

**BOGUS KEYSTONE
CONTROVERSY:
Fabrication of Green Politics**

Marlo Lewis, Ph.D.

Senior Fellow

Competitive Enterprise Institute

Marlo.lewis@cei.org; 202-331-2267

Jan. 24, 2017

Keystone XL obviously in national interest

- Do modern commerce and transport chiefly run on petroleum-based products?
- Are pipelines the most economical and safe way to transport large volumes of petroleum?
- Is Canada our staunch ally and biggest trading partner?
- Is Canada already the largest single source of U.S. petroleum imports?
- Would the KXL enhance the efficiency of oil transport from Canada to U.S. markets?
- Would the KXL support tens of thousands of American jobs and add billions to the GDP during the construction period?
- Would all the financing be private and not cost taxpayers a dime?

So how could building the KXL not be in the national interest?

Keystone System Operational & Proposed



Three phases complete, fourth (KXL) awaiting U.S. government approval.

Phase I: Hardisty, Alberta, to Steele City, Nebraska, and Patoka/Wood River, Illinois, completed in summer of 2010.

Phase II: Steele City to Cushing Oklahoma, completed in February 2011.

Phase III: Gulf Coast Extension, Cushing to Houston and Port Arthur, Texas, operational Jan. 2014.

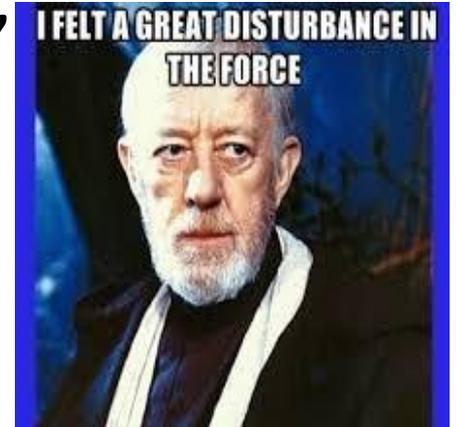
Proposed Phase IV (KXL): Hardisty, Alberta to Steele City, replacing most of existing phase I pipeline.

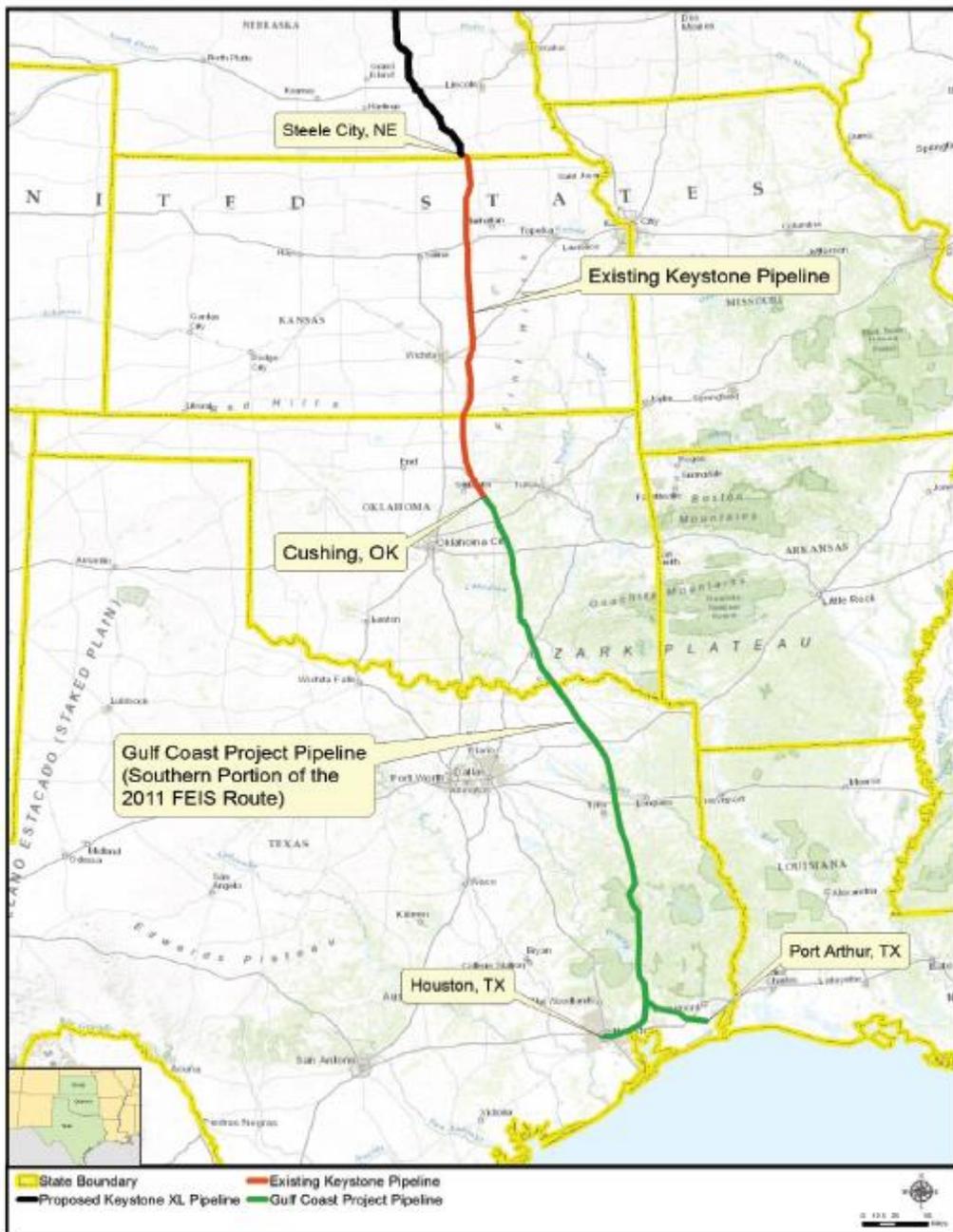
Application pending since Sept. 2009.

Much of Keystone System Approved & Built

And yet . . .

- The earth did not shake.
- The sky didn't fall.
- No one felt a “great disturbance in the Force . . . as if millions of voices suddenly cried out in terror and were suddenly silenced.”





Latest Phase to be completed: Gulf Coast Project (green line on map)

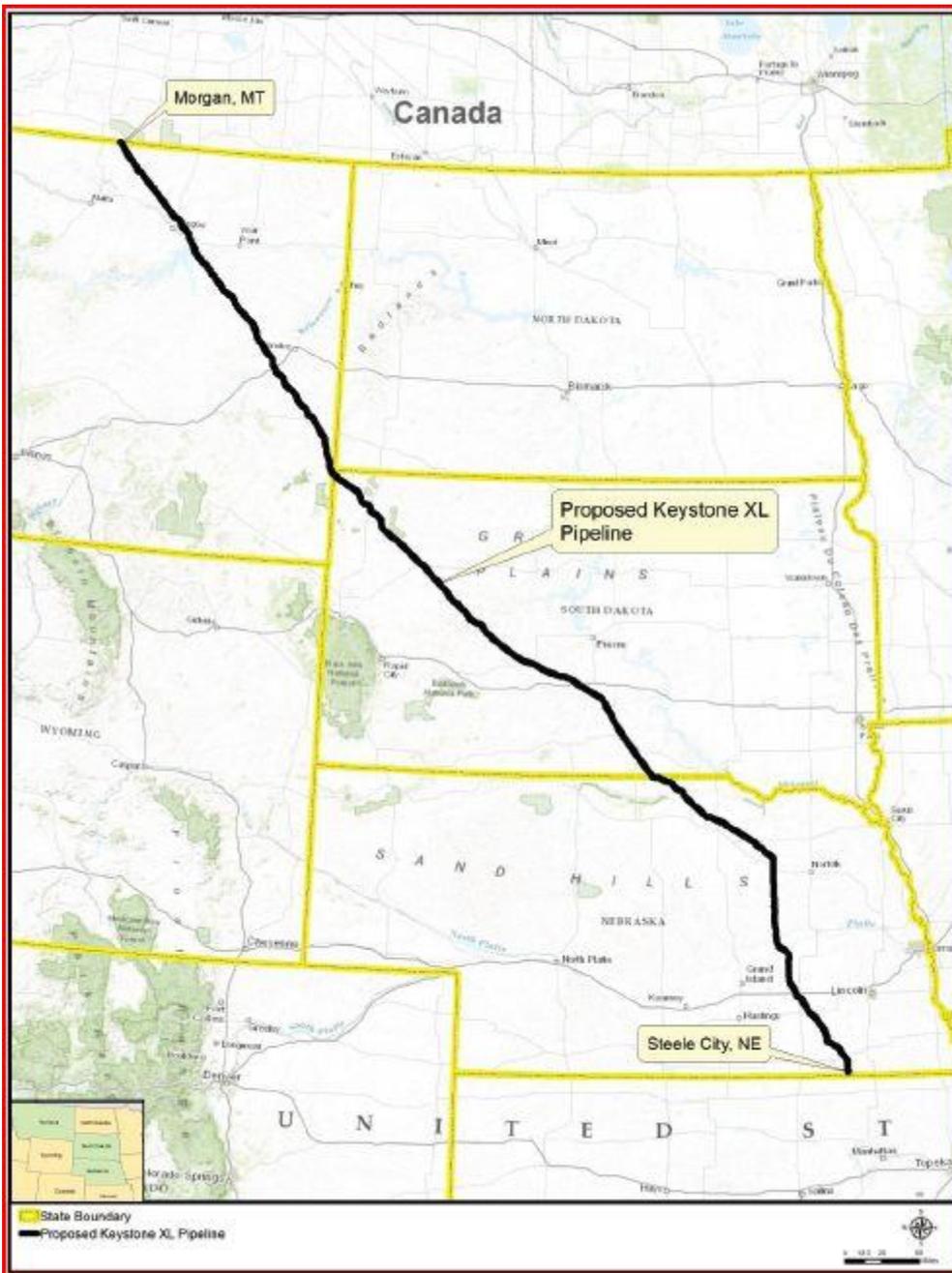
Begun Aug. 2012, operational Jan. 2014

Has it harmed the people of Oklahoma and Texas?

Figure ES-2 Gulf Coast Project Route

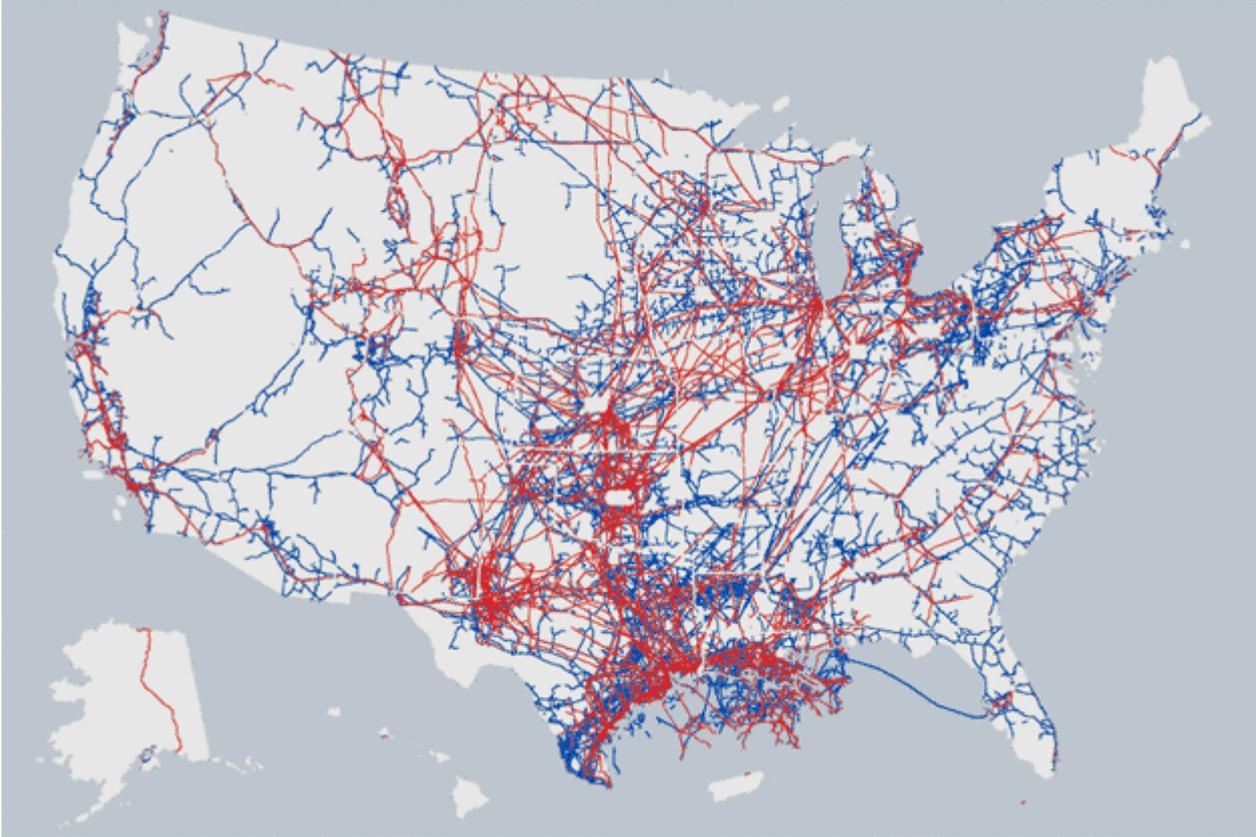
IER Study finds . . .

- TransCanada invested \$2.3 billion to build the 485-mile pipeline connecting the crude oil storage hub in Cushing with refineries along the Gulf Coast.
- Created 5,000 jobs for construction workers.
- All told, Gulf Coast Pipeline brought \$2.1 billion to the Oklahoma economy and \$72 million to its local tax coffers, and \$3.6 billion to the Texas economy.
 - Source: Institute for Energy Research, [States Already Benefiting from Southern Leg of Keystone](#), July 8, 2014



Proposed Phase IV Keystone XL route: ~ 875 miles

U.S. Oil & Gas Pipeline Network



Existing U.S. oil & gas pipeline network ~ 2.5 million miles.

How could adding another 875 miles push the pipeline network over some kind of national interest 'tipping point,' imperiling the economy or ecology of the U.S.?

Why Is State Department Even Involved?

- State is lead agency for one reason only — KXL originates in a foreign country, making it an issue of international relations.
- Since that country is Canada, rejection of the pipeline risks damaging relations with our staunch ally. How could that serve the national interest?

What Is U.S.-Canadian Border, Anyway?

- The boundary is “an impossibly thin membrane, phenomenal in length and height, but with no width.” – [Brian Ballantyne](#) (advisor, Border Commission)
- By what occult power does crossing that “impossibly thin” line transmute otherwise mundane pipe into an ominous threat to the national interest?
- The Left’s demonization of the KXL is a reversion to magical thinking of pre-scientific ages.

Keystone foes would say I'm ignoring the elephant in the elevator: **Climate Change**

- Jimmy Carter and nine other Nobel Peace Prize Winners, [Letter to Obama & Kerry](#) (April 2014), asserting rejection of KXL would:
 1. “have meaningful and significant impacts in reducing carbon pollution,”
 2. “pivot our societies away from fossil fuels and towards smarter, safer and cleaner energy,” and
 3. “signal a new course for the world’s largest economy.”

Wrong On All Counts

- As Cato Institute scientist [Chip Knappenberger](#) shows, using EPA climate sensitivity estimates, even if we make the totally unrealistic assumption that all Keystone crude is additional petroleum that would otherwise remain in the ground, running the pipeline at full capacity for *1,000 years* would add *less than 1/10th of one degree Celsius* to global warming.
- Climatologically, Keystone XL is irrelevant.

Nobels Claim KXL Is the “Linchpin” of Canadian Oil Sands Development – Hence . . .

- Approval would commit the U.S. & world to a “dangerous” development path, while rejecting it would “pivot” the world to a cleaner path.
- Time for a restatement of the obvious.
- The U.S. economy is in the midst of a [revolution in unconventional oil and gas](#), and the global appetite for fossil fuels is [growing by leaps and bounds](#).
- Oil sands development is driven by basic economic and technological realities. It does not hinge on a political decision about one infrastructure project.
- The Nobels’ conceit that Obama and Kerry are literally deciding the future of global energy and climate is more magical thinking.

Nobels deride as a “myth” the argument that rejecting KXL will just increase rail transport of Canadian crude

- State’s 2011 Final Environmental Impact Statement (FEIS) and 2013 Draft Supplemental Environmental Impact Statement (DSEIS) anticipated rail transport as a “future possibility” if Obama rejects KXL.
- State’s Jan. 31, 2014 Final SEIS finds rail transport already occurring in “substantial volumes.”
- Specifically ([Chapter 4: Market Analysis](#)): From January 2011 through November 2013, rail transport of Canadian crude to U.S. refineries increased from *practically zero* barrels per day (bpd) to *180,000 bpd*.

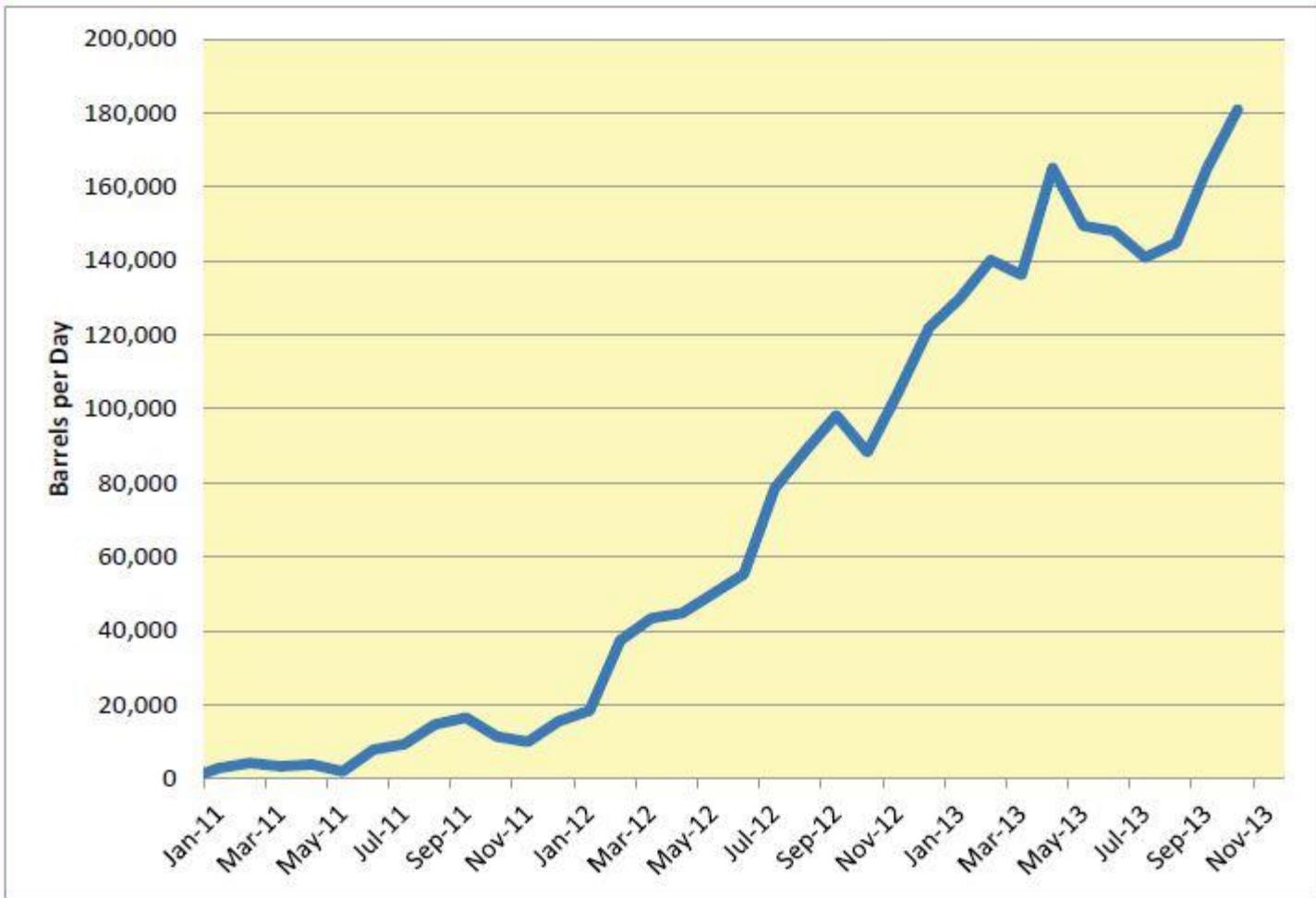
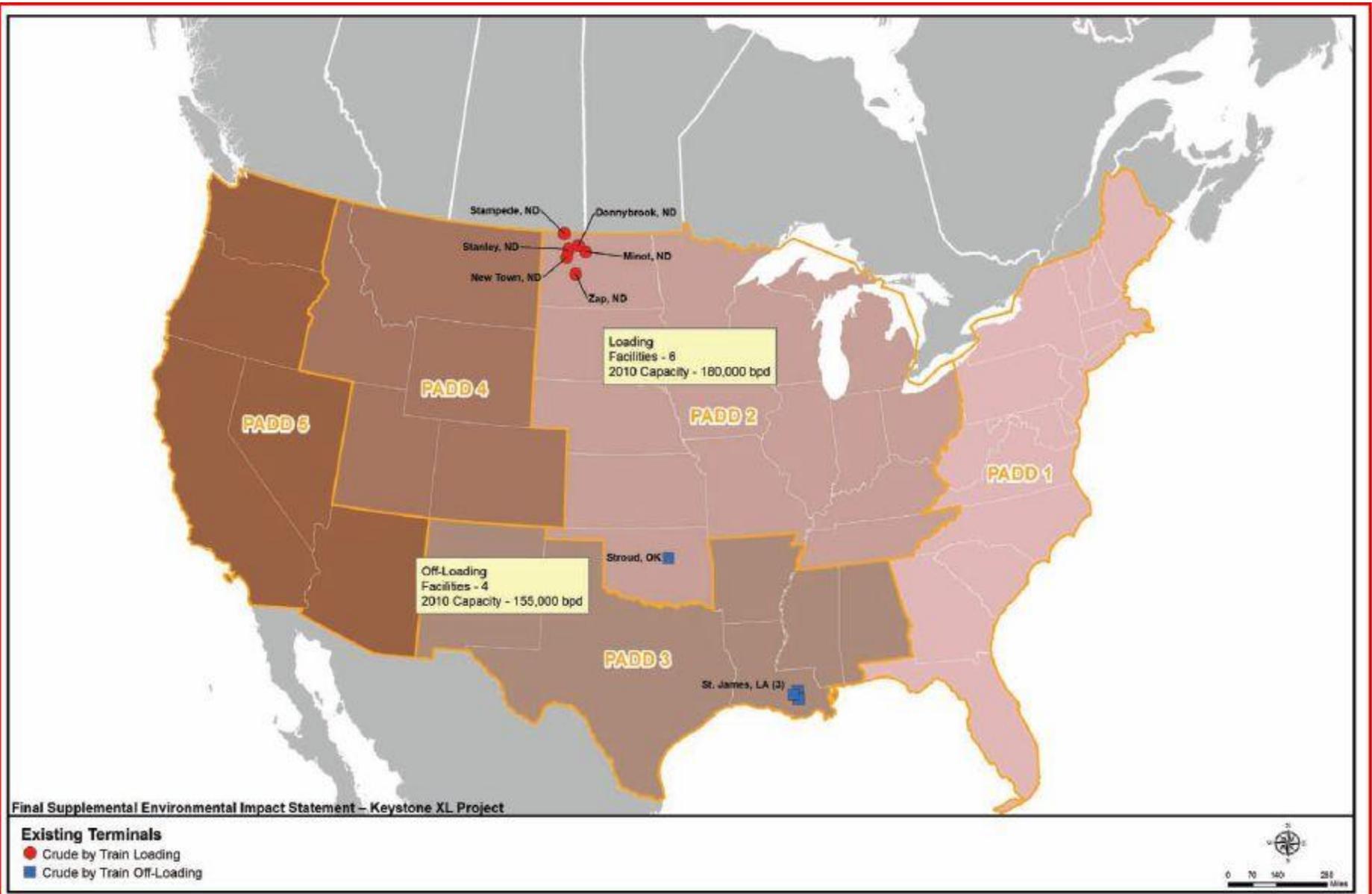


Figure ES-6 Estimated Crude Oil Transported by Rail from WCSB, bpd

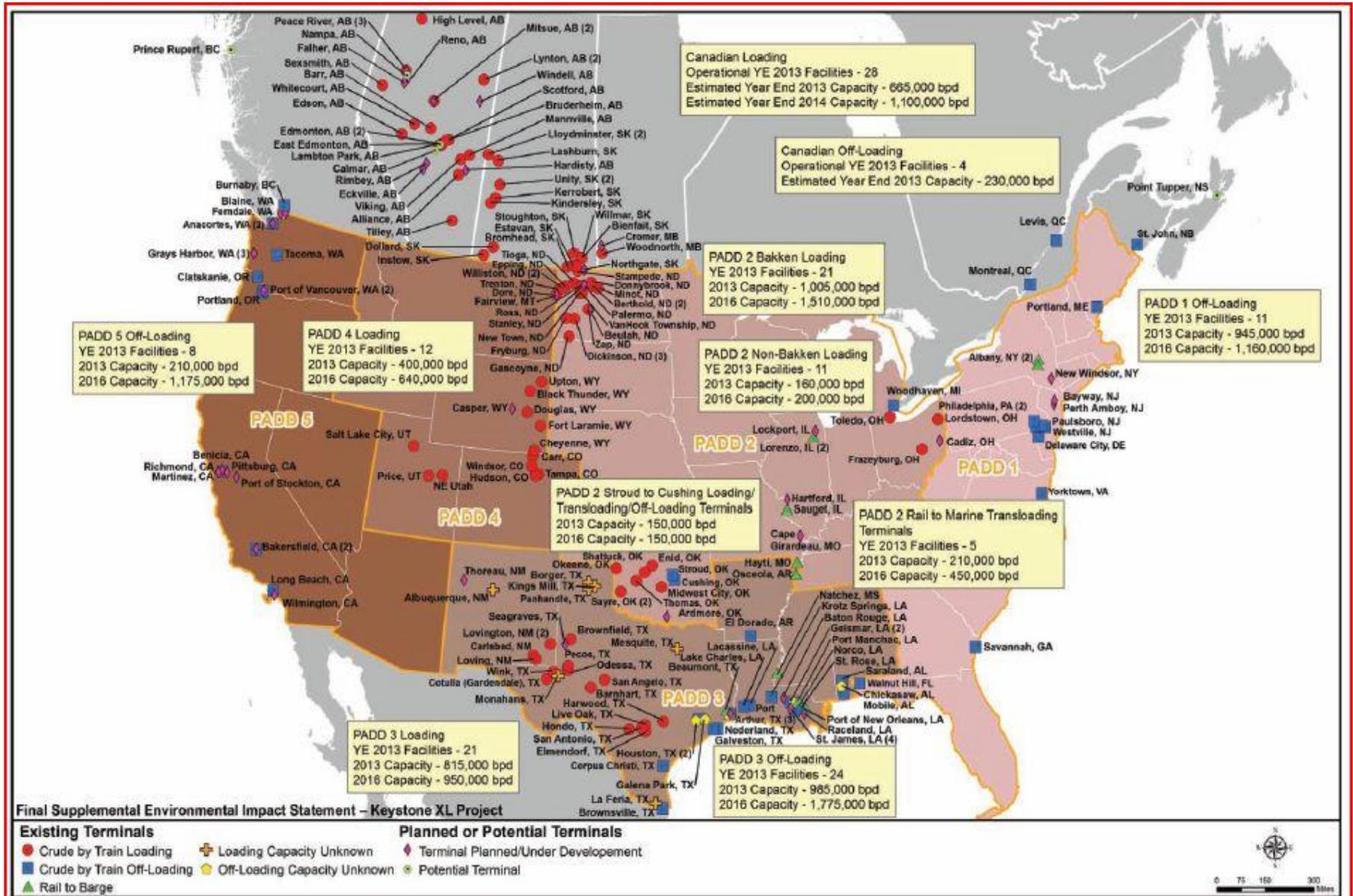
Market Is Improvising Around Obama's Deny-by-Delay Tactics

- Construction of rail loading facilities for oil transport has been fast & furious.
- Completed KXL would have the capacity to deliver ~830,000 bpd of crude oil. Rail-loading facilities in Western Canadian Sedimentary Basin are already “estimated to have a capacity of approximately 700,000 bpd of crude oil, and by the end of 2014, this will likely increase to more than 1.1 million bpd.” – FSEIS
- See next two slides comparing Dec. 2010 & Dec. 2013 rail infrastructure for transport of Canadian oil.

Rail infrastructure Dec. 2010



Rail Infrastructure Dec. 2013



After Years of Death-by-Delay, Obama Rejects KXL

- On November 6, 2015, President Obama rejected KXL:
 - “America is now a global leader when it comes to taking serious action to fight climate change, and frankly, approving this project would have undercut that leadership.”
- Really! KXL was the low-carbon option (see slide 21, below).
- Did Obama really believe success in the Paris climate treaty negotiations hinged on rejecting the KXL?
- Or was he just waging war on the fossil fuel industry?
- The irony is complete—Trump won the White House partly by campaigning for Keystone and against Paris.



-- Buck Murdoch, Commander, Moonbase Alpha Beta, Airplane II

Blocking KXL Will Actually Increase GHG Emissions

If permission to build the KXL is denied, U.S. refiners will still import almost as much Canadian oil, they'll just get it by less efficient modes of delivery: rail, barge, and smaller pipelines. Total annual emissions associated with those alternative modes are *28% to 42% higher* than those associated with Keystone XL. -- FSEIS

Table ES-6 Annual Greenhouse Gas Emissions from Crude Transport (from Hardisty/Lloydminster, Alberta, to the Gulf Coast Area) Associated with the Proposed Project and Alternatives (per 100,000 bpd)

	Overall Proposed Project Route ^a	Overall 2011 Steele City Segment Alternative Route ^b	Overall I-90 Corridor Alternative Route ^c	No Action Rail/Pipeline Scenario	No Action Rail/Tanker Scenario	No Action Rail Direct to the Gulf Coast Scenario
Operation (direct and indirect)—Transportation, Not Extraction						
MTCO ₂ e/Year per 830,000 bpd	3,123,859	3,123,844	3,211,946	4,428,902	4,364,611	3,991,472
MTCO ₂ e/Year per 100,000 bpd	376,369	376,367	386,981	533,603	525,857	480,900
% Difference from Proposed Project	NA	0.0%	2.8%	41.8%	39.7%	27.8%

Blocking KXL Will Actually Increase Oil Spill Risk

Spills along the full route (Canada to Gulf Coast) of the proposed project are estimated to total 518 barrels per year – *much less* than the 1,227 to 4,633 barrels per year estimated for the alternative scenarios.

Table ES-7 Potential Releases Impacts (Full Pathway) Associated with the Proposed Project and Alternatives

	Overall Proposed Project Route ^a	Overall 2011 Steele City Segment Alternative Route ^b	Overall I-90 Corridor Alternative Route ^c	No Action Rail/Pipeline Scenario	No Action Rail/Tanker Scenario	No Action Rail Direct to the Gulf Coast Scenario	
						Option 1 ^e	Option 2 ^e
Miles for Transport (Overall Route)	1,938	1,917	1,990	3,902	14,014	4,624	5,375
Releases per Year ^{d,e}	0.46	0.46	0.48	294	276	383	455
Barrels Released per Year ^f	518	513	533	1,227	4,633	1,335	1,606

Keystone Foes: Biting the Hand that Feeds

- The lifestyles of Nobel Laureates like Al Gore and Jimmy Carter and anti-Keystone crusaders like Bill McKibben are among the most oil-fueled in the world.
- Their actions mock their words.
- [Stephen Colbert to McKibben](#): “You’re from Vermont? Did you ride your bicycle down here? Did you ride ox cart? How did you get down here? Or do you have a vehicle that runs on hypocrisy?”
- Touché! Let’s unpack the implications.
 - If even professional preachers of the eco-apocalypse need oil, then ordinary folks do too.
 - And if oil is an essential commodity, it should be brought to market by the safest and most efficient means.
 - In the case of Canadian crude, that best delivery option is the KXL.

Why Can't Keystone Foes Wrap their Heads around that Simple Logic?



Time Line of Delay (Source: [WSJ](#))

Sept. 19, 2008

- TransCanada files its first application to the State Department for a cross-border permit.

Oct. 15, 2010

- Then-Secretary of State Hillary Clinton said the administration was “inclined” to approve the pipeline, comments which galvanized environmentalists to protest the project.

Aug. 26, 2011

- The State Department releases its first final environmental review of the project, concluding that it wouldn't add significant amounts of greenhouse gas emissions to the atmosphere.

Nov. 10, 2011

- Citing environmental concerns over the pipeline's route in Nebraska, President Barack Obama says a final decision on the pipeline won't come until after the 2012 presidential election because a new route must be selected.

Dec. 23, 2011

- Mr. Obama signs into law legislation that requires he make a decision on the pipeline within 60 days.

Jan. 18, 2012

- Mr. Obama formally rejects TransCanada's permit, blames congressional Republicans for forcing his hand and signals that the company should apply for another permit.

Time Line of Delay continued

May 4, 2012

- TransCanada re-applies for the State Department permit, restarting the regulatory review process for a second time.

June 25, 2013

- Drawing a new line in the sand, Mr. Obama says he will only approve the pipeline if it doesn't "significantly exacerbate" climate change.

Jan. 31, 2014

- The State Department releases its final environmental impact statement, finding—as the previous one did—that the pipeline would not significantly exacerbate climate change.

Feb. 19, 2014

- A district court judge in Nebraska declares the law that allowed for the pipeline's route through the state unconstitutional. It's now awaiting review at the Nebraska Supreme Court.

April 18, 2014

- The State Department announces it is indefinitely extending the inter-agency review of the pipeline, citing ongoing litigation over a Nebraska law that allowed the pipeline's route through the state.