

**Written Testimony Before The  
U.S. House of Representatives Committee on Energy and  
Commerce  
Subcommittee on Energy and Power  
Hearing on the American Energy Initiative**

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Good afternoon Chairman Whitfield, Ranking Member Rush, Chairman Upton, Ranking Member Waxman, and members of the Subcommittee. My name is Stephen Kelly, and I am the Assistant General President of the United Association of Plumbers and Pipe Fitters, which represents over 340,000 members in the plumbing and pipe fitting industry in the United States and Canada. Thank you for the opportunity to provide testimony on the Keystone XL Pipeline Project.

The United Association strongly supports the Keystone XL project and the draft legislation under consideration by the Subcommittee to expedite its approval for several good reasons. First, this project would provide a tremendous and needed boost to the U.S. construction industry, generating thousands of high-quality jobs at a time when the industry is wrestling with nearly 20 percent unemployment. In addition, this project will produce a number of other important economic benefits, including jobs in related industries and hundreds of millions of dollars in state and local tax revenues. And finally, this project will substantially increase our nation's long-term energy security by enabling us to obtain more oil from our friends in Canada and less from the increasingly unstable and unreliable Middle East.

One of the best aspects of this deal is that it is financed solely with private-sector dollars and therefore comes at *zero cost* to federal taxpayers. Indeed, all that stands between us and this massive privately-funded economic stimulus package is the federal government's approval. So let me discuss in greater detail why it's so important that we all work together to move this project forward.

First, as noted, the Keystone XL would provide a needed boost to the U.S. construction industry. Specifically, it is expected to create approximately 13,000 high-quality, good-paying construction jobs.<sup>1</sup> I cannot emphasize enough how important these jobs are. Our industry is usually the first hit and the hardest hit by recession and the current downturn -- what many have taken to calling the Great Recession -- has been no exception. We've witnessed pockets of unemployment as high as 40 percent in some areas. We've seen workers lose their livelihoods, their homes, and, in some cases, their dreams of building a better life for their families. These are not just jobs we're talking about, but American families.

In addition to construction jobs, the Keystone XL project would generate many other substantial benefits for the U.S. economy. According to TransCanada and an independent study conducted by The Perryman Group, these benefits include 7,000 manufacturing jobs associated with the production of materials and components for the pipeline<sup>2</sup> and over 118,000 spin-off jobs in various sectors related to the design, construction and operation of the pipeline.<sup>3</sup> In fact, in a new study that was just released this month, the Canadian Energy Research Institute found that total U.S.

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<sup>1</sup> TransCanada Press Release, Illinois House Members Urge Secretary Clinton to Approve Keystone XL Pipeline, Dec. 23, 2010, at <http://www.transcanada.com/5620.html>.

<sup>2</sup> See TransCanada, Economic Benefits, at [http://www.transcanada.com/economic\\_benefits.html](http://www.transcanada.com/economic_benefits.html); TransCanada Press Release, *supra* note 1.

<sup>3</sup> The Perryman Group, The Impact of Developing the Keystone XL Pipeline Project on Business Activity in the U.S, p. 4, at [http://www.transcanada.com/docs/Key\\_Projects/TransCanada\\_US\\_Report\\_06-10-10.pdf](http://www.transcanada.com/docs/Key_Projects/TransCanada_US_Report_06-10-10.pdf).

employment associated with the development of Canada's oil sands could be expected to grow from 21,000 in 2010 to 465,000 by 2035.<sup>4</sup>

The economic benefits associated with the Keystone XL project are, of course, not limited to jobs. They also include a \$6.5 billion increase in personal incomes in the U.S. and over \$585 million in state and local tax revenues along the pipeline route.<sup>5</sup> Needless to say, this substantial influx of tax revenue could not come at a better time for the recipient states and localities, given that many of them are wrestling with tough budget decisions. This added revenue may well keep a great many teachers in the classroom, nurses in hospitals caring for patients, police officers on the beat, and other civil servants on the job doing important work. In these difficult economic times, it is essential that we do everything possible to capture these benefits, particularly when they come at no cost to taxpayers.

As noted, the Keystone XL project is also essential to our long-term energy security. The U.S. Energy Information Administration projects the U.S. will need oil and natural gas supplies to meet more than half of our energy needs through 2035.<sup>6</sup> At the same time we pursue alternative and renewable sources of energy, we must

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<sup>4</sup> Canadian Energy Research Institute, Economic Impacts of New Oil Sands Projects in Alberta (2010-2035), May 2011, p. 31, available at <http://www.ceri.ca/images/stories/CERI%20Study%20124.pdf>.

<sup>5</sup> *Supra* note 3, pp. 23-24.

<sup>6</sup> U.S. Energy Information Administration, Annual Energy Outlook 2011 (with Projections to 2035), at [http://www.eia.doe.gov/forecasts/aeo/pdf/0383\(2011\).pdf](http://www.eia.doe.gov/forecasts/aeo/pdf/0383(2011).pdf).

also recognize that are going to need carbon-based fuels for the foreseeable future and do all that we can to secure a reliable, long-term supply of these fuels.

Complicating matters are demand and supply-side challenges that bear on our ability to secure the reliable, long-term supply of crude we need. These include geopolitical instability in the Middle East, which brings significant risk to the supply side of the equation, and the growing energy needs of economies such as China and India, which are driving worldwide demand. Canada's oil sands, together with the Keystone XL project, offer us a unique opportunity to secure much of the supply we need without these risks. This was among the key points raised by the *Washington Post* in a February 5, 2011 editorial endorsing the Keystone XL project.<sup>7</sup>

At 175 billion barrels, Canada's oil reserves are the third-largest in the world and the largest among non-OPEC countries.<sup>8</sup> Oil sands represent upwards of 97 percent of these reserves.<sup>9</sup> With the infrastructure provided by the Keystone XL project, we could begin to transport this source to U.S. refineries in the Gulf Coast which are already configured to process heavy oil and have excess capacity as a result of reduced production from Mexico, where heavy oil production is in steep decline, and Venezuela, which is moving to other markets. Given that the U.S.

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<sup>7</sup> Washington Post Editorial Board, Say Yes to the Keystone Pipeline, Feb. 5, 2011, *available at* <http://www.washingtonpost.com/wp-dyn/content/article/2011/02/05/AR2011020503490.html>

<sup>8</sup> U.S. Energy Information Administration, Country Analysis Brief: Canada, Updated April 2011, *available at* <http://www.eia.doe.gov/EMEU/cabs/Canada/pdf.pdf>

<sup>9</sup> *Id.*

already imports far more oil from Canada than any other country -- over 80 million barrels per month -- there is no good reason to let this opportunity pass us by.<sup>10</sup>

While some have objected to the Keystone XL project out of concern that it would result in higher greenhouse gas emissions, such objections are founded on a couple of flawed premises. First, they presume that Canada's oil sands would not be developed but for the Keystone XL pipeline. However, there is no credible evidence to suggest that worldwide demand for oil is going anywhere but up<sup>11</sup> or that Canada would have trouble finding other countries to purchase its oil if the U.S. declines to do so. Second or alternatively, these objections presume that U.S. demand for oil would decrease if we somehow made it more difficult or costly to access oil. As noted, however, government forecasts confirm that we have a long road yet to travel before we are no longer reliant on oil for a large share of our energy needs. Thus, making oil more difficult or costly to obtain accomplishes little other than making us pay more.

The fact is that the Keystone XL project has been thoroughly vetted by a number of state and federal agencies over the past couple of years and is now in the final stages of review for a Presidential Permit by the State Department. The State Department's review to date has included a draft Environmental Impact Statement

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<sup>10</sup> See U.S. Energy Information Administration, Crude Oil and Total Petroleum Imports Top 15 Countries, Released April 28, 2011 (2011 data), available at [http://www.eia.doe.gov/pub/oil\\_gas/petroleum/data\\_publications/company\\_level\\_imports/current/import.html](http://www.eia.doe.gov/pub/oil_gas/petroleum/data_publications/company_level_imports/current/import.html)

<sup>11</sup> See U.S. Energy Information Administration, Short-Term Energy Outlook, May 10, 2011, at <http://www.eia.doe.gov/emeu/steo/pub/contents.html>.

(EIS) which found that the project would have only a limited environmental impact.<sup>12</sup> Given these realities and the economic and energy-security benefits at stake, we have little to lose and a tremendous amount to gain by moving this project forward.

For all of these reasons, the United Association strongly supports the Keystone XL project and the draft legislation to expedite its approval. Thank you again for the opportunity to testify. I'd be pleased to answer any questions.

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<sup>12</sup> U.S. State Department, Draft Environmental Impact Statement: Keystone XL Pipeline Project, p. 5-1, available at <http://www.keystonepipeline-xl.state.gov/clientsite/keystonexl.nsf?Open>.