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The Honorable John Kerry
Secretary
U.S Department of State
Attn: Genevieve Walker, NEPA Coordinator
2201 C Street, N.W., Room 2726
Washington, DC 20520

RE: Notice of Availability for *EIS No. 20130056, Draft Supplement, DOS, 00, Keystone XL Project (78 Fed. Reg. 15011-15012; March 8, 2013)*

Dear Secretary Kerry:

AFPM, the American Fuel & Petrochemical Manufacturers, welcomes the opportunity to submit comments on the Department of State's (DOS) Draft Supplemental Environmental Impact Statement (SEIS) for TransCanada's May 2012 Presidential Permit application for the proposed Keystone XL pipeline.

AFPM 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 and security is of high importance to AFPM and its members, we strongly support the proposed Keystone XL pipeline.

I. AFPM Urges Approval of the Keystone XL Pipeline

TransCanada's May 2012 application on the proposed Keystone XL project consists of a new 875-mile long pipeline and related facilities to transport up to 830,000 barrels per day (bpd) of crude oil from Alberta, Canada and the Bakken Shale Formation in Montana and North Dakota to the existing Keystone pipeline system in Steele City, Nebraska for onward delivery to refineries in the Gulf Coast. The proposal also includes a modified route through Nebraska, which the state approved, that avoids the environmentally sensitive area of the Sand Hills.

After over four years of extensive environmental review, AFPM concurs with the DOS' draft SEIS that the Keystone XL project will have minimal environmental impact due to TransCanada's extensive mitigation efforts. AFPM also agrees with the DOS assessment that the Nebraska re-route alignment avoids the environmentally sensitive Sand Hills region and that

the project contains appropriate measures and safeguards to mitigate any potential environmental impacts. AFPM urges DOS to finalize the draft SEIS expeditiously and grant TransCanada the Presidential Permit necessary to build the Keystone XL pipeline.

AFPM and our members strongly support and urge the immediate approval of the Keystone XL pipeline as a means to increase our nation's energy supply and enhance national security. The Keystone XL pipeline would strengthen our nation's energy security by adding another source of supply from our ally and neighbor Canada. It would also provide significant job growth, reduce our nation's reliance on oil from unstable nations, increase local, state and federal tax revenues, and improve the economy, without having any significant impact on the environment.

II. No Significant Environmental Impact

After over four years of extensive environmental review, AFPM concurs with the DOS draft SEIS that the Keystone XL project will have minimal environmental impact due to TransCanada's extensive mitigation plan. AFPM also agrees with the DOS assessment that the Nebraska re-route alignment avoids the environmentally sensitive Sand Hills region and that the project contains appropriate measures and safeguards to mitigate any potential environmental impacts. In short, the concerns in Nebraska have been addressed. DOS also concluded there would be no impacts to groundwater, surface water or soils and any potential impact would be managed through the Project Construction, Mitigation, and Reclamation Plan. AFPM urges DOS to finalize the draft SEIS expeditiously and grant TransCanada the Presidential Permit necessary to build the Keystone XL pipeline.

III. Strengthen North American Energy Security

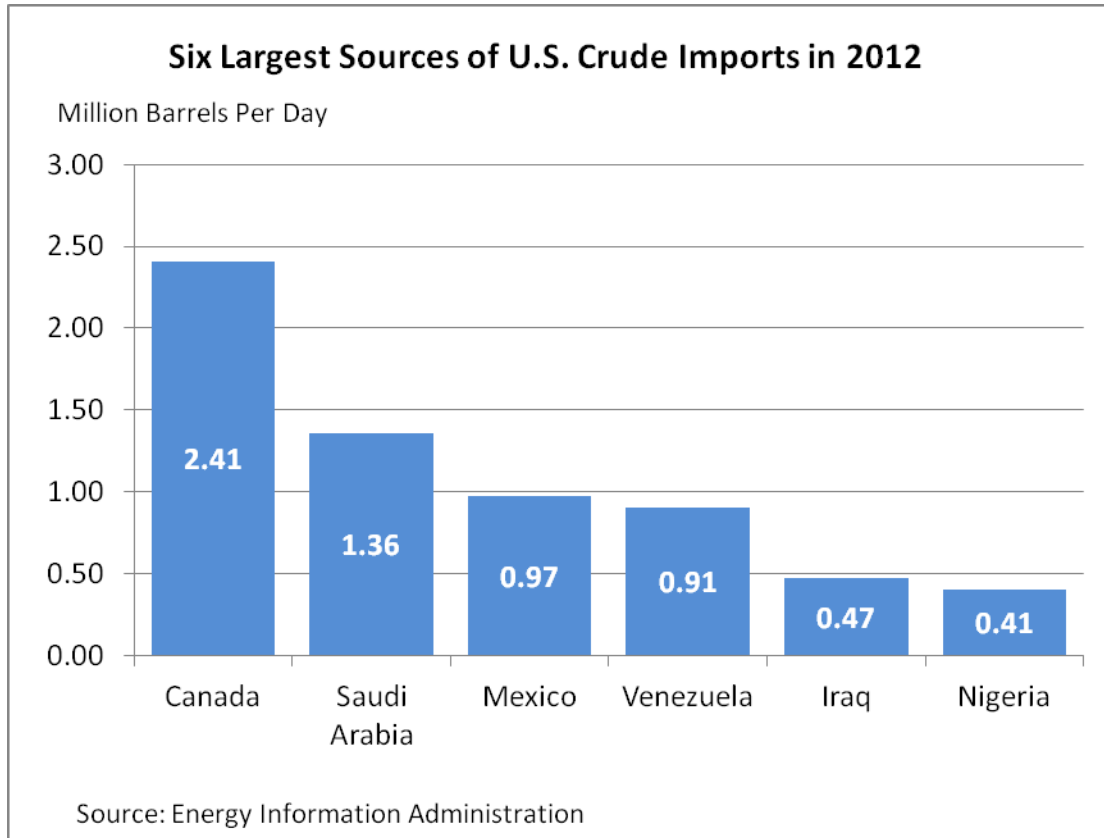
To the extent the United States faces an energy security problem, it is self-inflicted. Last year, the U.S. Energy Information Administration (EIA) reported that the U.S. is on track to become the world's largest oil producer, surpassing Russia and Saudi Arabia. Due in large part to the increased North American production and technical innovations, imports of oil as a percent of demand have already fallen from 60 percent in 2006 to 40 percent in 2012.¹ Completion of the Keystone XL pipeline would enhance North American energy security by maintaining adequate crude oil supplies for U.S. refiners from Canada, a stable, friendly and reliable North American neighbor. By allowing our refiners to use more Canadian supply, the United States would become less reliant on oil imports from unstable foreign energy sources and less vulnerable to possible disruptions in supply.

According to the EIA, Canada is currently the largest supplier of petroleum imports to the United States, providing 28 percent of the total U.S. crude oil imports with over 2 million barrels of oil per day (see Fig. 1). With crude oil reserves of over 175 billion barrels, Canada has the second-largest oil reserves in the world. The Keystone XL pipeline expansion would bring an additional 830,000 barrels per day of capacity online – decreasing our nation's reliance on imported oil

¹ Energy Information Administration, *Monthly Energy Review*, Table 3.3a http://www.eia.gov/totalenergy/data/monthly/pdf/sec3_7.pdf

from unstable regions of the world. Furthermore, the pipeline could also transport crude oil from the Bakken and Williston formations in North Dakota, Wyoming and Montana to U.S. refiners.

Fig. 1



IV. Pipelines Are Safe and Reliable

Pipelines are the safest, cheapest and most reliable means of transporting crude oil and petroleum products. Each year, hundreds of millions of gallons of crude oil and petroleum products are safely transported on thousands of miles of pipelines in the United States.

According to the Pipeline and Hazardous Materials Safety Administration (PHMSA) of the U.S. Department of Transportation (DOT), "Pipelines are one of the safest and most cost-effective means to transport the extraordinary volumes of natural gas and hazardous liquid products that fuel our economy. To move the volume of even a modest pipeline, it would take a constant line of tanker trucks, about 750 per day, loading up and moving out every two minutes, 24 hours a

day, seven days a week. The railroad-equivalent of this single pipeline would be a train of seventy-five 2,000-barrel tank rail cars every day.”²

Canada’s oil sands are being developed with or without this pipeline. The draft SEIS concludes that rail and barge alternatives are still economically viable given the strong demand for heavy crude amongst Gulf refineries. However, according to the draft SEIS, the Keystone XL pipeline offers the most efficient, safest and least intrusive method for transporting Canadian and Bakken crude to markets in the Gulf Coast region. Alternative transport methods such as rail and barge would require significantly more displacement of land and result in greater energy use and carbon emissions.

The Keystone XL pipeline will be the most advanced, state-of-the-art pipeline in use today. During the review process, TransCanada voluntarily agreed to incorporate 57 project-specific requirements into the proposed project, exceeding all U.S. pipeline safety standards, including satellite-linked computerized leak-detection systems and puncture-resistant steel pipe. The DOS, in consultation with PHMSA, concluded that “the incorporation of those [57 Special Permit] conditions would result in a project that would have a degree of safety over any other typically constructed domestic oil pipeline system.”³

According to DOS draft SEIS, the crude destined for transport in Keystone XL is physically and chemically similar to other types of crude oil carried in U.S. pipelines and should therefore not be a cause for concern. The physical and chemical properties of synthetic crude oil and Bakken crude oil are similar to those of other light crude oils commonly transported by pipeline. The properties of dilbit, synbit, and dilsynbit are also similar in many respects to other heavy sour crude oils.

V. Creating American Jobs and Economic Benefits

The Keystone XL pipeline will create significant job growth and benefit communities throughout the United States with increased economic activity. According to the draft SEIS, the construction of Keystone XL will make a significant contribution to the United States continuing economic recovery. A total of 42,100 jobs throughout the United States would be supported by the construction of the proposed Keystone XL pipeline, which would provide over \$2.05 billion in workers’ salaries over the next 2 years.⁴ Approximately 10,000 construction workers engaged for 4 to 8 months of a season construction period (which is approximately 5000-6000 per construction period) would be required to complete the proposed pipeline project. When expressed as average annual employment, this equates to approximately 3900 jobs.⁵ Bringing in more oil from Canada, our close neighbor and ally, to the United States to be manufactured into

² Pipeline and Hazardous Materials Safety Administration (PHMSA), US Department of Transportation. http://phmsa.dot.gov/portal/site/PHMSA/menuitem.ebdc7a8a7e39f2e55cf2031050248a0c/?vgnexto id=2c6924cc45ea4110VgnVCM1000009ed07898RCRD&vgnnextchannel=f7280665b91ac010VgnVCM1000008049a8c0RCRD&vgnnextfmt=print#QA_0

³ U.S. Department of State, Draft Supplemental Environmental Impact Statement, March 2013. 4.13.5.1, page 64 – PHMSA 57 Special Conditions.

⁴ U.S. Department State, Draft Supplemental Environmental Impact Statement, March 2013. 4.10-9; Socioeconomics

⁵ U.S. Department State, Draft Supplemental Environmental Impact Statement, March 2013. 4.10-5-6; Socioeconomics

finished products at refineries has the potential to pump billions of dollars into our economy and support thousands of American jobs.

According to the Obama Administration and Congressional leaders, both Democratic and Republican, oil is still a significant part of our energy future, and the significant economic benefits it will have on our energy supply are critical to the future. Completion of the Keystone XL pipeline would make significant contributions to the U.S. economy. Construction of the pipeline would contribute approximately \$3.4 billion to U.S. Gross Domestic Product.⁶ Once the pipeline is complete, the oil that is brought to our nation's refineries will be manufactured into valuable fuels and other finished products and will support thousands of long-term jobs.

VI. Greater Efficiencies for Refinery Operations

The reliable supply of heavy crudes from Canada will result in lower refining costs and more efficient refinery operations, contributing to a viable and much more stable refining structure throughout the U.S. economy. This steady source of oil will serve to reduce U.S. refiners' exposure to volatility in unstable foreign regions, mitigate upward price pressures and keep domestic refiners competitive in a global marketplace. The benefits of more efficient refinery operations will lead to increased domestic supplies of gasoline, diesel and other fuels, and help reduce our dependence on foreign sources.

VII. Crude Oil Shuffle – Greenhouse Gas Emissions Increase Transporting Canadian Oil to China

Canada's oil sands are being developed with or without this pipeline. Canadian government officials are on record saying that oil sands-derived crude oil will be exported to overseas markets, such as China, if the Keystone XL pipeline is not built. In such a scenario, oil sands development would carry-on unimpeded, however, the benefits in U.S. crude oil transportation and refining efficiencies would be lost.

The DOS has correctly concluded that approval of the Keystone XL pipeline will not cause there to be a "substantive change in global GHG emissions."⁷ In the draft SEIS, DOS finds that combustion dominates the total GHG life-cycle emissions regardless of crude oil examined. DOS also finds that life-cycle analysis estimates are sensitive to "choice of boundaries, consistent application of boundary conditions with studies, and to key input parameters."⁸ Lastly, DOS finds that "the gap in GHG intensity [between oil sands crudes and reference crudes] is likely to decrease over time."⁹

⁶ U.S Department State, Draft Supplemental Environmental Impact Statement, March 2013. 4.10-10; Socioeconomics

⁷ U.S Department State, Draft Supplemental Environmental Impact Statement, March 2013. 4.15-107;

⁸ *Ibid.*

⁹ *Ibid.*

Failure to approve Keystone XL could actually increase greenhouse gas emissions, as noted in the U.S. Department of State's 2011 allegedly 'Final' Environmental Impact Statement on the project. DOS cited a study that concluded that policies limiting oil sands crude use could cause Canadian producers to ship their product to Asian markets, while the U.S. would have to import more oil in tankers from the Middle East and elsewhere, thus increasing the carbon footprint of transporting the oil and creating a crude oil "shuffle."¹⁰ The study calls this long-distance movement of oil, thousands of miles around the world in tankers, a "shuffle" that would result in higher carbon dioxide emissions than simply extracting the Canadian petroleum from the oil sands for U.S. consumption, due to the additional emissions created by shipping the oil such great distances.

VIII. Conclusion

After four years of extensive study and debate, it is clear building the Keystone XL pipeline would greatly benefit the United States. Pipelines are already the safest, cheapest and most reliable means of transporting crude oil and petroleum products. This pipeline will be the most advanced, state-of-the-art pipeline in use today exceeding all U.S. pipeline safety standards. It is critical 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, we are putting America's security, economy, and consumers first.

At this time, AFPM strongly encourages the Department of State expeditiously finalize the Draft SEIS and grant TransCanada the Presidential Permit necessary to begin building the pipeline. The United States will benefit significantly from the energy security and economic benefits that this project will bring, and AFPM looks forward to approval of the Keystone XL pipeline.

Should you have any questions or would like to discuss this further, please feel free to contact Suzanne Gillen with AFPM at (202) 457-0480 or sgillen@afpm.org.

Sincerely,



Charles T. Drevna
President

¹⁰ U.S. Department of State, Final Environmental Impact Statement, August 2011. <http://keystonepipeline-xl.state.gov/documents/organization/182069.pdf>; See p. 3.14-42.