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**Testimony on H.R. 3 “Northern Route Approval Act”  
Subcommittee on Energy and Mineral Resources  
of the House Committee on Natural Resources  
1334 Longworth House Office Building  
April 16, 2013**

*(Tables and Figures at End of Document)*

Chairman Lamborn, Ranking Member Holt, and members of the subcommittee, thank you very much for the opportunity to testify today.

I am Stephen M. Kretzmann, Founder and Executive Director of Oil Change International, a non-profit organization supported by over 100,000 individuals and dedicated to conducting ongoing public education regarding the environmental, social, and economic impacts associated with the production and consumption of fossil fuels.

We are here to consider H.R. 3, the Northern Route Approval Act, which would expedite the permitting and construction of the Keystone XL pipeline. Oil Change International, and our many allies in the environmental, labor, human rights, and faith communities, together with a broad spectrum of business leaders, urge you to reject this Act, and ultimately, the Keystone XL pipeline.

### *Summary*

The Keystone XL pipeline is a pipeline through the United States not to the United States. The Keystone XL pipeline’s major purpose is not to provide energy security for America, but to serve as an export pipeline fueling international markets and maximizing returns for tar sands producers and refiners<sup>1</sup>. New data now reveals that *a full 60 percent of gasoline produced in 2012 at Texas Gulf Coast refineries was exported.*<sup>2</sup> These are the same refineries that would process the majority of the tar sands bitumen flowing through the Keystone XL pipeline, if it were built.

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<sup>1</sup> Oil Change International, “Exporting Energy Security: Keystone XL Exposed,” September, 2011. <http://priceofoil.org/2011/08/31/report-exporting-energy-security-keystone-xl-exposed/>

<sup>2</sup> Oil Change International, “Keystone XL refineries already exporting 60 percent of their gasoline,” March 4 14, 2013. <http://priceofoil.org/2013/03/14/keystone-xl-refineries-already-exporting-60-percent-of-their-gasoline/>

Like the diluted bitumen that just last week filled the streets of Mayflower, Arkansas, the tar sands oil Keystone XL would carry from Alberta to our Gulf Coast is both toxic and tax exempt. The 8 cents a barrel payment into the Oil Spill Liability Trust Fund is not paid by transporters of tar sands oil. If the Keystone XL pipeline is built, shippers of tar sands oil will have short changed the Oil Spill Fund by over \$377 million dollars between 2010 and 2017.<sup>3</sup> Happily the President's recently submitted budget would eliminate this loophole, and I would urge members of the sub-committee to support this proposal.

The refineries that are linked<sup>4</sup> to the Keystone XL tar sands pipeline<sup>5</sup> will receive between \$1 billion and \$1.8 billion in tax breaks. They are paid specifically for investing in equipment to process the heavy sour oil the pipeline promises to deliver. The largest of these refineries, Motiva, which is half-owned by Saudi Refining Inc., will receive between \$680 million and \$1.1 billion in U.S. taxpayer support.

Finally, the International Energy Agency recently stated that in order to achieve the goal of limiting climate change to no more than 2 degrees Celsius of average global warming, a goal this country has agreed to internationally<sup>6</sup>, at least two-thirds of global proven fossil fuel reserves must be left in the ground.<sup>7</sup> Climate scientists have shown that we need to leave even more of the proven reserves in the ground in order to lower the risk.<sup>8</sup> This research makes it clear that we cannot support an all of the above approach to energy and simultaneously fight climate change.

The Keystone XL pipeline would be a major disaster for the climate. The 181 million metric tons of carbon dioxide equivalent emissions from Keystone XL each year is equal to the tailpipe emissions from more than 37.7 million cars.<sup>9</sup> This is more cars than are currently registered on

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<sup>3</sup> Oil Change International, EarthTrack and Natural Resources Defense Council, "Irrational Exemption: Tar sands pipeline subsidies and why they must end," May 2012. [http://priceofoil.org/wp-content/uploads/2012/05/Irrational-exemption\\_FINAL\\_14May12.pdf](http://priceofoil.org/wp-content/uploads/2012/05/Irrational-exemption_FINAL_14May12.pdf)

<sup>4</sup> Oil Change International, "Exporting Energy Security: Keystone XL Exposed," September, 2011. <http://priceofoil.org/2011/08/31/report-exporting-energy-security-keystone-xl-exposed/>

<sup>5</sup> Platts, "Transcanada CEO says shippers still committed to Keystone XL project," January 19, 2012. <http://www.platts.com/RSSFeedDetailedNews/RSSFeed/Oil/3900710>

<sup>6</sup> UN Framework Convention on Climate Change, "Report of the Conference of the Parties on its fifteenth session, held in Copenhagen from 7 to 19 December 2009. Addendum, Part Two: Action taken by the Conference of the Parties at its fifteenth session," March 30, 2010. <http://unfccc.int/resource/docs/2009/cop15/eng/11a01.pdf>

<sup>7</sup> International Energy Agency (IEA), "World Energy Outlook 2012, Executive Summary," OECD/IEA, 2012, page 3. <http://www.iea.org/publications/freepublications/publication/English.pdf>

<sup>8</sup> Meinshausen, et. al., "Greenhouse-gas emission targets for limiting global warming to 2°C," Nature 458, 2009, pages 1158 - 1162. <http://www.nature.com/nature/journal/v458/n7242/full/nature08017.html> and Carbon Tracker, "Unburnable Carbon – Are the world's financial markets carrying a carbon bubble?" 2012. <http://www.carbontracker.org/carbonbubble>

<sup>9</sup> U.S. Environmental Protection Agency (EPA), "Greenhouse Gas Equivalencies Calculator," Accessed April 8, 2013. <http://www.epa.gov/cleanenergy/energy-resources/calculator.html> The 181 million metric tons of CO<sub>2</sub>e is also equivalent to adding 30.4 million cars to the roads when including the full lifecycle emissions from producing the gasoline in addition to the tailpipe emissions. According to the EPA, the Well-to-Tank emissions for producing gasoline are 19,200 g CO<sub>2</sub>e/mmbtu of fuel, and the full life-cycle emissions are 98,205 g CO<sub>2</sub>e/mmbtu of fuel. Thus, the full life-cycle emissions are 1.24 times the combustion only emissions. EPA, "Renewable Fuel Standard Program (RFS 2): Regulatory Impact Analysis," February 2010, EPA-420-R-10-006. <http://www.epa.gov/otag/renewablefuels/420r10006.pdf>

the entire West Coast (California, Washington, and Oregon), plus Florida, Michigan, and New York – *combined*.<sup>10</sup>

As this testimony will demonstrate, the Keystone XL pipeline has little to do with the U.S. national interest. As this is the main criterion for State Department approval, it is abundantly clear that H.R. 3 and the pipeline should be rejected.

### *Keystone XL: Exporting Energy Security*

Proponents of the Keystone XL tar sands pipeline often cite energy security and the desirability of Canadian over Saudi or Venezuelan crude in promoting the project. But how does the pipeline enhance American energy security if much of the product it carries is refined and then exported?

The changing dynamics of the U.S. oil market strongly suggest that exports would only rise over the lifetime of the pipeline. U.S. production is rising but consumption is declining and the industry will continue to maximize its profits through exports.

(See Table 1)

Government data for exports from Texas Gulf Coast ports<sup>11</sup> and for Texas Gulf Coast refinery production<sup>12</sup>, reveals that these refineries are now exporting sixty percent of their annual production of 'Finished Motor Gasoline.' In addition 42 percent of the diesel produced by these refineries is currently exported, which is an 11 percent increase over 2011 diesel exports from these refineries. Finally, over 95 percent of their production of petcoke is exported, a dirty coal substitute that is a byproduct of refining heavy oil.<sup>13</sup>

The new data clarifies a statement made by the State Department in the Draft Supplementary Environmental Impact Statement (DSEIS) of the pipeline.<sup>14</sup> In the Market Analysis section, State notes the level of exports coming from the Gulf Coast refining region (known as PADD 3): "...almost half of PADD 3 refined products go to the domestic market."

In other words, the *State Department's own analysis acknowledges that the majority of refined products produced on the Gulf Coast are already being exported*. Those who believe that Keystone XL is necessary for U.S. energy supply might be surprised by this fact.

(See Figure 1)

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<sup>10</sup> U.S. Department of Transportation, "State Motor-Vehicle Registrations – 2011. Table MV-1," March 2013. <http://www.fhwa.dot.gov/policyinformation/statistics/2011/pdf/mv1.pdf>

<sup>11</sup> U.S. Census Bureau data obtained via special request.

<sup>12</sup> EIA, "Refining District Texas Gulf Coast Refinery Net Production of Crude Oil and Petroleum Products," February 27, 2013. [http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MTTRX\\_R3B\\_2&f=M](http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MTTRX_R3B_2&f=M)

<sup>13</sup> For more background on petcoke, see: Oil Change International, "Petroleum Coke: The Coal Hiding in the Tar Sands," January 2013. <http://priceofoil.org/2013/01/17/petroleum-coke-the-coal-hiding-in-the-tar-sands/>

<sup>14</sup> U.S. Department of State, "Keystone Pipeline Project Draft Supplementary Environmental Impact Statement (SEIS)," March 2013. <http://keystonepipeline-xl.state.gov/draftseis/index.htm>

The Gulf Coast refineries in general have been leading the charge in sharply increasing exports since 2007. The wider PADD 3 refining region, which includes refineries in Louisiana, Mississippi, Arkansas, Alabama and New Mexico as well as Texas, exported over 2.3 million barrels per day (bpd) in 2012 out of a U.S. total of nearly 3.2 million bpd (see graph). Since 2009, PADD 3 has been the source of over 70 percent of U.S. exports, reaching 74 percent in 2012.

Refineries in Port Arthur, Houston, as well as in Lake Charles just over the border in Louisiana, will all have excellent access to both the Keystone XL pipeline and export facilities, and are already at the core of the PADD 3 export boom.

Three refineries in particular have embarked on more than \$10 billion in capital investment projects with a core objective of building capacity to process Canadian tar sands oil that will be delivered via the Keystone pipeline. These are Valero Port Arthur's Hydrocracker Project, Total Port Arthur's Coker project and Motiva Port Arthur's expansion project.<sup>15</sup>

These refineries that are linked<sup>16</sup> to the Keystone XL tar sands pipeline<sup>17</sup> will receive between \$1 billion and \$1.8 billion in tax breaks. They are paid specifically for investing in equipment to process the heavy sour oil the pipeline promises to deliver. The largest of these refineries, Motiva, is half owned by Saudi Refining Inc., and will receive between \$680 million and \$1.1 billion in U.S. taxpayer support.

Valero has a large refinery in the area and ambitious export plans. It claims in recent investor presentations<sup>18</sup> to be responsible for exporting up to 25 percent of U.S. exports "over the past few years." That means it exported about 800,000 b/d in 2012, or nearly 40 percent of its U.S. production.<sup>19</sup>

The Motiva Port Arthur Refinery – a 50/50 joint venture between Royal Dutch Shell and Saudi Aramco – has just completed the biggest refinery expansion in U.S. history. The \$10 billion, 5-

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<sup>15</sup> These projects are specifically intended for processing heavy sour oil such as that derived from the Canadian tar sands. Valero, Total and Shell (50 percent owner of Motiva Enterprises) are committed shippers on the Keystone XL pipeline and these refineries are located in Port Arthur where the pipeline would terminate. For project details see: <http://www.valero.com/InvestorRelations/Pages/EventsPresentations.aspx> (see latest investor presentation), <http://www.total.com/en/our-energies/oil/processing/projects-and-achievements/port-arthur-940868.html>, [http://www.motivaenterprises.com/home/content/motiva/motiva\\_business/port\\_arthur/](http://www.motivaenterprises.com/home/content/motiva/motiva_business/port_arthur/). Also see <http://priceofoil.org/2011/08/31/report-exporting-energy-security-keystone-xl-exposed/> and <http://priceofoil.org/?p=10719> for further details of the connections between these projects and Keystone XL.

<sup>16</sup> Oil Change International, "Exporting Energy Security: Keystone XL Exposed," September, 2011. <http://priceofoil.org/2011/08/31/report-exporting-energy-security-keystone-xl-exposed/>

<sup>17</sup> Platts, "Transcanada CEO says shippers still committed to Keystone XL project," January 19, 2012. <http://www.platts.com/RSSFeedDetailedNews/RSSFeed/Oil/3900710>

<sup>18</sup> Valero Energy Corp, "Energy HW Investor Presentation," March 20, 2013, slide 45. <http://www.valero.com/InvestorRelations/Pages/EventsPresentations.aspx>

<sup>19</sup> Based on U.S. exports in 2012 of 3.18 million barrels per day, Valero could be exporting as much as 795,000 barrels per day (bpd) of petroleum products from the United States. Assuming a 90 percent utilization rate of Valero's 2.3 million bpd U.S. refining capacity, this equates to 38 percent of its refinery production.

year project added 325,000 b/d of refining capacity to create the country's largest refinery at 600,000 b/d. Much of this capacity is configured to process heavy oil.

At the plant's official opening in May 2012, Shell's CEO Peter Voser told journalists that, "clearly exports are part of [the] thinking."<sup>20</sup>

An analyst at Bank of America-Merrill Lynch recently told the Investor Daily that, "The bulk of the Motiva plant's production is — like a growing share of refinery capacity along the Gulf Coast — geared for export... [w]e can export gasoline and diesel to northwest Europe cheaper than they can produce it locally."<sup>21</sup>

The Investor Daily report concluded that because of exports, the massive production expansion at Motiva Port Arthur would not result in lower gasoline prices for American consumers.

Finally, Phillips66, the newly formed independent refining company that split from ConocoPhillips, is aiming to almost quadruple its exports from 60,000 b/d in 2010 to 220,000 b/d in 2015 (see presentation slide below). It has a 240,000 b/d refinery in Lake Charles, LA, with access to KXL and boasts on its website of this refinery's ability to export through its marine terminal.<sup>22</sup>

As shown below, Phillips66 has been quite explicit with its investors regarding its export intentions.<sup>23</sup>

(See Figure 2)

### *A Changing World*

In 2007, when the Keystone XL pipeline was first proposed, it was not yet as clear as it is today that U.S. oil demand is in decline. Once in office, however, President Obama moved aggressively on much needed vehicle efficiency standards that have clearly put the United States on course to reduce oil consumption. U.S. oil demand is now seen as having peaked in 2005 and if additional climate-friendly policies are put in place it is expected to decline further.

Additionally, few knew then that new technology (hydraulic fracturing, or fracking) would precipitate a rise in U.S. tight oil (and gas) production. In other words, the U.S. oil market that Keystone XL was conceived in is a very different market to that which exists today.

Many refineries in Texas invested in the original Keystone XL concept; a concept that saw U.S. oil demand continuing to grow while U.S. oil production continued to decline. They invested

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<sup>20</sup> Search Enterprises, Inc. "Motiva Expansion Comes Amid Stagnant US Fuel Demand, Hunger For Exports," May 31, 2012. <http://www.searchenterprises.com/inthenews/story2088.htm>

<sup>21</sup> Alan R. Elliott, "Giant Refinery Restart Should Ease Gasoline Prices," Investor's Business Daily, March 5, 2013. <http://news.investors.com/business/030513-646850-motiva-refinery-changes-gas-supply-picture.htm?p=2>

<sup>22</sup> Phillips66, "Western United States and Asia Refining as of Dec. 31, 2011." Accessed April 2013. <http://www.phillips66.com/EN/about/our-businesses/refining-marketing/refining/Pages/index.aspx>

<sup>23</sup> Phillips66, "Phillips66 Investor Update," April 2012.

[http://www.conocophillips.com/EN/investor/presentations\\_ccalls/Documents/2012\\_Apr\\_Investor\\_Update\\_P66\\_slides.pdf](http://www.conocophillips.com/EN/investor/presentations_ccalls/Documents/2012_Apr_Investor_Update_P66_slides.pdf)

billions in equipment to refine Canada's heavy sour tar sands oil because they thought the tar sands would provide a reliable source of oil for years to come.

These investments were supported by generous tax breaks, as described above.

In the intervening years, the world changed. These refineries found themselves in the middle of big investment cycles in a declining market. Pretty soon they realized that their future was not in selling gasoline to the U.S. market but in selling diesel, gasoline, petcoke and other products to Europe, Latin America and Asia.

*It is now clear that the Keystone XL pipeline is a pipeline through the United States not to the United States.* Tar sands producers are desperate to get their product to refineries that serve international markets so that they can expand their market beyond U.S. borders, increase the price they get for their product and maximize profits.<sup>24</sup> The refiners that will help them do that are intent on serving export markets to maximize their profits amidst a domestic market that is both striving to become more efficient while at the same time is already flooded with oil.

### ***Toxic and Tax Exempt: The Tar Sands Loophole in the Oil Spill Liability Trust Fund***

For the past decade imports of tar sands crude oil or bitumen have been increasing. Tar sands is strip-mined and drilled in an energy- and water-intensive process from under the Boreal forests and wetlands of Alberta. In the process, Canada is destroying critical habitat while releasing three times the greenhouse gas emissions as conventional oil production.

Much of this crude oil is being delivered in the form of diluted bitumen, a blend of raw tar sands oil and thinning agents such as synthetic crude or liquid natural gas. This blend is more corrosive and more toxic than conventional crude oil. Diluted bitumen is already transported on a number of U.S. pipelines and is expected to be the primary product transported on the Keystone XL pipeline. It has a higher risk of pipeline spills compared to conventional crude oil, and when those spills happen, the environmental damage is more severe.

Despite these facts, the transport of tar sands oil through pipelines in the United States is exempt from payments into the Oil Spill Liability Trust Fund. This is a free ride worth over \$375 million to tar sands oil producers between 2010 and 2017, including over \$160 million for shippers on TransCanada's Keystone pipeline system. This exemption is an unnecessary subsidy, and one that ignores the elevated risks of transporting tar sands crude oil relative to conventional crude. Logically, tar sands oil transport should be subject to a higher rate than conventional oil, not exempt.

### ***A Fund Designed to Protect Citizens is Stretched Thin***

The Oil Spill Liability Trust Fund provides a vital funding source for spill cleanup, as it is often critically important to communities and local economies to mobilize resources immediately following an oil spill. The oil spill fund is paid for by an 8-cents-per-barrel tax on crude oil

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<sup>24</sup> Peter LaFontaine, "Keystone XL: Exports, Not Energy Security," Wildlife Promise, National Wildlife Federation, March 11, 2013. <http://blog.nwf.org/2013/03/keystone-xl-exports-not-energy-security/>

produced in, or imported into, the United States. The fund is meant to provide a spill response capability of \$2 billion, with up to half of that applicable to any single spill. A lack of revenue combined with expensive spills – the BP Gulf of Mexico spill in 2010 and the Michigan tar sands pipeline spill also in 2010, for example – has stretched the fund to its limits. In 2012, the oil spill trust fund's unobligated cash was about \$130 million, just 6.5 percent of its stated revenue goal.<sup>25</sup>

### *An Irrational Tar Sands Exemption*

Neither Congress nor the Internal Revenue Service (IRS) considers tar sands-derived oil as “crude oil.”<sup>26</sup> In a January 2011 memorandum, the IRS determined that to generate revenues for the oil spill trust fund, Congress only intended to tax conventional crude – not tar sands or other unconventional oils.<sup>27</sup> This exemption remains even though the United States moves billions of gallons of tar sands oil through its pipeline system every year. The trust fund is liable for tar sands oil spill cleanups without collecting any revenue from tar sands transport. If the fund goes broke, the American taxpayer foots the cleanup bill.

### *A \$375 Million Subsidy for the Tar Sands Industry*

Our calculations<sup>28</sup> show that this irrational exemption for tar sands oil saved tar sands producers over \$36 million in 2011. By 2017 this could amount to over \$375 million.

(See Table 2)

These figures were reached by examining several sets of data: the 8-cents-per-barrel tax rate through 2016, the 9-cents-per-barrel tax in 2017, tar sands production forecasts<sup>29</sup>, forecasts for the consumption of tar sands oil in Canadian refineries<sup>30</sup> and TransCanada's system capacity figures.<sup>31</sup> All tar sands oil not consumed in Canada's western provinces is either exported to the United States or passes through the U.S. on its way to Ontario.

### *More Tar Sands Spills Pose Unique Risks to Public*

An increasing amount of diluted bitumen is transported through U.S. pipelines. In 2000, the United States imported about 220,000 barrels of diluted bitumen per day from Canada.<sup>32</sup> By

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<sup>25</sup> Office of Management and Budget, “Balances for Budget Authority: Budget for Fiscal Year 2012,” accessed February 16, 2012. <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/balances.pdf>

<sup>26</sup> U.S. Internal Revenue Service, “National Office Technical Advice Memorandum Number 201120019: Whether tar sands imported into the United States are subject to the excise tax on petroleum imposed by § 4611 of the Internal Revenue Code (Code),” January 12, 2011.

<sup>27</sup> Ibid.

<sup>28</sup> Earth Track and Oil Change International. “Refinery subsidies linked to the Keystone XL tar sands pipeline,” February 7, 2012. [http://priceofoil.org/wp-content/uploads/2012/02/Refinery-Expensing\\_OCI.ET\\_.pdf](http://priceofoil.org/wp-content/uploads/2012/02/Refinery-Expensing_OCI.ET_.pdf)

<sup>29</sup> Canadian Association of Petroleum Producers, “Crude Oil: Forecasts, Markets & Pipelines,” June 2011.

<sup>30</sup> 2010 and 2011 figures from: Statistics Canada, “The Supply and Disposition of Refined Petroleum Products in Canada,” February 2012, vol. 67 no.2. and forecasts based on: Canadian National Energy Board, “Canada's Energy Future: Energy Supply and Demand Projections to 2035,” Appendices, Table A3.3 Refinery Feedstocks and Sources, Canada.

<sup>31</sup> Figures based on full capacity of Keystone pipeline system from commissioning of Keystone 1 in 2010 through to the end of 2017, when the current mandate for collecting the per barrel fee expires. We assume Keystone XL is commissioned in January 2015 and quickly ramps up to full capacity. We assume all liquids transported in the Keystone XL system derive from unconventional sources that are exempt. Actual exempt flows maybe less.

<sup>32</sup> Canada National Energy Board Statistics sent in direct communication, May 9, 2012.

2011, that number had jumped to over 650,000 barrels per day.<sup>33</sup> By 2020, there could be over 1.7 million barrels of diluted bitumen moving through the United States in pipelines every day.<sup>34</sup>

When spills inevitably occur, diluted bitumen poses unique hazards for several reasons. Diluted bitumen contains higher concentrations of hazardous materials and toxins compared to conventional crude. It is also more abrasive and more corrosive. Diluted bitumen needs to be transported under high pressures and temperatures, which means a small rupture can quickly produce a large spill. Furthermore, when a spill occurs it often takes longer to detect due to gas bubbles that can form in the pipeline.

When a conventional oil spill occurs near water, crude oil floats and can be skimmed from the surface. While diluted bitumen is also lighter than water, the thinning agents quickly evaporate when exposed to air. This leaves behind just the heavy bitumen, which sinks beneath the surface. This was the case with a spill near the Kalamazoo River in Michigan in 2010.

(See Figure 3)

*The Kalamazoo River Spill: a Test Case for Tar Sands Pipelines*<sup>35</sup>

In the summer of 2010, Enbridge pipeline 6B carrying tar sands oil to refineries in Sarnia, Ontario, ruptured, spilling about 1 million gallons of tar sands oil into an open field near Marshall, Michigan. The oil soon flowed into Talmadge Creek and eventually reached the Kalamazoo River. From there it traveled 40 miles downstream to Morrow Lake. This is the largest tar sands spill in U.S. history.

Despite multiple alarms and warning signals, operators did not shut down the 30-inch diameter pipeline until almost 12 hours after the spill began. It took an additional six hours to identify the spill's location.

The Kalamazoo case shows how difficult a tar sands spill cleanup can be. As the oil flowed down the Kalamazoo River, the diluents separated from the heavier bitumen, which sank. As of February 2012, bitumen remains submerged in multiple locations, and the river remains closed. Officials have acknowledged that some bitumen will remain on the riverbed indefinitely. The cause of the spill is still unknown. At a cost of \$725 million – more than \$36,000 per barrel -- it is

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<sup>33</sup> Canada National Energy Board, "Estimated Canadian Crude Oil Exports by Type and Destination," accessed May 4, 2012. [http://www.neb-one.gc.ca/clfsi/rnrgynfmtn/sttstc/crdlndprlmprdct/2011/stmtdcndncrdlxprttdstnt2011\\_q3.xls](http://www.neb-one.gc.ca/clfsi/rnrgynfmtn/sttstc/crdlndprlmprdct/2011/stmtdcndncrdlxprttdstnt2011_q3.xls)

<sup>34</sup> Energy Resources Conservation Board, "Alberta's Energy Reserves 2010 and Supply/Demand Outlook 2011-2020," accessed May 4, 2012. [http://www.ercb.ca/docs/products/STs/st98\\_current.pdf](http://www.ercb.ca/docs/products/STs/st98_current.pdf)

<sup>35</sup> Natural Resources Defense Council, "Tar Sands Pipelines Safety Risks," February 2011. <http://www.nrdc.org/energy/files/tarsandssafetyrisks.pdf>



the most expensive pipeline accident on record.<sup>36</sup> By comparison, over the last decade conventional crude oil pipeline spills have cost less than \$2,000 a barrel.<sup>37</sup>

### *Tar Sands May Increase Pipeline Spill Frequency*<sup>38</sup>

North Dakota, Minnesota, Wisconsin, and Michigan have the longest history of transporting tar sands crude oil in the United States. Between 2007 and 2010, pipelines in these states spilled three times more oil per mile than the national average for conventional crude.

Pipeline companies claim newer tar sands pipelines are built with bigger safety margins. However, since TransCanada's Keystone 1 tar sands pipeline began operation in June 2010, at least 35 spills have occurred in the United States and Canada. In its first year, the U.S. section of Keystone 1 had a spill frequency 100 times greater than TransCanada's forecast. In June 2011, federal pipeline safety regulators determined Keystone 1 was a hazard to public safety, and issued it a Corrective Action Order. In truth, tar sands is not just flowing on new pipelines in the United States, but also on an older system not built with the additional rigors of diluted bitumen in mind such as the Enbridge system that broke in Michigan.

### *Close the Loophole, Tax Tar Sands Appropriately*

Given the evidence of the heightened risks and costs of transporting tar sands oil via pipeline across the United States, an exemption from contributing to the Oil Spill Liability Trust Fund is an irrational and potentially dangerous subsidy to the oil industry. The tar sands exemption should be lifted for all transports of tar sands oil within the United States.

In addition, a tar sands-specific rate should be levied that takes into account the heightened risks of transporting tar sands oil through pipelines.

The Keystone XL tar sands pipeline threatens United States efforts to reduce our carbon emissions, threatens communities and sensitive water resources, and increases refinery emissions in the Gulf Coast in order to provide tar sands producers a means of exporting their product on the international market. This tradeoff is not in the nation's interest. TransCanada's application to build the Keystone XL pipeline should be rejected, as should H.R. 3.

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<sup>36</sup> Enbridge Website, "Frequently Asked Questions," accessed February 1, 2012.

<http://response.enbridgeus.com/response/main.aspx?id=12783#Cost>; Enbridge, "Report by Enbridge Energy Partners, L.P., to U.S. Securities and Exchange Commission," August 17, 2010, <http://www.sec.gov/Archives/edgar/data/880285/000119312510191370/d8k.htm>

<sup>37</sup> Since 2002, U.S. pipelines have spilled 440,000 barrels of crude oil, causing \$849 million in property damage. The Enbridge tar sands spill in Kalamazoo involved 20,100 barrels of crude, costing \$725 million in damages. That accounts for \$36,100 per barrel of tar sands compared to \$1,930 per barrel of conventional crude. PHMSA, "Distribution, Transmission, and Liquid Accident and Incident Data, Crude oil pipeline spills data, January 2002-present," accessed March 27, 2012.

<http://phmsa.dot.gov/portal/site/PHMSA/menuitem.ebdc7a8a7e39f2e55cf2031050248a0c/?vgnextoid=fdd2dfa122a1d110VgnVCM1000009ed07898RCRD&vgnnextchannel=3430fb649a2dc110VgnVCM1000009ed07898RCRD&vgnnextfmt=print>

<sup>38</sup> Cornell University Global Labor Institute, "The impact of tar sands pipeline spills on employment and the economy," March 2012, [http://www.ilr.cornell.edu/globalaborinstitute/research/upload/GLI\\_Impact-of-Tar-Sands-Pipeline-Spills.pdf](http://www.ilr.cornell.edu/globalaborinstitute/research/upload/GLI_Impact-of-Tar-Sands-Pipeline-Spills.pdf)

## Tables and Figures

Table 1:

**Production and Export Data for Texas Gulf Coast Refineries**

Product		Production barrels per day	Exports barrels per day	Percentage of production exported
Finished Gasoline	Motor	464,000	278,200	60%
Diesel		1,164,000	485,800	41.7%
Petcoke		196,000	186,800	95.3%

Figure 1:

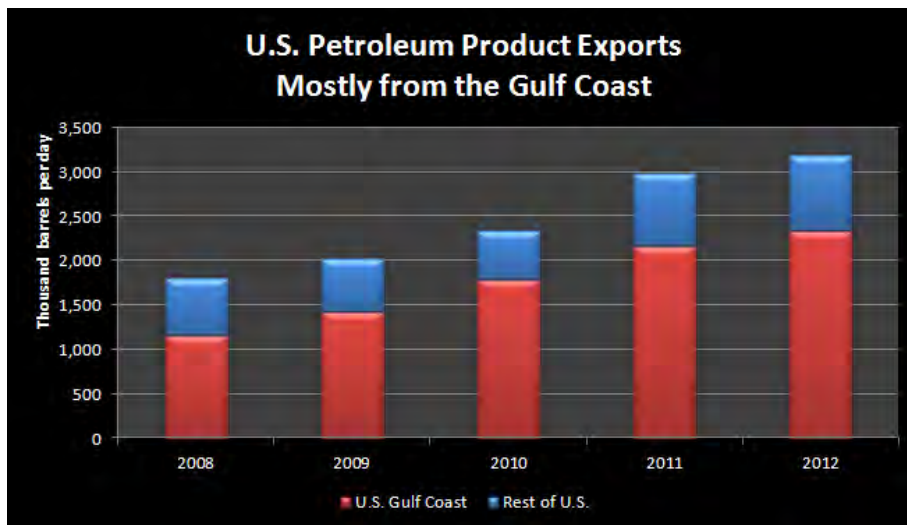


Figure 2:

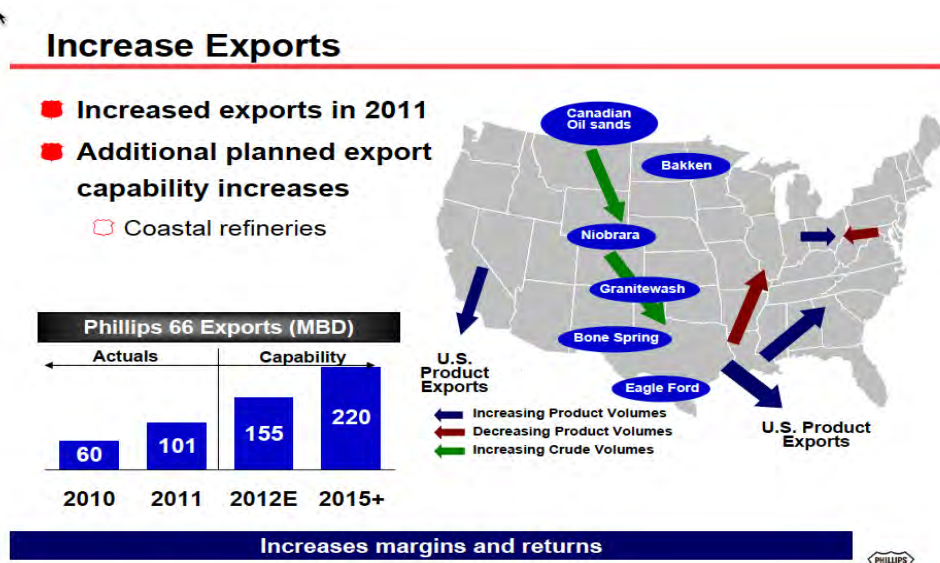


Table 2:

**Table 2: Total Estimated Value of the Tar Sands Exemption (in millions of dollars)**

	2010	2011	2012	2013	2014	2015	2016	2017	Total
<b>Keystone System</b>	5.1	10.2	13.5	13.8	13.8	33.2	33.2	37.3	160.1
<b>Total Tar Sands Flows thru U.S.</b>	33.2	36.7	40.9	43.9	48.9	51.6	55.6	66.3	377.2

Source: Canadian Association of Petroleum Producers, Canada National Energy Board and TransCanada. See <http://bit.ly/K8vcDI> for detailed calculations.

Figure 3:



Enbridge Line 6B ruptured near Marshall, Michigan, June 2010.

Source: National Transportation Safety Board