

Testimony of
Jeffrey Soth
International Union of Operating Engineers
Committee on Natural Resources
Energy and Mineral Resources Subcommittee
Legislative Hearing on
H.R. 3, Northern Route Approval Act

2pm
April 16, 2013
Washington, DC

Thank you for the invitation to join you this afternoon, Chairman Lamborn. It is an honor to join you, Ranking Member Holt, and other members of the Energy and Mineral Resources Subcommittee for a hearing on what the Operating Engineers believe is an essential energy infrastructure project for the United States of America: Keystone XL pipeline.

My name is Jeffrey Soth. I am the Assistant Legislative Director of the International Union of Operating Engineers (or IUOE). The IUOE consists of about 400,000 hardworking men and women in the United States and Canada, most of whom work in the construction sector. Thousands of IUOE members operate heavy equipment and hope to build the Keystone XL Pipeline, the so-called northern route. In fact, hundreds of members of the Operating Engineers are busy building the Gulf Coast project, TransCanada's 500-mile pipeline project from Cushing, Oklahoma, to Port Arthur, Texas, as we speak.

First, allow me to make a procedural comment regarding the project. It is not hyperbole to say that Keystone XL has been the most thoroughly analyzed pipeline project in history. The process has allowed for hundreds of thousands of Americans to comment on the project, including thousands of Operating Engineers. In fact, the most recent public comment period in the National Environmental Policy Act (NEPA) process regarding the scope of the Environmental Impact Statement (EIS) generated over 406,712 comments alone. The State Department has conducted an extensive, detailed, transparent public process. To give you a quick example, the State Department extended the comment period on the Final EIS. State conducted nine public hearings on the Final EIS, including one here in the nation's capital. NEPA does not require public hearings on a Final EIS.

There are two important points in the process that bring us to where we are today:

- After issuance of a Final EIS and after seventy-four days of its ninety-day review to determine whether the project is in the National Interest, the State Department issued a statement on November 10, 2011 saying that in responding to a "concentration of

concerns” around the sensitive Sand Hills area that it needs “...to undertake an in-depth assessment of potential alternative routes in Nebraska.”

- Subsequently, the State of Nebraska conducted its own analysis, which led to a re-route of the pipeline to completely avoid the sensitive Sand Hills area. Governor Dave Heineman said in his January 22, 2013 letter to President Obama and then-Secretary Clinton that the state had “completed its evaluation” and that the project “...would have minimal environmental impacts in Nebraska.”

Let me now turn to the substance of the critical energy infrastructure project:

While there has been a great deal of attention focused on what will happen if the project is built, perhaps the best way to analyze the project’s impacts is to consider what will happen *without the Keystone XL Pipeline* (that is to say, what will happen under the environmental review’s No Action Alternative...?). None of the alternatives are good. That is why the Final EIS concludes that “[t]he DOS does not regard the No Action Alternative to be preferable to the proposed Project” (ES-11).

First, four EISes have said that this project has little or no bearing on the production of oil sands from the Western Canadian Sedimentary Basin (WCSB). Producers will simply not allow permitted oil sands, which the evidence shows are economically feasible to extract, to lie fallow in the ground. That is why, according to the FEIS, “[t]he proposed Project is not likely to impact the amount of crude oil produced from the oil sands” (ES-15). The most recent Draft Supplemental EIS says the same thing. If the target of the opposition to Keystone XL is extraction of production of oil sands and its related environmental impacts, then they are fighting the wrong fight. It is simply a misguided effort that, even if successful, even if they killed the pipeline, will not affect oil sands production. Oil sands will still be extracted at virtually the same rates, with or without Keystone XL. Too many economically-feasible alternatives to the pipeline exist for the valuable resource to stay in the ground.

Second, if no action occurs, the United States may lose the chance to secure a long-term energy supply from our Canadian allies. If the Keystone XL Pipeline is not built, Canadian producers in the WCSB will be forced to seek alternatives to market. While there are many options for the distribution of this oil, denial of a Presidential Permit to the Keystone XL increases the likelihood that American markets will miss a major opportunity to secure long-term commitments for this North American resource – opportunities that could be lost forever to China.

With the uncertainty of the issuance of a Presidential Permit, the ultimate destination for this key North American commodity has become less clear. The EnSys Report, which was incorporated into the environmental review, clearly signals that the United States is at a crossroads. In essence, the permitting process for Keystone XL offers the United States a stark, simple choice: Either American consumers will take advantage of Canadian crude through the construction of KXL, or Asian economies will likely come to rely on this resource from Western Canada for their oil supply. The EnSys Report says the following:

Over the next twenty years, the principal choice for WCSB exporters is between moving increasing crude oil volumes to the USA or to Asia. Led by China, which has already bought heavily into oil sands production, Asia constitutes the major region for future petroleum product demand and refining capacity growth and offers Canada diversification of markets. In addition, costs for transporting WCSB crudes to major markets in northeast Asia (China, Japan, South Korea, and Taiwan) via pipeline and tanker are lower than to transport the same crudes via pipeline to the U.S. Gulf Coast. Projections from this study, which are supported by third party information, indicate that Asian markets are attractive and, if the access routes are developed, could absorb at least 1 bpd of WCSB crudes, potentially significantly more; this versus the less than 50,000 bpd of WCSB crude that moves to Asia today.

Since the Administration's denial of the permit, Chinese national oil companies have accelerated their investments in Canadian oil sands, including an announcement in the last days that a state-owned company (CNOOC Ltd.) offered more than \$15-billion to acquire Nexen, a Canadian energy concern with assets in the Gulf Coast and the Canadian oil sands. Early this year PetroChina reportedly acquired a 40% interest in MacKay River oil sands project. The EnSys Report says that the Chinese tend to repatriate their crude oil for processing in China; they generally will not sell the commodity in global markets. If the KXL is rejected, market forces and communist ideology will likely combine to redirect some of the Canadian crude away from American consumers. Uncertainty about the fate of the Keystone XL increases the likelihood that Chinese consumers and not American ones will be the ultimate beneficiaries of this North American resource.

Third, without the pipeline, Gulf Coast refiners will continue to demand heavy crude oil, with all of its environmental, economic, and national security consequences. Americans will still consume the oil; smaller volumes will come from Canada and more of it will come from Venezuela and Saudi Arabia. That means more waterborne tankers into the Gulf exposing the country to spills, more American petro dollars will be sent to kingdoms and dictators, and the nation will be just as susceptible to supply shocks as it is today, especially those related to political uncertainty.

Finally, if the Keystone XL Pipeline is not built, few socioeconomic benefits will be realized. Rail alternatives will not require as many jobs as the pipeline. The two Class 1 railroads cross the U.S.-Canada border and, with expanded rail facilities at a couple of different locations, they could easily accommodate the crude that would be transported by pipe. Rail will create few construction jobs and less tax revenue. TransCanada just announced an "open season" to see whether there is market support for an eastern-bound crude pipeline, but most of that pipeline is already built. They own a natural gas line that is below capacity and could fairly easily be switched to carry crude to Eastern Canada. The alternatives to moving American crude out of the Bakken Formation are even worse. Tanker trucks, combined with barge shipments down the Missouri and Mississippi Rivers to the Gulf Coast, are now moving in to move the commodity – at greater risk to the environment and human health than pipeline transshipment.

None of these alternatives will create the number and quality of jobs that the Keystone XL pipeline will create for Operating Engineers. The new Draft Supplemental EIS for the 1,200-mile

northern route estimates that 10,000 construction jobs will be created. At a time when unemployment in the construction sector hovers around 15%, these jobs are a lifeline for thousands of construction workers. Hundreds of IUOE members are building the Gulf Coast segment now, paying their mortgages, investing in their pensions, covering their family health care, and earning the best wages and benefits in the industry.

In conclusion, the findings of four different Environmental Impact Statements are clear. The pipeline has been successfully rerouted in Nebraska and now all the states along the pipeline route have approved the project. It is time for the federal government to do its part. It is clear that the project "...would have a degree of safety greater than any typically constructed domestic oil pipeline system under current regulations."

The International Union of Operating Engineers strongly believes that the Keystone XL pipeline is clearly in the national interest.

Thank you for the opportunity to comment.