ENERGY FACTS

Keystone XL Pipeline:
Undermining U.S. Energy Security and Sending Tar Sands Overseas

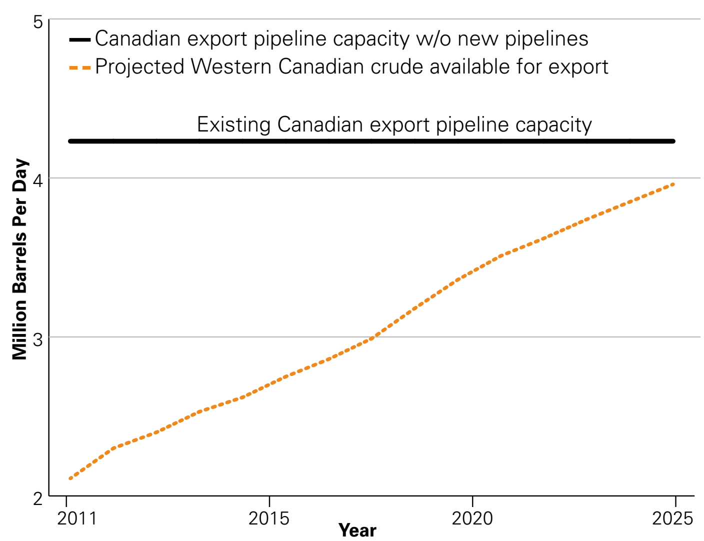
The national debate surrounding the Keystone XL tar sands pipeline has obscured the fact a key purpose of the pipeline is to send Canadian oil through America's heartlands to the Gulf Coast for export.

Canada isn't even producing enough oil to fill its existing pipelines, which are running half-empty. So why is Keystone XL such a priority for the oil industry? Because Keystone XL is actually a pipeline that bypasses America in order to maximize Big Oil's profits.

By skipping over refineries and U.S. consumers in the Midwest, tar sands producers will be able to send Canadian crude to the Gulf Coast refineries in tax-free Foreign Trade Zones, where it can be refined and then sold to international buyers—at a higher profit to Big Oil.

There are clear alternatives to allowing the United States to be an oil conduit for tar sands merely to accommodate ever-growing profits for big oil companies. As American gasoline consumption continues to shrink, the United States can continue its current trajectory to reduce its oil dependency by improving fuel efficiency and clean energy investments. These investments will create tens of thousands more jobs than Keystone XL ever would—and without risking a major oil spill. Taking concrete steps to reduce the country's oil dependence is the only way to increase U.S. energy security.

Figure 1: Canadian oil production will not exceed pipeline capacity until 2025



Projected Western Canadian crude calculated by subtracting western Canada's local refining capacity from western Canada's crude production as forecasted by the Canadian Association of Petroleum Producers in 2011.

KEYSTONE XL WILL NOT INCREASE AMERICA'S OIL SUPPLY

Canada does not produce enough tar sands oil to fill existing pipelines. There are still more than 2 million barrels per day of empty space on existing pipelines going from Canada to the United States without Keystone XL. Canada's current oil production, including both conventional crude and tar sands, uses less than half of its export pipeline capacity. Canada's current glut of export pipelines to the United States is expected to persist for more than a decade. According to a 2011 forecast of future production by Canadian Association of Petroleum Producers (CAPP), Keystone XL would not be needed until sometime after 2025.

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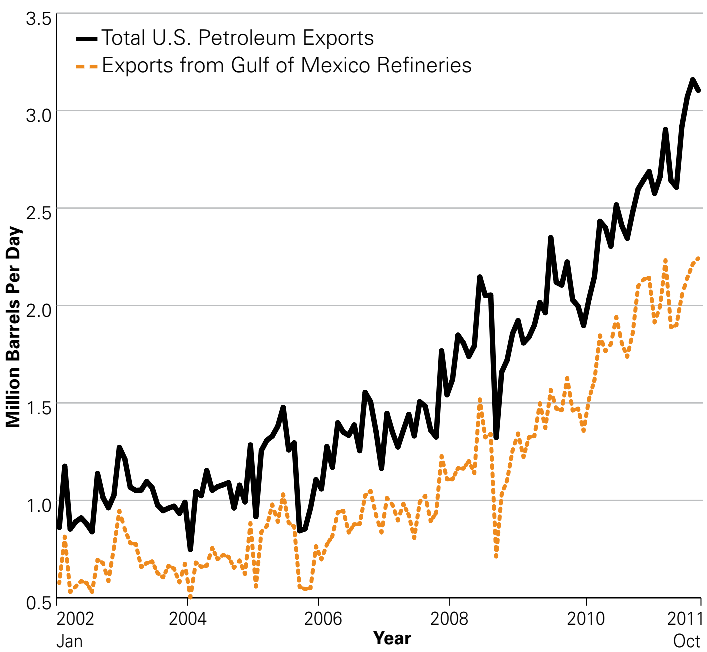
For more information, please contact:
Anthony Swift at aswift@nrdc.org or
Lorne Stockman at lorne@priceofoil.org.

For the full report go to:
www.nrdc.org/energy/kxlsecurity.asp and www.priceofoil.org/kxl-undermining-energy-security.

KEYSTONE XL: AN EXPORT PIPELINE WITH TAX-FREE BENEFITS FOR OIL COMPANIES

Keystone XL backers are simply using the pipeline as part of a larger strategy to re-direct oil from the American Midwest to international buyers who are willing to pay a higher price for it. The Keystone XL pipeline thus would add billions of dollars to the annual cost of oil for million of U.S. consumers in the Midwest. To sweeten the deal, many of the refineries on the Gulf Coast happen to be located in Foreign Trade Zones where they can export refined products without paying U.S. taxes. Keystone XL facilitates this export trade by providing a source of heavy sour crude that is ideal for producing diesel, which is in high demand on world markets.

Figure 2: The growing business of exporting petroleum products from Gulf of Mexico refineries



Comparison of crude oil and petroleum products exports from United States and the Gulf Coast (PADD III) from U.S. Energy Information Administration (U.S. EIA).

KEYSTONE XL WILL INCREASE U.S. MIDWESTERN OIL PRICES

Keystone XL will lead to higher U.S. oil prices because it will divert oil that would have otherwise gone to the Midwest and send it to the Gulf Coast. This reduces U.S. oil supply and increases prices. TransCanada has acknowledged that Keystone XL would increase the cost of Canadian crude by more than $6 per barrel in the Midwest crude market. TransCanada estimated that these higher prices would increase the price the U.S. market paid for Canadian crude by between $2 billion and $3.9 billion a year.

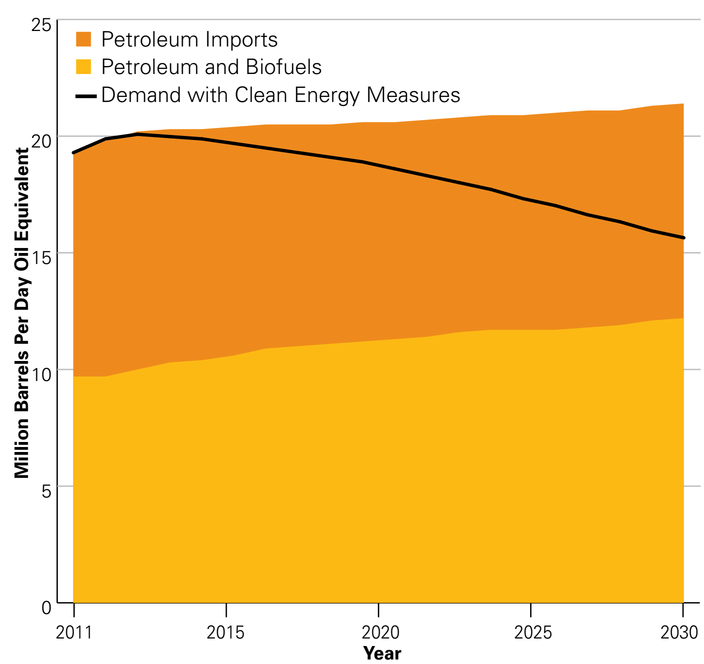
CANADIAN OIL: NO CURE FOR PRICE SPIKES, OIL SHORTAGES, OR OPEC POWER

In the event of a major global oil supply disruption Canadian oil supply would not be able to ease the oil price spike that would result. Tar sands oil does not enhance energy security simply because it comes from a friendly neighbor. Continued reliance on oil empowers all countries that are major oil exporters.

OIL DEMAND REDUCTION IS THE BEST ENERGY SECURITY POLICY

The only way to reduce America's vulnerability to rising oil prices and volatile supply is by making investments to reduce U.S. oil dependence. If we do not make active choices to secure a clean energy future today, in twenty years our nation will remain where it is now—vulnerable to unstable international oil markets and forced to export its wealth to meet its energy needs. Adopting a series of oil savings policies would reduce U.S. oil consumption and imports by 5.7 million barrels per day in twenty years. The United States has already taken a big step in the right direction by adopting new rules for more efficient cars and light trucks that will reduce U.S. oil consumption by 1.7 million barrels per day by 2030. That's twice what Keystone XL would carry at maximum capacity.

Figure 3: Clean energy policies dramatically reduce U.S. dependence on oil imports



Petroleum imports and domestic supply calculated using the U.S. EIA's forecast in its 2011 annual energy outlook. Petroleum includes crude oil and natural gas liquids.

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