



**WRITTEN STATEMENT OF THE
AMERICAN FUEL & PETROCHEMICAL MANUFACTURERS (AFPM)
AS SUBMITTED TO THE
SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES
Committee on Natural Resources
United States House of Representatives
For a Legislative Hearing on
H.R. 3, the “Northern Route Approval Act.”
April 16, 2013**

I. Introduction

Chairman Lamborn, Ranking Member Holt and Members of the Subcommittee, thank you for providing the opportunity to testify at today's legislative hearing on *H.R. 3, the "Northern Route Approval Act."* I'm Charlie Drevna, and I serve as president of AFPM, the American Fuel & Petrochemical Manufacturers.

AFPM is a 111-year old trade association representing high-tech American manufacturers that use oil and natural gas liquids as raw materials to make 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. AFPM members make modern life possible while keeping America moving and growing as we meet the needs of our nation and local communities, strengthen economic and national security, and support 2 million American jobs.

II. AFPM Urges Approval of the Keystone XL Pipeline

AFPM and our members strongly support and urge the immediate approval of the Keystone XL pipeline as a means to increasing our nation's energy supply and enhancing national security. We also support *H.R. 3, the Northern Route Approval Act (NoRA Act)*, which would clear any remaining roadblocks and approve construction of the Keystone XL pipeline that has been extensively studied and reviewed since 2008.

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.

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 these 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.

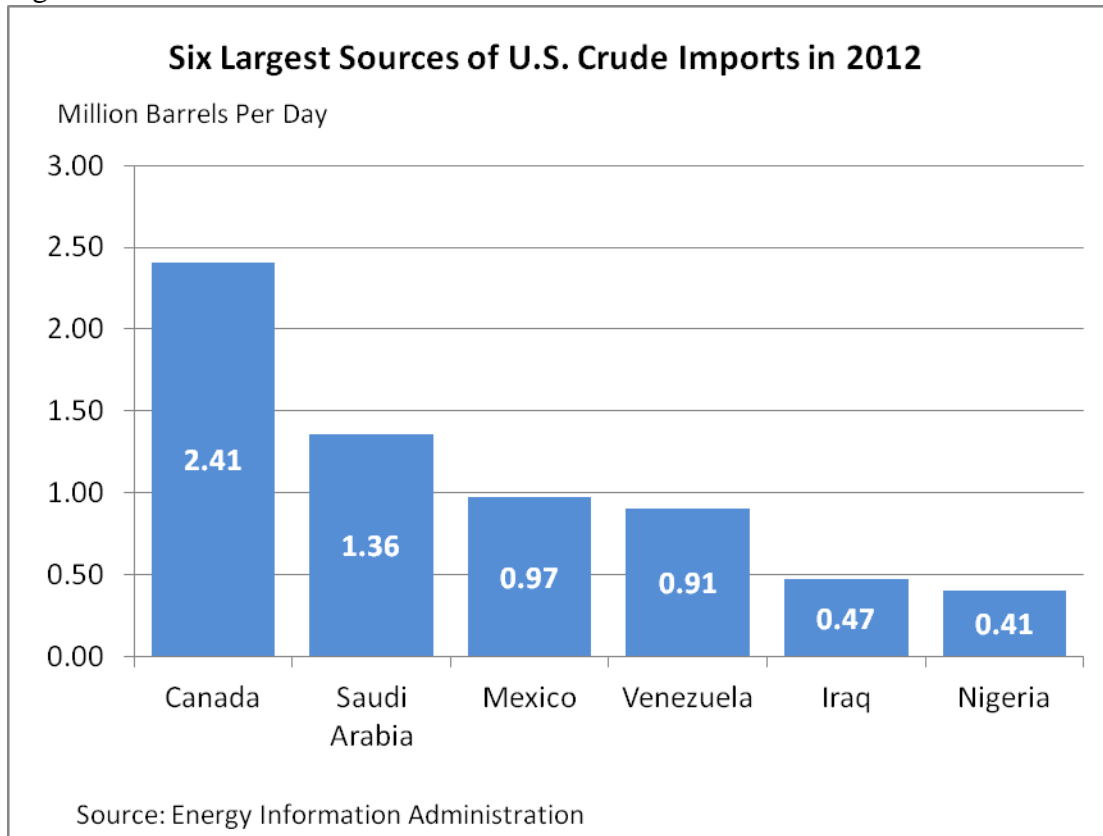
According to the EIA, Canada is currently the largest supplier of petroleum imports to the United States, providing 28 percent of the total U.S. crude oil imports with over 2 million barrels of oil

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

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 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.

According to the Energy Policy Research Foundation, the United States has the most complex refining capital structure in the world. This capital structure operates most efficiently with heavier crudes 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. The Keystone XL pipeline would play a vital role in adding the necessary infrastructure to expand the supply of heavy crudes from Canada and replace the reduction in production from Mexico and Venezuela.

Fig. 1



IV. No Significant Environmental Impact

The proposed Keystone XL Pipeline has been examined extensively. Four different environmental assessments from the U.S. Department of State (DOS) have determined the pipeline will have no significant impact on the environment. TransCanada first submitted an application for the Keystone XL pipeline project in September 2008. On March 1, 2013, the DOS released a Draft Supplemental Environmental Impact Statement (Draft SEIS) for the

proposed Keystone XL pipeline project, pursuant to the National Environmental Policy Act (NEPA). Findings by the DOS in the March 2013 Draft SEIS again confirmed that there will be no significant impacts to the environment along the proposed route for the project. Additionally, Governor Heineman of Nebraska informed the DOS that he accepted the pipeline route that will avoid the Ogallala Aquifer recommended by the Nebraska state route review process.

V. 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 everyday.”²

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

VI. Creating American Jobs and Economic Benefits

The Keystone XL pipeline will create significant job growth and benefit communities throughout the United States with increased business activity and tax revenues. This project would stimulate more than \$20 billion in new spending in the U.S. economy and create more than 20,000 new, high-wage manufacturing and construction American jobs during the construction phase of the project.

Completion of the Keystone XL pipeline would make 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 and property taxes during the estimated operating life of the pipeline, including Montana, South Dakota, Nebraska, Kansas, Oklahoma

² Pipeline and Hazardous Materials Safety Administration (PHMSA), US Department of Transportation. http://phmsa.dot.gov/portal/site/PHMSA/menuitem.ebdc7a8a7e39f2e55cf2031050248a0c/?vgnextoid=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.

and Texas. 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.

VII. 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.

VIII. 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.

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. State 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 creating a crude oil "shuffle."⁴ 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 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. AFPM strongly urges approval of the Keystone XL pipeline and fully supports H.R. 3. 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

⁴ 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.

Keystone XL pipeline, we are putting America's security, economy, and consumers first. Thank you again for the opportunity to testify before the Committee today.