

ISSUE BRIEF

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More than Six Years Later, Keystone XL Is Still a Good Idea

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It was 2008 when TransCanada initially filed an application with the U.S. government to construct the multibillion-dollar Keystone XL pipeline to carry up to 830,000 barrels of oil per day from Canada to Gulf Coast refineries. Illinois Senator Barack Obama had just secured the presidential nomination for the Democratic Party. Hurricane Ike made landfall, Usain Bolt set world records at the summer Olympics, and the Lehman Brothers filed for Chapter 11 bankruptcy protection.

More than six years and many significant historical events later, TransCanada still does not have approval to build an environmentally safe pipeline that would create jobs and increase oil supply. During that time, opponents of the pipeline have espoused myths and half-truths to encourage President Obama to delay and obstruct the project's approval. Despite the White House's veto threat, it is time for Congress to pass legislation to approve the permit for Keystone XL. If President Obama chooses to veto any Keystone XL bill, he will be vetoing job creation, energy production, and common sense.

Keystone XL: Jobs and Economic Value

Opponents will minimize the job numbers, saying that the pipeline will create only "a handful" of permanent jobs. While the permanent job tally will

be small, that half-truth dismisses the tens of thousands of construction jobs that the pipeline project would create. In fact, the southern portion, which did not require President Obama's approval and has been built, has already created nearly 5,000 construction jobs.¹ Furthermore, the fact that Keystone XL will only employ 35 to 50 permanent workers indicates how remarkably efficient the pipeline is. The high output of labor generates value and wealth and frees up Americans to be more productive elsewhere in the economy, in the same way that one man on a backhoe loader increases efficiency and frees up a group of men with shovels to do other work.

The construction of the southern leg created a boon for the Oklahoma and Texas economies, injecting \$2.1 billion and \$3.6 billion, respectively.² The states through which the northern leg runs will reap similar economic benefits. Building Keystone XL can be accomplished without the crutch of taxpayer dollars and will result in billions of dollars of tax revenue for the states through which it runs.

Environmentally Responsible, No impact on Climate Change

When it comes to accidents, injuries, and fatalities, pipelines are the safest mode of transporting oil and gas.³ After four exhaustive environmental reviews, the Department of State determined that Keystone XL poses minimal environmental risk to soil, wetlands, water resources, vegetation, fish, and wildlife.⁴ One of the most particular concerns of environmentalists has been the point where the pipeline crosses the Ogallala Aquifer in Nebraska, despite the fact that thousands of miles of pipeline

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already cross the aquifer. Both the State Department and external geologists conclude that the aquifer is at extremely minimal risk of contamination because of the slope of the aquifer and the geologic makeup of the soil.⁵

Keystone opponents have also seemingly persuaded President Obama that climate concerns are a valid reason to reject the pipeline's permit. At a speech at Georgetown University in June 2013, President Obama remarked, "The net effects of the pipeline's impact on our climate will be absolutely critical to determining whether this project is allowed to go forward."⁶ The climate effects of Keystone XL, however, would be minimal: The State Department's final environmental impact statement concludes that the Canadian oil is coming out of the ground whether Keystone XL is built or not, so the difference in greenhouse gas emissions is miniscule.⁷

Low Oil Prices No Reason to Delay

A recent argument against Keystone is that in the recent era of cheap oil, Keystone XL is not a worthwhile financial investment. If a restaurant owner wanted to take the chance of building a new eatery on the same block where cheap food was readily available, should the federal government step in and tell the owner the economics do not look good? The government's current role is to make a national interest determination, but even that is too expansive. The only role the federal government should have in the process is to determine if the pipeline poses

any national security threat. The fact of the matter is that the pipeline has been evaluated as environmentally safe, and provides a valuable resource from a friendly, secure, and reliable trading partner and ally. It should be a private-sector decision whether TransCanada builds it.

Furthermore, Keystone XL remains viable even with (temporarily) cheap oil. America still needs pipeline infrastructure to keep up with the rapidly expanding supply. Moreover, industry makes investment decisions looking decades into the future, not simply based on short-term projections. While it is certainly possible that low oil prices could postpone Canadian tar sands production and prohibit Keystone XL from reaching its peak volume in the near future, oil prices could rise as quickly as they fell. Businesses are much better equipped and flexible to deal with changing economic circumstances than short-sighted politicians in Washington.

Keystone XL and Free Trade

With a vote on Keystone XL likely coming in the near future, several Senators have floated amendment ideas to prohibit the exportation of refined petroleum products coming from crude oil that moves through Keystone XL. Another amendment that some Senators have proposed is to force TransCanada to use only American-made steel, iron, and other manufactured goods when constructing Keystone XL.⁸

Preventing the flow of resources into and out of the United States only serves to protect the connected few at the expense of the many who stand to ben-

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 3. Diana Furchtgott-Roth, "Pipelines Are Safest for Transportation of Oil and Gas," Manhattan Institute, June 23, 2013, http://www.manhattan-institute.org/html/ib_23.htm#.VKwRbHsYHaJ (accessed January 6, 2015).
 4. U.S. Department of State, Bureau of Oceans and International Environmental and Scientific Affairs, "Final Supplemental Environmental Impact Statement for the Keystone XL Project, Executive Summary," January 2014, <http://keystonepipeline-xl.state.gov/documents/organization/221135.pdf> (accessed January 6, 2015).
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 7. Department of State, Bureau of Oceans and International Environmental and Scientific Affairs, "Final Supplemental Environmental Impact Statement for the Keystone XL Project, Executive Summary."
 8. Darren Goode, "Dems Push Keystone Bill Amendments in Early Senate Test," *Politico*, January 4, 2015, <http://www.politico.com/story/2015/01/keystone-pipeline-senate-democrats-113964.html#ixzz3O4KMQDi7> (accessed January 6, 2015).
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efit from freely traded materials and refined petroleum products. When markets are open, competition provides people with more choices and better products at lower prices. Protectionism is also detrimental to the long-term growth of the protected company because the government shields protected industries from lowering costs in order to remain competitive with other market participants. The end result is stagnant industries with little incentive to innovate and higher prices for consumers and businesses.

If opportunities exist for companies to export their goods to a foreign buyer, they should be permitted to do so. Politicians did not seem to mind when exports of finished petroleum products increased from 513,000 barrels per day (bpd) in 1985 to 1.6 million bpd in 2008 to 2.7 million bpd in 2013.⁹ Products

refined in Gulf Coast refineries with crude flowing from Keystone XL should be no different.

Stop Politicizing, Start Building

The White House has already threatened to veto any Keystone XL legislation that reaches President Obama's desk, but the new Congress should send a strong signal to the Administration that it is serious about job creation, economic growth, and moving forward sensible policy. Congress should do what the Obama Administration has, unbelievably, failed to do and approve Keystone XL.

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9. U.S. Energy Information Administration, "Petroleum & Other Liquids: U.S. Exports of Finished Petroleum Products," December 30, 2014, <http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MTPEXUS2&f=A> (accessed January 6, 2015).