Approving the Keystone XL Pipeline

The Keystone pipeline was originally proposed on February 9, 2005. The privately funded, shovel-ready project has endured intermittent delays over the years, but it began piping oil to Illinois and Missouri in 2010. Phase II of the project, launched in February 2011, would extend the pipeline from Steele City, Nebraska, to Cushing, Oklahoma — a pivotal crude oil refining and pipeline hub.

Though the pipeline has been in operation for almost a year, a new segment of the project, the Keystone Gulf Coast Expansion, also known as Keystone XL — which would originate in Hardisty, Alberta, and run southeast through Montana, South Dakota, and Nebraska, while incorporating Phase II of the pipeline to extend to Texas and Oklahoma markets — is facing formidable hurdles. The Canadian government's National Energy Board approved the expansion in 2010, but is awaiting final approval from the Obama administration.

Environmental Opposition

Environmental groups have stirred controversy among Washington Democrats and the Obama administration, as opponents proclaim that the pipeline would pollute water supplies and harm wildlife. Indeed, activists warn that the pipeline would cause "catastrophic" aftereffects, resulting in destroyed landscapes, contaminated wildlife, and severe air and water pollution. "The fact is that pipelines leak," said Harlan Hentges, executive director at the Center for Energy Matters. "If you got one, it's going to leak. The only question is when."

Two ecologically valuable regions — the Sandhills in Nebraska, a wetland ecosystem, and the Ogallala Aquifer, one of the world's largest fresh water reserves — could be adversely affected by leaks, claim the environmentalists. The Ogallala Aquifer spans eight states, providing drinking water to two million people and supporting $20 billion in agriculture. Opponents contend that the Keystone expansion would taint drinking water for millions of people and contaminate agriculture in the Midwest.

The Sandhills cover 19,600 square miles in Nebraska, and biologists in the area say the sand dunes are covered with wild prairie that is "rarely" found in the United States. "This proposed route through Nebraska is guaranteed to decimate and destroy a huge amount of fragile rare habitat that is vulnerable," alleged Buffalo Bruce, a conservation chair member at the Sierra Club Nebraska Chapter. "Biologists refer to the Nebraska Sandhills as the most important biologically intact focal area within the Great Plains."

But will the pipeline leak? Hentges is correct, oil pipelines do occasionally leak. But will a pipeline leak spoil the drinking water for millions of Americans and destroy acres of wildlife and terrain?

At a Grand Island district board meeting in October 2010, TransCanada spokesman Jeff Rauh detailed the pipeline route that crosses through the Ogallala Aquifer. After being questioned by central directors about the likelihood of the pipeline inflicting environmental damage on the aquifer, Rauh assured them that an oil spill would produce minimal, if any, damage. He pointed out that the oil's movement through groundwater is a steady and gradual stream, and if a spill did occur, the affected area would encompass a maximum of 300 feet around the spill.

In another forum, Rauh was badgered with questions about the pipeline's ability to withstand severe climate-related events, a meaningful concern for opponents who claim the Keystone pipeline's physical structure is built with inexpensive, Chinese-made material. Rauh responded, "[The Keystone XL pipeline] has the toughness and flexibility to deal with those events, and [is] designed to operate safely in the event of an earthquake."

Although opponents do pose valid concerns, history shows that the degree of damage from a leak or spill would be nominal. The Trans-Alaska Pipeline became operational in 1977, and while leaks and accidents have occurred — as in every other medium of energy extraction — such "catastrophic" scenarios that the environmental doomsayers tout have never materialized.

TransCanada claims that their pipeline systems are digitally monitored 24 hours a day, 365 days a year, and in the event of an accident, the TransCanada staff is able to shut down the pipeline and isolate the affected pipe section in a matter of minutes. The company explains on its website the safety and efficiency of pipeline oil transportation:

> Pipelines are the safest method for the transportation of petroleum products when compared to other methods of transportation. Steel pipelines provide the safest, most efficient and most economical way to transport crude oil. Each year, billions of gallons of crude oil and petroleum products are safely transported on pipelines. If they do occur, pipeline leaks are small; most pipeline leaks involve less than three barrels, 80% of spills involve less than 50 barrels, and less than 0.5 percent of spills total more than 10,000 barrels.

TransCanada acknowledges that leaks will occur, but vows to deal with spills immediately, as well as pay for damages to property or the environment. In the event of a leak, Keystone will initiate an Emergency Response Plan (ERP) to contain any damages. The plan addresses environmental impacts in areas surrounding the pipeline. The Keystone Integrated Public Awareness Program will educate local emergency responders with training and information to prepare for such incidents.

Inching Keystone XL closer to approval, the U.S. State Department issued a report in late August affirming that TransCanada's proposal poses little environmental risk if managed properly. Although the review "does not represent a decision" on Keystone XL, the report nonetheless labels the pipeline the "preferred alternative." If the pipeline's operations adhere to mitigation and precautionary measures that regulators and environmental agencies demand, there would be "no significant impacts to most resources," the report stated.

Further, the State Department's review says the current proposal eclipses, in terms of efficiency and minimal environmental impact, not only 14 route alternatives but also the prospect of no pipeline at all. Although the State Department has not granted the project an official stamp of approval, the report opposed proposed routes to avoid the Ogallala Aquifer and Nebraska Sandhills region, saying they were "financially impracticable" and not technically viable, as several of the routes would cost about $1.7 billion more and cross more rivers than TransCanada's proposed route.

What About the Economy?

The economic potential for Keystone XL is without boundary, as the pipeline would generate thousands of jobs, improve U.S. energy supplies, and spur billions of dollars in new investments. Local economies along the route would benefit from higher government revenues and a sharp boost in business activity, as well as securing temporary construction work and permanent hikes in property taxes.

An independent study released by The Perryman Group (TPG) measured the total impact of the construction and development of Keystone XL and its profits for the U.S. economy. Among its findings, TPG found that over the life of the project the U.S. economy would see almost $21 billion in increased spending, $9.6 billion in additional output, and 118,935 person-years of employment.

The study further deduced that states along the pipeline route would corral an additional $5.2 billion in property taxes during the pipeline's estimated life of operation.

The project is expected to directly generate more than 20,000 high-paying manufacturing and construction jobs in 2011-2012, as well as over 100,000 indirect jobs.

The pipeline stream would also bear lavish fruit for American consumers, as it would secure an additional source — and a monstrously large one at that — of petroleum from Canada. According to The Perryman Group, "The Keystone XL Project facilitates a long-term increase in marginal supply, which will have a modest price effect permeating the entire economy." Such benefits boundlessly surpass any possible gains from infrastructure "stimulus" legislated by the federal government — and it would be built and operated by the private sector.

Beyond the temporary economic impact of the pipeline's construction, the U.S. economy will benefit from permanent job growth, heightened economic activity, and reduced energy prices. TPG found that under "normal" oil price assumptions, equivalent to 2007 figures, a stable and permanent oil supply would spur $100 billion in total spending, $29 billion in output, and over 250,000 permanent jobs. Under high-price oil assumptions, TPG calculated an annual impact of the Keystone XL pipeline to include meaningful hikes in spending and output, and over 550,000 permanent private-sector jobs.

Immediately before President Obama announced his new jobs plan, the U.S. Chamber of Commerce prepared its own plan for expanding U.S. employment. Chamber President Thomas Donohue wrote a seven-page letter to Congress and the White House, outlining six initiatives to help stimulate job growth in America. One of the initiatives advocated broader oil and gas exploration, while advocating immediate approval of the pipeline's construction and development. "Construction of the Keystone XL oil pipeline connecting Canada to U.S. refineries in Texas would support 250,000 jobs, boost investment in the United States by $20 billion and generate government revenues totaling $585 million," asserted Donohue.

Of the world's discovered oil reserves, Canada holds the second-most abundant supplies, only behind Saudi Arabia. Of Canada's total proven reserves, 174 billion barrels of oil are located in Athabasca, where Keystone XL oil is produced.

Currently, the United States accounts for 25 percent of the world's energy consumption, while holding less than five percent of its proven oil reserves, according to The Perryman Group. The XL pipeline, which expands the oil stream to the Gulf Coast, would nearly double the size and capacity of the entire

Keystone pipeline system, allowing it to deliver approximately 1.1 million barrels of Canadian crude to the United States each day.

By 2020, the amount of Canadian oil shipped to the United States could double from current levels, spiking to five million barrels per day and accounting for over 40 percent of U.S. oil imports. “We could help reduce the amount of imports from the Middle East,” asserted TransCanada spokesman Terry Cunha, “which would ensure energy security for the United States.”

Let It All Go to China?

The actual importation of Canadian oil is not the only grievance from environmental activists — in fact, one could argue that it is only a secondary concern. They are more concerned about the process of deriving oil from tar sands in the first place. The oil extraction process involves surface-mining the tar sands, which can potentially scar the landscape and emit more greenhouse gases than traditional crude oil production.

But regardless of Obama’s decision to authorize the pipeline, the oil will likely be produced — which, if the President does not grant approval to Keystone XL, means only that the oil, instead of heading south to the American heartland, will exit to China and other countries. A subsidiary of the China National Oil Company has already offered $2.1 billion to buy a Canadian oil sands producer in Calgary.

China yearns for Canada’s vast amounts of oil, and if need be — in case the United States decides to cancel the project — Canada could build a pipeline to transport Alberta oil to Pacific ports, where it would be loaded on tankers and shipped to Asian markets. The State Department’s review surmised that demand for crude oil would continue to increase with or without the Keystone expansion. “Whether or not the proposed project is implemented, Canadian producers would seek alternative transportation systems to move oil to markets other than the U.S.,” the report concluded.

House Natural Resources Energy and Minerals Subcommittee Chairman Doug Lamborn (R-Colo.) delivered a speech on the House floor in support of the North American Made Energy Security Act, a bill that has required President Obama to make a decision on Keystone XL by November 1, 2011. Rep. Lamborn noted that in 2010 alone, the “United States imported over one trillion barrels of oil to the United States from OPEC countries — many of which have unstable governments.” He concedes that although he would prefer domestically produced resources from areas such as the Rockies and Alaska, he believes “we have the advantage of having a stable, friendly energy rich trading partner sharing our northern border.”

This is what opponents of the pipeline neglect to note: that Canada’s selling oil to China, India, and other countries will have no environmental benefit to the United States. But what it will do is abandon thousands of high-paying jobs and further increase U.S. energy dependence on oil produced by tyrannical regimes.

A recent study by Canada’s Fraser Institute and the Competitive Enterprise Institute rated the morals and values of 38 oil-producing nations, analyzing eight measurements of women’s freedoms and 17 different variables of civil, political, and economic freedoms. According to the study, of all 38 countries, Canada and Norway are the only two with whom the United States shares common values and individual freedoms.

So in the end, the President must ask himself: Who should benefit from such vast sums of new oil — China or the United States? While Asian and European countries become increasingly dependent on imported oil from volatile regions of the world, the United States has its own supplier right next door. If

Obama wants job creation and economic stimulus, approval of the Keystone XL pipeline is an imperative.

Photo: AP Images