

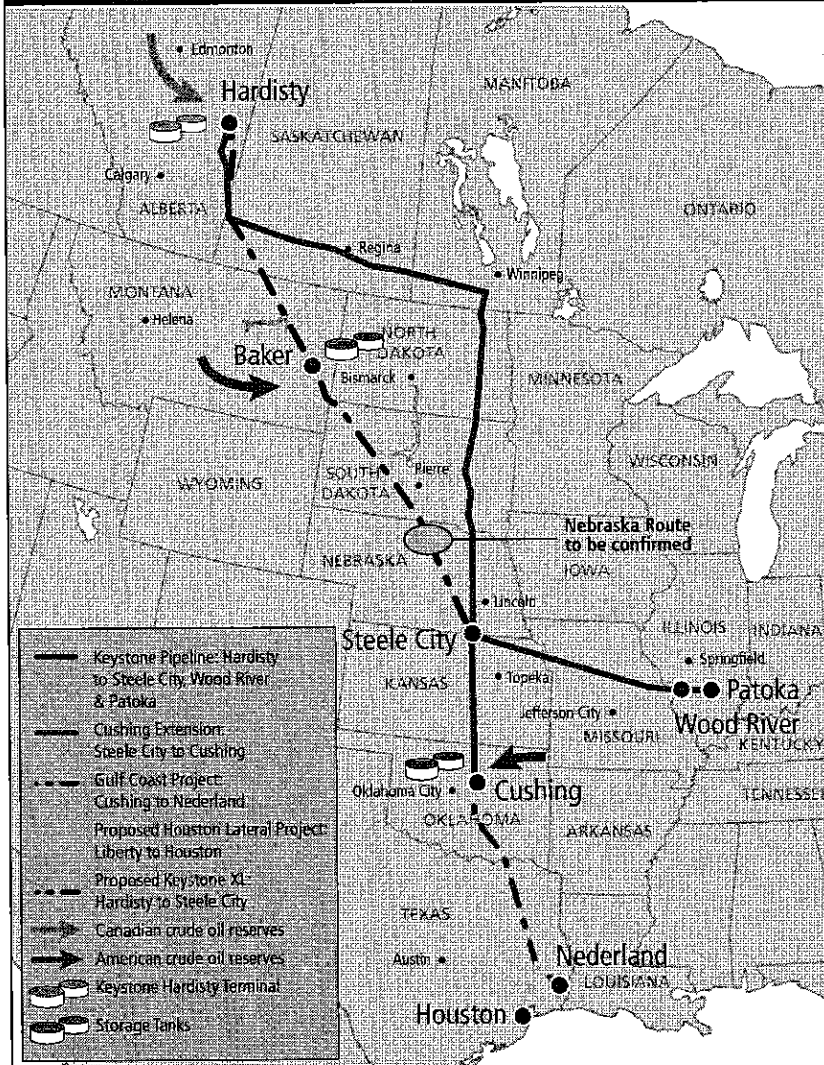
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Keystone XL Pipeline



The Keystone XL Pipeline is a proposed 1,179-mile (1,897 km), 36-inch-diameter crude oil pipeline beginning in Hardisty, Alberta and extending south to Steele City, Nebraska. This pipeline is a critical infrastructure project for the energy security of the United States and for strengthening the American economy. Along with transporting crude oil from Canada, the Keystone XL pipeline will also support the significant growth of crude oil production in the United States from producers such as Texas, Oklahoma, Montana and North Dakota. This pipeline will allow American oil producers more access to the large refining markets found in the American Midwest and along the U.S. Gulf Coast.

In May 2012, TransCanada filed a new application for a Presidential Permit with the U.S. Department of State, a requirement for building any cross-border pipeline. More recently, a Supplemental Environmental Report was submitted to the Nebraska Department of Environmental Quality on September 5, 2012 detailing a preferred alternative route for Keystone XL in Nebraska. This revised route was created to minimize disturbance of land, water resources and special areas in the state. With the re-route in Nebraska currently underway, and an anticipated decision on the Presidential Permit in the first quarter of 2013, Keystone XL has a projected in-service date of 2015.

The pipeline will have capacity to transport 830,000 barrels of oil per day to Gulf Coast and Midwest refineries, reducing American dependence on oil from Venezuela and the Middle East by up to 40 per cent.

Contact Us

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Backgrounder



Keystone XL Presidential Permit application

Length

- 329 miles (529 km) in Canada (Hardisty, Alberta to Monchy, Saskatchewan)
- 850 miles (1,368 km) in the United States (Phillips County, Montana to Steele City, Nebraska)

Size

- 36-inch diameter pipeline

Capacity

- 830,000 barrels per day (bpd)

Anticipated cost

- US\$5.3 billion

Number of pump stations

- 8 in Canada
- 18 in U.S. (possibly 19 depending on revised Nebraska route)

Need for Keystone XL

- The United States accounts for 20% of world energy consumption and is the world's largest petroleum consumer. The U.S. consumes 14 to 15 million barrels of oil each day – forecasts suggest this will not change for decades. Current imports amount to eight to nine million barrels each day, approximately 60 per cent of the United States' requirements.
- Even with new technology, oil discoveries, alternative fuels and conservation efforts, the U.S. will remain dependent on imported energy for decades to come. A secure supply of crude oil is needed for Americans to continue to heat their homes, cook their food and drive their vehicles.
- Growing production of conflict-free oil from Canada's oil sands and the Bakken formation in Saskatchewan, Montana, North Dakota and South Dakota can replace crude imported from countries that do not share American values, but additional pipeline capacity to refineries in the U.S. Midwest and Gulf Coast is required.

- Impending closures of ConocoPhillips and Sunoco refineries on the U.S. East Coast, representing a significant portion of East Coast refining capacity, will increase demand for Gulf Coast refiners.
- The 58 refineries in the Gulf Coast region provide a total refining capacity of approximately 8.4 million bpd, or nearly half of U.S. refining capacity. In 2009, these refineries imported approximately 5 million bpd of crude oil from more than 40 countries, with the top four suppliers being Mexico (21 percent), Venezuela (17 percent), Saudi Arabia (12 percent), and Nigeria (11 percent). Imports from Mexico and Venezuela are declining as production from those countries decreases and supply contracts expire.
- Once complete, TransCanada's Keystone XL and Gulf Coast Expansion projects could displace roughly 40% of the oil the U.S. currently imports from the Middle East and Venezuela.

Jobs and economic benefits

- The Keystone XL project will support about 20,000 jobs in the U.S. – 13,000 construction jobs and 7,000 manufacturing jobs – representing work for pipefitters, welders, electricians, heavy equipment operators and other sectors in virtually every state in the U.S.
- Seventy-five per cent of the pipe used to build Keystone XL in the U.S. will come from North American mills, including half made by U.S. workers in Arkansas. Goods for the pipeline valued at approximately \$800 million have already been sourced from U.S. manufacturers.
- The combined Keystone XL and Gulf Coast projects will inject \$20 billion into the U.S. economy and pay over \$5 billion in taxes to local counties over their lifetimes.

Pipeline safety

- Pipelines are the safest method for the transportation of petroleum products when compared to other methods of transportation. Steel pipelines provide the safest, most efficient and most economical way to transport crude oil. Each year, billions of gallons of crude oil and petroleum products are safely transported on pipelines. If they do occur, pipeline leaks are small; most pipeline leaks involve less than three barrels, 80% of spills involve less than 50 barrels, and less than 0.5% of spills total more than 10,000 barrels.
- Pipelines are 40 times safer than moving crude oil by rail and 100 times safer than transporting by truck.
- Keystone XL will replace the equivalent of a tanker train 25 miles long, or 200 ocean tankers per year. This will reduce greenhouse gas emissions by as much as 19 million tons, or the equivalent of taking almost 4 million cars off the road.

Greenhouse gas impacts of oil sands crude

- Oil sands production accounts for 6.5% of Canada's greenhouse gas (GHG) emissions and 0.1% (1/1000th) of global GHG emissions.
- Total emissions from Canada's oil sands sector was 45 megatonnes in 2009, equivalent to 3.5% of emissions from U.S. coal fired power generation in the same year.
- Oil sands crude has similar CO₂ emissions to other heavy oils and is 6% more carbon-intensive than the U.S. crude supply average on a wells-to-wheels basis.
- GHG emissions have decreased 29% per barrel from the oil sands since 1990.

Alberta/Canada's greenhouse gas legislation

- Most of Canada's oil sands reserves are located in the province of Alberta, which is actively regulating and reducing emissions from large industrial emitters, including oil sands operations and pipelines. Alberta was the first jurisdiction in North America (in 2007) to develop legislation regulating greenhouse gas emissions that require large industrial emitters to report their emissions and take actions to make mandatory reductions. The program also puts a price on carbon (\$15/tonne) and regulates an Alberta-based carbon offset system.
- Since 2007, Alberta's regulations have resulted in GHG reductions of 23 million tonnes, the equivalent of taking 4.8 million cars off the road.
- Canada is a member of the United Nations Framework Convention on Climate Change (UNFCCC) and the Government of Canada is committed to reducing Canada's total greenhouse gas emissions by 17% from 2005 levels by 2020 - a target that is inscribed in the Copenhagen Accord and aligned with the United States.
- Increasing energy imports from Canada makes sense for the United States. Canada is a trusted neighbour with a stable democratic government, strong environmental standards and some of the most stringent human rights and worker protection legislation in the world.

KXL Pipeline Fact Sheet

- The Keystone XL oil pipeline will benefit America in two fundamental ways: create thousands of much-needed jobs and increase domestic energy security
- Today, the United States consumes 15 million barrels of oil a day and imports eight to nine million barrels or close to 60 per cent of its needs. The EIA (Energy Information Administration) forecast in 2012 the U.S. will continue to import 7.5 million bbl/d into 2035 to meet its needs.
- Americans have a fundamental choice to make: get their oil from a secure, stable and friendly neighbour in Canada, or continue to import higher-priced, 'conflict oil' from the Middle East and Venezuela – where American values and interests are not shared or respected
- TransCanada can reduce America's dependence on oil from Venezuela and the Middle East by up to 40 per cent with the Keystone XL pipeline (900,000 bbl/d Keystone XL, Persian Gulf 1.5 million Bbl/d, Venezuela 930,000 bbl/d)
- This view is backed up by a December, 2010 U.S. Department of Energy study which states: *"Increased Canadian oil imports will help reduce U.S. imports of foreign oil from sources outside of North America"*
- Our U.S. oil pipeline system supports the creation of over 20,000 jobs in the U.S. - 13,000 construction jobs (9,000 KXL, 4,000 Gulf Coast Project) – work for pipefitters, welders, electricians, heavy equipment operators and more. And 7,000 manufacturing jobs - from the pipe being manufactured in Arkansas, pump motors made in Ohio and transformers built in Pennsylvania, workers in almost every state in the U.S. would benefit

Pipeline Safety

- Pipelines are the safest method of moving oil, safer than tankers, trucks or rail (*Source: U.S. Department of Transportation*)
- Each day in the U.S. more than 2.5 million miles of pipelines move oil and other energy products safely to where they are needed – that's enough pipe to circle the earth 100 times
- TransCanada has worked with PHMSA and voluntarily agreed to 57 new safety procedures to provide even greater confidence regarding the operation and monitoring of this pipeline, including a higher number of remotely controlled shutoff valves, increased pipeline inspections and burying the pipe deeper in the ground
- The Final Environmental Impact Statement (FEIS) for Keystone XL concluded *'the incorporation of the 57 special conditions 'would result in a project that would have a degree of safety over any other typically constructed domestic oil pipeline system under current code.'*

- TransCanada monitors its pipeline system through a centralized high-tech centre 24 hours a day, 365 days a year
- TransCanada uses satellite technology that send data every five seconds from 16,000 data points to its monitoring center
- If a drop in pressure is detected, TransCanada can isolate any section of the pipeline by remotely closing any of the hundreds of valves on the system within minutes

Green House Gas Issue

- The oil sands produce one tenth of one per cent of global greenhouse gas emissions – an extremely small number.
- A 2012 Congressional Research Service study that found greenhouse-gas emissions from energy produced from Canadian oil sands crude delivered by the pipeline would increase U.S. annual greenhouse gas emissions by 0.06%-0.3%.
- The Nature Scientific Journal published an article that discussed Keystone XL. Nature is one of the oldest and most respected global scientific journals. The Journal urged the U.S. administration to approved Keystone XL, saying the pipeline will not determine if the oil sands are developed or not. Nor is oil from the oil sands as dirty as many believe. The Journal stated that heavy oil from California, without attention from environmentalists, is worse.
- Keystone XL will offset as many as 200 ocean tankers per year, reducing greenhouse gas emissions by as much as 19 million metric tons. The use of trains to move oil produces more than triple the greenhouse gas emissions than a pipeline (U.S. Department of State, Final Environmental Impact Statement for Keystone XL).

CERI Report – Oil Sands Impact on the U.S.

The Canadian Energy Research Institute (CERI) released a report in June 2011 that analyzed the economic impacts of the oil sands between 2010 and 2035 on both Canada and the United States.

- States like California, Illinois, Texas and New York, with big economies and large manufacturing sectors receive the most benefit from the oil sands
- States like Illinois, California, Texas, New York and Wisconsin - which are closely involved with Canadian oil sands trade, refining, services incidental to refining, and storage or transportation of oil sands – receive the most benefit
- Total GDP impact of oil sands investment and operations over a 25-year period is estimated to be \$775 billion for the U.S. Employment in the United States as a result of all oil sands projects is expected to grow from 80,000 jobs in 2010 to 600,000 jobs in 2035

Poll: Voters back Keystone Pipeline

A new Washington Post/ABC News poll released July 1, 2012 shows the American public is firmly behind the Keystone pipeline, seeing plenty of upside in potential jobs and limited environmental downside. Nearly six in 10 saying the U.S. government should approve the project. The wide acceptance of the pipeline is rooted in the fact that

83 percent believe it will create a significant number of jobs. Nearly half think it will not cause significant damage to the environment.

Keystone XL Presidential Permit - Application

- TransCanada's application for a Presidential Permit is for the portion of the pipeline that crosses the U.S.-Canada border, down to Steele City, Nebraska. We are currently engaged in the route review process in Nebraska, and once a new route that avoids the Nebraska Sandhills is approved, that information will be provided to the Department of State so they can review and make the National Interest Determination.

Will this project increase gas prices in the Mid-Continent or the Mid-West?

- No it will not.
- The discount in light U.S. crude oil production has not created any benefits for the American consumer. This is because the Mid-West does not have enough refining capacity to meet the needs of Americans in the Mid-West. As a result, petroleum products like gasoline and diesel are imported from the Gulf Coast into the Mid-West, and the cost of those imports and the associated transportation costs set the price for gas in the Mid-West.
- At the same time, Gulf Coast refiners will be able to buy cheaper American crude instead of foreign imports, which could lead to the competitive pressure needed to lower gasoline prices. So projects like the Gulf Coast Project are a great means to spreading the benefits of the growth in American oil production to the maximum number of Americans.

Keystone Oil for Export

The ENGOs continue to make the claim that Keystone XL is not in the national interest as all the oil will be shipped to China.

- It doesn't make sense for companies to purchase cheaper Canadian crude, ship that product overseas and continue to import higher priced oil from the Middle East and Venezuela for refineries on the Gulf Coast to deal with the eight to nine million bbl/d that must be imported
- Developing countries will ultimately build their own refineries to respond to domestic growth (as they have the capital and political will to do so - with the possible exception of Mexico)
- The U.S. is overwhelming net importer of crude oil
- Impending refinery closures on the East Coast owned by Conoco and Sunoco (totaling about 600,000 Bbl/d of refining capacity) will increase demand for Gulf Coast refiners. The domestic market is usually the highest net-back market
- The US exports just 35-60,000 barrels of oil each day (September 2011 – February 2012) of crude to Canada or 0.5 per cent of the amount they import. The only other country the U.S. exports crude to is Costa Rica 1,000 bbl/d in 2011 only
- The Canadian oil from the Keystone XL pipeline would supplement supplies of less-expensive heavy sour crudes. The pipeline would provide a steady supply of

oil from a nearby and friendly trading partner, in a manner that is more efficient than bringing cargoes of oil in by ship.

Keystone XL Jobs

ENGOs have claimed over the past number of months TransCanada has inflated its jobs numbers for employment while Keystone XL is constructed. Opponents point to the environmental impacts statements as proof, noting that the Department of State says KXL would have a peak workforce of 5-6,000.

- Keystone XL is the largest infrastructure project on the books in the U.S. right now. It will create 13,000 construction jobs. Construction of the 1,600 mile pipeline is broken down into 17 pipeline spreads with 500 workers per spread – that's 8,500 workers
- Keystone XL also needs 30 pump stations worth tens of millions of dollars. Each station requires 100 workers – that's 3,000 jobs. Add in another 600 jobs that will be needed for the six construction camps and tank construction at Cushing, Oklahoma
- A project of such magnitude needs construction and management and inspection oversight – the 1,000 workers here brings the overall Keystone XL total to 13,000 direct, on-site jobs
- The \$7 billion project requires hundreds of millions of dollars worth of materials and related services for items such as the steel pipe, the tens of thousands of fittings, hundreds of large valves, fabrication of piping assemblies and structural steel for supports, and thousands of other pieces of equipment used to build such things as transformers for pumping stations, meters to measure the amount of oil delivered, large electric motors for operating pumps and cabling and electrical equipment to connect our vast pipeline monitoring systems
- This work is expected to create 7000 manufacturing jobs. Key support companies include: Welspun (pipe from Arkansas), Cameron (valves from Louisiana), Siemens (pumps and motors and related control equipment, approximately \$200 million invested to manufacture in Oregon, Ohio, and Indiana) and dozens of other companies manufacturing everything from nuts and bolts to complex electrical control equipment
- As Keystone XL supports oil sands development, the jobs impact becomes even more pronounced. The Canadian Energy Research Institute (CERI) predicts a \$521 billion increase in the U.S. gross domestic product and the creation of 465,000 U.S. jobs. For every two oil sands jobs created in Canada, one job will be created in the U.S. Every State will benefit from this development
- At least 1000 American companies supply goods and services to Canadian oil sands and pipeline companies - Berg Steel Pipe in Houston, Siemens Energy from California and the Michelin plant in Greenville, South Carolina are just three examples

Environmental Impact

A report by NRDC, Pipeline Safety Trust, NWF and Sierra Club entitled *Tar Sands Pipeline Safety Risks* was issued to the media February 15, 2011. It leveled

accusations against TransCanada and the Keystone XL Pipeline that the project puts America's public safety at risk by transporting bitumen that is 'highly toxic, corrosive, heated to high temperatures and is explosive'.

A study conducted by scientists for Natural Resources Canada released in November 2012 found that bitumen is no more corrosive than conventional oil.

- The crude oil TransCanada is delivering is no different from oil already being shipped (California, Venezuela, Nigeria and Russia) and refined in the U.S.

Several studies have shown that there is no difference in safety or risk for pipelines carrying diluted bitumen versus traditional crude oil. An analysis of pipeline failure statistics in Alberta by the ERCB did not identify any significant differences in failure frequency between pipelines handling conventional crude versus pipelines carrying crude bitumen, crude oil or synthetic crude oil.

Similarly, PHMSA examined its records since 2002 and found there have been no oil releases due to corrosion in pipelines carrying Canadian crude in the United States.

Activists are saying tar sands oil can contain 11 times more sulfur and nickel, six times more nitrogen and five times more lead than conventional crude.

- An analysis using publicly available data** compared Alberta crude oils to other crude oils from the United States and around the globe
- This evaluation concludes Alberta crude oils contain concentrations of sulfur, vanadium, nickel, mercury and arsenic that are comparable to, or less than, those from other regions of the world
- While each crude oil differs slightly from another, the physical and chemical properties of the crude oils transported by the Keystone System are not unique and are similar to those already being transported and processed by other pipelines and refineries across the United States – that includes oil from California, Venezuela and Mexico

** Environment Canada's Oil Properties database (2011)

'Nature Climate Change' Journal – GHG Research

In November 2012, two of Canada's most respected climate scientists – Andrew Weaver and Neil Swart of the University of Victoria published research in the British scientific journal 'Nature Climate Change'. They confirmed the climate impact of producing the oil sands is nowhere near a 'doomsday scenario'.

- Producing all of the roughly 170 billion barrels of oil sands crude would take over a century. At a rate of three million barrels per day, this would result in a cumulative global warming impact of 0.02 to 0.05 degrees Celsius
- Alberta oil sands have strict regulations. The Government of Alberta implemented GHG regulations in 2007 (the first jurisdiction in North America to

do so) requiring a mandatory 12 per cent reduction in GHG emissions intensity for all large industrial sectors including existing oil sands, or payment in lieu (current carbon price is \$15/tonne)

- The pipeline will also offset as many as 200 ocean tankers per year, reducing greenhouse gas emissions by as much as 19 million metric tons

Why is TransCanada only focused on increasing global GHGs with no thought toward alternative energy?

- We agree the world must move toward developing alternative sources of energy and TransCanada is doing that by investing billions in this area.
- We own the largest wind farm in Canada, the largest wind farm in Maine, operate 13 hydro electric facilities in three states in the U.S. northeast, we have invested a half billion dollars in the development of solar power in Ontario and operate the largest nuclear plant in the world that produces clean, emission-free power.
- But a recent IEA (International Energy Agency – 28 countries) report found world energy demand will continue to grow for the next 20 years and the U.S. will continue to use more fossil fuels and import approximately 7.5 million barrels of oil each and every day
- Renewables will only make up two to three per cent of the total energy mix.