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HEARING ON THE AMERICAN ENERGY INITIATIVE

MONDAY, MAY 23, 2011

House of Representatives,

Subcommittee on Energy and Power,

Committee on Energy and Commerce,

Washington, D.C.

The subcommittee met, pursuant to call, at 3:09 p.m., in Room 2123, Rayburn House Office Building, Hon. Ed Whitfield [chairman of the subcommittee] presiding.

Present: Representatives Whitfield, Walden, Terry, Scalise, McKinley, Gardner, Rush, Green, and Waxman (Ex Officio).

Staff Present: Michael Beckerman, Deputy Staff Director; Jim Barnette, General Counsel; Mike Bloomquist, Deputy General Counsel; Dave McCarthy, Chief Counsel, Environment/Economy; Maryam Brown, Chief Counsel, Energy and Power; Ben Lieberman, Counsel, Energy and Power; Jeff Mortier, Professional Staff Member; Charlotte Baker, Press

Secretary; Andrew Powaleny, Press Assistant; Sean Bonyun, Deputy Communications Director; Allison Busbee, Legislative Clerk; Anita Bradley, Senior Policy Advisor to Chairman Emeritus; Cory Hicks, Policy Coordinator, Energy and Power; Ray Baum, Senior Policy Advisor/Director of Coalitions; Aaron Cutler, Deputy Policy Director; Garrett Golding, Legislative Analyst, Energy; Carly McWilliams, Legislative Clerk; Alexandra Teitz, Minority Senior Counsel, Environment and Energy; Greg Dotson, Minority Energy and Environment Staff Director; Caitlin Haberman, Minority Policy Analyst.

Mr. Whitfield. I would like to call that hearing to order. This is the American Energy Initiative hearing, and we have had eight hearings on the subject of the American Energy Initiative. We have examined many of the challenges and opportunities confronting America's producers and consumers of energy. I want to thank all of our witnesses today. We look forward to your testimony.

There is not any question that we have many issues facing our country, and none more important than energy, both on the transportation side and the production of electricity side, because the cost of energy goes a long way in determining how competitive we are in the global marketplace and creating jobs in America, these jobs are being created in other countries.

The Obama administration, and particularly President Obama, has done a tremendous job when he is out there speaking about how he wants to support energy. He talks about speeding up the permit process; he talks about more drilling; he talks about the impact of regulations on jobs. And all of us agree with his statements, but the reality is that his administration, the Department, seem to be taking the exact opposite tact of what he is talking about. For example, there has been an air permit related to drilling off the coast of Alaska, it has been sitting there for 5 or 6 years and has not been issued yet.

More and more regulations are coming out being proposed by EPA relating to coal, for example, the utility MACT, which is going to cost an additional $10 billion a year to produce energy. And that does not include the air transport rule which would raise it up to $14 trillion

a year. So it is one thing to say you want to produce more energy, it is something else when your administration is taking the exact opposite tact. And that is certainly true in the subject of our hearing today, which is the discussion draft of the North American Made Energy Security Act of 2011 which has been introduced by Mr. Lee Terry. That application to obtain a presidential permit was applied for over 3 years ago, and we are still waiting on it. So at this time I am going to recognize the gentleman, Mr. Terry, to talk about his legislation.

Mr. Terry. Well, thank you, Mr. Chairman. I appreciate your assistance and counsel on the North American Made Energy Security Act. Simply stated, this Act is to put a time date on the administration to accomplish its review and issue their order. As you mentioned, it has been with the State Department for 3 years, there has been an environmental impact study, and at the request of many Nebraskans, request for a second one that has been completed and sent to the State Department.

So at this point in time, we think all of the information has already been provided to the appropriate parties. And its time that we have a decision. So the North American Made Energy Security Act, or NAMES, simply sets the date of November 1st for the administration for the President, by Presidential executive order, to issue his yes or no approval of this pipeline. Once he signs that, then the legal parameters fall in place for each State to have to deal with, including the my State of Nebraska. So this is rather a simple bill, that just says let's move on with this.

Now the impact of this is important to the United States. Obviously, the oil sands are an important product for our independence from OPEC oil, it is a major source of fuel for us. So the issue is to get those oil sands to refineries across the Nation. The small independent ones in the Midwest, whether it is Kansas, Oklahoma or the bigger ones in southern Texas, which is the end of this pipeline, that will help our constituents when they go to the pump if we have more of that source and refined here domestically. It will create jobs in every State it goes through, including Nebraska, good, high paying union jobs.

So I want to thank the chairman for assisting and counseling. I want to thank Mr. Ross and Mr. Green for making this a bipartisan bill, and the others on this committee that have joined me in this process. And by the way, Mr. Chairman, we will file this bill when we go vote this afternoon. I yield back.

Mr. Whitfield. I thank you, Mr. Terry. At this time I recognize the gentleman from Illinois, Mr. Rush, for 5 minutes, opening statement.

Mr. Rush. I want to thank you, Mr. Chairman. And I want to thank all of our guests for being here today. Today we are holding a hearing on the North American Made Energy Security Act of 2011, which would require the Secretary of Energy to coordinate all of the Federal agencies in charge of issuing a final decision on the Keystone XL pipeline in an expeditious manner.

On the surface, this proposal seems reasonable enough, requiring

the Obama administration to quickly come to a decision on whether it would grant approval for the Keystone XL pipeline, which would bring additional Canadian crude oil into U.S. markets and help replace the supply of oil that we import from the Middle East and from other overseas countries.

If this issue was really that simple, then it wouldn't take an act of Congress, Mr. Chairman, to make it happen. And we wouldn't be here today holding a hearing on this bill in this committee at this time.

Mr. Chairman, today our whole judgment on whether or not I can support this bill because there are some important issues that deserve greater examination, and I am pleased that we are holding this hearing in order to bring some of these issues to light.

This bill would force the administration to issue the presidential permit for the pipeline within 30 days of the final environmental impact statement, and no later than November 1st, 2011. This arbitrary time line will reduce the allotted time that Federal agents will have to determine the national interests in deciding this proposal by almost two-thirds, while also reducing or eliminating the 30-day public comment period. And I, for one, have some very serious concerns about this. I believe public input is a vital and necessary part of the determination process, especially for local communities that were mostly affected by the decision to move forward. I also look forward to learning more about the environmental impact of importing crude oil from western Canadian oil sands and how this would affect

greenhouse gas emissions.

However, Mr. Chairman, my biggest concern I have today is what type of impact this pipeline will have on oil prices for my very own constituents in Chicago, in Illinois, and in the Midwest in general. According to the AAA's fuel gauge report, Mr. Chairman, in Chicago, we are already paying the highest average gas prices in the Nation at $4.37, which is well above the national average.

Mr. Chairman, I might add that yesterday I filled the tank up and it was 5.15 that I had to pay. I have here APR dated January 25th, when TransCanada Corporation responsible for the Keystone pipeline stated they expected oil prices in the Midwest to rise if this pipeline is approved. In fact, I also have part of the TransCanada assessment, as well as the transcript before the Canadian Energy Board, the NEB, in which TransCanada testified that the Keystone pipeline would drive up the price of crude for many Midwestern States, including Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, the Dakotas, Ohio, Oklahoma, Tennessee and Wisconsin.

TransCanada representatives are on the record saying that Keystone XL would address what they term an oversupply midwest market, which they believe has resulted in price discounting for Canadian heavy crude oil. Building this pipeline would divert supply from the Midwest to the Gulf Coast. And I quote, Mr. Chairman, the resulting increase in the price of heavy crude is estimated to provide an increase and annual revenue to the Canadian-producing industry in 2013 of 2 billion to 3.9 billion U.S. dollars.

Now, Mr. Chairman, as fond as I am of our friends in the north, I would much rather keep that 2 to $3.9 billion in the pockets of our constituents in the Midwest rather than giving it to our close friends, deeply-held friends in Canada. I look forward to this hearing, Mr. Chairman, and I yield back the balance of my time.

Mr. Whitfield. Thank you. Mr. Upton is not here this afternoon. Is there any one on our side who would like to claim his 5 minutes? I recognize the gentleman from Oregon, Mr. Walden.

Mr. Walden. I take a minute or 2 here of the time just to say, look, we have got a heck of a problem in this country with access to enough affordable oil and gas. And it seems it me that if we can build the trans Alaska pipeline in a matter of a couple of years as a result of an act of Congress to expedite its construction, and produce and bring to the lower 48 through Valdez, incredible amounts of oil, we should be doing this as well working with our best trading partner in the world, Canada, to get this done. It would create jobs in the United States Canada. It will bring 700,000 barrels per day of crude oil to the United States. For the life of me, I can't understand how adding to supply by some economist drives up cost. I always thought it was the other way around. You add supply and you drive down cost. I still am a firm believer in that value of economics.

And so, if we are going to ever get more energy independent in the United States for a transportation fleet, while we worked on other forms of energy for transportation, we still need more oil and gas. We still need the ability to access America's great reserves and those

of our neighbors, and do so in the most efficient way possible, that is why I support this legislation because I think this will help out.

With that, Mr. Chairman, I don't know if there are others on our side that I could yield to. Mr. Scalise, for as much time as he may consume.

Mr. Scalise. Mr. Chairman, I appreciate the ability for us to hear the testimony from our panelists. I am looking forward to hearing it. I know as we have been promoting ideas to lower gas prices and create jobs, the sad reality is it is this administration's policies that have been running thousands of energy jobs out of our country and leading to dramatically higher prices for energy. It was the President himself who said just 2 years ago that he would prefer a gradual adjustment to near $4-a-gallon gasoline. That was the President's comments. I am sad to say the President has gotten his wish, because we are near or at $4-a-gallon gasoline.

It was his own Energy Secretary who sat before our committee just a couple weeks ago, couldn't even articulate an answer to Congressman Gardner's question about what is the President's plan to lower gas prices. The Secretary of Energy. The President's Secretary said somehow we have to figure out how to boost the price of gasoline to the levels in Europe. Again they are getting their wish, but they are doing it at the expense of families all across this country who are paying dramatically higher for gas prices today, more than double what the price was when President Obama took office. So we have seen an assault on American energy by this administration, and it is coming

at a steep, Obama premium, as I call it, at the pump, and people are fed up with it. And I am glad that at least this House Republican Congress has taken action to reverse that trend to say, let's become more energy secure, and, of course, in Canada, our biggest trading partner for oil, our biggest importer of oil.

Frankly, I want to see us completely eliminate our dependence on Middle Eastern oil. And we can do that if we increase production here at home and work with our partner in Canada to instead of having their energy go to places like China to keep that here. And this pipeline represents billions of dollars of investments, up to $13 billion, I am reading the testimony from one of our panelists today, $13 billion of prime investment associated with the Keystone pipeline, not to mention thousands more high-paying jobs that will occur in America if we do this.

So we reduce or dependency on Middle Eastern oil, we create more jobs here at home, and we lower the price of gasoline because we are increasing the supply, and then futures markets will recognize once you untap that potential, you will lower the price. And again, maybe the President won't be happy with that, because the President's comments are very clear. The President said in 2008 he would prefer a gradual adjustment to near $4-a-gallon gasoline. Well, guess what, the price of gasoline back then when he made those comments was less than $2 a gallon. So while the President is getting his wish on raising gas prices and the wish of his Energy Secretary, Americans are fed up with the premium that we are paying at the pump. And we can do something

about it, and here is one good example where we are create great jobs here at home and reduce our dependence on Middle Eastern oil at the same time. I hope the administration doesn't continue to promote failed policies that are costing us jobs and leading to higher prices at the pump, and I yield back.

Mr. Whitfield. Thank you. At this time, I recognize the gentleman from California, Mr. Waxman, for 5 minutes.

Mr. Waxman. Thank you, Mr. Chairman. Today we are holding a hearing on legislation to short-circuit an ongoing decision-making process and pressure the Department of State into approving a massive new oil pipeline called Keystone XL, which would carry a sludge made from tar sands through the middle of America. This project would raise gas prices, endanger water supplies and increase carbon emissions. What is good for oil companies is not always good for America. That is especially true of this proposal.

True energy security means reducing our oil dependence and moving to cleaner, safer, domestic energy. That is not tar sands. Canadian producers must burn vast quantities of natural gas to extract tar sand sludge, and then use a lot more energy to process it into something approximating conventional crude.

On a life-cycle basis, tar sands may emit almost 40 percent more carbon pollution than conventional fuel. That is why this project is such a big step backwards environmentally. Some will say we have to make tradeoffs and sacrifice our air quality for lower gas prices, but with this project, we would be sacrificing our air quality for higher

gas prices. And you don't have to take my word for it. That is what TransCanada told the Canadian government in its official permit application.

Trans Canada said that the pipeline will address oversupplies of crude in the Midwest which produce, "Price discounting." Reducing those supplies by moving crude to the Gulf means higher prices for Canadian crude producers, and higher gas prices for Midwestern consumers. As a result, TransCanada stated that the pipeline would rise prices for Canadian tar sands by $2 to $4 in 2013. In my view, this makes Keystone XL a lose-lose proposition for America.

There is an ongoing process at the State Department for evaluating the pros and cons of the pipeline. The administration has not come down one way or the other, so it is interesting that they are being criticized, even if they haven't done anything. That process should be allowed to pride. But that is not what the legislation we are considering does. It takes the extraordinary step of interfering in the ongoing State Department review. And it pressures the State Department to approve the project on an expedited time frame. Congress should not be playing this role. The State Department should evaluate the proposal on its merits, not be ramrodded by Congress into approving a boondoggle for the oil industry.

One question that has arisen about the project is how it would affect Koch Industries, a largely private-held oil company run by the Koch brothers. According to press accounts, Koch would be one of the big winners if the pipeline is approved. My staff contacted Koch last

week to learn more about its investments in tar sands. Other oil companies, such as ConocoPhillips and Shell, have been willing to discuss their interest in developing tar sands, but Koch refused to answer basic questions. The company's representative told my staff that Koch is not an investor in the Keystone XL pipeline, and has not taken a public position on the project, but the representatives would not discuss whether Koch would export oil from Canada through the new pipeline, whether Koch holds tar sands leases, or whether Koch has plans to produce oil from tar sands.

I think these are legitimate questions. Koch is a large political donor, and major backer of the Tea Party. Members and the public are entitled to know whether the company would be a prime beneficiary of this legislation.

Last week, I wrote to Chairman Upton and Chairman Whitfield to seek their assistance in getting answers. Today I learn that they will not make any inquiries. If their objection is that Koch should not be singled out by the committee, I have no objection to asking other companies about their interest in tar sands.

What I do object is to protecting Koch from legitimate scrutiny. This -- and I will continue to discuss this with the chairman. This pipeline, and the legislation that supports it, will enable the oil companies to charge American consumers more for their gasoline while increasing carbon pollution and endangering precious water supplies. We know who will lose. We also need to find out who will benefit. Thank you, Mr. Chairman.

Mr. Whitfield. Thank you. And once again, welcome the witnesses today, we have one panel of witnesses and we do look forward to your testimony. We have with us Mr. Dan McFadyen, who is chairman of the Alberta Energy Resources Conservation Board. We have Mr. James Burkhard, who is managing director of Global Oil, IHS Cambridge Energy Research Associates. We have Mr. Alex Pourbaix, President, Energy and Oil Pipelines, TransCanada. We have Mr. Jeremy Symons, senior vice president, conservation and education, National Wildlife Federation. We have Mr. Murray Smith, president of the Murray Smith & Associates. And we have Mr. Stephen Kelly, who is assistant general president of the United Association of Plumbers and Pipefitters. All of you will be recognized for 5 minutes for your opening statements, following which we will be asking you questions.

STATEMENTS OF HON. DAN MCFADYEN, CHAIRMAN, ALBERTA ENERGY RESOURCES CONSERVATION BOARD; MURRAY SMITH, PRESIDENT, MURRAY SMITH & ASSOCIATES; ALEX POURBAIX, PRESIDENT, ENERGY AND OIL PIPELINES, TRANSCANADA; STEPHEN KELLY, ASSISTANT GENERAL PRESIDENT, UNITED ASSOCIATION OF PLUMBERS AND PIPEFITTERS; JAMES BURKHARD, MANAGING DIRECTOR, GLOBAL OIL, HIS CAMBRIDGE ENERGY RESEARCH ASSOCIATES; AND JEREMY SYMONS, SR. VICE PRESIDENT, CONSERVATION & EDUCATION, NATIONAL WILDLIFE FEDERATION.

Mr. Whitfield. I would note that there is a little instrument on the table there that has red and yellow and green lights. When it gets to red, we would appreciate it if you would think about concluding

your remarks at that point. So Mr. McFadyen we will recognize you for your opening statement. And be sure and turn your microphone on.

STATEMENT OF HON. DAN McFADYEN

Mr. McFadyen. Mr. Chairman and members of the committee, good afternoon. Thank you for the invitation to speak to you about Alberta's comprehensive regulatory regime with respect to oil sands development. Alberta's oil sands are being developed under a rigorous and transparent regulatory framework that is based on the application of sound science and continuous improvement.

Our integrated and comprehensive regulatory regime is founded on stringent legislation regulation that takes into account environmental, social and economic impacts, as well resource conservation and technical excellence. Or, to put it another way, the regulatory regime is designed to ensure oil sands are developed in the public interest.

Implementing this regulatory regime is the responsibility of three regulatory agencies: The Energy Resources Conservation Board, the Alberta Department of Environment, and the Alberta Department of Sustainable Resource Development.

ERCB is arm's length, a quasi-judicial independent decision maker established through legislation 73 years ago by the Alberta government. The government of Alberta created the ERCB to ensure that the discovery, development and delivery of Alberta's energy resources takes place in a manner that is fair, responsible and in the public interest.

The ERCB directly administers seven provincial acts to ensure that all aspects of oil and gas development are carried out in a responsible manner. The Board is responsible for setting down detailed regulatory requirements through regulations and directives.

We have a budget of $175 million annually, and about 900 staff working in 13 locations across Alberta. About one-third of our staff members are licensed professionals, including engineers, geologists and environmental scientists. About 100 of our staff in our office is in Calgary and Ft. McMurray are focused strictly on the oil sands.

With bitumen reserves at 170 billion barrels, we have responsibility to ensure the oil sands are developed in sustainable way.

Every oil sands project is subjected to regulatory scrutiny throughout its lifecycle, from authorization and operational compliance to end-of-life closure. No oil sands project in Alberta may proceed without an approval from ERCB. On every application we examine, we look at three criteria to determine if a project is in public interest: Environmental protection, societal impacts and economic impacts.

On particularly complex or contentious projects, a formal hearing by an ERCB board panel may be established. The hearings allow for those that may be directly and adversely affected by a development to present evidence related to their concerns and cross-examine the project proponent before a board panel. Some applications for oil sands mining development result in a joint federal and provincial review.

A formal decision is issued but sets additional conditions that must be met in addition to the rigorous requirements set out in our legislation, regulation and directives.

As noted in my introduction, our regulatory regime is not static. It is based on continuous learning and continuous improvement. I would like to highlight two important advances we have made in oil sands regulation over the last 2 years. In 2009, we released Directive 73 aimed at formalizing our oil sands inspection process. Directive 73 consolidated ERCB regulatory requirements and expectations that operators of oil sands, mining and processing plant operations must follow, as well setting out the expectations of ERCB field inspections. This directive has greatly improved our industry's ability to ensure compliance with our regulatory requirements. Last year, our Ft. McMurray field staff conducted about 120 detailed mine inspections, we also conducted more than 10,000 inspection of in situ facilities over the last 4 years.

The second major advance I would like to speak about involves tailings management. Every oil sands mine requires a tailings pond of one kind or another. Over the past decade, it became apparent we needed tighter regulations to hold industry accountable for improving tailings management performance. So on February 2009, we released Directive 74. It set out performance-based requirements for companies to reduce the amount of fine particles in tailings and place larger particles in areas where they can be returned to a solid surface more quickly.

The ERCB has now approved plans for all eight mining projects. We estimate directive as a result commitment to some $4 billion in new technology, infrastructure and upgrades detailing management facilities to meet the directive. One of the unforeseen outcomes of the directive was the emergence of an industry consortium on research. Seven oil sands companies have signed a ground-breaking agreement to share their knowledge and resources to find joint solutions to close and reclaim tailings ponds.

Our regulatory partners are also committed to continuous improvement. As part of its adaptive management approach, the government of Alberta has implemented the land use framework to bring about accumulative effects management system across Alberta. The lower Athabasca regional plant, or LARP, specifically focuses on where oil sands development occurs. To guide future decisions about oil sands development, LARP will establish social, economic and environmental outcomes, and set limits and thresholds for regulated and non-regulated activities. This is an innovative approach to management, that will ensure Albertans' values are upheld regarding resource development and the environment.

The end of the day, the goal of all the work of ERCB and our regulatory partners to ensure that our regulatory system is comprehensive, fully integrated, responsive, utilizes strong results based on science, and is continually improving. We are working to create a legacy for future generations and a stable and environmentally responsible energy source. Thank you, Mr. Chairman.

Mr. Whitfield. Thank you, Mr. McFadyen.

[The prepared statement of Mr. McFadyen follows:]

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Mr. Whitfield. Now, Mr. Burkhard you are recognized for 5 minutes.

STATEMENT OF JAMES BURKHARD

Mr. Burkhard. Thank you, Chairman Whitfield, and other members of the subcommittee for the opportunity to discuss today the role of Canadian oil supply in the U.S. market. Libya, before the civil war, exported about 1.2 million barrels per day. And since the civil war acts obviously have halted, the price of crude oil is up about $19 barrels per barrel, on average, since the civil war. That translates into a gasoline price increase of about $0.45 per gallon.

The amount of oil we get from the oil sands, the United States imports from Canada in oil sands is equivalent to the amount of oil that Libya exported before the civil war, just to provide some context.

Today is obviously a very timely opportunity to discuss this issue, the impact of high prices on the economy, and the American people is creating a deep concern, a potentially momentous change in the Middle East, and we are still seeing rising demand, in some cases, very strong demand growth in emerging markets for oil.

But in the realm of U.S. energy security, one of the biggest achievements in the past decade has been the growing role of Canadian oil supply in the U.S. market. And it is connected by land-based pipelines, not water-borne imports.

Last year in 2010, we imported about 2 million barrels per day

of Canadian crude oil. That made Canada the number one foreign source for oil by far. That is about 22 percent of U.S. crude oil imports last year were from Canada up 15 percent just a decade earlier.

What has been driving this growth? It is the growth in the Canada oil sands, which is a mega resource that is right next door to the U.S.

Without the oil sands, we would be faced with a tighter oil market and higher prices. The oil sands are also relatively new, at least in the context of the oil industry. In the 1970s, there were no imports of oil sands. But by 2010 the oil sands alone were equivalent to what we imported from our number two sources supply, Mexico. The oil sands are poised to become the largest single source of American oil, at least from foreign sources, in the very near future.

This story, the oil sands story is part of a broader relationship with Canada. Trade, jobs, energy, oil in particular, are part of the interconnected pillars of the U.S. and Canadian relationship. Last year saw $525 billion in trade between the two countries.

Canada's the largest export market for the United States. Very dense network of trade and investment between the two countries. And trade with Canada is what 8 million jobs depend on in the United States. The multi billion dollar Keystone XL project is also among the largest project in this country that could start construction in short order.

The oil sands, the Canadian oil sands could play an even bigger role in the U.S. market, which would benefit consumers. Pipeline infrastructure in this country needs to catch up with trends in oil supply growth. The growth out of Canada has been strong, it could

continue to be strong. We are also seeing strong supply growth in the northern Midwest, North Dakota and Montana.

Oil production in that area, namely the Bakken formation could double over the next 5 to 6 years. Some of that oil would also find its way in the Keystone XL pipeline if it is approved.

So the Canadian oil sands could play a bigger role, but they lack greater access to the market, which is currently depriving the broader U.S. market with oil that is available from both Canada and the United States.

The more flexible robust supply system would be better able to handle shifts in supply and demand. It would not result in higher gasoline prices, certainly not in the Midwest. The more supply there is in the global oil market, the lower prices are for a given level of demand. Midwest gasoline prices are already comparable to the national average. In fact, year to date, they are slightly higher. Why is that? The reason for that is the Midwest must import up to 500,000 barrels per day of gasoline from other parts of the United States, which means it is connected to the global price of gasoline. They need to pay that price, or else sellers of that gasoline would ship their gasoline elsewhere. So the U.S. Midwest gasoline market is connected to the global oil market, but there is currently a disconnect in the crude oil market in the Midwest. Expansion is not enabled, if the pipeline system not able to expand to become more robust, it is certainly an alternative.

In terms of GHG emissions, we calculate through a meta-analysis,

we looked at 13 different studies, lifecycle greenhouse gas emissions for the oil sands are about 6 percent higher than the average crude oil consumed in the United States, 6 percent higher.

Just to conclude, a fact-based discussion and informed dialogue will help Americans and Canadians achieve a balance to enhance mutual prosperity, just some key fundamental facts to review. Oil sands are a mega resource right next door, the oil sands have made Canada the number one supplier by far. Growth in Canadian oil supply to the U.S. is reorienting imports and enhancing energy security through lambaste connections, but the U.S. pipeline system needs to catch up with the changes and supply. The larger more dynamic system which benefits consumers compare with the constricted and more limited system, and again, lifecycle GHG missions from Canadian oil sands are 6 percent higher when you look at what is actually imported to this country.

So energy and oil, in particular, are key element in the overall relationship. Canada's oil sands are an integral part of the fabric of U.S. energy security with the potential to play an increasingly important role in the years to come. Thank you.

Mr. Whitfield. Thank you.

[The prepared statement of Mr. Burkhard follows:]

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Mr. Whitfield. Mr. Pourbaix, you are recognized for 5 minutes.

STATEMENT OF ALEX POURBAIX

Mr. Pourbaix. My name is Alex Pourbaix, and I am president, Energy and Oil Pipelines for TransCanada.

As I said, my name is Alex Pourbaix, and I am President of Energy and Oil Pipelines for TransCanada. In that role, I am responsible for TransCanada's oil pipeline business as well as our company's power business and unregulated gas storage business.

Before I discuss the specifics of the Keystone project, I thought I would give the committee a brief overview of our company. TransCanada is $46 billion energy infrastructure company with over 60 years of experience in the responsible development and reliable operation of North American energy infrastructure. At this time, the company employs over 4,200 employees, with almost half of those employees located in the United States. We operate the largest pipeline, gas pipeline network in North America, over 35,000 miles, with the capacity to transport approximately 20 percent of the gas produced in North America every day. And now with 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 more energy security to the United States during a very volatile period

recently. I think when you boil down the debate on this project, it comes down to a very simple question for Americans: Do they want secure, stable oil from a friendly neighboring Canada, or do they want to continue importing even more high-priced foreign oil from volatile regions such as Venezuela or the Middle East?

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. This compares to the U.S. reserves, which are estimated to be around 20 billion barrels. In addition to energy security, our project will also create valuable jobs for Americans, 20,000 high-paying jobs and 118,000 person years of employment in spin-off jobs in communities along the pipeline route.

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 during construction. While transporting oil from Canada, Keystone XL will also ship domestic U.S. crude oil. Keystone XL has the capacity to move 100,000 barrels a day of American crude production from North Dakota and Montana, to Cushing, Oklahoma or the Gulf Coast, and a further 150,000 barrels a day of capacity to move Cushing oil to the Gulf Coast.

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 pocketbooks of everyone. 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 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. This supply 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 that gap.

I would like to take a moment to talk about pipeline safety. Keystone's opponents have attempted to characterize oil pipelines as unsafe and dangerous. These allegations are untrue, Keystone XL will be safe. We are using the latest technologies and the strongest steel pipe from American and Canadian mills to build a pipeline. It was designed, built and will operate in excess of the present regulatory standards. In addition, it will be monitored 24 hours a day, 7 days a week, 16,000 data points along the entire road of the pipeline are linked to satellites with data being refreshed every 5 seconds. If we detect a drop in pressure, our control center will remotely close valves, isolating the line and shutting it down within minutes.

TransCanada has agreed to implement 57 additional conditions developed by our regulator to go beyond the existing Federal standards, such as increased inspections, and more shutdown valves in sensitive locations.

I want to emphasize that the Keystone XL project has already undergone a thorough and comprehensive review process. We submitted

our presidential permit close to 33 months ago. Since 2008, we have held over 90 open houses and public meetings along the pipeline route. We have given hundreds of hours of testimony to local, State and Federal officials, and submitted thousands of pages of information to government agencies in response to questions.

Before I conclude, I would likes to address misinformation that has been reported in the media on the oil the Keystone XL pipeline will transport. The bottom line is very simple: Oil is oil. The heavy oil transported in the Keystone pipeline system is very similar in chemical properties and physical characteristics to heavy oil from California, Venezuela and Mexico that is transported daily throughout the United States and consumed in refineries.

It is completely false to say that this oil is heated or that it is more toxic, corrosive or shipped at a higher pressure than any other similar crude oil transported or consumed in the United States. Our opponents have gone so far as to describe the oil we transport as tar sludge, and I can tell you that oil is like any other oil that is consumed in U.S. refineries.

To the people who make these allegations of corrosive and dangerous oil, I would respond by saying why would we build a $13 billion oil pipeline that will operate for decades, and then turn around and put a product in that pipeline that would harm it or destroy it? That does not make any sense.

In conclusion Keystone will help produce the United States reliance on higher price unstable foreign oil from Venezuela and the

Middle East, and replace it with secure supplies from Canada and the U.S. We are going to create 20,000 American jobs at a time when unemployment remains high, but we 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, the time is of the essence to receive the approvals we need so Americans can begin to experience the benefits of this project. Thank you.

Mr. Whitfield. Thank you.

[The prepared statement of Mr. Pourbaix follows:]

******** INSERT 1-3 ********

Mr. Whitfield. Mr. Symons, you are recognized for 5 minutes.

STATEMENT OF JEREMY SYMONS

Mr. Symons. Thank you, Mr. Chairman. Thank you for the opportunity to be here today. My name is Jeremy Symons, I am senior vice president for conservation and education at National Wildlife Federation, which is a non partisan, nonprofit organization supported by 47 State affiliates and 4 million conservationists throughout America.

Before I start, I would like to take a moment and offer my condolences to Randy Thompson and his family. Randy's family has a farm in Nebraska, and he wanted to be here today to share his experience with TransCanada, bullying them, as they tried to gobble up land for their pipeline route.

But unfortunately, Mr. Thompson, his mom passed away this weekend and he couldn't make it. Hopefully we can find a way to get his testimony in the record. I am sure that his family farmer, ranchers, landowners along the pipeline route will look back on this hearing to see with a lot of interest to see if Congress is willing to stand up for their rights.

[The prepared statement of Randy Thompson follows:]

******** INSERT 1-3A ********

Mr. Symons. National Wildlife Federation first became engaged in the tar sands issue because Alberta scorched our tar sand operations are the most destructive source of oil on the planet. I personally traveled to Alberta last year to see these operations, and I detailed the impacts in my testimony before the House Committee on Foreign Affairs on March 31st.

In the course of our work, I have come to realize that there is web of deception surrounding the KXL pipeline scheme that is unlike anything I have seen in my 20 years of experience. My parents taught me that when something sounds too good to be true, you better take a second look. The idea that big oil companies want to spend $13 billion on a pipeline in order to help Americans pay less at the pump sounds too good to be true because it is simply not true. The KXL pipeline scheme is a big oil wolf hiding in Canadian sheep skin.

The risky and unnecessary KXL pipeline will raise gas prices, harm our energy security, and jeopardize some of America's most important clean water supplies. At a time when families are already hurting from spiking gas prices, oil companies want to build a KXL pipeline to increase U.S. gas prices by another $0.10 to $0.20 per gallon with the highest price spikes occurring in the Midwest States, Congressman, you mentioned.

This KXL scheme is equivalent to a $4 billion-a-year tax on the oil we are already getting from Canada with all the money going from American wallets and pocketbooks to oil companies. How do we know? We how have the companies own documents that spell it out. When making

the case for the pipeline to the Canadian government, TransCanada argued that this pipeline would allow Canadian oil companies to increase prices for every barrel of oil that America's already getting from Canada. TransCanada estimated that the KXL pipeline would create a $4 billion annual windfall for Canadian oil companies at our expense.

Mr. Burkhard mentioned that prices have gone up on world oil for $19 a barrel since the outbreak of violence in Libya. What hasn't been mentioned is that the price of Canadian oil has gone up $30 a barrel in that same time frame. That doesn't sound like a friendly Canadian neighbor. That sounds like the same old oil companies that won't let any global crisis go to waste.

Piping Canadian oil across American does not make an American oil. The KXL pipeline scheme opens the Canada-China oil route that oil companies have long sought. The pipeline will take Canadian oil that is already flowing to America in the Midwest refineries, and instead, send it to refineries on the Gulf Coast where they can export it.

The data show that the KXL pipeline will do nothing to reduce our reliance on oil from hostile nations. A study commissioned by the Department of Energy concluded that the pipeline, "Will not, of itself, have any significant impact on the U.S. oil imports."

The State Department's latest impact assessment has concluded that the proposed project would not subsequently influence the overall volume of crude oil transported to the U.S. refined in the U.S.

The oil companies behind this project are desperate for Congress and the administration to rush the approval of this pipeline scheme

because the truth is finally coming to light. From the very beginning, TransCanada has mislead the U.S. State Department about the purpose of this pipeline. By hiding the ball in its permit application, TransCanada itself is responsible for any delays going forward as the facts are investigated. The arbitrary deadline included in the discussion draft would reward TransCanada for failing to be as transparent and forthcoming here today and in its permit application to the U.S. Government as they were with Canada in their application to the Canadian government.

The arbitrary deadline could also prevent the consideration of safety findings from several recent catastrophic ruptures of tar sludge pipelines. These investigations are not complete. Even though tar sands supply only a small fraction of the oil we consume, the pipelines carrying tar sands account for over half of all crude oil spilled in the U.S. in 2010.

According to EPA, the toxic tar sludge from another massive spill to the Kalamazoo River watershed in Michigan has defied cleanup efforts because the heavy tar sludge sunk quickly beyond the reach of skimmers. Residents are still dealing with the health impacts of thousands of great blue heron, geese, swans and other wildlife have been killed. Transplanted as latest state-of-the-art pipeline Keystone 1, has had 11 leaks in less than a year of operation.

These recent spills are clear warnings that America's outdated pipeline safety laws are not prepared for highly corrosive and toxic tar sludge. And I urge the committee to set aside the idea of an

arbitrary deadline and instead, take a more critical and independent look at the what this pipeline scheme really means for gas prices, for energy security, and for America's clean water supplies, thank you.

Mr. Whitfield. Thank you.

[The prepared statement of Mr. Symons follows:]

******** INSERT 1-4 ********

Mr. Whitfield. Mr. Smith, you are recognized for 5 minutes.

STATEMENT OF MURRAY SMITH

Mr. Smith. Thank you. Thank you, Chairman Whitfield, Ranking Member Rush, members of the committee. My name is Murray Smith, I am a former elected member of the Alberta legislature. I served from 1993 to 2004. I served in various cabinet portfolios, including the Minister of Energy for 2001 to 2004. And I served at the request of Alberta's premiere, Alberta's first official diplomatic representative to the United States from 2005 to 2007. Today, I serve on various boards in the energy sector, and it is a privilege to be here to discuss U.S. energy supplies.

Firstly, let me thank the United States for being Alberta top customer for natural gas and crude oil for the last 50 years. Today's hearing recognizes the importance of North American energy, and the pressing need for new infrastructure to ensure North America's resources are being used to the advantage of consumers throughout the country.

I also want to recognize the great contribution citizens of this country have made in developing a strong, vibrant and responsible energy industry in Alberta. The 50-year relationship has built strong bonds between the two countries and created wealth and prosperity for citizens on both sides on the 49th parallel. This energy relationship is deemed to be so important by the two countries that the North American

Free Trade Agreement has a separate energy section that encompasses this relationship that ensures continued uninterrupted flow of energy from the U.S. to Canada. It is on this strong foundation that the opportunity to expand shipments with new pipelines has become a reality.

Today, the U.S., while we hold this hearing, the U.S. will receive about 1.6 billion barrels of oil from Alberta and about 2 million barrels in total from all of Canada. Canada's your largest non domestic supply of oil providing over 9 percent of the total daily oil needs of this great country. Alberta's home to the third largest proven oil reserves in the world, totaling over 170 billion barrels. In context, Mr. Chairman, Alberta covers an area of 256,000 square miles, slightly smaller than the State of Texas, but producing about one and a half times of amount of oil that Texas produces. We expect this production to increase over the next decade.

Alberta's oil sands are an important component to the U.S. recovery program. Producing oil from Alberta's oil sands adds great economic value to the economy of the U.S., billions of dollars and thousands of jobs generated each year. 470-ton trucks called Caterpillar 797Bs are manufactured in Decatur, Illinois. Each truck sells for U.S. $5 million. The engines are made in Indiana and tires come from South Carolina. The shovels that fill these large trucks in four scoops come from Bucyrus in Wisconsin, now owned by Caterpillar. Consulting and fabrication expertise for extraction and separation equipment comes from U.S. companies. One of them just received a

billion dollar contract for a new oil sands facility. Upgrades to refineries, to process Alberta in the U.S. creates new jobs for construction workers, trades people, engineers and steel manufacturers. These expansion will increase volumes of Alberta oil in the major U.S. market. Multiple studies have placed job creation in excess of 13,000.

Clearly, Mr. Chairman, Alberta oil delivers more economic value per barrel than any other barrel of oil imported into the U.S. And it arrives by underground pipeline in a safe, uninterrupted secure supply 365 days a year.

Unlike an oil tanker that can be treated many times and increase in price from time of shipment to arrival in the U.S., pipeline crude is contracted at an initial strike price and leaves little or no room for price speculation to its journey to the destination terminal.

Canada, predominantly Alberta, has been the premier supplier of crude oil refined products in the U.S. for the past 8 years. We have helped replace declining U.S. production, reduced imports from Venezuela, reduced imports from non continental oil supply.

Oil and gas companies spend more money on environmental issues than any other sector in the Canadian economy. Companies continue every day to improve the efficiency costs of environmental sustainability of oil sand operations. Air quality in Ft. McMurray exceeds that of that Toronto 98 percent of the time, and New York City 100 percent of the time. Carbon emissions from oil sands production differ only marginally from heavy oil production, Venezuela, Mexico

and the heavy oil of California.

Mr. Chairman, the dynamic tension of environmental pressures in cost efficiency serve to reduce oil sands greenhouse gas emissions as proved by industry's record of reducing emissions annually. Personally, I serve on the board of two emerging technologies designed to reduce emissions and surface disturbance. N Solv is a solvent-based technology that reduces greenhouse gas emissions by some 85 percent, and uses no water in its in situ oil sands extraction.

Today there is about $15 spread between foreign oil imported form offshore sources, North Sea Brent, and west Texas intermediate, or oil priced North America. If we find these in the Gulf coast, could we find Alberta crude consumers could expect a savings at the pump from crude oil replacement for some million barrels a day. It also lessons the pressure on U.S. defense spending protecting vital oil supply lines across the world.

In order to start this new cycle of U.S. job creation, increased oil supply, secure oil supply and downward pressure and gas prices, a permit to construct Keystone should be initiated to start the process. The opportunity is now. In 2003, when the EIA recognized Alberta's 174 billion barrels of produceable reserves, I was the Minister of Energy for the province. I knew this global recognition would create an avalanche of investment. In the past years, well over $40 billion has been invested. Today's oil sand investors include China, South Korea, Japan, Thailand, Norway, France and U.S. private sector companies. A pipeline is in the permitting process to move Alberta

crude to a port in western Canada and from there to Asia. Once new markets are reached, the product will be forever lost to the U.S.

If The U.S. delays, it will never recover the opportunity it stands to gain today by expending pipeline infrastructure now. Canada and Alberta have stood shoulder to shoulder with the U.S. through World War I, World War II and today as we meet, our troops are deployed in Afghanistan and fly together Libya. We have fought together, and we have died together and now we can build together. We can build a stronger North America, a more secure North America, and a more prosperous North America. Thank you.

[The prepared statement of Mr. Smith follows:]

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DCMN NORMAN

[4:05 p.m.]

Mr. Whitfield. Mr. Kelly, you are recognized for 5 minutes.

STATEMENT OF STEPHEN KELLY

Mr. Kelly. Thank you, Mr. Chairman.

Mr. Whitfield. Be sure and turn your microphone on.

Mr. Kelly. I am sorry.

Thank you, Mr. Chairman, Ranking Member Rush, Ranking Member Waxman and members. My name is Steven Kelly. I am the assistant general president of the United Association of Plumbers and Pipefitters, or the UA. We represent over 340,000 members employed in the plumbing and piping industry here and in Canada. I thank you for allowing me the opportunity to provide testimony with regard to the Keystone XL project.

In a word, the UA strongly supports this project and the draft legislation to expedite its approval. We have a number of reasons for supporting this. This is a mega-project in the construction industry, and it is estimated that somewhere in the neighborhood of $20 billion will be injected into the U.S. economy. This project generates thousands of good, high-quality jobs, and this country desperately needs such work. This will produce other economic benefits, including economic stimulus in the affected States and cities and new tax

revenues.

At the same time, Keystone will increase our Nation's long-term security by accessing oil from our friendly neighbors to the north, from Canada. This project is financed solely from private dollars, and the benefits coming to the United States are at zero cost to the taxpayer.

This project will generate somewhere in the neighborhood of 13,000 construction jobs. In a time of recession, the construction industry is hit first and hardest, and in the current climate where we are facing nearly 20 percent unemployment, we also have pockets that exceed 40 percent unemployment, we need these jobs desperately. The 13,000 construction jobs mentioned are high-paying jobs that include health and welfare as well as pension benefits. These are the kinds of jobs that make America strong.

Construction jobs are only the beginning. It is estimated that during the construction of the pipeline, there will be 7,000 manufacturing jobs which are associated with producing the raw material that is needed for the pipeline. It is also estimated that over 100,000 jobs that are related to the pipeline, whether it be design, construction or operation, will be generated. In fact, according to a study released this month by the Canadian Energy Research Institute, the number of U.S. jobs associated with Canada's oil sands is expected to go from 21,000, as counted in the year 2010, to approximately 465,000 by 2035. There will be a tremendous influx in personal income to the workers, and this helps to generate the tax revenue that is so

desperately needed by our States and local governments.

Experts project the U.S. will need oil and natural gas supplies to meet more than half of our Nation's energy needs through 2035. The reality is that we have to pursue all available new and alternative energy sources, but we are going to be dependent on carbon fuels for the foreseeable future and we need to procure them from the most reliable source.

Keystone offers us a solid partnership with one of our closest and most trusted allies, and provides a reliable long-term supply of crude oil absolutely essential to our energy security. Keystone provides a rare opportunity to reduce our dependence on unstable Middle Eastern oil reserves and we can begin to insulate ourselves from the supply side uncertainties that we are already facing, allowing us to build a more secure energy future.

Mr. Chairman, in conclusion, I simply want to reiterate the fact that the UA, or United Association, fully endorses this project and the draft legislation.

Thank you.

Mr. Whitfield. Thank you, Mr. Kelly.

[The prepared statement of Mr. Kelly follows:]

******** INSERT 2-1 ********

Mr. Whitfield. And I thank all of you for your testimony.

I would like to make just one comment. My friend, the gentleman from California, in his opening statement made some references to the Koch brothers who we all know about, and we all understand that in any kind of development project, certain people are going to benefit from that because of financial interests. I don't know if the Koch brothers have an interest in this project or not.

I do know and have been told that George Soros has a strong interest in SunCorp, the oil sands company that will directly benefit from this pipeline, and we know that Mr. Soros contributes huge amounts of money to MoveOn.org, whose purpose is to defeat Republicans, Tea Party members and others. And I have no objection to that, except I wish he wouldn't do that. But I think that this is not about personalities. This is about a project and its benefit or lack of benefit to the American people. So I just wanted to point that out.

Mr. Symons, I will tell you I am a real fan of protecting wildlife. I have been involved in a lot of those issues. You made some pretty strong statements in your testimony and I am going to ask the gentleman from TransCanada to respond to it, because in reading this, you say, "Recently uncovered documents have revealed the true motivations for this pipeline -- price manipulation. In seeking their Canadian permit, TransCanada argued that the pipeline would allow Canadian oil companies to increase prices for all the oil Canada is already selling to the U.S." They submitted a market analysis that it would be a windfall, that the U.S. would hand over to Canadian oil companies

$4 billion annually.

Then there are other people that have made comments that it is going to increase prices of oil products in the Midwest.

Would you respond to that, Mr. Pourbaix?

Mr. Pourbaix. I would be happy to, Mr. Chairman.

I think right off the bat, it is important for people to understand that the Keystone XL pipeline is a federally regulated pipeline. We charge a toll per barrel of throughput on our pipeline. We do not make one extra penny if the price of oil goes up or make less money if the price goes down.

I think my friend in his testimony is failing to make a distinction between the price of crude and the price of gasoline. We are not hiding anything. Our testimony was obviously public in front of our Federal regulator. But it is without debate that right now there is a significant oversupply of pipeline capacity from Canada into the U.S. Midwest, into the Chicago market. That has resulted for the time being in a very significant discount for Canadian crude oil into that market. That is a situation that will not persist indefinitely. Producers will find a way to get to markets where they do not see a discount for their product.

As my friend Mr. Burkhard stated in his testimony, the price of gasoline is not tied directly to the price of crude oil. In the Midwest right now, as Representative Rush mentioned, Chicago gas prices are as high or higher than anywhere else in the country, and yet crude oil prices are lower than anywhere in the country. So while it is true

that building Keystone XL pricing-- sorry, building the Keystone XL pipeline will likely reduce the very significant discount that Canadian producers receive for their crude, that crude will still remain the cheapest source of crude by a long shot that U.S. refineries have access to.

To give you an idea, today Canadian crude regularly trades at a discount of $20 to $35 a barrel over OPEC-based supply. So I hope that gives some color into our argument.

Mr. Whitfield. Twenty dollars to $35 a barrel.

Mr. Burkhard, will you make any comment on this issue?

Mr. Burkhard. Yes, this is a key point, because the core message, at least from us, is more supply at a given level of demand tends to lower prices rather than raise prices, and we have a pipeline system that has been constructed to deliver crude oil to the U.S. Midwest, not out of the Midwest. So we have had this surge in supply that is stuck in the Midwest, yet the Midwest needs to import gasoline from outside the Midwest; therefore, the gasoline they import from other parts of the U.S. is priced at a global level. So that is why there is a disconnect between the gasoline price in Chicago and the crude oil price.

Mr. Whitfield. Thank you.

Mr. Rush, you are recognized for 5 minutes.

Mr. Rush. Mr. Symons, you seem to have created quite a stir here in the hearing. Maybe you will want to kind of respond to some of the characterizations of your testimony by some of your colleagues at the

table there.

Did you fail to distinguish between crude oil prices and gasoline prices in your testimony, and what are some of the other matters that you might have to say about these glorious comments?

Mr. Symons. Thank you, Congressman. I do agree on one thing. I agree that TransCanada isn't a company that makes more money when prices go up. But the oil companies, the many oil companies, Valero and others, will make a lot of money, and they are in partnership in helping push this pipeline through. And the document, and it is right here, the application, says very clearly, I mean, it is only three paragraphs on crude pricing impact. And, Congressman Waxman, you actually cited some of it, $2 billion to $3.9 billion in windfall profit to Canadian oil producers. Nothing in here about discounts in prices, or any of the things in the testimony, once they start coming down here to the United States and talking to unions and talking to others. A totally different story.

The reason that we are focused on gas prices, and the evidence of that comes from Dr. Philip Verleger, who is a widely respected oil markets economist, he started off in the Ford administration as a senior economist for the Economic Council.

In a Star Tribune article he says very clearly, and I will quote from it, "U.S. farmers, who spent $12.4 billion on fuel in 2009, according to the Department of Agriculture, could see expenses rise to $15 billion or higher in 2012 or 2013 if the pipeline goes through." He goes on, "Millions of Americans will spend 10 to 20 cents more per

gallon for gasoline and diesel fuel as tribute to our friendly neighbors to the north."

So I think we are focused on the right issues. I don't think that the discount that is supposed for Canadian tar sands is real. The reason it is cheaper is because it is one of the dirtiest fuels on the planet and it is really expensive to refine it, so you have got to buy it cheaper to begin with. In fact, only certain refineries can handle it because it is so dirty.

Mr. Rush. Mr. Pourbaix, Midwest gas prices, Chicago gas prices, are exorbitant. My constituents are suffering. I just want a simple answer to this question: How will this pipeline affect the gas prices in the Midwest? Will they increase it or decrease it or have no effect? How it will affect it?

Mr. Pourbaix. As Mr. Symons referred to, there is a possibility that by building this pipeline, Canadian crude oil producers will see a reduction in the discount that they presently receive for their oil. I think we testified it was a couple of dollars a barrel.

Mr. Symons once again ignores that we are talking about the price of crude oil rather than the price of gasoline in the Chicago market. And as I said earlier, the price of gasoline is actually not set in Chicago. The price of gasoline tends to be set in the Gulf Coast. That is the largest refining center in the market, and the refineries in the Gulf Coast typically are paying a global price for oil rather than that Midwest price of oil.

So, what I would expect to have happen, and it is something that

was also mentioned by others in the testimony, our project will be delivering an incremental supply of 700,000 barrels a day of crude oil into the largest refining market in North America, the market that sets the price of gasoline for the United States. And it has been a long time since I took economics in college, but my experience on that was pretty clear: If you add a significant new supply to a static demand for a product in a market, you should see the price of that product go down.

So it is my absolute expectation that over time, with incremental supplies of Canadian crude oil coming into the U.S. market, you will see downward pressure on refined market products prices throughout U.S. markets.

Mr. Rush. So you can't guarantee or assure my constituents that if this pipeline is approved, that the cost of their gasoline will not increase?

Mr. Pourbaix. I wish I could, but gasoline and crude oil, they are heavily traded commodities. I think an important point to remember is that the price of gasoline, and indeed crude oil, does not just depend on the supply and demand; it also depends on the future expectation of supply and demand. And with what has been going on in the world, the price of crude oil has risen across the world because of the perception that it is becoming harder -- or secure supplies of oil are harder to come by.

If we are to build Keystone XL and add a secure connection to one of the largest supplies of crude oil on the planet, it would be my

expectation that not just supply would increase, but the expectation of continued security would increase, and that would have a further impact moderating gasoline prices.

Mr. Rush. Thank you, Mr. Chairman.

Mr. Whitfield. Yes. Before I recognize Mr. Terry, Mr. Symons, you referred to Randy Thompson. Without objection, we do have his statement. I am going to enter it into the record.

Mr. Symons. Thank you, Mr. Chairman.

[The prepared statement of Randy Thompson follows:]

******** INSERT 2-2 ********

Mr. Waxman. Mr. Chairman, could I ask unanimous consent that the Philip Verleger document be added to the record?

Mr. Whitfield. Without objection.

[The information follows:]

******** COMMITTEE INSERT ********

Mr. Terry, you are recognized for 5 minutes.

Mr. Terry. Thank you, Mr. Chairman. You started off with what I wanted to do, which was get Mr. Thompson's testimony in the record. So I thank you for bringing that up, and if you talk to him, pass on my condolences for the passing of his mother.

Mr. Symons. Thank you. And thank you for the help in getting the information, which is the key to the whole project at this point.

Mr. Terry. I appreciate that. But obviously I think the discussion here on the prices and the discussion about heavy crude and transportation and discounts is a little convoluted for some of us more lay people. It just seems to me that if we have 700,000 reliable, is it barrels --

Mr. Pourbaix. Yes.

Mr. Terry. -- coming in, that that level of certainty, consistency, in a transportation system, in a pipeline, would actually reduce price points, not increase. So I understand that there is transportation discounts of heavy crude and those type of things, but overall, even the CRS report, the initial one from March 4th, 2011, not the one that I had requested, states on page 10 that crude oil prices are set in a global market. And they go through a discussion and say that this is not going to -- there are just so many global pressures on the price points, as you said.

But I want to not ask about TransCanada, but the gentleman from Cambridge Research or HIS Cambridge Energy Research Associates, what is your take on the economics of this 700,000 barrels of oil coming

into the United States? Is it going to cost more by transporting it through a pipeline? Is it going to impact gas prices negatively at the pump once it is refined?

Mr. Burkhard. Well, that is a good question. And by the way, you represent a great district, the district where I was born and raised, so thank you for your service, Congressman Terry.

Mr. Terry. You are welcome back any time. As a matter of fact, you could probably move the whole business back to Nebraska.

Mr. Burkhard. Well, I try and get back as often as I can.

The price of gasoline in Chicago, in Omaha, in New York, is set by the global market. And the price along the Gulf Coast, which is by far the most important refining market in the U.S., one of the three most important in the world, that is essentially the market benchmark where prices are set for gasoline. Bringing more oil into that market from Canada, 700,000 barrels per day, is a large amount of oil. Again, just to put that in context, that is more than half of what Libya exported. So that is significant.

Bringing more supply to the global crude oil market at a given level of demand would tend to lower prices. There is a vast array of factors that shape the global crude oil market. But simply looking at basic economics, more supply at a given level of demand would lower prices, and that global crude oil price is the single most important determinant of the gasoline price in the Midwest or anywhere else in the United States.

Mr. Terry. So just a lay economist like me, if you have a steady

supply in a pipeline that is reliable, wouldn't that put less pressure on prices and they could actually fall? You have about 8 seconds.

Mr. Burkhard. The anxiety about the reliability and adequacy of oil supplies around the world is a factor that has pushed up prices at times. So to the extent that supply is more secure, more reliable, that would be a downward force on prices.

Mr. Symons. Mr. Congressman --

Mr. Terry. Hold on. I don't want to be rude, Jeremy, but I have 45 seconds to ask TransCanada, I wanted the State Department here; did we request the State Department or DOE to be here?

Mr. Whitfield. Yes.

Mr. Terry. Have you provided the State Department and the respective agencies, including the States, the documents and studies that are required, Mr. Pourbaix?

Mr. Pourbaix. I would certainly take the perspective that the review into the Keystone XL project has been exhaustive. You heard me talk about the 90 public meetings, the hundreds of hours of testimony, the thousands of pages. I think it would be fair at this point, with all of the work that went into the draft environmental impact statement and the supplemental draft environmental impact statement, that the State Department would be in receipt of all the information they would require to make a decision on this Presidential permit application.

Mr. Terry. All right. One last question. I know I am past my time. But the next level of complaint from constituents in Nebraska,

not particularly my district, is what they perceive as kind of a brutal way of negotiations. You don't have eminent domain so you have to negotiate with landowners.

Would you explain the process, and if we are getting complaints that they are not being treated fairly, that is a concern.

Mr. Pourbaix. Sure, I would be happy to. Right off the bat, I made the point earlier that we have been in this business for a very long time, and absolutely one of our core beliefs is that we have to treat our -- we treat our landowners with respect and we treat them fairly.

This idea of eminent domain, we do actually have -- utilities in Nebraska do have the ability to seek condemnation of right-of-ways. TransCanada, we have always viewed that as a last resort. And to give you an idea, on the base Keystone project, which was a $6 billion project that went directly through Nebraska, we achieved voluntary easements with 99 percent of Nebraskans.

To give you an idea, to compare that to the industry, on average, pipeline companies resort to eminent domain or condemnation proceedings in about 10 percent of the landowner situations they have. TransCanada's record is that we are only forced to do that in about 2 percent of the situations.

Mr. Terry. And if we have a complaint, we got someone we can call.

Mr. Pourbaix. You absolutely do.

Mr. Terry. I am sorry, we have to move on.

Mr. Whitfield. I might also say we did invite the State

Department and the Department of Energy.

Mr. Waxman, you are recognized.

Mr. Waxman. Mr. Chairman, you invited them and they refused to come?

Mr. Whitfield. I have been told they declined.

Mr. Waxman. I see.

Mr. Pourbaix, your company has put the application in, the State Department is reviewing it. Do you have a reason to believe that they are not going to give you a fair review?

Mr. Pourbaix. No. As I said earlier, we have had a very exhaustive review, which I think is entirely appropriate, given the magnitude of the project and ensuring that people and stakeholders are heard in this process.

Mr. Waxman. Why do you think we should change our law? If they are reviewing your application, it has been exhaustive, they are trying to make a decision, I know you would like to be approved as quickly as possible. Do you think you need a special law, and is Canada prepared to pass special laws for Americans when your government takes too long? Are we taking too long; is that the problem?

Mr. Pourbaix. No, we have certainly had no involvement in this proposed legislation, sir.

Mr. Waxman. Oh, you haven't. Okay.

The question about the extra costs for the pipeline, Mr. Symons, we have already had unanimous consent to put in Philip Verleger's editorial from the Star Tribune. He makes a case that we are going

to be spending $5 billion extra as a duty to Canadian oil companies for this project, if this project goes through. Explain that to us, because we hear such contradictory statements to the contrary.

Mr. Symons. Yes. It is really not that complicated. The oil companies want to make more money. They have a plan here. The whole supply issue, everyone is working on a false assumption, a myth that has been perpetuated, that building a pipeline with a lot of pipeline capacity means you are going to get more oil. That is actually not what is happening here.

This is all about taking the oil that is coming into the Midwest and moving it down to the Gulf Coast where they have access to China and other markets, and once they have that access, they can charge a higher price to anyone for all their oil. The theory that is being offered, I guess, is oil prices will go up but gas prices won't. I don't know if you believe that, but I don't think I would be able to bank on that theory.

What is really happening is, as the CEO of Valero said recently, America is becoming the middleman in the global oil business. We are importing lots of crude, we are refining it, and we are exporting more and more gasoline and refined diesel products around the world. We are actually significantly increasing our exports from the Gulf Coast. That is what they want to do. Gas prices will go up in 15 States, according to TransCanada's own analysis.

Mr. Waxman. Now, you indicated that some of these foreign-owned refineries in the Gulf will simply ship the refined product to China,

so it doesn't really do much good for us, does it?

Mr. Symons. No. I mean, this is the gateway they always wanted. These refineries, again, a pipeline, taking Canadian oil to foreign-owned refineries in the Gulf Coast doesn't make it our oil. We have a bigger expansion being funded by Saudi Arabia. We have declining oil coming into the CITGO refinery owned by Chavez. These are the kind of owners that are going to be in control of this oil.

Mr. Waxman. This pipeline imposes other risks for America. The Ogallala Aquifer provides drinking water for 2 million people and is critical for farming and ranching across several States, and TransCanada assures us their pipeline will be safe. How comfortable should folks be who depend on the aquifer for their drinking water and their livelihood?

Mr. Symons. This really strikes close to home for a lot of people. But having been down at the Gulf just after the Deep Water Horizon explosion, we have to learn the lessons, we have to learn the lessons from the Commission that said our technology got ahead of our regulatory oversight safety. That is exactly what is going on here again.

All the promises aside that we are hearing about safety and fail-safe, just recently there was a Keystone -- the last pipeline that TransCanada built, 21,000 gallons shot 6 to 8 feet into the air, despite the claims they are making.

This type of oil is more dangerous than conventional oil pipelines. We need updated safety regulations. And FEMSA and the

administration actually need to do a better job of getting out in front of this right now.

Mr. Waxman. In his statement submitted for the record, Randy Thompson, a Nebraska farmer, raised the concern that the pipeline could threaten "the largest natural body of clean water in this hemisphere with contamination." He also stated, "TransCanada has bullied and intimidated American landowners with threats of eminent domain."

Are Mr. Thompson's concerns unique, or do they reflect the concerns of many farmers and ranchers along the route of the proposed pipeline?

Mr. Symons. Well, I have a letter that is one of many letters here from TransCanada to landowners. They said, we are going to condemn your property as a last resort.

Right now, TransCanada does not have the right to use eminent domain to condemn property, but they are sending letters to landowners that say if you don't sign this final offer, we will begin proceedings. We will be forced to invoke the power of eminent domain and we will initiate condemnation proceedings. They are threatening American landowners.

Mr. Waxman. Mr. Chairman, I want to make a comment that the State Department has a responsibility to make a decision after consulting with other relevant Federal agencies on whether this project is in the national interest and should get a permit. The last thing this committee should do would be to set an artificial deadline and pressure the Department into granting the permit. We will live with the

consequences of this decision for decades or longer, and we should take the time to get it right.

Furthermore, Mr. Chairman, I will discuss with you further about getting adequate information. Whether it is from Mr. Soros or the Koch brothers or anyone else, we ought to get all the information that is needed for us to understand fully what are the consequences upon which this hearing is based.

I yield back my time.

Mr. Whitfield. Thank you.

Mr. Scalise, you are recognized for 5 minutes.

Mr. Scalise. Thank you, Mr. Chairman.

I want to try to bring the questions I have back to what the focus I think most people in the country are concerned about, and that is lowering the price of gasoline and creating jobs. While it has been just kind of glossed over that some people on the panel have implied that this is just shifting oil from the Midwest to the Gulf Coast and no increase in supply, the numbers I have looked at show that you would have a dramatic increase, over 700,000 barrels more of Canadian oil coming into the United States and into refineries along the Gulf Coast, areas I represent, where despite what some people think, they pay what the world price of oil is for the oil.

To suggest that somehow, mysteriously, they are going to have some deal where I am going to convince you to pay even more than the spot price than you can get it from other places, just because it is from Canada, I think maybe some people need to go back and take some basic

economic courses to understand supply and demand.

I want to ask you, Mr. Burkhard, about that question. As we talk about an increased supply coming into America, in this case roughly 700,000 more barrels coming in from Canada, which hopefully would reduce some of that oil that is being shipped in by tankers from places like Saudi Arabia and other Middle Eastern countries that don't like us, where numbers I have seen, over 70 percent of all the oil spills come from tankers, surely not from pipelines. If you can address the question of increased supply, what that would do to price, both what the refineries would pay but also the price at the pump?

Mr. Burkhard. Thank you for the question, Congressman. One of the issues is, is the pipeline needed? Is there going to be too much supply? In the next couple of years refineries in the U.S. Midwest will be saturated with supply. So if the government, the U.S. Government decides to enable greater access of Canadian supply, namely oil sands, to the rest of the country, that would allow that oil to be delivered to refineries in Texas and Louisiana, which are the most sophisticated in the world.

A lot of those refineries in Texas and Louisiana, they process heavy crude oil. They have made very large investments to process that type of crude oil. A lot of the oil sands product that could come down from Canada is similar in its characteristics to that heavy crude oil. So there would be a welcoming market along the Gulf Coast, that could also back out crude oil from other countries.

Also some other important sources of supply, Mexico and

Venezuela, are struggling to maintain production, and they are two of the very heavy oil producers at the moment.

Mr. Scalise. Thank you. I remember 2 years ago I went out to Alaska. We looked at -- we went out to the North Slope. We also went out to section 1002 of ANWR, that tiny strip of ANWR that many of us are trying to get opened up, where there are billions of known barrels of reserves and the Federal Government continues to shut off the supply.

Again, I will just show a chart here tracking the price of gasoline since President Obama has been in office, and they continue to shut off more known areas and reserves in the United States of America. Of course, Canada being a strong trading partner, somebody who, if we are going to import oil, should be the first place we look to increase that production.

I remember when we went out to the Alaskan pipeline and we were walking along the line, I harken back to all of those groups that came out against the Alaskan pipeline and extolled all of the dangers, and it was going to destroy the wildlife and it was going to kill the caribou population. Well, of course, I had video. I was taking a video. As we were walking along, caribou were literally walking up to the pipeline literally yards away from us, and they talked about how the caribou population has tripled since they built the pipeline. Even all these groups were threatening, oh, it is going to make the caribou extinct.

Their population has tripled because the caribou like the warmth of the pipeline. So it has actually worked to the opposite of what some of these radical groups have talked about. And you are hearing

some of the same things with this pipeline.

But to the contrary, let's talk about the jobs and benefits. I want to ask Mr. Kelly, because in your testimony you talked about this, can you give an idea of just how many jobs you would expect to be created here in America? Forget about the benefits that Canada would see. In America, how many jobs would you expect to see and at what kind of wage would you expect these Americans to be able to find employment if this project moves forward?

Mr. Kelly. Yes, sir. The pipeline, or main line industry as it stands today, has four crafts that are involved. You have the UA, the Pipefitters, Teamsters, operating engineers that operate the equipment, and then members of the Laborers Union that handle the ancillary work.

Between those four crafts, in discussions with TransCanada, we estimate that somewhere around 13,000 U.S. construction jobs is what we are going to be looking at. There will be additional work in Canada as the line moves towards the States. But, overall, what we are looking for in the U.S. is about 13,000 construction jobs.

Mr. Scalise. Do you have an idea of the average pay?

Mr. Kelly. It is going to run with wages and fringe benefits around $50 an hour.

Mr. Scalise. These are really good jobs that we could be getting here in America.

Mr. Kelly. That is the kind of jobs we have to have. The pipeline industry, or mainline industry in the U.S., has been quite

successful. Our pipeline local, not last year, the year before, worked 12 million man-hours on just pipeline. This line here is about 1,600 -- a little over 1,600 miles long. It will have somewhere in the neighborhood of a dozen pump stations. So there is a great deal of construction work involved just in installing the line.

Mr. Scalise. Thank you, Mr. Chairman. I yield back.

Mr. Whitfield. Thank you.

The gentleman from Texas, Mr. Green is recognized for 5 minutes.

Mr. Green. Thank you, Mr. Chairman. I have a statement I would like to place in the record.

I do represent a district in East Harris County where we asked the State Department to have a hearing. They did have one at the end of it in East Harris County and we had testimony. Of course, we have five refineries, and two of those refineries I know do use heavy oil from Pemex in Mexico and PDVSA from Lyondell.

Mr. Burkhard, you talked about how ongoing advances in technology and operational experience had demonstrated environmental concerns. Particularly greenhouse gas emissions are being addressed. Life-cycle GHG emissions for the average oil sands product actually imported from the United States are just 6 percent higher than those of the average crude oil consumed in the United States.

How do the oil sands compare to the heavier crude currently being refined from Venezuela and Mexico in our district? And the research I have seen is there is very little difference between the two. So we are already refining heavier crude? Is that correct?

Mr. Burkhard. Yes. Certainly on our analysis of 13 different studies about life-cycle greenhouse gas emissions, those from the oil sands are comparable to a number of other crudes that are currently consumed in the United States. Certainly they are similar to the heavy crudes that we currently import.

Mr. Green. Again, there is a price difference that most people don't understand. If you have heavier crude, it is less per barrel than maybe $112 a barrel that may be lighter, sweet crude. Heavier crude is much less expensive because it costs more to refine.

Mr. Burkhard. Absolutely. That is why the refineries along the Gulf Coast have made these very significant investments to enable them to process the heavy crudes, because there is a lower price relative to the other.

Mr. Green. I know the Lyondell refinery in our district, they made a $2 billion investment to be able to handle Venezuelan heavier crude, but they didn't get any exemption from clean air standards because they are using heavier crude than they are light sweet in their refinery. They still have to comply with the same environmental laws that the refinery down the street, in our case maybe down the road, would be that is using lighter crude. You don't know of any waivers they get by using heavier crudes to standard environmental protections?

Mr. Burkhard. I am not aware of any.

Mr. Green. Okay. Mr. Pourbaix, you talk about how the pipeline application process today has already substantially exceeded the duration of the two most recent similar cross-border Presidential

permit applications. How long did it take to get these permit applications approved?

Mr. Pourbaix. The two previous applications that I referred to in my testimony were our initial base Keystone and a competitor company of ours, Enbridge, had a similar Presidential permit request for their Clipper pipeline a couple of years ago, and in both those cases from start to finish it was around 20 months.

Mr. Green. Okay. And this one has taken how long so far?

Mr. Pourbaix. We are close to 3 years now and looking for a decision towards the end of the year.

Mr. Green. So your testimony is there should be some oversight because of the distinction between the time for the approval of these three.

Mr. Pourbaix. Sorry?

Mr. Green. There should be some oversight by Congress, because it has taken so long in this application compared to the previous two?

Mr. Pourbaix. You know, we really haven't taken a public position on the proposed legislation. I think our perspective is that we have had a very comprehensive process, review process on this permit, and we take comfort that we are seeing increasing focus to have a decision on this permit before the end of the year.

Mr. Green. Let me ask a question very quickly. Keystone agreed to comply with 57 additional conditions developed by PHMSA for the Keystone project, and yet Mr. Symons says that there is something about this operating at a higher pressure, using thinner steel, than a

pipeline carrying less dangerous products.

Is there any validity to that? I have to admit I have pipelines everywhere in our district and I have lived along them my whole life. Are they actually going to be able to use thinner steel?

Mr. Pourbaix. No. No. This pipeline uses a thickness of steel that is in common use for crude oil pipelines throughout the world.

Mr. Green. And it seems like if it is heavier crude, it would have less, you know, it is harder to get it through the pipeline than it is lighter, sweet crude.

Mr. Pourbaix. Well, despite the comments about this viscous tarry sludge, I can provide assurances to the committee that the oil we are transporting on this pipeline is not tarry, it is not sludge; it is very liquid crude oil.

Mr. Green. Mr. Chairman, I have additional questions, but if I could, Mr. Kelly, thank you for being here. I was actually at your local Pipe Fitters on Friday in Houston, 211, and I work with the other local too. And believe me, every time I visit with them, they ask me about where this pipeline is at in the process. Thank you.

Mr. Whitfield. The gentleman from West Virginia, Mr. McKinley, is recognized for 5 minutes.

Mr. McKinley. Thank you, Mr. Chairman. Alex -- I can't pronounce that last name.

Mr. Pourbaix. No one else can either.

Mr. McKinley. Can you give me just some insight. If this pipeline for whatever reason is not authorized, are the oil sands going

to dry up and not come to the United States?

Mr. Pourbaix. Well, I think Mr. Smith talked a little bit about what the options are for oil sands production. I think one thing that should be made clear to everybody in this hearing is that the oil sands are a truly massive resource. Hundreds of billions of dollars have been invested both by domestic Canadian companies, a large amount by American companies, and as Mr. Smith mentioned, an increasing investment by China, by Korea and their national oil companies. And I think it would not be an exaggeration to state that the oil sands are really expected to be the engine of economic growth for Canada for the next 50 years.

Mr. McKinley. So you are going to continue producing them and shipping them someplace? That is really the bottom line, isn't it?

Mr. Pourbaix. Absolutely.

Mr. McKinley. I want to go to Mr. Symons, if I could, please. I didn't pick up, I am sorry, I missed the author, you had some paper you were referencing, a document that says gas prices will go up 10 to 20 cents?

Mr. Symons. Dr. Philip Verleger, who is a well-respected oil market economist. He has a newsletter.

Mr. McKinley. And was he hired by someone to do this?

Mr. Symons. No. He does an independent analysis.

Mr. McKinley. He just decided I am going to write a paper. And he wasn't hired by any group?

Mr. Symons. I can't speak for -- I know he wasn't hired.

Mr. McKinley. Could you try to find out? I am just curious who paid for it, because I don't think many scientists are going to just write a paper without someone paying for it.

Mr. Symons. Actually, oil companies paid for his analysis.

Mr. McKinley. Okay. So oil companies are saying that prices are --

Mr. Symons. If someone is making money off this pipeline, someone is losing money.

Mr. McKinley. Okay. Now, do you know what his track record is in credibility in making these kinds of predictions? Can you find out somehow?

Mr. Symons. Absolutely.

Mr. McKinley. To show his record is fairly accurate, that we can expect that, or is this a one-shot deal?

Mr. Symons. The reason oil companies and others --

Mr. McKinley. If you could get back to me on that, I would like that.

[The information follows:]

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Mr. McKinley. The other thing you were saying that I find curious, you seem to be trying to prevent Canadian oil sands from going to China. You said it several times. Is that a fair statement, or did I mishear that? You don't want it to go to China?

Mr. Symons. I think there is a whole web of deception saying this is going to make us more secure, when really they are trying to get it to China and to other markets.

Mr. McKinley. So we are willing to put potentially 20,000 jobs at risk because of a hypothesis you have or a theory you have that this could go to China. You are not willing to see 20,000 Americans find jobs?

Mr. Symons. I am just telling you what the data says. I thought this was an informational hearing. What the Department of Energy and the Department of State say --

Mr. McKinley. Well, we ship coal to China every day and it hasn't had that impact. If you think shipping it to China is going to raise the price of oil in America, but we ship coal every day to China and we are not seeing that increase attributed to the exporting of coal, I think it is a bit disingenuous in your argument.

The other is that I have got to say, Mr. Symons, wouldn't it make more sense for them to just simply build a pipeline over to Seattle than it would be to take it 1,700 miles down to the Gulf Coast, if they have this clandestine study to ship it to China? This doesn't make sense.

Mr. Symons. We could debate all day where the oil should end up,

but here is the thing we have to remember. The Presidential permit is a green light for a foreign energy company to come take the rights of Americans to protect their land away from them. If there is is not a national interest need, the President is ordered by Congress not to issue that.

Mr. McKinley. I hear you. But what happens, Mr. Symons, do you have some kind of inside knowledge that the President is not going to approve this? What happens if he approves it?

Mr. Symons. I have no idea.

Mr. McKinley. Are you going to be just as outraged as you are now?

Mr. Symons. Absolutely. We have been very clear with the administration that we oppose this pipeline.

Mr. McKinley. Do you have copies, does anyone have copies of these draft conclusions? Do we have a sense of where they are going with the environmental impact?

Mr. Symons. There is a supplemental -- draft supplemental environmental impact statement that is now available.

Mr. McKinley. Can you give us a short version, because we are running over time here? Do you have a short version? Does it say this is going to be catastrophic and we can't afford to have the 20,000 jobs in America? What is the sense of what it is saying?

Mr. Symons. It concludes that --

Mr. Rush. Will the gentleman yield for a moment?

Mr. McKinley. I am just waiting to hear his answer, please.

Mr. Symons. I said that it concludes that it won't help America's energy security.

Mr. Rush. Will the gentleman yield just for a moment?

Mr. McKinley. Yes.

Mr. Rush. You mentioned a couple things, and I think the record should reflect that the State Department is not here because they are in the middle of the negotiations and the review and all of the other kind of activities that are necessary for them to contemplate in order for them to make a decision. So they are not here at this hearing, I wish they were, because they feel as though it would be inappropriate for them to be at a hearing when they are in the middle of the negotiations.

Mr. McKinley. Taking back my time, I am not demeaning the fact that they are not here. I am just simply trying to find out which direction they were going in. That is all.

Thank you. I yield back.

Mr. Pourbaix. Could I?

Mr. Whitfield. Yes, go ahead.

Mr. Pourbaix. The specific question that the Representative asked, I believe, is has the Department of State indicated where they are going with on the environmental -- draft environmental impact statement.

What I can tell you is that the first draft environmental impact statement, delivered in April of 2010, stated as a conclusion that the construction and operation of the Keystone XL pipeline system would

have limited environmental repercussions in the United States. They followed up with a supplemental draft environmental impact statement a month ago that reiterated that finding after reviewing significantly more information.

Mr. McKinley. Thank you.

Mr. Whitfield. Thank you. I might add also that, without objection, we accepted the documentation that Mr. Waxman asked us to introduce. We introduced into the record Mr. Thompson's testimony.

I am going to ask unanimous consent that we introduce into the record the statement of Mark Ayres, who is president of the Building Construction Trades Department, AFL-CIO, who in his statement said, "The Keystone pipeline project has been subjected to 32 months of scrutiny through the National Environmental Policy Act, which includes review by ten Federal agencies as well as numerous State and local agency reviews. The State Department, FDEIS, has concluded that the pipeline would have limited adverse environmental impact during construction and operation and that it would significantly strengthen U.S. economic security." You can put that in the record.

[The information follows:]

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Mr. Rush. Mr. Chairman, if I might, I would also ask for unanimous consent to enter into the record a letter that was sent under the signature of Mr. Tim Irons, Senior Land Coordinator for the TransCanada Keystone Pipeline LP, and this letter states in the last paragraph, "While we hope to acquire this property through negotiations, if we are unable to do so, we will be forced to invoke the power of eminent domain and will initiate condemnation proceedings against this property promptly as of the expiration of this 1-month period. In the event that we are forced to invoke the power of eminent domain, this letter and its content are subject to Nebraska revised statute 278-408 and are not admissible to prove the existence or amount of liability."

Mr. Chairman, I would like to submit this, in that there was testimony that the company, TransCanada, does not have or has not been threatening people and does not have any legal right to enter into the eminent domain process for an American landowner.

Mr. Whitfield. Without objection.

[The information follows:]

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Mr. Whitfield. This is our first day back and we didn't have quite as many members as we had hoped on this important subject, but I do want to give Mr. Smith and Mr. McFadyen an opportunity, like 3 minutes, if you all want to respond to anything you heard today, because I don't think a specific question went to you all. I am not saying you have to, but if you feel compelled to, I will give you 3 minutes to respond or make a statement.

Mr. Smith. Thank you, Mr. Chairman. I will be exceedingly brief.

Because there are a few of us in this room who can remember the gas lineups of 1973-79 and the shortage of oil supplies, every day that the U.S. produces oil, you produce less oil, there is an immutable law that you have declining production. This replaces production that is declining. It gives you options about not having lineups at the gas pump. No matter what the price is, you won't have the lineups, or it will help ameliorate those.

There is a pipeline in the permitting process that would go direct to China from Alberta, that would go across British Columbia. It wouldn't have to use anything here. China is building refineries that are 700,000 barrels a day. They are serious.

And I believe that we have got a trade relationship we can build on here; that what I have heard today doesn't go back to the fact that, in fact, your supply has been interrupted, and this helps stop that interruption. It creates high-quality jobs. It gives us an opportunity to build with common law, common property, right next door

to each other, and I think that is valuable to everybody.

Mr. Whitfield. Thank you, Mr. Smith.

Mr. McFadyen.

Mr. McFadyen. Thank you, Mr. Chairman.

Just very briefly, I just want to reiterate that we are very proud of our regulatory construct in Alberta and can assure you that the oil sands are being developed in a very responsible manner with respect to environmental protection, economic impacts and the social impacts on our citizens. We live there, we work there, we play there, and we are determined to keep it a great place to do all of those things.

Thank you.

Mr. Whitfield. Well, I thank all of you. That will conclude today's hearing. We appreciate your testimony very much and look forward to working with all of you. The record will remain open for 10 days for any additional documents.

[The information follows:]

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Mr. Whitfield. Thank you.

[Whereupon, at 5 p.m., the subcommittee was adjourned.]