



Keystone XL Pipeline: Not in the National Interest

The current Keystone XL pipeline proposal would transport the dirtiest oil in the world through America's largest freshwater aquifer, risking a major oil spill and causing dangerous pollutants to be released into the air during the refining process.

And far from improving U.S. energy security, the Keystone XL pipeline would pad Big Oil's profits by increasing America's refined petroleum product export, drive gas prices up and create fewer jobs than is being promised by the industry.ⁱ Taken together it is clear that the proposed pipeline is not in the national interest.

Pipeline good for oil industry, bad for Americans

The Keystone XL pipeline will not create the kind of economic activity claimed by proponents, nor will it help America end its addiction to oil. By piping the oil to Gulf of Mexico refineries, the pipeline owner, TransCanada is setting up an opportunity for refiners to increase oil exports to global markets. Facilities in Port Arthur, TX will refine the Canadian crude supplied by the pipeline into diesel and other products for export to Latin America and other foreign markets.ⁱⁱ

Why is crude from Canada, refined by U.S. facilities on the Gulf Coast being exported? A combination of record domestic oil production and anemic domestic demand has resulted in large stockpiles of crude oil in the Midwest. In particular, supplies of crude in the critical area of Cushing, OK increased more than 150% from 2004 to early 2011 (compared to a 40% rise for the country as a whole).ⁱⁱⁱ According to the company's own documents and oil industry economist Dr. Philip Verleger, the Canadian oil industry is largely interested in this pipeline because it bypasses Midwestern refineries. Doing so will generate more profit for TransCanada, but will drive up fuel cost in the U.S.

TransCanada's 2008 Permit Application. "Existing markets for Canadian heavy crude, principally PADD II [U.S. Midwest], are currently oversupplied, resulting in price discounting for Canadian heavy crude oil. Access to the USGC [U.S. Gulf Coast] via the Keystone XL Pipeline is expected to strengthen Canadian crude oil pricing in [the Midwest] by removing this oversupply. This is expected to increase the price of heavy crude to the equivalent cost of imported crude. The resultant increase in the price of heavy crude is estimated to provide an increase in annual revenue to the Canadian producing industry in 2013 of US \$2 billion to US \$3.9 billion."

TransCanada expects this to drive up fuel costs in the U.S. by up to \$4 billion^{iv}, while Dr. Verleger anticipates gas prices rising 10 to 20 cents a gallon.^v

More oil leaks and spills are inevitable

The July, 2011, spill of Exxon's Silvertip pipeline on the pristine Yellowstone River serves as yet another reminder of the devastating consequences that come with oil accidents. Even though Exxon caught the leak, the river was spoiled by a reported 42,000 gallons of oil. According to the Natural Resource Defense Council, a spill of this size could easily go undetected by safety monitors on the Keystone XL pipeline.^{vi} In fact, it could take TransCanada 10 times as long to detect a leak and shutdown the pipeline as the company claims.^{vii}

In addition, TransCanada has been downplaying the Keystone XL's accident potential. A recent study by University of Nebraska shows that TransCanada has systematically underestimated dangers posed by the pipeline. According to the report, the pipeline could have up to 91 spills over 50 years, whereas TransCanada claims there would be only 11 and a worst-case spill could be 6 times larger than TransCanada predicts.^{viii}

Pipeline threatens agricultural heart of America

The Keystone XL pipeline would bring the dirtiest oil in the world through America's largest freshwater aquifer, the legendary Ogallala. Supplying water to approximately a quarter of the country's irrigated land, including 40% of all Texas water, the Ogallala is one of America's most important natural resources.

A major oil spill in the Ogallala could devastate the US grain belt. Unlike the Yellowstone River, the Ogallala Aquifer is a three-dimensional underground structure that may be impossible to cleanup.

Another oil pipeline is simply not a fix for America's energy needs. Clean energy is what will give us real relief from rising gas prices, bring security and build long-lasting good jobs.

References:

ⁱ *Pipe dreams? Jobs Gained, Jobs Lost by the Construction of Keystone XL*, Cornell University Global Labor Institute. http://www.ilr.cornell.edu/globallaborinstitute/research/upload/GLI_KeystoneXL_Report.pdf.

ⁱⁱ *Exporting Energy Security: Keystone XL Exposed*, Oil Change International. http://priceofoil.org/wp-content/uploads/2011/09/OCIkeystoneXL_2011R.pdf.

ⁱⁱⁱ Crude Oil Stocks at Tank Farms and Pipelines, U.S. Energy Information Agency. Retrieved from http://www.eia.gov/dnav/pet/pet_stoc_cu_s1_a.htm.

^{iv} Keystone XL Pipeline Section 52 Application, Section 3: Supply and Markets, p. 7

^v Philip Verleger, PhD, "If gas prices go up further, blame Canada," Minnesota Star Tribune, March 13, 2011

^{vi} Anthony Swift, NRDC Switchboard, June 10, 2011

^{vii} John Stansbury, PhD, PE, *Analysis of Frequency, Magnitude and Consequence of Worst-Case Spills from the Proposed Keystone XL Pipeline*. <http://watercenter.unl.edu/downloads/2011-Worst-case-Keystone-spills-report.pdf>.

^{viii} John Stansbury, PhD, PE, *Analysis of Frequency, Magnitude and Consequence of Worst-Case Spills from the Proposed Keystone XL Pipeline*. <http://watercenter.unl.edu/downloads/2011-Worst-case-Keystone-spills-report.pdf>.