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Vice President

Energy & Resources Policy

March 7, 2014

United States Department of State
Bureau of Energy Resources, Room 4843
Attn: Keystone XL Public Comments
2201 C St. NW
Washington, DC 20520

Re: Comments on the National Interest Determination for TransCanada Keystone Pipeline, L.P.'s Presidential Permit Application, Docket ID No. DOS-2014-0003

The National Association of Manufacturers (NAM), the largest manufacturing association in the United States representing small and large manufacturers in every industrial sector and in all 50 states, submits the following comments in strong support of a National Interest Determination (NID) for TransCanada Keystone XL Pipeline, L.P.'s Presidential Permit Application. Based upon the totality of the evidence in the record, the Keystone XL Pipeline is clearly in the national interest and should receive a Presidential Permit as rapidly as possible.

I. Keystone XL Meets All Criteria for the National Interest Determination.

A. Legal Standard

Executive Order 13337 (69 FR 25299) places upon the Secretary of State the responsibility to determine whether to issue a Presidential Permit for certain energy-related facilities that cross the international boundaries of the United States, such as cross-border pipelines and transmission lines. If the Secretary determines that the issuance of such a permit will serve the national interest, he must issue the Presidential Permit.

Executive Order 13337 explicitly states that its purpose is "to expedite reviews of permits as necessary to accelerate the completion of energy production and transmission projects." It sets forth a simple, straightforward decision making process that should enable the Secretary to make a decision quickly.

The Department of State has stated that the NID will take into account a wide range of factors, including energy security; environmental, cultural, and economic impacts; foreign policy; and compliance with relevant federal regulations and issues.

B. Facts Supporting a National Interest Determination

The Keystone XL Pipeline will create jobs across the construction and manufacturing supply chain, enhance our nation's energy security and create significant economic value. It has strong support from a strong majority of stakeholders. It has met and in many cases exceeded the environmental conditions placed upon it. As demonstrated in further detail below, the

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Keystone XL Pipeline has satisfied each and every one of the factors under consideration by the Secretary as part of the NID.

1. Job Creation and Economic Impacts

The Keystone XL Pipeline will create jobs. These include not only construction jobs, such as welders, mechanics, electricians, pipefitters, laborers, safety coordinators and heavy equipment operators, but also thousands of jobs for manufacturers, who will make the steel pipe and the thousands of fittings, valves, pumps and control devices required for a major oil pipeline. Over and over again, countless studies have found that the Keystone XL Pipeline will provide a boost to the regional and national economy. The most recent analysis, by the Department of State as part of its Supplemental Environmental Impact Statement (SEIS), concluded that construction of the remaining proposed leg of Keystone alone would contribute \$3.4 billion to U.S. gross domestic product (GDP) and create at least 42,100 jobs.

2. Access to Energy

With Keystone XL, we could be importing from Canada in 2020 more than twice what we currently import from the Persian Gulf. The Keystone XL pipeline could bring 830,000 additional barrels of crude oil to the market every day and would provide a critical outlet for crude from the Bakken formation in North Dakota and Montana to reach domestic markets.

Manufacturers use one-third of the nation's energy; for many manufacturers, energy is their single largest expense. Manufacturers use oil and products derived from oil for a wide variety of activities and products. For example, manufacturers use fuels to power generators, trucks, cars and rails. Without energy to move raw materials, manufacture products, and move products to the marketplace, manufacturers cannot effectively compete in the global marketplace. Manufacturers also use oil to create chemicals, waxes, polishes, plastics, rubber, telephones, insulation, asphalt and a wide range of other products. There are literally thousands of products that are derived from a barrel of oil.

3. Strong Bipartisan Support

The Keystone XL Pipeline enjoys a broad spectrum of support. The project is supported by manufacturers, organized labor, veterans, hundreds of mayors and state legislators from across the country and workers in thousands of other businesses who understand the benefits the pipeline and the development of Canadian oil sands will bring to the United States. Legislation to approve the project has been passed by strong, bipartisan majorities in both the House and Senate.

4. Environmental and Regulatory Compliance

The Keystone Pipeline XL has been studied exhaustively—more exhaustively, perhaps, than any other pipeline project in this nation's history. The State Department's final SEIS reviewed impacts on geology, soils and sediment, groundwater resources, surface water, greenhouse gas (GHG) emissions, environmental justice, wetlands, terrestrial vegetation, wildlife, fisheries, threatened and endangered species, waste management, agriculture and land use, cultural resources, air quality and noise, recreation and visual issues, socioeconomics, cumulative impacts and environmental impacts in Canada. Each area received a thorough and exhaustive analysis.

The State Department also produced a final Environmental Impact Statement (EIS) in 2011, an 8,000-page, eight-volume analysis. It studied greenhouse gas emissions, environmental justice, geology and soils, water resources, wetlands, terrestrial vegetation, wildlife, fishery resources, threatened and endangered species, cultural resources, air quality and noise, land use, recreation and visual resources, socioeconomics, cumulative impacts and environmental impacts in Canada. Like the SEIS, each area received a thorough, exhaustive analysis; for instance, the sage grouse received 100 pages by itself. The three-year EIS process included numerous public meetings, hundreds of thousands of public and agency comments and publication of a Draft EIS, a Supplemental Draft EIS and the 8,000-page Final EIS. The Final 2011 EIS concluded that the project would have no significant impact and would actually be safer than any other typically constructed domestic oil pipeline system.

The State of Nebraska, too, performed a comprehensive environmental study. Nebraska's review of the Keystone XL route thoroughly considered impacts on geology, soils and sediment, groundwater resources, surface water, wetlands, terrestrial vegetation, wildlife, fisheries, protected species, air quality, noise, waste management, agriculture and land use, public services, recreation and visual issues, population and vulnerable groups and cultural resources.

All of these studies reach the same conclusion: the Keystone XL Pipeline will not adversely impact the environment. The project will meet nearly 60 special conditions set by regulators to minimize risks. In all, the review process for the Keystone XL Pipeline has spanned nearly six years and 15,000 pages of environmental and economic analysis. At some point, the reviews required under federal and state law must reach their logical end. That time is now.

5. *Climate Change*

In a speech at Georgetown University on June 25, 2013, President Obama stated that, in his view, "the national interest will be served only if this project does not significantly exacerbate the problem of carbon pollution." Even when judged by this metric, the Keystone XL Pipeline passes the test. The SEIS concludes that the Keystone XL Pipeline will actually result in *lower* overall GHG emissions than would occur in the alternative if the project is not built.

In the SEIS the Department of State conducted a detailed analysis on three broad categories of alternatives, as required by the National Environmental Policy Act (NEPA). The three alternatives included: (1) the "No Action" alternative, i.e. how would the market respond if the project was not approved; (2) major route alternatives, i.e. other potential pipeline routes and using other modes of transportation such as railroads and barges; and (3) other pipeline alternatives, such as "relatively short deviations- to the proposed route that were designed to avoid or minimize construction impacts to specific resources..." It is important to note that the SEIS concluded that if the pipeline were not constructed, the oil sands would still be developed and would still come to the U.S.—only by different modes of transport.

The SEIS concluded that "[t]he total annual GHG emissions (direct and indirect) attributed to the No Action scenarios range from 28 to 42 percent greater than for the proposed Project." In other words, understanding that the resource will be developed and imported no matter what, every other alternative to building the Keystone XL Pipeline will actually result in *more* GHG emissions than the pipeline itself.

Given the President's stated test for approving Keystone, the SEIS clearly indicates that this project would contribute far less GHG emissions than any other mode of transportation or combination of modes. The analysis set forth in SEIS clearly meets and passes the test set by the President regarding GHGs.

C. Consistency with Other National Interest Determinations

The United States possesses more than 180,000 miles of petroleum transmission pipelines. The 875-mile Keystone XL northern route proposal represents less than one-half of a percent of that. In fact, Keystone XL is but a fraction of the 7,000 miles of new pipelines under construction, according to *Oil & Gas Journal's* February 2012 construction report.

Moreover, Keystone XL would not be the first, or the last, pipeline transmitting Canadian oil sands-derived crude oil in the United States. Canada is already our largest foreign supplier of crude oil, supplying about 25 percent of all U.S. imports. Of the approximately 2.5 million barrels a day of Canadian crude oil we import, about 1 million barrels originate from oil sands in Alberta. Most of this oil is transported via pipeline to various U.S. refineries. Crude from Canadian oil sands has been flowing through pipelines in North America for more than 30 years.

Previous administrations have consistently found that energy projects like Keystone XL met the definition of national interest. An NID was made to export crude oil from California in 1992, Alaska's Cook Inlet in 1985, and general crude oil exports to Canada in 1985 and 1988. In 1995 President Clinton found it to be in the national interest to allow for oil to be carried across the Canadian border on the Trans-Alaska Pipeline, which lasted until 2000.

Throughout the Obama Administration, the Department of State and the President have approved multiple trans-border pipelines. In August 2009, a Presidential Permit was issued for the Alberta Clipper crude oil pipeline, which transports oil from Alberta to the Midwestern U.S. by crossing through North Dakota, with the reasoning that the line would advance a number of U.S. "strategic interests." Furthermore, a Presidential Permit was granted for the Vantage Pipeline, which transports ethane from North Dakota to Alberta, just last July.

The Obama Administration has also granted permits to six different liquefied natural gas (LNG) facilities to export to non-Free Trade Agreement (FTA) countries, finding each of these to be in the national interest. Under the Natural Gas Act, the export of LNG to non-FTA countries triggers a NID where opponents must show that the export is not in the national interest, and in these six cases, the national interest outweighed any opposition.

II. **An Adverse Decision on National Interest Could Have Wide-Ranging Impacts for Other Key Infrastructure Projects.**

As demonstrated by these comments, the evidence overwhelmingly supports a determination that the Keystone XL Pipeline is in the national interest. However, should the Department of State decide that the project is not in the national interest, manufacturers fear such a decision could have significant negative ramifications on infrastructure development.

National interest determinations will be required for future LNG export terminals, crude oil export facilities, and new cross-border oil and natural gas infrastructure (such as natural gas pipelines to Mexico). National interest determinations are embedded throughout the U.S. Code and Code of Federal Regulations, including but not limited to laws regarding the grant of foreign

assistance, the Coastal Zone Management Act, the Arts and Artifacts Indemnity Act, laws regarding international expositions, and regulations regarding patent rights under government contracts. A finding that Keystone XL is not in the national interest, particularly in the face of so much evidence to the contrary, would set as precedent a strict new legal hurdle that would be very difficult for new infrastructure projects to overcome.

An adverse decision on Keystone XL would also deal a crippling blow to investor confidence. In October 2013, over 165 business leaders penned a letter to President Obama to express their strong support for the Keystone XL Pipeline and urge him to approve it as quickly as possible. The 165 signatories to this letter are industry leaders, representing such household names as General Electric, AT&T, Boeing, Stanley Black & Decker, The Hartford and Wyndham Hotels. They have little to no financial interest in the outcome of the Keystone XL saga. Their message to the President was clear: the best way to improve investor confidence is to demonstrate that the United States is open for business—and approving Keystone XL would represent such a signal. This letter is attached to these comments for the record.

III. Conclusion

Manufacturers are poised to move forward and lead this country's economic recovery. Infrastructure projects like the Keystone XL Pipeline will play an important role in getting our economy on track. When projects of this magnitude are undertaken, the economic impacts are substantial, invigorating a supply chain of companies of all sizes and all manufacturing sectors throughout the country.

The Keystone XL Pipeline has met and in most cases exceeded every factor by which the Department of State plans to analyze the project for the NID. It is time to move forward and build. Manufacturers call on the Department of State to find that Keystone XL is in the national interest and promptly issue a Presidential Permit so that the project may commence construction.

Sincerely,



Ross Eisenberg
Vice President
Energy and Resources Policy
National Association of Manufacturers

Attachment: October 9, 2013 letter to President Obama from 165 business leaders