of oceans, dramatic changes in extreme weather events, and all sorts of problems with ecosystems as well, which all come back to human health types of issues. And the science is very clear on this.

Mrs. CHRISTENSEN. I agree. And coming from a place that is prone to natural weather disasters and also where we rely on our reefs for food, and for recreation, the acidification of the oceans is very devastating to communities like mine. So thank you for your answers and I yield back the balance of my time.

Mr. WHITFIELD. Thank you, Dr. Christensen. At this time I recognize the gentleman from West Virginia, Mr. McKinley, for 5 minutes.

Mr. MCKINLEY. Thank you, Mr. Chairman.

I have heard several comments today here, Mr. Chairman, about these temporary jobs. And quite frankly, I come from the construction industry, 47 years. I started in construction in '65. I never thought of my job back then as being a temporary job. That was my way of life and the people I worked with. So I find it almost a demeaning, demoralizing comment when people make that statement that these are just temporary jobs. I disagree with that.

So having vented a little bit on that, I want you to know I am just one of two engineers in Congress and I concur that there is

global warming and there is climate change. The issue, however, I think, still has to be debated, is it manmade or is it natural cyclical? I am not convinced that I am going to join the chorus of those that are trying to build a consensus around manmade.

And because of that, I am troubled by the fact that we are holding back because the Administration believes it is manmade. He is holding back 20,000 jobs in this market. A thousand more jobs likely would occur afterwards doing maintenance and taking care of the line. I can remember the testimony over the last 2 plus years of how many things we have talked about, how many more jobs all because we are focused on an ideology.

So I am asking Mr. Swift and Dr. Jaccard, when I have talked with climatologists, they often will refer to, in trying to address this issue, they say go back to the Bering Strait. And I would like to hear from your perspective. The Bering Strait 25,000 years ago, the ocean levels dropped 150 feet, 50 some meters. We weren't using the Keystone pipeline, we weren't driving too many SUVs, and we weren't creating electricity with coal, but there was a natural cyclical change in the globe that caused the temperatures to be at such a level that the water levels dropped all in the oceans all across the waters. Can you enlighten me or tell me where the paleoclimatologists are wrong on that? That the——

Mr. JACCARD. Yes.

Mr. MCKINLEY [continuing]. Waters dropped so that the landmass became exposed and people from Asia came over and populated North America?

Mr. JACCARD. Yes. I am sorry.

Mr. MCKINLEY. Go ahead, please.

Mr. JACCARD. I feel that I would be arrogant to pick and choose among the science that I wanted to believe that was convenient for me and that was inconvenient for me. So when I take the body of climate science, which I read very carefully, it will tell you that climate has changed over long time periods in the past and sometimes accelerated. And the climate science also says we are making something happen very quickly, that we are causing it. And we are acidifying the oceans as well, so I don't know what you pick or choose from what the climate scientists are telling you. I have read the reports. I interact with leading scholars in the world who are very honest people, who don't have any particular agenda, and they are saying, climate, we are causing the change. We can do something about it.

Mr. MCKINLEY. I would concede that there are people that agree with you. But there is a document floating around right now, 32,000 scientists that disagree with you on that. So I am still torn over it because, here, we are still arguing over this. Science has not been determined. The conclusion is not determined yet. But yet, we are holding up 20,000 jobs in America where people want to go to work. That is their livelihood and we are holding it up because we have got an ideological base, a disagreement. I am troubled with that. I really am.

Yes, I can talk about the Bering Strait. We can talk about the Medieval warming period. What caused that? Again, I don't think there were too many SUVs, I don't think we were burning much coal there, or gas or oil to create electricity, but yet we had the

globe heated up, Earth heated up. I am somewhat more in that field. I am leaning that way more—is this a natural, cyclical issue? And could man be contributing? Of course we could be. I agree with you, we could be. But are we the one causing it? And what are the ramifications of it? There are too many disagreements on that. I am hoping sometime in the balance of this year that will have some opportunities to discuss global warming more. But in the meantime, why are we costing 20,000 jobs to people that could be working?

Mr. JACCARD. So we create jobs as we reduce carbon pollution, just as we did as we reduced acid pollution and urban smog and so on. So I am sorry. I have seen so much evidence I can buy that we can't create jobs while reducing carbon pollution and maybe even use more fossil fuels while doing it. But the——

Mr. MCKINLEY. Are you with this pool of Lisa Jackson that said that we create, what is it, one job for every million dollars in EPA standards, making it the more rigid the standard is that we are going to create a job and that and so therefore—or one-and-a-half jobs for every million dollars spent on enforcement? Is that——

Mr. JACCARD. Is this talking about the historical analysis?

Mr. MCKINLEY. Are you a disciple of that school?

Mr. JACCARD. I haven't read that. I am talking about historical analysis that I have been involved in.

Mr. MCKINLEY. OK. I am sorry, my time is up.

Mr. WHITFIELD. The gentleman's time has expired.

At this time, I recognize the gentleman from New York, Mr. Engel, for 5 minutes.

Mr. ENGEL. Well, thank you. Thank you very much, Mr. Chairman.

Gentlemen, I am an anomaly here because I see both sides of the coin, and to tell you the truth, I am torn. I have a lot of environmental concerns but I also have concerns about energy independence. I am the ranking member on the Foreign Affairs Committee, I was the founder of the Oil and National Security Caucus, and I think it would be important if we could safely develop this, that North America become energy independent. So I kind of see both sides. I have some questions as to why we want to circumvent the process here. There is a process. And jump the gun and say that this project should be done.

But I think the larger issue is how do we guarantee or try to guarantee that America is energy independent and at the same time try to guarantee that our environment is not despoiled. It is kind of hard to me to see everybody there, but let me ask Mr. Pourbaix. Why cannot we guarantee that the oil that is refined in Texas stay in the United States? I mean you have heard here today, and we always hear colleagues express concerns——

Mr. POURBAIX. Yes.

Mr. ENGEL [continuing]. That if we are going to take the chance of the oil pipeline—and it is always a chance. I mean I know there are safeguards and this is new technology and everything else. I am willing to kind of go with it but I would like to know that if we are taking the risk we get the benefit and that the oil isn't simply going to come down the pipeline, be refined in Texas, and get exported to China.

Mr. POURBAIX. Yes.

Mr. ENGEL. So why can we get a guarantee, maybe 100 percent of it can't stay but maybe we can get some kind of percentage that gives Americans a guarantee that we are taking the chance but it is a worthwhile chance to take?

Mr. POURBAIX. Yes. Well, I guess I would have a couple of comments on that. The first is that the draft supplemental EIS went into great detail in examining this issue and came to the conclusion that it was highly unlikely that Keystone XL would be an export pipeline. And so I think you have that side of it.

I think, when you think about exports, it is very important to understand that the U.S. Gulf Coast is the largest refining center. It has about half of the refining capability in the U.S., but the U.S. itself typically needs more gasoline and less diesel. When you refine a barrel of oil you get a certain component of oil and of diesel, certain of gasoline. The U.S. needs more gasoline. So to get enough gasoline, it tends to produce an excess of diesel which it then tends to import to Europe because Europe needs respectively more diesel than it gets gasoline. So I think you have to be careful about unintended consequences of putting in place any kind of hard and fast rules.

Mr. ENGEL. Well, let me just say—I am sorry to interrupt but——

Mr. POURBAIX. Yes. Yes.

Mr. ENGEL [continuing]. Five minutes is not a lot of time. You know, if my constituents knew, for instance, that by having this pipeline they would get a reduction a year down the line or 2 years down the line, of a dollar a gallon in their gasoline——

Mr. POURBAIX. Yes.

Mr. ENGEL [continuing]. People would see something tangible.

Mr. POURBAIX. Yes.

Mr. ENGEL [continuing]. But people are very skeptical and so am I to a degree, as to if we are looking at—if we are talking about making North America energy independent, which is obviously something we would all like to see——

Mr. POURBAIX. Yes.

Mr. ENGEL [continuing]. Then what would be the benefit to the taxpayers who are taking this kind of risk if in fact, we are getting more oil but we are then exporting more oil as well? So it is the same equation. Technically, we could be energy independent but we are exporting oil as well.

Mr. POURBAIX. I understand the issue. I think the important point, though, is once the pipeline system is set up where this oil is going to the Gulf Coast refineries, it is entirely open to the U.S. Congress should they choose at some point in the future—for example, if there was a war and there was a requirement to keep that oil or those refined products in the country, the only place that oil can go is where it is being pipelined to. So just by having that infrastructure, the U.S. has the comfort that they have that energy independence and that energy security.

Mr. ENGEL. Can somebody also—and perhaps you are the one, Mr. Pourbaix, or anybody else, the pipeline we are told by people who oppose it—they are saying it has to come through the United States because Canada doesn't want to allow it to come west and

go out to the Pacific Ocean on the West Coast. Can anybody answer? Has it been answered? I didn't know.

Mr. POURBAIX. I mean, I would be happy to just—the practical reality is the U.S. Gulf Coast is the largest refining center on the planet and the refiners are largely configured to run heavy crude that the oil sand production out of Canada is overwhelmingly heavy crude. So it was natural to connect the large supply with the large demand. And that is why it goes the direction it goes. And I think that is the most rational and economic place for it to go. But if it can't go to the U.S., then it will go to China, it will go to India.

But I mean I think from the Canadian Government's perspective, from the Alberta government's perspective, the view is the right place for it to go is the Gulf Coast.

Mr. ENGEL. Mr. Swift, I see you shaking your head no.

Mr. SWIFT. Yes. We know it is not going to China in large volumes because a) China doesn't have the heavy crude processing potential to process Canadian tar sands; and b) there is a small pipeline going West through British Columbia. It is about 300,000 barrels a day. And we know that 99 percent of the crude on that pipeline is going to the U.S. So if there was an interest by China to receive this crude, it would be buying it from the pipeline they already have going to the West Coast and they are not.

So this argument that it is either the U.S. or China is a false one. And you look at the pipeline going through, Keystone XL through the U.S. to the Gulf Coast, the fact of the matter is, I believe, the number is 600,000 barrels of gasoline was exported from Gulf Coast refineries and the State Department indicated that over half of the refined products from the refineries getting oil from Keystone XL would likely be exported internationally. So it is not an issue. This is not energy that is going to benefit primarily the American consumer.

Mr. WHITFIELD. The gentleman's time has expired.

I might also add that the Department of Energy did a study as well that was significantly lower on what they estimate the exports would be.

But, Mr. Griffith, I will recognize you, the gentleman from Virginia, for 5 minutes.

Mr. GRIFFITH. Thank you, Mr. Chairman. I appreciate the opportunity. I appreciate the witnesses being here today.

I do have a lot to get through so I apologize if I seem short at times. I would say in response to the answer to Mr. McKinley's question by Dr. Jaccard, in your written testimony you indicated that China might not have grown at 10 percent per year but energy economic models predict this growth would still have been well above 5 percent while avoiding the dramatic increase in carbon pollution. So you do acknowledge that using a lot of fuel does in fact create jobs. Would that not be correct? Yes or no, please.

Mr. JACCARD. It would have created more jobs in that same scenario.

Mr. GRIFFITH. Well you——

Mr. JACCARD. It would have been more labor-intensive.

Mr. GRIFFITH. Well, your testimony was that there economic growth is 5 percent——

Mr. JACCARD. About economic growth.

Mr. GRIFFITH. Right.

Mr. JACCARD. But it would be more labor-intensive, more jobs.

Mr. GRIFFITH. Right. That being said, I think that at times, particularly in regard to Keystone XL pipeline, we are straining out the gnat while swallowing the camel. I would compliment you, Dr. Jaccard, that you at least pay attention to the camel. And I point to your work with the China Council on International Cooperation on Environment and Development, of which you were the co-chair of the 2009 task force for sustainable use of coal.

Mr. JACCARD. Yes.

Mr. GRIFFITH. And while today we are talking about the XL pipeline, I support the pipeline. I also support the use of coal. There is some really interesting data in there. And I would point to the data out of that report, 2009, which I have a copy of it and read through while listening to the testimony that China has increased its production of coal 43 times since 1949, that it passed the U.S. as being the world's number one coal producer in 1996, that Chinese coal profits are now over 100 billion yuan a year, that 2002 saw them having an 11-fold increase in those profits.

And then I am going to take a couple of quotes out of here because I think it is instructive long-term to what we are dealing with. Nevertheless, the energy efficiency and pollution control of the coal power industry in China is still behind the most advanced level in the world. For example, the fraction of power capacity within unit scales smaller than 100 megawatts is 24.8 percent in 2007 while it is only 7 percent in the USA in 2007. The average coal consumption per unit, coal-powered electric supply in China 2008 is 11 percent higher than that of Japan in 2005, and the emissions of sulfur dioxide and oxygen dioxide per unit of electric supply of coal power in China in 2007 is 30 percent and 150 percent higher than the U.S. respectively. I go on in later quote on the same page—I am on page 13 of 47—"normally, thermal efficiency designed for boilers is between 72 and 80 percent, which is close to the design level of developed countries. But in reality, most of the actual thermal efficiencies are between 60 to 65, 10 to 15 percent lower than identified thermal efficiency of boilers. Some boilers only have efficiency of 30 to 40 percent actual application, which is 30 to 50 percent lower than that of developed countries."

3.5 billion tons of coal are mined China, just under a billion in the U.S. And so I think it is instructive because I don't believe that the Chinese are going to—while you paid attention in the report and suggested some reforms, I don't believe that the Chinese are going to take away jobs in order to make everything better and more efficient. And I would also submit to you that in that same report on page 19, beginning at the bottom of that page—and I am going to edit this a little bit. There are five recommendations or five problems. One, the existing laws, regulations, and policies are insufficient, mostly stating principles without practical value; four, the existing regulations and policies are issued by different government offices resulting in ineffective supervision on environmental protection work. Five, the existing regulations and policies have no means of encouraging the widespread use of key techniques for sustainable development of the coal industry.

I have a solution for China's problem and that is that we use our energy in this country and our energy in North America, and we bring those jobs to the United States because we do it much more efficiently, and the bottom line is we can do it with less pollution in this country. There is a NASA study that says that the pollution from China takes about 10 days to get from the Gobi desert, where actually camels, I think, still exist in an indigenous state, all the way to the eastern shore of Virginia.

Folks, we have got to bring those jobs back. Keystone XL pipeline is one way to do it. We reduced the world's carbon footprint by doing so because the Chinese are using a whole lot more by being less efficient. They are using a whole lot more energy to produce the same goods that we could produce if we were allowed to use our resources in this country. Wouldn't you agree with me, Mr. Stelter?

Mr. STELTER. Yes, I would.

Mr. GRIFFITH. Thank you very much. I yield back.

Mr. WHITFIELD. Thank you very much.

At this time I recognize the gentleman from New York, Mr. Tonko, for 5 minutes.

Mr. TONKO. Thank you, Mr. Chair, and thank you to the witnesses for inspiring interesting discussion here this morning.

When we consider actions that drive climate change, I believe that we can't just focus on short-term emissions. We also have to consider how major infrastructure investments impact a sustained, long-term, carbon emissions agenda. Investment in a pipeline of this size would only be worthwhile if oil were going to move through it for decades, perhaps 30 to 50 years. Dr. Jaccard, could you please talk about the Keystone XL pipeline in that context?

Mr. JACCARD. In the context of infrastructure?

Mr. TONKO. Of infrastructure and long-term carbon emissions.

Mr. JACCARD. Oh, absolutely. So one thing is when you put that infrastructure in place, you are committing yourself to pollution for a long time to come into the future. And Mr. Pourbaix might agree with me that pipeline economics change—I used to regulate pipelines—once you have already built them. In other words, even if the economics change, people don't need nearly as much return to keep a pipeline operating as opposed to initially building it.

Mr. TONKO. So that being said, with the Keystone XL line, are we committing ourselves to many years of high emissions and creating a major incentive for further tar sands production?

Mr. JACCARD. Absolutely. That is exactly what you are doing.

Mr. TONKO. Then how would a comprehensive climate policy help avoid that?

Mr. JACCARD. A comprehensive planet policy would make sure that just as the Chinese told me that they wouldn't act unless the U.S. was acting. How else would they act? So you have to have a situation where what they said very clearly, we will act if the U.S. acts and starts to pressure—encourage us to act. And in fact, when there were times when it looked like the U.S. would act, that is when I helped the Chinese develop a renewable portfolio standard, eliminate coal subsidies, and several other policies. And so simply, you have to have a situation where the most powerful country in the world takes a first step, creating jobs as well, but takes a first

step and then starts to push other countries to go in the same direction. It doesn't happen any other way.

Mr. TONKO. Thank you. Our highest priority undeniably is bringing about more jobs, needing more jobs and requiring many more jobs. Is the Keystone XL tar sands pipeline addressing that jobs policy?

Mr. JACCARD. I might leave this to Mr. Swift because of the specifics, but I have already given testimony that moving away from a carbon pollution future, which doesn't necessarily meaning stop using fossil fuels, is a job-intensive future. It is a false idea that you trade one off against the other.

Mr. TONKO. So thank you. And Mr. Swift, how many permanent jobs do you quantify that Keystone XL would create according to the State Department?

Mr. SWIFT. The State Department found that Keystone XL would create 35 permanent jobs.

Mr. TONKO. And I understand there would also be several thousand construction jobs over 1 to 2 years?

Mr. SWIFT. That is right. The State Department found that there would be 3,900 construction jobs. On the national level, one of the ways to think about this is it is the chance of getting a Keystone XL construction job is similar to the chance of being struck by lightning when considering the labor force.

Mr. TONKO. Well, I understand any of those jobs to be important but I sense that it is not the best path to follow if we rely on Keystone XL as the job creator. Let me put it into this context, CBO estimates that the sequester will cost 750,000 jobs this year alone. If this were really about jobs, we would not have gone forward with sequester. We could have passed our President's jobs bill in the last Congress. I believe we would be taking the advice of many economists and making infrastructure investments and energy investments that we need to support a modern economy as the best way to create jobs and advance a safe climate.

This project is not about jobs; it is about committing us to an oil-based economy for another 50 years or more. It is about committing us to serious disruption of our climate system, our agriculture, our fisheries, our coastlines, our water supplies. I believe that we don't have to choose. We can have it both ways. We can have safe climate and good jobs.

And I believe I am almost up but I would ask, Dr. Jaccard, with the right policies can we shift to low carbon energy and grow jobs at the same time?

Mr. JACCARD. Absolutely. When you look at independent analysis at MIT, University of Maryland, Stanford University, these are independent studies. We involve oil fossil fuel companies in the projects and in the work. We continuously show if you start now, a transition over many decades—doesn't mean shutting down production or coal mines or oil sands today—it means not expanding and transitioning towards cleaner energy, that that is a jobs future and it is a climate future as well.

Mr. TONKO. Thank you very much. Thank you Mr. Chairman.

Mr. WHITFIELD. The gentleman's time has expired. Well, that concludes today's hearing. Mr. Rush?

Mr. RUSH. Mr. Chairman, if I might with your indulgence. Mr. Chairman, I want to just kind of clarify a comment that you made earlier in the hearing where you referenced an article in the Economist and the reason that we don't need to worry about climate change.

Mr. WHITFIELD. I didn't say we didn't need to worry about climate change. I did reference the article in the Economist.

Mr. RUSH. I would like to clarify the article just a little bit more, Mr. Chairman. I think you are referencing a March 30 article which describes the correlation between mean global temperatures and greenhouse gas emissions. Mr. Chairman, I think you should read the entire article which explains that we are currently heading towards a temperature increase that would "be extremely damaging" with more areas affected by drought with up to 30 percent of species at greater risk of extinction, which will likely increase of intense hurricanes like super storm Sandy and with much higher sea levels.

You might also want to read the editorial in the Economist from the same date which advocates for our government policies to cut carbon pollution.

Finally, Mr. Chairman, if you want to look at an article in a scientific journal, nature climate change that came out just this week, the article explains this scientific issue and is about anything but comforting.

And I think, Mr. Chairman, this highlights the need to have a series of hearings, not just one hearing 2 years ago, but a series of hearings on climate change science so that this committee can better understand all the issues and better understand what is at stake. Thank you, Mr. Chairman, for your indulgence.

Mr. WHITFIELD. Well, you know I am delighted that you raised that issue and I really appreciate your referring everybody to this article. I think everyone should read this article. And all of us could pick out specific parts of this article to buttress the argument that we want to make, and there is no question about that. And that is why I think—for example, let me just read this: this is from the article. "Lastly, there is evidence that the natural non-man-made variability of temperatures may be somewhat greater than the international Panel on Climate Change has thought. A recent paper by a group of Chinese in the proceedings of the National Academy of Sciences links temperature changes from 1750 to natural changes such as sea temperatures in the Atlantic Ocean and suggests that the anthropogenic global warming trends might have been overestimated by a factor of two."

Now, we here today can't answer this question. And so I know that you all have asked—I mean we have had a lot of hearings on climate change, and it may make you feel good to know that this morning I talked to our staff and said, maybe we should have another hearing about it because the temperatures have been flat for 10 years according this article. And maybe we need to address the issue. And so I, for one, am perfectly happy to bring in scientists because this is an ongoing issue. Things are changing every day, every year, and I don't think any of us have all the answers. So I appreciate your raising the issue. And you have any other comments?

Mr. RUSH. No, Mr. Chairman, I would just like to know when will the hearing be scheduled? And I look forward to the hearing that would bring some scientists in so that we would stop getting opinions from industry officials and those who have a self-interest in it. Let us bring some scientists who can offer independent conclusions about climate change.

Mr. GRIFFITH. Mr. Chairman?

Mr. WHITFIELD. Yes.

Mr. GRIFFITH. Mr. Chairman, I just want to point out that while he may not call himself a scientist per se, Dr. Jaccard actually was a part of that team that received the Nobel Prize working on climate change——

Mr. WHITFIELD. Right.

Mr. GRIFFITH [continuing]. So he is no stranger to the issue.

Mr. WHITFIELD. Right.

Mr. GRIFFITH. So I do feel it is a mischaracterization to say that we only have industry folks coming in when we have a couple of scientists here today who take counter view——

Mr. WHITFIELD. Right.

Mr. GRIFFITH [continuing]. But also one who shared in a Nobel Prize.

Mr. WHITFIELD. And we have had a multitude of hearings on climate change over the last 5 years.

Mr. RUSH. Mr. Chairman, I really respect Dr. Jaccard and I respect his accomplishments but that doesn't nullify our request that we have a hearing specifically with scientists to discuss climate change, not Keystone but climate change itself and——

Mr. WHITFIELD. Well, they don't have to be mutually——

Mr. RUSH. If you want to invite Dr. Jaccard to come in to be a part of that panel, I have no objections to that. But the focus of it would be climate change and not Keystone.

Mr. WHITFIELD. Well, we are all——

Mr. RUSH [continuing]. Of which we are really deliberating not Keystone itself but whether or not this Congress is going to or wanting to jeopardize the international relationships between Canada and the U.S., whether or not we want to just hijack the process. And this committee will begin to just write international policy without the input of the Administration or the Secretary of State. That is what this hearing is about.

Mr. WHITFIELD. Well, we asked for agencies to send representatives to this hearing and they refused.

Mr. RUSH. But, Mr. Chairman, the nature and the subject of this hearing I want to be real clear is not climate change; it is Keystone.

Mr. WHITFIELD. Well, Keystone is very important. Isn't that right, Mr. Mallino?

Mr. MALLINO. Yes, sir.

Mr. RUSH. I am not in opposition that Keystone is very important. All right. But I don't want to see the process short-circuited by the actions of this committee in favor of this bill that is before us.

Mr. WHITFIELD. Well, I really appreciate you raising the issue, Mr. Rush.

Mr. RUSH. Well——

Mr. WHITFIELD. And you know we are very sensitive to your concerns. And I know that you and Mr. Waxman have written a number of letters, and we have a lot of issues to visit together, so thank you.

And once again I want to thank the members of the panel for being with us today. We appreciate all of your testimony and you responding to our questions. And we will keep the record open for 10 days in the event that some additional material that someone may want to offer.

And with that, we will conclude today's hearing and thank you once again. Today's hearing is concluded.

[Whereupon, at 12:43 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

Prolific U.S. Oil and Gas, West Texas Permian Basin

Big Sky PETROLEUM CORP.
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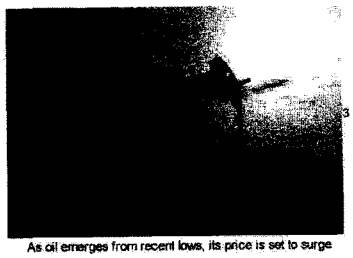
Take Our 2013 Audience Survey

PetroChina, Canada Ink Deal[1]

Tuesday September 1, 2009, 7:33am PDT

By Kishori Krishnan Exclusive To Crude Investing News[2]

PetroChina Company[4]'s $1.7 billion oil sands deal in Canada will sharpen its edge as a producer of heavy oil, and again underscores how access to credit is enabling Chinese companies to acquire overseas reserves.



As oil emerges from recent lows, its price is set to surge

PetroChina was chosen by closely held Athabasca Oil Sands Corp[5] as its joint venture partner after the Canadian firm realized it would be difficult to finance its MacKay River[6] and Dover oil sands[7] projects in Alberta province via equity markets.

It also impressed AOSC with its expertise in producing heavy oil — generally defined as having an American Petroleum Institute gravity of less than 22 degrees — in northeastern China.

Prices of light, sweet crude on the New York Mercantile Exchange are currently trading at half their peak hit in July last year. This has led some producers, including Royal Dutch Shell PLC[8], to postpone oil sands projects as they are capital-intensive and need crude futures above a certain threshold to be viable. US oil demand is also in the doldrums due to the global economic downturn, making it harder for producers to justify investments in new crude oil production.

While some suggest PetroChina's investment in Canadian oil sands is opportunistic, analysts say it offers China's largest-listed oil company several advantages.

PetroChina and parent China National Petroleum Corp[9] are building a position overseas in heavy oil output. CNPC is active in Venezuela's Orinoco heavy oil belt[10] and is mulling bids with France's Total SA[11] for two more oil blocks there, people familiar with the situation said in July.

On Monday, AOSC said a regulatory application for the first phase of the MacKay River project, representing an output of 35,000 barrels per day, is planned at the end of 2009. "We believe PetroChina's domestic heavy oil extraction experience in (the) Liaohe field could help in monetizing these trapped resources in these Alberta sands," said Gordon Kwan, head of energy research at Mirae Asset Securities.

Heavy oil is attractive to Chinese companies because it has lower commercial value than lighter grades. This means it can be purchased and run through refineries more cheaply when oil prices are high.

PetroChina may be betting on two long-dormant pipeline projects between Alberta and the Pacific Coast moving ahead so that equity oil can be shipped to its Chinese refineries.

Enbridge Inc[12]'s Northern Gateway Pipelines proposes to link oil sands to a deepwater port in Kitimat, British Columbia. Kinder Morgan Canada, a unit of Kinder Morgan Energy Partners LP, has a similar proposal, and says it can also expand its existing pipeline running west from Alberta.

Any of these projects could increase the share of oil sands production destined for Asia to about 15 per cent by the middle of the next decade, compared with 1 per cent today.

Crude news

US crude oil futures straddled narrowly near even early on Monday as traders weighed forecasts for a drawdown in crude stocks and a raft of economic data that could guide market sentiment for the day.

Early support for crude came from China, where the official purchasing managers index for August

reached a 16-month high,according to surveys released on Tuesday. Crude futures dropped sharply on Monday as a dive in Chinese equities spurred worries over oil demand and economic growth.

"Despite the sell-off, WTI's trading range remains intact, and downside support will not be taken out until we break below the $68.25 mark basis October and $66 basis October Brent," said Ed Meir, analyst at MF Global in New York. "Similarly, products have some ways to go before they too take out their short-term upchannels," Meir added.

On Tuesday, crude oil traded little changed near $70 a barrel on concern a slowdown in lending growth may derail a recovery in China, the world's second-largest energy user.

Oil fell 3.8 per cent on Monday, the biggest decline in two weeks, as Chinese equities led a global slump following a report that the nation's banks cut lending. China accounts for about a 10th of global crude oil use, according to BP Plc data.

"Worries about China translated into weakness in commodity prices, including the oil price," said David Moore[13], a commodity strategist at Commonwealth Bank of Australia Ltd in Sydney.

Crude oil for October delivery was at $70.08 a barrel, up 12 cents, in after-hours electronic trading on the New York Mercantile Exchange. Yesterday, the contract declined $2.78 to $69.96, the biggest drop since August 14. Prices have increased 57 per cent this year.

Crude supply

"Market supply is quite adequate to meet demand at the moment and that is one of the reasons why on a three-to-six month view we'll see the oil price retrace somewhat," Moore said. "By the end of the year we might be looking at an oil price in the low $60s."

An energy department report on September 2 will probably show that US crude-oil stockpiles declined[14] last week, a Bloomberg News survey showed. Supplies likely dropped 500,000 barrels from 343.8 million the prior week, according to the median of eight analyst responses in the survey.

Gasoline stockpiles probably fell 1.05 million barrels. Supplies of distillate fuel, including heating oil and diesel, probably increased 675,000 barrels, according to the survey. Inventories are near their highest since 1983.

Brent crude oil for October settlement was at $69.82 a barrel, up 17 cents, on the London-based ICE Futures Europe exchange. The contract declined $3.14, or 4.3 per cent.

All of what we are seeing today can be blamed on the Chinese stock-market selloff," said Tom Bentz[15], a senior energy analyst at BNP Paribas Commodity Futures Inc in New York. "The Chinese markets have helped support commodities. Price rises have been based on expectations of increased economic growth and demand in China."

Corporate affairs

OAO Rosneft[16] said second-quarter profit fell 63 per cent after crude prices tumbled and Russia's biggest oil producer had a foreign currency loss.

Net income dropped to $1.61 billion from $4.31 billion in the year-earlier period, the Moscow-based company said. Profit declined after Urals export prices in northwestern Europe fell 51 per cent to average $58.12 a barrel, according to state-run Rosneft, chaired by Deputy Prime Minister Igor Sechin[17].

A foreign exchange loss of $391 million as the ruble weakened against the dollar also depressed earnings.

"The only material difference from our expectations was a foreign exchange loss," Irina Elinevskaya an oil analyst at Renaissance Capital, said. "It's a one-off expense and we don't believe it had any influence on the underlying fundamentals of the company."

MegaWest Energy[18], the Canadian company that began producing oil in western Missouri last year is planning to restart its Missouri oil wells. Falling oil prices forced the company to suspend production jst a few months after it started, and the wells have been idle throughout 2009. Today, however, it looks like Missouri's oil belt will be back in business.

MegaWest got a $2.2 million investment[19] from two institutional investors in exchange for a 10 per cent stake in the Missouri wells. It says the money will enable it to restart operations.

Higher oil prices help, too – crude has risen to $70 a barrel from about $40 when the wells were shut down. The wildcatter's shares are rising on the news, but they're still down 72 per cent from a year ago.

Market Pulse

Canada approves PetroChina oil-sand investment

December 30, 2009 | Chris Oliver

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HONG KONG (MarketWatch)-- The Canadian government approved Tuesday PetroChina Co.'s (US:ptr)(HK:857) 1.9 billion Canadian dollar ($1.8 billion) bid to buy a majority stake in two Alberta oil-sands projects. Canada's Industry Minister Tony Clement said in a statement he was satisfied the investment is "likely to be of net benefit to Canada." The deal includes commitments by PetroChina on spending and investment, as well as job creation. The deal will give PetroChina majority control of the MacKay River and Dover oil-sands projects held by Athabasca Oil Sands Corp.

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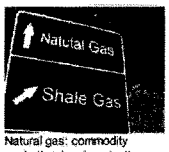

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PetroChina buys entire Alberta oilsands project

The Canadian Press

Posted: Jan 3, 2012 9:08 AM ET
Last Updated: Jan 3, 2012 6:52 PM ET

571

Athabasca Oil Sands Corp. has exercised its option to sell its remaining 40 per cent interest in the MacKay River oilsands project to a unit of Chinese oil giant PetroChina for about $680 million.

The deal, announced Tuesday, gives PetroChina full ownership of MacKay River project, one of the newest of northern Alberta's oilsands developments.

It continues a trend that has seen Chinese companies acquire miners, energy producers and other resources companies in Canada and around the world to secure future supplies of minerals, steel, oil and gas and other raw materials for its rapidly growing economy.

Athabasca had sold PetroChina a 60 per cent stake in the project last year.

Regulatory approval

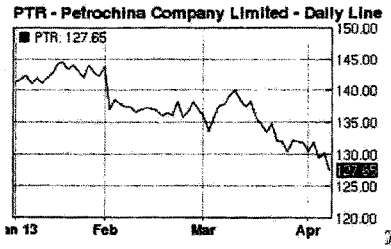
Two weeks ago, the Alberta Energy Resources Conservation Board and Alberta Environment and Water approved the project.

Athabasca said it decided to sell its remaining stake in MacKay River "because it believes the long-term prospects of the company are enhanced by deploying its capital and resources into its other development projects."

The Calgary company said it will save about $190 million in capital spending this year from the divestiture.

Sveinung Svarte, president and CEO, said that since the company sold control of the MacKay River project last year, it has grown and diversified and has other oil and gas prospects to develop.

"We added approximately three billion barrels of contingent resource (best estimate) through successful drilling and acquisitions, reaching approximately 10 billion barrels of contingent resources," he said.



Three-month stock chart for PetroChina. (CBC)

"We grew the resource base of the Hangingstone asset area, which the company estimates now has the potential to produce more than 80,000 barrels of bitumen per day. As a result, we accelerated the timing of development for this project and first production is expected in 2014.

Svarte said the company has also acquired more than 1.7 million acres of promising light oil and liquids-rich natural gas properties and is targeting targeting a production rate of 8,000 - 10,000 barrels of oil equivalent output a day by the end of this year.

Bill Gallacher, chairman of the Athabasca board, said the company plans to diversify its operations with more non-oilsands developments.

"Our strategy is to ultimately achieve approximately 50 per cent of our production from the company's oilsands division and the balance from the light oil division," he said. "We will use the proceeds from the option exercise to implement this strategy."

The $1.9-billion Athabasca-PetroChina deal last year also included the Dover project, which is expected to obtain regulatory approval about a year from now. Once it does, there will be an identical divestiture option.

The first phase of the MacKay River project is expected to produce 35,000 barrels per day, eventually expanding to 150,000 barrels. Construction of the project will begin next month with startup targeted for 2014.

It will use steam-assisted gravity drainage, or SAGD, technology to extract bitumen. Under SAGD, oilsands companies pipe steam underground to melt thick tar-like oilsands deposits. The oil is then collected through a second pipeline and pumped to the surface.

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H. R. 3

To approve the construction, operation, and maintenance of the Keystone XL pipeline, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 15, 2013

Mr. TERRY (for himself, Mr. MATHESON, Mr. UPTON, Mr. BARROW of Georgia, Mr. WHITFIELD, Mr. BACHUS, Mr. BARTON, Mr. BILIRAKIS, Mr. BISHOP of Utah, Mrs. BLACKBURN, Mr. BONNER, Mr. BOUSTANY, Mr. BRIDENSTINE, Mr. BROUN of Georgia, Mr. BUCSHON, Mr. BROOKS of Alabama, Mr. BURGESS, Mrs. CAPITO, Mr. CARTER, Mr. CASSIDY, Mr. CHABOT, Mr. COBLE, Mr. CONAWAY, Mr. CRAMER, Mr. CRAWFORD, Mr. CULBERSON, Mr. DAINES, Mr. RODNEY DAVIS of Illinois, Mr. DUNCAN of South Carolina, Mrs. ELLMERS, Mr. FINCHER, Mr. FLORES, Mr. FRANKS of Arizona, Mr. GOHMERT, Mr. GARDNER, Mr. GINGREY of Georgia, Ms. GRANGER, Mr. GRAVES of Missouri, Mr. GRIFFIN of Arkansas, Mr. GRIFFITH of Virginia, Mr. GUTHRIE, Mr. HARPER, Mr. HARRIS, Mr. HUELSKAMP, Mr. HUIZENGA of Michigan, Mr. HUNTER, Mr. JOHNSON of Ohio, Mr. KINZINGER of Illinois, Mr. LANCE, Mr. LATTA, Mr. LONG, Mr. LUETKEMEYER, Mrs. LUMMIS, Mr. MARCHANT, Mr. MCCAUL, Mr. MCHENRY, Mr. MCKINLEY, Mr. MEEHAN, Mr. MURPHY of Pennsylvania, Mr. MULLIN, Mr. MULVANEY, Mrs. NOEM, Mr. NUNES, Mr. OLSON, Mr. PEARCE, Mr. PITTS, Mr. POE of Texas, Mr. RIBBLE, Mrs. MCMORRIS RODGERS, Mr. ROGERS of Michigan, Mr. SCALISE, Mr. SHIMKUS, Mr. SHUSTER, Mr. STIVERS, Mr. THOMPSON of Pennsylvania, Mr. WALDEN, Mrs. WALORSKI, Mr. WEBER of Texas, Mr. WESTMORELAND, Mr. WOMACK, Mr. YOUNG of Florida, Mr. COFFMAN, Mr. BENTIVOLIO, and Ms. FOXX) introduced the following bill; which was referred to the Committee on Transportation and Infrastructure, and in addition to the Committees on Energy and Commerce and Natural Resources, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To approve the construction, operation, and maintenance of the Keystone XL pipeline, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Northern Route Ap-
5 proval Act".

6 **SEC. 2. FINDINGS.**

7 The Congress finds the following:

8 (1) To maintain our Nation's competitive edge
9 and ensure an economy built to last, the United
10 States must have fast, reliable, resilient, and envi-
11 ronmentally sound means of moving energy. In a
12 global economy, we will compete for the world's in-
13 vestments based in significant part on the quality of
14 our infrastructure. Investing in the Nation's infra-
15 structure provides immediate and long-term eco-
16 nomic benefits for local communities and the Nation
17 as a whole.

18 (2) The delivery of oil from Canada, a close ally
19 not only in proximity but in shared values and
20 ideals, to domestic markets is in the national inter-
21 est because of the need to lessen dependence upon
22 insecure foreign sources.

1 (3) The Keystone XL pipeline would provide
2 both short-term and long-term employment opportu-
3 nities and related labor income benefits, such as gov-
4 ernment revenues associated with taxes.
5 (4) The State of Nebraska has thoroughly re-
6 viewed and approved the proposed Keystone XL
7 pipeline reroute, concluding that the concerns of Ne-
8 braskans have had a major influence on the pipeline
9 reroute and that the reroute will have minimal envi-
10 ronmental impacts.
11 (5) The Department of State and other Federal
12 agencies have over a long period of time conducted
13 extensive studies and analysis of the technical as-
14 pects and of the environmental, social, and economic
15 impacts of the proposed Keystone XL pipeline.
16 (6) The transportation of oil via pipeline is the
17 safest and most economically and environmentally
18 effective means of doing so.
19 (7) The Keystone XL is in much the same posi-
20 tion today as the Alaska Pipeline in 1973 prior to
21 congressional action. Once again, the Federal regu-
22 latory process remains an insurmountable obstacle
23 to a project that is likely to reduce oil imports from
24 insecure foreign sources.

1 **SEC. 3. KEYSTONE XL PERMIT APPROVAL.**

2 Notwithstanding Executive Order No. 13337 (3
3 U.S.C. 301 note), Executive Order No. 11423 (3 U.S.C.
4 301 note), section 301 of title 3, United States Code, and
5 any other Executive order or provision of law, no Presi-
6 dential permit shall be required for the pipeline described
7 in the application filed on May 4, 2012, by TransCanada
8 Keystone Pipeline, L.P. to the Department of State for
9 the Keystone XL pipeline, as supplemented to include the
10 Nebraska reroute evaluated in the Final Evaluation Re-
11 port issued by the Nebraska Department of Environ-
12 mental Quality in January 2013 and approved by the Ne-
13 braska governor. The final environmental impact state-
14 ment issued by the Secretary of State on August 26, 2011,
15 coupled with the Final Evaluation Report described in the
16 previous sentence, shall be considered to satisfy all re-
17 quirements of the National Environmental Policy Act of
18 1969 (42 U.S.C. 4321 et seq.) and of the National His-
19 toric Preservation Act (16 U.S.C. 470 et seq.).

20 **SEC. 4. JUDICIAL REVIEW.**

21 (a) EXCLUSIVE JURISDICTION.—Except for review by
22 the Supreme Court on writ of certiorari, the United States
23 Court of Appeals for the District of Columbia Circuit shall
24 have original and exclusive jurisdiction to determine—

25 (1) the validity of any final order or action (in-
26 cluding a failure to act) of any Federal agency or of-

1 ficer with respect to issuance of a permit relating to
2 the construction or maintenance of the Keystone XL
3 pipeline, including any final order or action deemed
4 to be taken, made, granted, or issued;
5 (2) the constitutionality of any provision of this
6 Act, or any decision or action taken, made, granted,
7 or issued, or deemed to be taken, made, granted, or
8 issued under this Act; or
9 (3) the adequacy of any environmental impact
10 statement prepared under the National Environ-
11 mental Policy Act of 1969 (42 U.S.C. 4321 et seq.),
12 or of any analysis under any other Act, with respect
13 to any action taken, made, granted, or issued, or
14 deemed to be taken, made, granted, or issued under
15 this Act.
16 (b) DEADLINE FOR FILING CLAIM.—A claim arising
17 under this Act may be brought not later than 60 days
18 after the date of the decision or action giving rise to the
19 claim.
20 (c) EXPEDITED CONSIDERATION.—The United
21 States Court of Appeals for the District of Columbia Cir-
22 cuit shall set any action brought under subsection (a) for
23 expedited consideration, taking into account the national
24 interest of enhancing national energy security by providing

1 access to the significant oil reserves in Canada that are
2 needed to meet the demand for oil.

3 **SEC. 5. AMERICAN BURYING BEETLE.**

4 (a) FINDINGS.—The Congress finds that—

5 (1) environmental reviews performed for the
6 Keystone XL pipeline project satisfy the require-
7 ments of section 7 of the Endangered Species Act of
8 1973 (16 U.S.C. 1536(a)(2)) in its entirety; and

9 (2) for purposes of that Act, the Keystone XL
10 pipeline project will not jeopardize the continued ex-
11 istence of the American burying beetle or destroy or
12 adversely modify American burying beetle critical
13 habitat.

14 (b) BIOLOGICAL OPINION.—The Secretary of the In-
15 terior is deemed to have issued a written statement setting
16 forth the Secretary's opinion containing such findings
17 under section 7(b)(1)(A) of the Endangered Species Act
18 of 1973 (16 U.S.C. 1536(b)(1)(A)) and any taking of the
19 American burying beetle that is incidental to the construc-
20 tion or operation and maintenance of the Keystone XL
21 pipeline as it may be ultimately defined in its entirety,
22 shall not be considered a prohibited taking of such species
23 under such Act.

1 **SEC. 6. RIGHT-OF-WAY AND TEMPORARY USE PERMIT.**

2 The Secretary of the Interior is deemed to have
3 granted or issued a grant of right-of-way and temporary
4 use permit under section 28 of the Mineral Leasing Act
5 (30 U.S.C. 185) and the Federal Land Policy and Man-
6 agement Act of 1976 (43 U.S.C. 1701 et seq.), as set forth
7 in the application tendered to the Bureau of Land Man-
8 agement for the Keystone XL pipeline.

9 **SEC. 7. PERMITS FOR ACTIVITIES IN NAVIGABLE WATERS.**

10 (a) ISSUANCE OF PERMITS.—The Secretary of the
11 Army, not later than 90 days after receipt of an applica-
12 tion therefor, shall issue all permits under section 404 of
13 the Federal Water Pollution Control Act (33 U.S.C. 1344)
14 and section 10 of the Act of March 3, 1899 (33 U.S.C.
15 403; commonly known as the Rivers and Harbors Appro-
16 priations Act of 1899), necessary for the construction, op-
17 eration, and maintenance of the pipeline described in the
18 May 4, 2012, application referred to in section 3, as sup-
19 plemented by the Nebraska reroute. The application shall
20 be based on the administrative record for the pipeline as
21 of the date of enactment of this Act, which shall be consid-
22 ered complete.

23 (b) WAIVER OF PROCEDURAL REQUIREMENTS.—The
24 Secretary may waive any procedural requirement of law
25 or regulation that the Secretary considers desirable to
26 waive in order to accomplish the purposes of this section.

1 (c) ISSUANCE IN ABSENCE OF ACTION BY THE SEC-
2 RETARY.—If the Secretary has not issued a permit de-
3 scribed in subsection (a) on or before the last day of the
4 90-day period referred to in subsection (a), the permit
5 shall be deemed issued under section 404 of the Federal
6 Water Pollution Control Act (33 U.S.C. 1344) or section
7 10 of the Act of March 3, 1899 (33 U.S.C. 403), as appro-
8 priate, on the day following such last day.

9 (d) LIMITATION.—The Administrator of the Environ-
10 mental Protection Agency may not prohibit or restrict an
11 activity or use of an area that is authorized under this
12 section.

13 **SEC. 8. MIGRATORY BIRD TREATY ACT PERMIT.**

14 The Secretary of the Interior is deemed to have
15 issued a special purpose permit under the Migratory Bird
16 Treaty Act (16 U.S.C. 703 et seq.), as described in the
17 application filed with the United States Fish and Wildlife
18 Service for the Keystone XL pipeline on January 11,
19 2013.

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