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Keystone XL Delayed, Feds To Explore New Routes

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Federal officials postponed a crucial permitting decision for the proposed Keystone XL pipeline Thursday afternoon, issuing plans to consider a new route for the project. The pipeline was proposed by Calgary-based TransCanada to link a vast oil patch in Alberta to refineries in Texas. The additional review would not likely be concluded until the early months of 2013, Obama administration officials said, adding that they would weigh the impacts of the pipeline on the global climate in making a final decision of whether it is in the national interest.

The delay pushes a decision on the contentious proposal well beyond the 2012 presidential election in November, allowing President Obama to avoid a politically fractious determination in the midst of his reelection bid.

“Since 2008, the Department has been conducting a transparent, thorough and rigorous review of TransCanada’s application for the proposed Keystone XL Pipeline project,” said the State Department in a prepared statement. “As a result of this process, particularly given the concentration of concerns regarding the environmental sensitivities of the current proposed route through the Sand Hills area of Nebraska, the Department has determined it needs to undertake an in-depth assessment of potential alternative routes in Nebraska.”

President Obama, in a statement issued by the White House, said he supported the decision to further examine the project. “Because this permit decision could affect the health and safety of the American people as well as the environment, and because a number of concerns have been raised through a public process, we should take the time to ensure that all questions are properly addressed and all the potential impacts are properly understood,” Obama said. “The final



A protestor against the construction of the Keystone XL oil pipeline climbs on a Keith Haring sculpture as he demonstrates outside of the W Hotel where U.S. President Barack Obama was holding a fundraiser on October 25, 2011 in San Francisco, California. (Photo by Justin Sullivan/Getty Images)

decision should be guided by an open, transparent process that is informed by the best available science and the voices of the American people.”

Russ Girling, TransCanada’s president and chief executive officer said in an emailed statement that he remained confident that the pipeline would ultimately be approved. “This project is too important to the U.S. economy, the Canadian economy and the national interest of the United States for it not to proceed.

“If Keystone XL dies,” Girling added, “Americans will still wake up the next morning and continue to import 10 million barrels of oil from repressive nations, without the benefit of thousands of jobs and long-term energy security. That would be a tragedy.”

The Toronto Star was reporting on Thursday afternoon that the Obama administration had officially notified Canadian officials, who had been ardent supporters of the pipeline, that the decision had been delayed.

“While disappointed with the delay, we remain hopeful the project will be decided on its merits and eventually approved,” a spokesman for Canadian Prime Minister Stephen Harper was quoted as saying. “Our government will continue to promote Canada, and the oil sands, as a stable, secure, and ethical source of energy for the world.”

Environmental groups had fought an increasingly pitched battle to block the proposed pipeline, which would allow oil producers working in Alberta’s tar sands -- a vast, gooey deposit of sand, rock and oil -- to access the global oil market by delivering heavy crude to refiners on the Gulf Coast. Critics opposed the project on a number of grounds, including the substantial environmental and climate impacts of the tar sands compared to more conventional sources of oil.

They also objected to the proposed route of the pipeline, which would pass through ecologically sensitive areas of the American heartland.

The governor of Nebraska had even taken the unusual step of calling a special session of the state legislature to consider new bills that could potentially force a rerouting of the pipeline around that state’s Sandhills region, which sits atop the vast Ogallala aquifer, a primary source of drinking and agricultural water for much of the American breadbasket.

The State Department, meanwhile, had come under intense scrutiny for its handling of the environmental assessment of the project -- including what many critics suggested was a cursory examination of alternative routes. The Environmental Protection Agency had panned earlier drafts of that assessment, and environmental groups, citing emails obtained by the group Friends of the Earth, suggested that State staffers had been unduly influenced by TransCanada and oil and gas interests.

The move to postpone the decision was welcomed by environmental advocates, particularly those who say the pipeline would animate further development of a singularly polluting and greenhouse gas-intensive oil deposit in Canada.

Bill McKibben, the environmental activist who has led two major demonstrations against the Keystone

XL pipeline in Washington, D.C., including one in August that resulted in more than 1,000 arrests, called the project “a done deal that came spectacularly undone.”

“It’s because people stood up, raised their voices and spoke loudly,” he told The Huffington Post, “and this time, the President responded. TransCanada thought it had already written the script on where it was going to put this pipeline.”

Elsewhere, news of a delay in decision making on the pipeline was more coolly received, with some environmental groups calling it a cynical move that ducks their underlying assertion that the pipeline should be rejected outright.

“The truth is, the Keystone XL pipeline shouldn’t be built in the Sandhills or anywhere else,” said Noah Greenwald, the endangered species director at the Center for Biological Diversity, in a prepared statement. Greenwald’s group had earlier filed a lawsuit challenging pre-permit construction along the pipeline route in Nebraska. “Tar sands oil is the dirtiest oil on the planet -- it pollutes our air, water and land. Global warming demands we move to a clean-energy future now, not after it’s too late. But rather than make the tough choice to reject this pipeline, President Obama has punted.”

“The tar sands pipeline project would be a disaster for global warming, the environment and the American economy,” said Sen. Bernie Sanders, the Vermont independent who recently spearheaded a call for the State Department’s inspector general to investigate the agency’s handling of the pipeline permitting decision. The I.G.’s office agreed last week to review the process for potential conflicts of interest. “Clearly, no final decision should be made until that review is completed and the findings are made public,” he added in a prepared statement. “I strongly believe that the more the American people learn about this project, the more they will understand that it would be disastrous for our environment and for our economy. They will want the president to keep his promise that the United States will lead the world in combating global warming by rejecting this pipeline.”

Proponents of the project, meanwhile, argued that the pipeline represented thousands of American jobs and

the potential to draw oil from a secure and friendly source -- although those claims have been shown to be somewhat exaggerated.

Republicans in Congress, who had expressed strong support for the pipeline project, slammed the decision as politically motivated. "More than 20,000 new American jobs have just been sacrificed in the name of political expediency," House Speaker John Boehner (R-Ohio) said in a statement posted to his website. "The current project has already been deemed environmentally sound, and calling for a new route is nothing but a thinly-veiled attempt to avoid upsetting the president's political base before the election."

U.S. Chamber of Commerce president and CEO Thomas J. Donohue echoed Boehner's disappointment, saying in a statement, "I would like to express our strong disappointment with today's news that the Administration intends to further delay a decision on the Keystone XL Pipeline. In spite of extensive and positive studies from the State Department, this is clearly a political decision and everyone knows it. Unfortunately, it will immediately cost more than 20,000 Americans an opportunity to get a job working on the pipeline and hundreds of thousands more jobs in the future."

Earlier in the week, TransCanada spokesman James Millar told The Huffington Post that the company had already invested about \$1.7 billion in project development costs on the \$7 billion Keystone XL pipeline. The company has also signed contracts, Millar said, to move some 975,000 barrels of oil per day on the Keystone system -- which includes an existing leg that links the tar sands to Midwestern refineries. That portion of the system, which went into operation in June of last year, experienced more than a dozen leaks in its first year of operation, energizing opponents of the expansion project to the Gulf Coast.

Millar said the contracts with oil shippers entail "a promise made by TransCanada to deliver contracted volumes by a certain date" and that there would be "significant penalties" to the company if those dates are missed.

"These costs relate to materials that take time to purchase and construct, commitments to power companies, easements payments, regulatory costs,

maintaining staff and equipment, financing costs to borrow funds and taxes," Millar said. "Each day the project is delayed will cost TransCanada \$1 million. If delays extend beyond the end of 2011, these costs will increase."

Just what TransCanada might do now is an open question. Some observers have speculated that the company has a legitimate legal case to bring -- either against the state of Nebraska or even the State Department -- given the substantial amount of money it has already sunk into the project, including purchases of miles of steel pipeline and lease deals brokered with landowners up and down the pipeline's path.

In a phone call with reporters, Kerri-Ann Jones, the assistant secretary in the State Department's Bureau of Oceans and International Environmental and Scientific Affairs, which is overseeing the permitting process, emphasized that the agency was only looking at new routes to avoid the sensitive Sandhills of Nebraska, and that such routes had not previously been considered as part of earlier environmental reviews. The route through five other states is not under review. She also said that her agency would be carefully weighing the wide range of job estimates associated with Keystone XL's approval.

"We're trying to conduct the analysis that gets us to a number that we know is accurate," she said.

Environmental groups, meanwhile, were promising to continue the fight.

Erich Pica, the president of Friends of the Earth, said in an emailed statement, "Make no mistake: this fight is not over. Ultimately, this dangerous pipeline must not be built. As long as TransCanada and its army of oil lobbyists seek approval, we will challenge them at every turn. And we will continue to hold President Obama accountable to his campaign promises to curb lobbyist influence and provide bold leadership on climate change. Given the International Energy Agency's warning this week that unless we change course climate change will become irreversible within five years, bold leadership is needed more urgently than ever. President Obama can no longer afford to dither, and we can no longer afford to let him do so."