

# The KEYSTONE XL PIPELINE

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### **The Project**

The Keystone XL project (KXL), which is an expansion of TransCanada Corporation's existing Keystone pipeline, is a 1,179-mile, 36-inch-diameter pipeline that will transport crude oil from Hardisty, Alberta (Canada), to Steele City, Nebraska. The existing Keystone pipeline crosses the U.S. from north to south/east through Montana, South Dakota, Kansas, and Nebraska. The Keystone project also consists of a southern leg, delivering oil from the central hub of Cushing, Oklahoma to the Gulf Coast.

The Canadian company TransCanada proposed the Keystone project in early 2000 with the aim of expediting the arrival of crude oil to U.S. refineries in Illinois and as far south as Texas. The pipeline, which was approved by George W. Bush, began construction without a great deal of media coverage or environmentalists' judgment. As the original segment did not have a large capacity, TransCanada presented the development of a new and more linear pipeline segment to establish a direct link between Alberta and Nebraska. The Keystone XL project had an estimated cost of \$ 5.4 billion. When fully operational, Keystone XL would have carried about 800 thousand barrels of crude oil per day, between the US and Canada, which would then be rerouted to different refineries nationally.

### **Issue**

In 2012, President Obama approved the Southern leg of the pipeline which opened in January 2014. Keystone XL, being a cross-border infrastructure project, required a presidential permit and TransCanada submitted an official application on April 18, 2010. Despite Senate approval on January 2015, President Obama rejected the application on November 6, 2015, declaring the pipeline was not in America's national security interest and that it would have undercut America's leadership in fighting climate change. Obama's rejection took place on the eve of UN climate change conference in Paris, where the President played a major role and reiterated his environmental priorities.

## **The Controversy**

The Keystone XL project faced intense opposition by fossil fuel opponents and environmentalist groups, like Greenpeace or 350.org, who saw the pipeline as enabling further dependency on fossil fuel and furthering global warming.

Supporters claim Keystone XL will help the US government create new jobs (42 thousand) and become more energy independent. TransCanada estimates American dependency on oil from Venezuela and the Middle East to drop by 40 percent. Given that pipelines are currently the safest mode of crude oil transportation, proponents also claim KXL would reduce the risk of a transportation related incident as the new pipeline would be equipped with thousands of sensors, to ensure the smooth delivery of crude oil.

TransCanada commenced its bid to obtain the permits to build Keystone XL in 2008 and did not initially run into any objections. In 2011 things changed following the publication of several skeptical reports. In 2013, the U.S. arm of the Stockholm Environment Institute (SEI) claimed KXL's estimated carbon emissions, which the State Department had already declared unlikely to significantly increase climate change, were actually four times higher than stated, and that the project should not be approved. This report however, was soon countered by experts who pointed out that SEI's calculations were inaccurate, given that KXL is only a segment of an already operating pipeline. KXL can transport only 450,000 Bbl./d, while the estimates were made on the total of 800,000 Bbl./d. Furthermore, the federal government completed five studies on KXL from 2008 to 2014, all of which showed the absence of a significant environmental impact.

Keystone XL became a major political issue during the 2012 presidential campaign with the majority of republicans publicly supporting KXL, and President Obama being very cautious not to upset the environmentalists.

On January 2016, TransCanada filed a lawsuit claiming \$15 billion against the U.S. Government. The company claimed the rejection violates U.S. obligations under the North American Free Trade Agreement (NAFTA), according to which governments must treat foreign and domestic companies alike. The company argued the project was politicized as presidential permits, in the past, have focused solely on concerns relating to borders and operational aspects, not on environmental damages or climate change issues.

President Obama, on several occasions, affirmed the project would be approved only with sufficient assurances that its implementation does not worsen climate change. Despite the rejection, crude oil continues to move across the country through the original segment of Keystone, other pipeline projects and through far less safe modes of transportation such as tanker trucks and rail.

After a long drawn out process of almost 8 years, the future of Keystone XL now rests in the hands of President Donald Trump.

### **Updates to Original Analysis**

**January 24, 2017:** President Trump signed an Executive Order (E.O.) titled “Expediting Environmental Reviews and Approvals for High Priority Infrastructure Projects” with the main objective to make America competitive and to create more jobs.

Additionally, the President issued a Presidential Memorandum on “Construction of the Keystone XL Pipeline” The memorandum does not approve KXL; it invites TransCanada to apply again for a permit and gives the Secretary of State 60 days to decide on the future of the project.

**January 27, 2017:** TransCanada filed an application for the required permits to build the Keystone XL pipeline.

**January 31, 2017:** Texas Judge Kenneth Hoyt put on hold the lawsuit against the U.S. government filed by TransCanada on January 2016. According to the Judge, President Trump's decision has the potential to solve the dispute in the next three months without going to court.

**February 28, 2017:** TransCanada has suspended the \$15 billion lawsuit (filed in early 2016) against the United States government, following President Trump's invitation to apply again.

**March 3, 2017:** Despite President Trump's directive to use American steel, Keystone will be exempt from the exclusive American product requirement, as the pipeline is already partially underway.

**END OF UPDATES**