



# International Union of Operating Engineers

AFFILIATED WITH THE AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

## One-Page Summary of Testimony of

**Jeffrey Soth**  
International Union of Operating Engineers

**Committee on Energy and Commerce**  
**Subcommittee on Energy and Power**

**“The American Energy Initiative:  
Expediting the Keystone XL Pipeline: Energy Security and Jobs”**  
December 2, 2011

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The IUOE is profoundly disappointed by the State Department's action to postpone a decision on the Presidential Permit for Keystone XL until the first part of 2013.

The best way to analyze the project is to consider what will happen *without the Keystone XL Pipeline*. That is, what will occur if the State Department's action kills the project?

- First, without the Keystone XL Pipeline, American crude oil from the Bakken Formation will continue to move out of the region by truck to refineries
- Second, there will likely be no effect on the production of oil sands from Western Canada.
- Third, is that if the pipeline is not built, the United States may lose the chance to secure a long-term energy supply from our Canadian allies.
- Fourth, without the pipeline, Gulf Coast refiners will continue to demand heavy crude oil, with all of its environmental, economic, and national security consequences.
- Finally, if the Keystone XL Pipeline is not built, the socioeconomic benefits of the project will not be realized. No jobs will be created.

The Keystone XL Pipeline is critically important to the nation's national security and economy.

Thank you for the invitation to testify, Chairman Whitfield.



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Thank you, Chairman Whitfield and Members of the Energy and Power Subcommittee, for the opportunity to testify today. My name is Jeffrey Soth. I am here in behalf of the International Union of Operating Engineers, a diversified trade union representing approximately 400,000 men and women in the United States and Canada, most of whom work in the construction industry. Thousands of IUOE members, who operate heavy equipment in the sector, hope to build the Keystone XL Pipeline.

The IUOE is profoundly disappointed by the State Department’s action to postpone a decision on the Presidential Permit for Keystone XL until the first part of 2013. This decision jeopardizes the project, and, among other things, leaves in question the creation of thousands of jobs for Operating Engineers and other workers. As IUOE General President Vincent Giblin said in his letter to Secretary Clinton after the decision, “Because of the unique authority the Administration possessed to create jobs almost immediately, without congressional action or a dime of public investment, this decision will reverberate throughout the membership of the Operating Engineers.”

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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, particularly in light of the State Department's decision, is to consider what will happen *without the Keystone XL Pipeline*. That is, what will occur if the State Department's action kills the project?

First, without the Keystone XL Pipeline, American crude oil from the Bakken Formation, the fastest growing oil field in the United States, will continue to move out of the region in the most dangerous, most expensive way possible – by tanker truck. Growth in crude production has outstripped capacity to move it in the region. Today, according to the State Department's environmental review of Keystone XL, 25,000 barrels per day of Bakken crude moves to refineries by truck. The Keystone XL would provide an "on-ramp" for this crude in Baker, MT, moving 65,000 barrels per day from the Bakken Formation to refineries in the Midwest and Gulf Coast. The State Department's Draft Environmental Impact Statement for the project says that trucking is 87 times more likely to result in fatality than a pipeline, and 35 times more likely to result in a fire and/or explosion. Without the Keystone XL, this American crude will be transported in ways that increase the risk to the environment and human safety.

Second, immediate movements in the marketplace by pipeline companies demonstrate that, with or without the Keystone XL Pipeline, there will likely be no effect on the production of oil sands from Western Canada. The thirst for oil will be met, one way or the other, with little regard for the way the commodity is shipped. According to the project's Final Environmental Impact Statement (FEIS) (ES-15), "[t]he proposed Project is not likely to impact the amount of crude oil produced from the oil sands".

The third point, related to the second, is that if the pipeline is not built, 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 of oil sands will be forced to seek alternatives to American markets, likely sending dramatically more crude to China. Delay 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. For those who think that Asian options for Canadian crude are speculative and unrealistic, I would make three observations: First, the Enbridge's Northern Gateway project is but one option to move the commodity to Asia; Kinder Morgan also proposes to move dramatically more oil sands to Asia through an expansion of its Trans Mountain Pipeline, which is currently running over capacity. Second, crude tankers are commonly loaded at facilities in the Port of Vancouver and make their way through the Georgia Strait and the Strait of Juan de Fuca near Washington State to refiners. In fact, seventy-one tankers departed Burnaby, BC's Westridge Terminal to deliver oil sands to refiners in 2010. Kinder Morgan proposes to quadruple the number of shipments this decade. Third, Chinese oil companies have dramatically increased their presence in Canadian oil sands. China Petroleum and Chemical Corporation (Sinopec) has even offered technical assistance and equity investments to the Northern Gateway project, which would move crude oil from the Western Canadian Sedimentary Basin to Western British Columbia for export to Asia. Even since the release of the FEIS, a press report identified a second Chinese state-owned oil company, CNOOC, Ltd., has indirectly offered funding to the project, according to an article in the Globe and Mail published in September.

Fourth, 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 dollars will be sent to kingdoms and dictators, and the nation will be more susceptible to supply shocks, especially those related to political uncertainty.

Finally, if the Keystone XL Pipeline is not built, the socioeconomic benefits of the project will not be realized. No local, state, or federal revenue will be generated. And, critically important to the International Union of Operating Engineers, no jobs will be created. That means there will be no

employer contributions made to IUOE members' health care for their families. No contributions to retirement. And no investments in the labor-management training funds that support the skill development of future workers in the pipeline industry.

It is no wonder why the State Department concludes in the Final Environmental Impact Statement that the Keystone XL is preferable to no project at all. What makes one wonder is why, given the finding above, the Administration postponed the decision until 2013. The record of the legal and environmental review of the project simply does not support that decision.

The Keystone XL is critically important to the nation's national security and economy. Without it, more American crude from the Bakken will move by truck, refiners will demand more heavy crude from Venezuela and the Middle East, and China is likely to solidify its long-term relationship to producers in Western Canada. Most important to the IUOE, no jobs will be created.

Thank you for the invitation to testify, Chairman Whitfield.