Congress of the United States
Washington, DC 20515

October 7, 2011

The Honorable Hillary Rodham Clinton
Secretary
U.S. Department of State
2201 C Street NW
Washington, DC 20520

Dear Secretary Clinton,

We write to urge the State Department, as part of its national interest determination for the Keystone XL pipeline, to ensure that any oil or refined petroleum products obtained from the pipeline remain available for sale within the United States,[1] in keeping with the energy independence benefits of the project that are often cited by its proponents. TransCanada's regulatory filings,[2] and a recent report[3] demonstrate that TransCanada, the proposed pipeline's operator, already has entered into long-term sales contracts with other multinational oil companies that plan to re-export oil transported through the Keystone XL pipeline, meaning that the benefits of the additional tar sands oil will not be realized within the United States. We do not believe that turning the United States into a middleman for exports of Canadian tar sands oil in order to increase the profits of a few oil companies is in the national interest of the United States, particularly given the project's likely adverse environmental impacts, threats to water supplies for farmers,[4] and potential impacts to Indian lands.[5]

Proponents of the Keystone XL pipeline's construction often refer to the strong relationship the United States has with Canada and the benefits of increased U.S. imports of oil from Canada, which is already the largest exporter of crude oil to the United States.[6]

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[1]We recognize that crude oil swaps would continue between the United States and other countries, in which equivalent amounts of crude oil and refined product are exchanged between the U.S. and other foreign nations, and that oil exports would continue to occur pursuant to bilateral agreements and existing statutory requirements.

[2] Filings by TransCanada regarding the Keystone XL pipeline can be found in Folder 550305 at the National Energy Board of Canada website at http://www.neb-one.gc.ca/clf-nsi/rthnb/nwsrls/2009/nwsrls11-eng.html

[3] *Exporting Energy Security: Keystone XL Exposed*. Oil Change International, September 2011 available at: http://priceofoil.org/2011/08/31/report-exporting-energy-security-keystone-xl-exposed/

[4] National Farmers Union Policy on the Ogallala Aquifer. *See* http://www.nfu.org/images/stories/Final_2011_Policy.pdf

[5] National Congress of American Indians Resolution: Opposition to Construction of the Keystone XL Pipeline and Urging the U.S. to Reduce Reliance on Oil from Tar Sands, and Instead, to Work towards Cleaner Sustainable Energy Solutions. *See* http://www.ncai.org/fileadmin/resolutions/Midyear_2011/MKE_final/MKE-11-030.pdf

[6] In 2010, Canadian oil accounted for 21% of all oil imported into the United States. http://www.eia.gov/dnav/pet/pet_move_impcus_a2_nus_ep00_im0_mbbl_a.htm

TransCanada has stated in testimony before the Congress that building the Keystone XL pipeline "enhances U.S. energy security at a critical juncture" by "meeting the needs of U.S. crude oil refiners, and hence U.S. consumers, for a reliable and sustainable source of crude oil to either supplement or replace reliance on declining foreign supplies, without turning to greater reliance on Middle Eastern sources."[7] It is important to recognize, however, that meeting the needs of crude oil refiners *only* benefits the American consumer if these refined petroleum products stay within the United States.

The American consumer has historically benefited from the current Keystone pipeline imports because the Canadian oil has been refined in the Midwest and distributed to domestic retailers, helping to keep gasoline prices in the Midwest lower than other regions of the country. However, if the new Keystone XL pipeline is approved, crude oil will be diverted from refineries in the Midwest and shipped to the refineries on the Gulf Coast. TransCanada has stated that "delivery of a large volume of Canadian crude on the Keystone XL Pipeline to the large [Gulf Coast refineries market] is expected to strengthen the price of Canadian heavy crude."[8] TransCanada anticipates that prices of oil will rise by $6.55 per barrel in the Midwest and $3 per barrel in the rest of the United States if the Keystone XL pipeline is built, providing the company with $2 billion to $3.9 billion in additional revenue.[9] Thus, despite increased supply of tar sands oil, TransCanada expects to be able to charge *higher* prices for tar sands crude oil when the new pipeline is completed, meaning many American consumers will face higher prices at the pump.

Additionally, much of the tar sands oil that will be refined in the Gulf Coast appears likely to be exported to European and Latin American markets.[10] Valero, the largest exporter of oil in the United States, and several other multinational oil corporations have already begun to prepare for the anticipated additional crude oil supplies that will be transported via the Keystone XL pipeline, and anticipate new export opportunities as a result of increased crude oil supplies.[11] Because some of the largest refineries in the nation are located at Port Arthur, Texas, a designated Foreign Trade Zone, companies like Valero will be able to export tar sands oil without paying any taxes to the United States on the proceeds from these export sales.

Higher gas prices can damper economic growth, resulting in harm to Americans throughout the Nation. Since gas prices depend on the supply of crude oil and refined petroleum products within the United States, diverting tar sands oil to export-focused

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[7] TransCanada testimony available at
http://energycommerce.house.gov/hearings/hearingdetail.aspx?NewsID=8608

[8] Western Canadian Crude Supply and Markets, Prepared for TransCanada Keystone Pipeline GP Ltd. Regulatory filing before the National Energy Board of Canada, page 26. Available at http://www.neb-one.gc.ca/clf-nsi/rthnb/nwsrls/2009/nwsrls11-eng.html

[9] *Id.* at page 27-29.

[10] Energy Information Administration. *Drivers Behind Growing U.S. Product Exports and Shrinking Light-Heavy Price Differences.*
http://www.eia.gov/pub/oil_gas/petroleum/presentations/2011/aacsummit/aacsummit.pdf

[11] See for example, Valero Energy Corporation. August 2011 Investor Presentation. *(See esp. Slide 36.)* Aug. 9. 2011 available at: http://www.valero.com/InvestorRelations/Pages/EventsPresentations.aspx

refineries will have the effect of raising gas prices within the United States. The Keystone XL pipeline will not, as its proponents claim, reduce imports of foreign oil from Venezuela or the Middle East if the final destination of Keystone XL crude oil is the global market. We urge you ensure that the approval of this project, if it occurs, requires the oil and refined product the pipeline transports to be sold in the United States. Anything less would certainly not be in the national interest.

Sincerely,

Edward J. Markey	Steve Cohen	Peter Welch
Chris Van Hollen	George Miller	Barney Frank
John Conyers	Bob Filner	Earl Blumenauer
Sam Farr	Dennis Kucinich	Jerrold Nadler
James P. Moran	Tim Ryan	John W. Olver
Barbara Lee	Jesse Jackson Jr.	Lois Capps

Janice D. Schakowsky

Maurice D. Hinchey

Betty Sutton

Gerald E. Connolly

Chellie Pingree

Maxine Waters

John Garamendi

Michael H. Michaud

Hank Johnson

Carolyn B. Maloney

James P. McGovern

Raúl M. Grijalva

Lynn C. Woolsey

Jackie Speier

Donna F. Edwards

Michael E. Capuano

Judy Chu

William R. Keating