

Charles T. Drevna
President



National Petrochemical & Refiners Association

1667 K Street, NW
Suite 700
Washington, DC
20006

202.457.0480 voice
202.457.0486 fax
cdrevna@npra.org

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

Subject: Comments on the U.S. Department of State's National Interest Determination for the proposed TransCanada Keystone XL Pipeline Project

Dear Secretary Clinton:

NPRA, the National Petrochemical & Refiners Association, is pleased to provide comments on the U.S. Department of State's National Interest Determination according to U.S. Executive Order 13337 for the Keystone XL pipeline project.

Please see the attachment for NPRA's discussion of this issue.

Thank you again for allowing NPRA to provide comments in support of the Keystone XL pipeline. If you have any additional questions, please do not hesitate to contact me or my staff at 202-457-0480.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Drevna", is written over a light gray rectangular background.

Charles T. Drevna

Attachment



Comments of the National Petrochemical & Refiners Association on the U.S. Department of State's National Interest Determination of TransCanada's Proposed Keystone XL Pipeline Project.

NPRA, the National Petrochemical & Refiners Association, welcomes the opportunity to submit comments in support of the Keystone XL pipeline project to help inform the U.S. Department of State as it makes its determination on why this project would serve in the United States national interest. The Keystone XL pipeline project proposed by TransCanada would provide significant benefits to the United States economy, create real jobs, strengthen energy security and U.S. supply, have limited adverse environmental impact, reduce transportation costs via safe pipelines, and build upon the stable relationship between Canada and the United States.

NPRA is a trade association representing high-tech American manufacturers of virtually the entire U.S. supply of gasoline, diesel, jet fuel, other fuels and home heating oil, as well as the petrochemicals used as building blocks for thousands of vital products in daily life. Because energy supply is of high importance to NPRA and its members, we strongly support the Keystone XL pipeline.

Limited Adverse Environmental Impacts

NPRA agrees with the conclusion of the State Department's Environmental Impact Statement (SDEIS), which states that the Keystone XL pipeline project contains appropriate measures and safeguards to mitigate any potential negative environmental impacts that could arise from the pipeline. In the final EIS, the U.S. Department of State found the Keystone XL pipeline project will have "limited adverse environmental impacts" during construction and operation.¹

In addition, failure to approve construction of the Keystone XL pipeline could actually increase greenhouse gas emissions. Canadian government officials are on record saying that oil sands derived crude oil will be sold to overseas markets if it is not sold to the U.S. The SDEIS notes that a Barr Engineering study from last year concluded policies limiting oil sands crude used in the U.S. would only cause Canadian producers to ship their product to Asian markets, such as China.² The Barr study shows that preventing American refineries from importing petroleum obtained from oil sands would result in the U.S. importing more oil in tankers from the Middle East and elsewhere, increasing the carbon footprint. At the same time, the Canadian oil would be shipped in tankers across the Pacific to China and other Asian locations. The Barr study calls this long-distance movement of oil thousands of miles around the world in tankers a "shuffle"

¹ U.S. Department of State. "*Final Environmental Impact Statement for Keystone XL Project*", August 26, 2011.

² U.S. Department of State. "*Supplemental Draft Environmental Impact Statement for Keystone XL Project*", April 22, 2011, 3-187.



that would result in higher carbon dioxide emissions than simply extracting the Canadian petroleum from the oil sands for U.S. consumption, due to emissions created by shipping the oil such great distances.³ Therefore, the Keystone XL pipeline is a better choice for ensuring a limited adverse impact on the environment.

Strengthens U.S. Energy Security and U.S. Supply

The energy security problem facing the United States is the direct result of both a concentration of reserves in unstable regions of the world, but also our nation's inability to produce more of our own oil domestically due to government restrictions. NPRA supports completion of the Keystone XL pipeline that would strengthen U.S. energy security and supply by maintaining adequate crude oil supplies for U.S. refiners from Canada, a stable, friendly and reliable North American neighbor.

Although the U.S. oil market cannot be isolated from price shifts in the world market, history has shown that adding new supplies of crude oil to the world market mitigates cost volatility. With immense reserves of over 175 billion barrels, Canada has the second-largest oil reserves in the world and represents one of the most promising new supply sources.

Canada is the largest supplier of oil to the U.S, providing nearly 2 million barrels per day. The proposed Keystone XL pipeline would allow us to increase imports from our North American ally by more than 500,000 barrels of oil per day. By allowing U.S. refiners to use more Canadian supply, the U.S. would decrease its reliance on oil imports from unstable regions of the world, making our nation less vulnerable to possible disruptions in supply.

According to the Energy Policy Research Foundation, the United States has the most complex refining capital structure in the world.⁴ This capital structure operates most efficiently under conditions in which heavier crudes are in adequate supply. Falling production from Mexico and Venezuela has reduced heavy crude supplies throughout North America and led to less efficient and more costly refinery operations. Expanding the supply of heavy crudes from Canada will make up for the reduction in production from Mexico and Venezuela. Many U.S. refiners, particularly in the Gulf Coast region long ago made expensive upgrades to complex facilities that favor heavy oil. Therefore, there will be greater efficiency in the production of fuels at refinery operations by matching heavier crudes from Canada to these complex U.S. refineries.

Additionally, according to the Energy Policy Research Foundation, the Keystone XL pipeline combined with an existing pipeline would bring more than 1.1 million barrels of oil per day to

³ Barr Engineering Study. "Low Carbon Fuel Standard "Crude Shuffle" Greenhouse Gas Impacts Analysis", June 2010.

⁴ Energy Policy Research Foundation, Inc. "The Value of the Canadian Oil Sands to the United States: An Assessment of the Keystone Proposal to Expand Oil Sands Shipments to Gulf Coast Refiners." November 2010.



the U.S. from Canadian oil sands through the Keystone pipeline system.⁵ There is also the potential for new supplies from the Bakken and Williston formations in North Dakota, Wyoming, and Montana that would offer considerable expansion of North American supplies.

Stimulates U.S. Economic and Job Growth

The Keystone XL pipeline will also create significant job growth and benefit communities through increased business activity and tax revenues. Bringing in more oil from Canada, our close neighbor and ally, to the United States to be manufactured into finished products at refineries has the potential to pump billions of dollars into our economy and support thousands of American jobs.

The Keystone XL pipeline project would stimulate more than \$20 billion in new spending in the U.S. economy. The project will create more than 20,000 new, high-wage manufacturing and construction American jobs during the construction phase of the project. In addition to the jobs created during construction, the Canadian Energy Research Institute estimates that as many as 465,000 Americans could be working in jobs supported by Canadian oil sands investments in the United States by 2035.⁶ Completion of the Keystone XL pipeline would also create other significant contributions to the U.S. economy. Once the pipeline is operational, the states along the pipeline route are expected to receive an additional \$5.2 billion in personal income taxes and property taxes during the estimated operating life of the pipeline including Montana, South Dakota, Nebraska, Kansas, Oklahoma and Texas.

Another major benefit of the Keystone XL pipeline is its contribution to expanding access and lowering the transportation costs of moving crude oil throughout North America. According to the Energy Policy Research Foundation, the Keystone expansion would provide net economic benefits from improved efficiencies in both the transportation and processing of crude oil of \$100 million to \$600 million annually, in addition to an immediate boost in construction employment.⁷

Lowering Transportation Costs with Safe Pipelines

The United States already relies on a network of more than 168,000 miles of liquid pipelines to safely and efficiently transport oil to provide energy that is vital to fuel our nation. Pipelines provide a safe, reliable, economical and environmentally favorable way to transport petroleum products throughout the United States. In addition, Keystone XL would not be the first pipeline

⁵ Energy Policy Research Foundation, Inc. *“The Value of the Canadian Oil Sands to the United States: An Assessment of the Keystone Proposal to Expand Oil Sands Shipments to Gulf Coast Refiners.”* November 2010.

⁶ Canadian Energy Research Institute. *“Economic Impacts of New Oil Sands Projects in Alberta (2010-2035).”* Canada, May 2011. Page xii.

⁷ Energy Policy Research Foundation, Inc. *“The Value of the Canadian Oil Sands to the United States: An Assessment of the Keystone Proposal to Expand Oil Sands Shipments to Gulf Coast Refiners.”* November 2010.



crossing between the border of Canada and the United States. As previously mentioned, Canada is currently the largest source of petroleum imports to the United States, providing nearly 2 million barrels of oil per day, more than 20 percent of U.S. imports. Canada already transports oil through pipelines into the United States from points in Washington State and British Columbia in the West to Maine and Quebec in the East.

In addition, there will also be greater efficiency in the delivery of crude oil via pipeline into and within the U.S. market. These efficiencies will replace high cost truck movements of crudes in the Bakken and Williston basins with more efficient pipeline supplies and encourage continued expansion of oil production from these domestic sources.

Keystone XL Pipeline Serves the U.S. National Interest

NPRA supports the Keystone XL pipeline project that builds upon an already stable, friendly relationship with Canada. All Americans will benefit since they all rely on stable sources of energy to transport their goods and services, power their facilities, fuel their vehicles, and manufacture their products. The importance of approving the construction of the Keystone XL pipeline is critical for maintaining and strengthening America's energy security, creating American jobs and stimulating the American economy. It is vital that the U.S. take steps to strengthen our nation's security by meeting more of our energy needs through a strategic ally and partner like Canada, and reduce our dependence on energy resources from unstable, and potentially unfriendly, regions of the world. By approving the Keystone XL pipeline, there is an opportunity to put America's security, economy, and consumers first. NPRA encourages the U.S. Department of State to immediately grant the Presidential Permit necessary to begin construction of this important project that serves in our nation's best interest.