

TESTIMONY OF ALEX POURBAIX
PRESIDENT, ENERGY AND OIL PIPELINES, TRANSCANADA CORPORATION
HOUSE COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON ENERGY AND POWER
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Good afternoon. My name is Alex Pourbaix and I am President, Energy and Oil Pipelines for TransCanada Corporation. I am responsible for TransCanada's oil pipeline business, as well as the Company's power and non-regulated gas storage businesses.

I would like to thank the Subcommittee for the opportunity to testify today.

Before I discuss the specifics of our Keystone project, I would like to give you a brief overview of our company.

TransCanada is a \$50 billion energy infrastructure company with more than 60 years of experience in the responsible development and reliable operation of North American energy infrastructure.

TransCanada's employs 4,200 employees across North America, including nearly 2,000 in the United States.

We operate the largest natural gas pipeline network in North America – over 35,000 miles with the capability to transport approximately 20% of the gas produced in North America every day. In addition, TransCanada is the third largest gas storage provider on the continent and our power assets across North America produce enough power to meet the needs of 11 million homes.

Just this week, we announced the completion of another phase of Canada's largest wind power project we are building in Quebec. We have built and are operating the largest wind farm in Maine. Our hydro electric facilities span three States in New Hampshire, Massachusetts and Vermont. And we looking into solar power development.

Now with the Keystone Pipeline System, TransCanada is developing one of North America's largest oil delivery systems.

Keystone will bring many benefits to the United States but I believe the most important role Keystone will play is to help bring energy security to the United States during what have recently been some very unsettling times overseas.

When you boil down the debate on this project, I believe it comes down to a simple question for Americans: do they want secure, stable oil from a friendly neighbour in Canada or do they want to continue importing high priced conflict oil from unfriendly regions such as the Middle East or Venezuela?

Keystone XL will help secure that stable supply of oil by linking Canadian and U.S. crude supplies with the largest refining markets in the United States. Canada's oil reserves are vast – approximately 175 billion barrels are estimated to be recoverable at today's oil price. This compares to the United States reserves, which are estimated to be around 19 billion barrels.

While transporting oil from Canada, Keystone XL will also ship domestic U.S. crude oil.

Keystone XL expects to move 100,000 Bbl/d of American crude production from North Dakota and Montana to Cushing, Oklahoma or to the Gulf Coast, and further expects to move 150,000 Bbl/d of U.S. crude oil from Cushing to the Gulf Coast. Growing domestic U.S. oil production has long been a goal in the United States. But that production cannot grow effectively if it cannot reach market. Keystone XL encourages domestic U.S. oil production by connecting areas with increased supply in Montana, North Dakota, and Cushing, Oklahoma, with the United States' largest refining center in the Gulf Coast. The fact that this pipeline access is needed is apparent in the significant price discount that U.S. inland producers have been receiving for their production compared to the price that Gulf Coast refiners pay for comparable grades of crude oil imported from other countries.

In addition to energy security, our project will also create valuable jobs for Americans.

Construction of the segment from Cushing to the Gulf Coast would have created over 4,000 construction jobs next year in Oklahoma and Texas, pipe fitters, welders, mechanics, electricians, heavy equipment operators, etc. in Engineering, Land, Environment, Surveying and other Construction areas. Construction of the segment in Montana, South Dakota and Nebraska would have created an additional 9,000 construction jobs. Also, there are 7,000 manufacturing jobs associated with the project. In its entirety Keystone XL was poised to put 20,000 Americans to work to construct the pipeline.

Thousands of direct construction jobs were planned to begin next year, the overwhelming majority of which were union jobs. They would have started only a few months from now. Contracts and sub-contracts were awarded to dozens of U.S. companies. Americans were hired and ready to go to work. Those Americans will now need to find other employment while we work through this delay. The opponents of this project have had a voice in the debate over Keystone XL. Who speaks for these thousands of Americans and their families?

Local businesses along the pipeline route would have benefited from the 118,000 spin-off jobs Keystone XL would have created through increased business for local restaurants, hotels and suppliers.

Five billion dollars in property taxes paid by TransCanada over the lifetime of the project will allow counties in States along the pipeline route to invest in new schools, roads and hospitals

Keystone is expected to inject \$20 billion into the U.S. economy and the project will pay over a half billion dollars in taxes to the individual states along the pipeline route – money that will be used to benefit local communities.

Prior to the delay in this process, TransCanada was ready to mobilize construction crews to start work on the project beginning immediately next year. The thousands of jobs are not concentrated in one location, but are distributed throughout the country where the pipeline is routed in Montana, South Dakota, Nebraska, Kansas, Oklahoma, and Texas, but also in manufacturing facilities in Ohio, Pennsylvania, Arkansas and Oregon.

The need for prompt approval of the Keystone XL Project is particularly crucial today when U.S. consumers are struggling to cope with the high cost of gasoline - something that impacts the pocket books of everyone - in rural America and in cities. Specifically, the Keystone XL Project has the capability to replace nearly half the volume of higher priced Middle East oil presently consumed by the United States.

A recent Department of Energy study, which is included in the State Department's Final EIS, found that the delivery of western Canadian crude oil to U.S. Gulf Coast refineries by Keystone would fill a gap being created by declining supply from traditional heavy crude suppliers such as Mexico and Venezuela. The supply of Canadian crude oil that Keystone XL would ship is very similar to the crude oil that is already refined by Gulf Coast refiners. Canadian crude oil is not new or different. At present, more than 2 million barrels per day of Canadian crude oil is imported and refined daily at

refineries all over the United States from California to Pennsylvania to Texas and nearly everywhere in-between.

The study further projected that if Keystone XL was not built, more oil would be shipped by foreign countries to the U.S., primarily from the Middle East, to fill the gap. And this would lead to higher overall greenhouse gas emissions due to increased tanker traffic.

I would like to take a minute to talk about pipeline safety. Many people have raised concerns about pipeline safety. One of TransCanada's core values is to ensure the safety of our facilities for our employees and for the community. Keystone XL will be safe.

We are using the latest technologies and the strongest steel pipe from American mills to build the pipeline. TransCanada has agreed to implement 57 additional pipeline safety and integrity conditions developed by the Pipeline and Hazardous Materials Safety Administration – PHMSA -- that significantly exceed the current Federal standards. These standards include such requirements as burying the pipe deeper in the ground, conducting increased inspections, and placing more shut down valves in sensitive locations.

The pipeline will be monitored 24 hours a day, seven days a week. Twenty-one thousand data points along the entire route of the pipeline are linked to satellites, which feed data to the state of the art Operations Control Center every five seconds. If we detect a drop in pressure, our control center will remotely close valves, isolating the line and shutting it down within minutes.

I want to emphasize that the Keystone XL Project has already undergone a thorough and comprehensive review process. This has been by far the most exhaustive and detailed review ever conducted of a crude oil pipeline in the United States. As part of that process, Keystone has held over 100 open houses and public meetings along the pipeline route and submitted thousands of pages of information to government agencies in response to questions. The process included a Draft and Supplemental Draft Environmental Impact Statement and resulted in the issuance by the State Department of an eight-volume Final Environmental Impact Statement that concluded that Keystone XL would have a minimal impact on the environment.

We submitted our Presidential Permit application 40 months ago and are now faced with a potential delay that could take another 12 months or more – bringing the total time period for this process to more than 50 months. The length of this review was certainly beyond anyone's reasonable expectations. When we applied for a Presidential Permit for the initial Keystone Pipeline project,

the entire process from application to Presidential Permit required 23 months. The process for the Enbridge Alberta Clipper project took 27 months. Those projects are not very different from Keystone XL. Both of these projects consisted of pipelines from Alberta to U.S. refineries. Both consisted of pipelines roughly similar in diameter and capacity to the Keystone XL pipeline and both transport crude oil that is similar to the crude oil expected to flow in Keystone XL. All three projects were found to have a minor impact on the environment, including Keystone XL, and both the Keystone and Clipper projects were found to be in the national interest.

The U.S. Department of State announced on November 10 that further assessment of alternative routes for Keystone XL was needed in Nebraska to move forward with the National Interest Determination. My understanding is that the supplemental review is being conducted solely because of concerns that were raised after the issuance of the FEIS regarding the route specifically through the Sand Hills region in Nebraska. It would certainly be our view that, once that routing assessment is completed, all of the information needed to make a decision on the project, is available today.

We are pleased the positive conversations we have had with Nebraska leaders resulted in legislation that respects the concerns of Nebraskans by our voluntarily moving the pipeline route out of the Sandhills, and the legislation ensures the development of the Keystone XL pipeline. Now that Nebraska legislation has passed, the greatest barrier to approval has been removed. This should help win federal approval for the project more quickly.

Working together with the State Department, Nebraska's Department of Environmental Quality will conduct an environmental assessment to define the best location for Keystone XL in Nebraska. We will cooperate with these agencies and provide them with the information they need to complete a thorough review that addresses concerns regarding the Sandhills region. This review should be conducted expeditiously and completed as soon as possible in 2012.

I would also note that much of the opposition to this pipeline has been based on an opposition to Canadian crude oil production, although this pipeline will deliver U.S. crude oil as well. Despite our view that issues related to Oil Sands production in Canada are outside the necessary scope of the environmental review of KXL, the EIS considered those issues. We hope and expect that they will not be reopened in the limited supplemental review of Nebraska routing issues.

Canadian crude oil green house gas emissions are comparable to many types of crude produced in California, Venezuela, and elsewhere, all of which are also refined in the United States. And

emissions of Canadian crudes are being reduced. On a per barrel basis, the green house gas emissions from Canadian crude oil production have fallen 30% since 1990 and more improvements are underway.

A December 2010 U.S. Department of Energy analysis of Keystone XL concluded 'The WORLD and DOE Energy Technologies Perspective (ETP) model analyses results show no significant change in total U.S. refining activity, total crude and product import volumes and costs, in global refinery CO2 and total life-cycle GHG emissions whether KXL is built or not.'

Canadian crude oil will be produced regardless of whether Keystone XL is built. If it is not exported to the United States, it will be exported to other countries, from which there is no shortage in demand.

If the key issue is crude oil production in Canada, then a decision on Keystone XL can be made today. But a decision to deny Keystone XL because it will carry some Canadian oil will not impact crude oil production in Canada; it will only change the market to which it is brought.

The fundamentals of Keystone XL as a whole have not changed. The Final Environmental Impact Statement for the project concluded that it would have a minimal impact on the environment.

Keystone will help reduce the United States' reliance on higher-priced, unstable foreign oil from Venezuela and the Middle East and replace it with secure supplies from both Canada and the U.S.

Keystone will create 20,000 American jobs at a time when unemployment remains high. The project will inject \$20 billion into the U.S. economy and pay billions in taxes for decades to come so communities can build schools and ball fields.

This project is needed – the benefits are clear – but time is of the essence to receive the approvals we need so Americans can begin to experience the benefits of Keystone.

We are ready to begin. We can create jobs immediately. We would like to get started.

Thank you and I would be pleased to address any questions that you may have.