



Keystone XL Does Not Enhance U.S. Energy Security

Keystone XL is a proposed 1,700 mile crude oil pipeline that is designed to bring tar sands derived crude oil from Alberta, Canada to Texas. Its proponents claim that Keystone XL and the Canadian crude oil it will deliver will enhance U.S. energy security. This fact sheet explains why this claim is false.

What is energy security? Essentially, energy security is based on two prime concepts:

- **Protection against energy supply disruption;**
- **Protection against energy price volatility.**

In addition, when we talk about oil, we often hear the following related concerns expressed:

- **Oil revenue flows to hostile regimes and dependence on those regimes for oil;**
- **Foreign policy consequences of dependence on oil from hostile regimes;**
- **Sustainability of oil supply: climate change and environmental impacts.**

Does Keystone XL address any of these concerns? The answer is an emphatic **NO!** Essentially, the global nature of the oil market undermines Keystone XL's impact on any of these issues. There will not be fewer imports from the Middle East, hostile regimes will not be hampered by a reduction in oil revenues and the U.S. will be no more insulated from global oil price spikes as it was in 2008 or in April/May 2011, when global events caused gas prices to spike despite record imports from Canada.

Here are the reasons why Keystone XL does not enhance energy security:

Keystone XL is effectively an export pipeline

As an export pipeline, Keystone XL will have no impact on U.S. dependence on Mideast and Venezuelan oil. Refiners in the U.S. Gulf Coast are at the forefront of a 60% increase in U.S. petroleum product exports since 2007. Latin American and European markets need diesel and Gulf Coast refiners are increasingly providing it. In fact, with U.S. gasoline demand set to decline over the long term, the refiners that will receive Keystone XL crude have configured their refineries to maximize diesel production from heavy sour crudes such as that from the tar sands. This means that **Keystone XL is serving growing global demand rather than U.S. domestic need.** Keystone XL oil will therefore be **as-well-as, rather than instead of, other sources of heavy sour crude such as Saudi Arabia and Venezuela.**

Canadian oil brings no protection against energy supply disruption

Canadian oil runs at full capacity and does not hold spare capacity to be brought on stream in times of an emergency. Canadian oil may add to U.S. and global supply but when a major disruption occurs in the global oil market, Canada cannot boost production without investing billions of dollars and building new infrastructure.

Canadian oil brings no protection against oil price spikes

Canada has been America's largest source of oil imports since 2005. Today the United States imports over 2.5 million barrels per day (Mb/d) of crude oil and petroleum products from Canada. This is more than double the imports from Saudi Arabia and 38% more than current imports from all Persian Gulf states. Yet this increasing reliance on Canadian oil has not protected America from oil price spikes. In

2008, as oil hit \$147 per barrel, U.S. gasoline prices spiked over \$4 per gallon. In 2011, when the Libyan crisis took about 1.6 Mb/d out of the global oil market, U.S. gasoline prices jumped 26% in two months despite U.S. stocks of crude oil hitting record highs. The dominance of Canadian oil in the U.S. market provided no buffer against the vagaries of the global oil market on these occasions.

Canadian oil will not significantly decrease OPEC revenues

It feels good to send oil money to Canada rather than to hostile regimes that threaten America. But does it make a difference? According to the EIA, OPEC countries are likely to earn over \$1 trillion in 2011 from oil exports, rising slightly in 2012. The International Energy Agency forecasts that by 2035, under a business as usual scenario in which tar sands production grows in line with industry ambitions, OPEC's share of the global oil market will rise from 41% to 52%. With 77% of the world's proven oil reserves, OPEC producers will always dominate the world's oil market. That the U.S. is buying more oil from Canada matters little to OPEC producers. Canada pumping more oil allows them to pump less in order to maintain high prices. Revenues to OPEC are therefore likely to be stable with or without Canadian oil.

Only demand reduction enhances America's energy security

Demand reduction in line with climate limits decreases expensive tar sands production and reduces revenues to OPEC by \$5 trillion:

The International Energy Agency [calculates](#) energy supply and demand if the world were to stay within conservative limits for stabilizing climate change. This strategy not only provides the environmental security of a more stable climate than business as usual but also significantly enhances American and global energy security. In this scenario, by 2035:

- **U.S. oil consumption would be 40% less than today;**
- **U.S. oil imports would be 45% less than business as usual;**
- **Tar sands production would be 30% less than business as usual;**
- **OPEC revenues would be cut by \$5 trillion from business as usual.**

Most importantly, only in this scenario is U.S. and global oil demand firmly in a downward trajectory, meaning that demand decline is a long term trend enhancing environmental and energy security beyond 2035.

Conclusion: Keystone XL does not enhance energy security

Canadian oil and the Keystone XL pipeline only provide the illusion of energy security. They fail to substantively address any single aspect of energy security concerns. Genuine energy security is achieved through reducing the economy's dependence on oil through demand reduction. President Obama has started the United States on the road to demand reduction through enacting vehicle efficiency standards and investing public money in technology research and development that enhances efficiency and develops alternatives to oil. There are many more things we can do to reduce demand. We can put Americans to work realizing that goal. But to bring about this change, we must reject the projects that seek to maintain the status quo by keeping America addicted to oil. Keystone XL does not enhance energy security and we should not accept its proponent's unsubstantiated claims.

For a fully referenced version of this fact sheet please go to:

<http://priceofoil.org/keystone-xl-and-energy-security/>