

New Keystone XL Pipeline Delay Disappoints PMO

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WASHINGTON - The Canadian government demanded an answer immediately on the long-delayed Keystone XL pipeline. It has now received a reply from the United States government that amounts to: Maybe next year.

The project is now paralyzed for an indefinite period, with the U.S. administration Friday announcing another delay in a process already beset by political and legal challenges.

The announcement made it clear that Canadian pipeline backers will not get the answer they wanted in time for the summer construction season, pushing completion of the project until 2015 — at best.

The State Department said it needs more time to prepare its recommendation to the president because the pipeline route is mired in uncertainty. A legal dispute is underway in Nebraska over the route and it is unlikely to be resolved before next year.

Eight federal agencies were informed Friday that they will be granted additional time to weigh into the process, while details of the route are still being clarified.

Administration officials denied claims the decision was motivated by politics. That accusation was levelled explicitly by its Republican opponents at home, and in language that was only marginally more diplomatic by the Harper government in Ottawa.

The Obama administration insisted the delay was about analyzing the right pipeline route — and not at all about flinging a political hot potato beyond November's congressional elections.

"That pipeline route is central to the environmental analysis," a State Department official told reporters Friday.

"We are prudently recognizing that the facts agencies need to assess and analyze could change... We have decided that the prudent thing is to allow more time."

The southern leg of the Alberta-to-Texas pipeline is already completed, but the northern stretch that crosses the Canada-U.S. border requires a presidential permit. With that process delayed for years, rail shipments of Alberta crude have skyrocketed, threatening a broader trickle-down effect throughout the transportation system and on Canada's resource-based economy.

Speculation had been rampant about whether the Obama administration might try to punt the politically sensitive decision until after this year's midterms. That's because even if the project has solid support from the general public, it has sharply divided Barack Obama's Democratic party.

On one side, there are big-money environmentalist donors. On the other side, red-state conservative Democrats risk losing their seats and leaving the Republicans with control of both congressional chambers.

The Harper government appears unconvinced the decision was apolitical.

"We are disappointed that politics continue to delay a decision on Keystone XL," Harper spokesman Jason MacDonald said in a statement.

"This project will create tens of thousands of jobs on both sides of the border, will enhance the energy security of North America, has strong public support, and the U.S. State Department has, on multiple occasions, acknowledged it will be environmentally sound."

In an attempt to push the process along, Foreign Affairs Minister John Baird had spent several days in Washington recently pleading for a decision soon, arguing that it would be unfair to keep construction workers and the industry hanging as the building season approached.

Even President Barack Obama had been hinting that a final decision was imminent. State governors who attended a meeting with him in late February said he'd promised a decision in a couple of months.

The president told them this despite the fact that the pipeline route had already been tossed into disarray by a Feb. 19 Nebraska court ruling that said the state government broke the law in its attempt to unilaterally dictate a route. The court found the pipeline-friendly state government had violated the Nebraska constitution in bypassing an arm's length infrastructure regulator.

The case won't be resolved until early 2015, at best, predicts a lawyer at the centre of the dispute.

Dave Domina, who is representing holdout Nebraska landowners, laid out the timeline this way: the district court has 90 days to transfer the documents related to its Feb. 19 decision to the state Supreme Court; the state government then has 30 days to submit a brief; Domina says he then has 30 days to submit his brief; the case then goes on the calendar for oral arguments and probably won't be heard until after the summer.

Oral arguments are next and finally, Domina says, the court will prepare its verdict. In his career, he says he's seen state court decisions take anywhere from six weeks to 19 months.

"A decision generally takes a couple of months, for a simple case," Domina said in an interview. "But a case involving the constitutional validity of a statute is not a garden-variety case."

Domina, who happens to be running as a Democrat for a U.S. Senate seat in the November midterms, also took a shot at the pipeline company. He said TransCanada is paying now for its strong-arm approach to landowners over the last few years.

"TransCanada has tried time and time again, in Nebraska, to use shortcuts and end-runs... Frankly, it tried to do the same thing in the Nebraska legislature," he said.

"And what it has proven, once again, is haste makes waste."

There could be other problems for the project, activists say. Jane Kleeb, who helped lead the anti-pipeline fight in Nebraska, said South Dakota's permit expires on June 20 — which means the company might have to go through a new application process there, too.

TransCanada Corp. expressed incredulity over Friday's news.

"We are extremely disappointed and frustrated," said company president Russ Girling. "American men and women will miss out on another construction season where they could have worked to build Keystone XL and provided for their families. We feel for them."

Alberta Premier Dave Hancock also expressed disappointment that the project was going to undergo more review.

"Keystone XL has been rigorously studied," he said in a statement.

Keystone will inevitably be used by Republicans as a hammer in the November elections. For years, they've been citing the pipeline delay as proof the Democrats are harmful to the economy.

"With tens of thousands of American jobs on the line and our allies in Eastern Europe looking for energy leadership from America, it's clear there is little this administration isn't willing to sacrifice for politics," House Speaker John Boehner said Friday.

"For no reason other than the president's refusal to stand up to the extreme left, good-paying jobs and North American energy remain out of reach."

Expect a similar reaction from Democrats running in conservative states. Mary Landrieu, a pro-pipeline Democrat at risk of losing her Louisiana Senate seat, distanced herself from the administration.

"This decision is irresponsible, unnecessary and unacceptable," said the Democrat, the powerful chair of the Senate energy committee.