

# Rolling Stone

## Is the Keystone Pipeline Really Dead?

**The president postponed the project - but Big Oil is already looking for another way to burn Canada's tar sands**

by: Jeff Goodell



A mock oil pipeline is carried during a Keystone XL tar sands oil pipeline demonstration near the White House in Washington

Andrew Harrer/Bloomberg via Getty Images

Not since the days of George W. Bush's "Clear Skies" and "Healthy Forests" initiatives has America been presented with a project as cravenly corporate and backward-looking as the Keystone XL pipeline. The 1,700-mile-long pipeline, designed to funnel tar sands oil from Canada into refineries along the Gulf Coast, was sold as a cure for America's energy crisis and a way to put thousands of Americans to work. In fact, it was nothing but a giant boondoggle, propped up by industry lobbying and corrupt science. If it were built, it would have helped cook the climate and made our addiction to oil even tougher to kick.

But thanks to a surprise decision by President Obama, the Keystone XL is dead in its tracks. Because the \$7 billion pipeline would have crossed an international border, it needed a special permit from the State Department – giving Obama the power to cancel the project. "In effect, whether or not to build this pipeline was Obama's call," says Bill McKibben, the climate activist and author who played a lead role in organizing protests to stop the pipeline. On November 10th,

the State Department announced that it was postponing a decision on the pipeline's permit until 2013 at the earliest, pending further review of the project's proposed route. The White House immediately released a statement emphasizing the president's "support" for the decision – giving environmentalists a rare reason to celebrate. "I wish the president would have killed Keystone outright, but he did the smart thing politically," says Erich Pica, president of Friends of the Earth. "By kicking the can down the road until 2013, he both stalled the construction of the pipeline and defused it as an election-year issue."

Obama was apparently swayed, in part, by the widespread demonstrations organized to protest the pipeline. The permitting process ran into stiff opposition from a loud and diverse coalition, from Nebraska ranchers who feared that a pipeline leak could pollute the state's drinking water to Tea Party activists who were pissed off that a foreign company could be granted the right to confiscate private property from U.S. citizens to clear a path for the pipeline. Only four days before Obama's decision, 10,000 anti-pipeline activists built a human chain around the White House; many carried signs that challenged Obama with his own words: "Let's be the generation that finally frees America from the tyranny of oil."

The oil industry fought hard to keep Keystone alive, making wildly exaggerated claims that the pipeline – the country's largest infrastructure project – would create tens of thousands of jobs and decrease America's reliance on oil from the Middle East. TransCanada, the company building the pipeline, had already spent nearly \$2 billion buying land and parts for the project, anticipating approval by the end of the year. But Keystone took another blow when *The New York Times* unearthed evidence revealing an unsavory relationship between TransCanada and the State Department.

Even worse, scientists warned, the amount of carbon locked up in the tar sands – 230 billion tons – would be more than enough, if burned, to spike global warming to catastrophic levels. James Hansen, NASA's leading climate scientist, predicted that if Keystone went through it would be "game over" for the planet. "The pipeline became more than an environmental or energy issue," says Michael Brune, executive director of the Sierra Club. "It was almost a philosophical referendum on who we are as Americans, and what we care about."

**A**lthough most Americans don't know it, the U.S. gets more oil from Canada than it does from the entire Middle East. Of the 9 million barrels of oil we import each day, 2 million come from Canada – half of them from a vast expanse in Alberta called the tar sands. Most of the major oil companies have operations there, including two of the biggest funders of the climate disinformation machine: ExxonMobil and Koch Industries, the Kansas-based refining and pipeline operation that handles 25 percent of the tar sands oil currently heading into America.

Extracting oil from the tar sands is a nasty, polluting, energy-intensive business. To get at the tar sands, oil companies must first cut down huge tracts of the boreal forests that cover Alberta before deploying huge, industrial-scale shovels and draglines to dig up the tar sand itself – a black goo that resembles roof tar mixed with beach sand. After dumping the goo into enormous vats of superhot water to separate out the sand and skim off the oil, refiners use an expensive and

complex process called hydrocracking to turn the thick, sulfury gunk into gasoline or diesel. Finally, all the water and sand left over from the process – laden with heavy metals and toxins – is pumped into giant holding areas that form massive lakes of toxic sludge. In Alberta, all this takes place on a scale so large that it can be seen from space; the "lakes" of sludge alone are among the largest human-built projects in the world. It has also wreaked enormous environmental destruction in Canada: killing off scores of migrating ducks, polluting local water supplies and coinciding with an alarming increase in cancer rates for indigenous people who live downstream from the tar sands operations.

Right now, the tar sands produce some 1.5 million barrels of oil a day – but by 2030, oil producers in Alberta hope to double that output. There's only one problem: The tar sands are landlocked. Unlike Saudi Arabia, where oil can be quickly and easily transported to the sea, the tar sands are transported to market through an extensive network of pipelines. And with the Midwest currently experiencing an oil glut, thanks to a boom in shale oil, Canada's tar sands can receive top dollar only if they're transported all the way to the Gulf Coast, where they can be refined and shipped overseas. The Keystone XL pipeline, in effect, was a way for oil companies to leapfrog the United States by digging a four-foot-deep trench and laying a three-foot-wide steel pipe nearly 2,000 miles long to get their product from Canada to Europe and Asia.

"The pipeline was absolutely central to the industry's expansion plans," says Lorne Stockman, research director at Oil Change International, a nonprofit group in Washington, D.C. One market analysis conducted for TransCanada predicted that the pipeline would nearly double annual revenues from the tar sands to \$3.9 billion by 2013. TransCanada itself would profit from Keystone by securing a stranglehold on the flow of oil out of Alberta, charging a tariff of about \$7 for each barrel shipped down the pipeline.



Thousands of people are descending on the White House to join hands with one another and stand up to the Keystone XL pipeline.

KAREN BLEIER/AFP/Getty Images

Back in 2008, when TransCanada officially applied to the State Department for permission to build the pipeline, hardly anyone noticed. "We did not anticipate much opposition," says Terry Cunha, a spokeswoman for the company. "It's a fairly routine operation." Earlier that same year, the Bush administration had rubber-stamped Keystone I, a pipeline that takes an even more circuitous route from Alberta to Oklahoma. Why would the Keystone XL be any different? The permit was handed off to the Bureau of Oceans and International Environmental and Scientific Affairs, a low-profile office responsible for negotiating international treaties that draw little scrutiny, like negotiating technology-sharing agreements with Uzbekistan. The only major hurdle

facing the pipeline was an environmental-impact assessment, which the State Department – hardly a bastion of expertise in the myriad ways an oil-sands pipeline can harm the environment – would perform more or less on its own. Responsibility for handling the environmental review, in fact, fell mostly to a young member of the Foreign Service named Betsy Orlando, a lawyer with zero scientific background.

Sure enough, when the State Department issued its draft report early last year, it concluded that the pipeline would have only a "minimal" impact on the environment. The EPA immediately criticized the report, rating it as "inadequate" – the lowest possible designation. Among other things, the State Department failed to consider alternative routes for the pipeline, and understated the likelihood of harmful spills that could devastate the Sand Hills, one of the most ecologically fragile areas of Nebraska.

The study was further called into question when Friends of the Earth, relying on the Freedom of Information Act, obtained e-mails and other documents revealing that TransCanada had hired Paul Elliott, a deputy director of Hillary Clinton's failed 2008 presidential campaign, as a principal lobbyist on the project. The e-mails show that federal officials enjoyed an extremely cozy relationship with Elliott, even coaching TransCanada on how to respond to the environmental impact statement. In one e-mail exchange from September 2010, a senior diplomat at the U.S. Embassy in Ottawa, Marja Verloop, praised Elliott after he won support for the pipeline from Sen. Max Baucus, a Democrat from Montana. "Go Paul!" Verloop gushed. "Baucus support holds clout."

Even more shocking, as *The New York Times* reported, the State Department's environmental impact statement had actually been written by Cardno Entrix, a Houston-based consulting firm selected by none other than TransCanada. Cardno Entrix lists the pipeline developer as a "major client," and the two companies have a direct financial relationship. Such outsourcing of government responsibility is as unusual as it is inappropriate. "This violates not only the intent but the very language of the law," says Oliver Houck, a professor at Tulane University who specializes in environmental and criminal law. A month after the *Times* article appeared, the State Department's inspector general announced that he was conducting a special investigation into the handling of the pipeline permit.

**E**ven before it rigged the State Department assessment in Washington, TransCanada dispatched representatives throughout the Midwest to buy right-of-way easements along the pipeline route in Montana, South Dakota and Nebraska. In 2007, a TransCanada rep contacted Randy Thompson, a 64-year-old cattle rancher and proud Republican, and asked to meet him at his 400-acre spread in southern Nebraska. As it turned out, messing with Thompson was a huge mistake.

When the rep arrived, he told Thompson that TransCanada was going to run the pipeline across his land, and offered to pay him \$9,000 for a 100-year easement. Thompson was alarmed when he saw that the pipeline would be sunk four feet deep – directly in the water table. "They would

be burying the pipeline right in my water supply," he says. "Even a small spill or leak would ruin my land."

TransCanada warned Thompson that if he didn't sell them the right of way, the company would seize his land under eminent domain. "I told them to take a hike," Thompson says. But the scare tactic worked on other ranchers, who signed away their property for the pipeline. The move pissed Thompson off: In Nebraska, foreign corporations are not allowed to seize property until they have a federal permit in hand. "These deals were made under false pretenses," says [David Domina](#), a Nebraska attorney representing ranchers against TransCanada. "They will not stand up in court, which would find them invalid."

But what really turned Thompson against the pipeline was TransCanada's callous disregard for the environment. The company elected to route Keystone directly through the Sand Hills, a sensitive region that even die-hard conservatives in Nebraska believe should be left untouched. A spill in the Sand Hills, where the soil is extremely porous, could be devastating to the nation's most important agricultural aquifer. John Stansbury, a professor of environmental engineering at the University of Nebraska, found that even a tiny, undetected leak from an underground rupture could contaminate almost 5 billion gallons of drinking water with dangerous levels of benzene, a known carcinogen.

Spills, in fact, are all too common on the nation's pipelines: Since 1990, according to federal regulators, there have been at least 100 "significant" spills on pipelines every year that have released 110 million gallons of hazardous waste. The Keystone I had so many spills – a dozen in its first year alone – that it had to be temporarily shut down. Last July, a pipeline operated by Enbridge Energy dumped nearly a million gallons of tar sand sludge into the Kalamazoo River. Estimated cleanup costs: \$700 million.

Outraged by TransCanada's tactics, Thompson began appearing on TV and writing letters to newspapers warning of the dangers posed by a pipeline rupture. Bold Nebraska, a statewide activist group, distributed T-shirts that read I STAND WITH RANDY. Before long, a grassroots movement had sprung up in Nebraska to force TransCanada to reroute the pipeline around the Sand Hills. Last month, Gov. Dave Heineman called a special session of the Nebraska legislature to block the pipeline.

To counter such opposition, TransCanada preyed on the public's economic insecurity, claiming that the pipeline would create 20,000 jobs in construction and manufacturing, plus an additional 118,000 spinoff jobs that would inject \$20 billion into the U.S. economy. Fox News went even further, suggesting that the pipeline "could provide up to a million new high-paying jobs" in the U.S. The numbers came from a report by a Texas consulting operation called the Perryman Group – which, upon closer inspection, turned out to be little more than an ex-professor from Southern Methodist University who accepted funding from TransCanada for predicting a jobs boom. The State Department, by contrast, estimated that building the pipeline would employ no more than 6,000 construction workers – and that once Keystone was finished, the number of permanent pipeline jobs could be as few as 50.

As for the idea that the pipeline would increase America's energy security: Much of the tar sands shipped to Texas would likely wind up overseas. Valero, one of the biggest refiners contracted to buy the oil from the pipeline, already exports six percent of its gasoline and 18 percent of its diesel, mostly to South America. What's more, the most profitable market for refiners right now is selling diesel to Europe. "For the refiners, this is all about buying low-cost tar sands crude and selling into high-profit markets in the European Union," says Stockman, the researcher at Oil Change International. "This oil is not going to replace oil from the Middle East. That's not the way the global oil market works. This is not *instead of* – it's *as well as*." The Keystone pipeline, in short, wouldn't increase our energy independence – it would just further fuel our oil addiction.

Steven Anderson, a retired brigadier general, became an outspoken opponent of the pipeline based on his experience overseeing the U.S. Army's supply chain during the Iraq War. "That's where I really saw the absurdity of our addiction to oil," he says. "It was not just the strategic costs of maintaining our military presence in the Middle East, but the operational costs of keeping our troops moving and viable during a time of war." Anderson estimates that of the 1,000 trucks the Army had in motion each day during the height of the war, 300 of them were devoted exclusively to moving fuel around. By Anderson's estimate, at least 1,000 American soldiers died transporting fuel. "It was absurd and tragic," he says.

The pipeline, Anderson says, would actually undermine our energy security by perpetuating the fantasy that America can drill its way to freedom and prosperity. "It allows us to think we can keep driving our SUVs, that everything is fine," he argues. "It is not fine. We need to make big changes to how we think about energy in America. The Keystone pipeline is not the solution to our problems. It is emblematic of it. If we build this pipeline, we will look back on this in 50 years and see how foolish we were."

**F**or months, Obama had vowed to make a swift decision about the pipeline, saying he would settle the matter by the end of the year. As recently as November 1st, the president told a Nebraska reporter that he would be guided by a simple question: "What is best for the American people?" But as the protests over the pipeline heated up – and the State Department's environmental analysis was revealed to be both unscientific and corrupt – the White House began to suggest that it needed more time before making a decision.

Obama was heckled by anti-pipeline activists at events in Denver and San Francisco. Big campaign donors, angered by Obama's unwillingness to take a strong stand on climate change, also pressured the president to deny the permit. The White House, which was hoping to score points in energy-producing states by approving the pipeline, was not pleased. "I was getting calls from the White House almost every day," says the head of a major environmental group who asked not to be identified. "They said, 'What are you doing to us? Are you trying to help us lose the election?'"

When the State Department announced it was postponing the Keystone permit, anti-pipeline activists were ecstatic; Friends of the Earth hailed Obama's decision as a "major accomplishment for the climate movement." The American Petroleum Institute, meanwhile, accused the president

of election-year pandering to a "radical constituency opposed to any and all oil and gas development." In retaliation, Big Oil is expected to invest heavily in attack ads over the next year blasting Obama for destroying pipeline jobs and keeping America beholden to Middle Eastern oil.

But the decision, while a major victory for the environment, may prove short-lived. In postponing the pipeline, the president offered no bold statement about the need to curb America's addiction to oil or to invest in clean energy. In the end, Obama opted to delay the pipeline with a bureaucratic shuffle, arguing only that the route through Nebraska needed further study. The failure to take a firm stand against converting Canada's tar sands into oil leaves the door open for Keystone – or another pipeline just like it.

Russ Girling, the CEO of TransCanada, says the company remains "confident Keystone XL will ultimately be approved," and has already offered to reroute the pipeline around the Sand Hills. Rival firms are promoting smaller, less controversial alternatives that would connect existing pipelines to refineries on the Gulf Coast, and Canada's finance minister says it's time to explore ways to transport tar sands oil to the coast for transport to China. "This decision may or may not kill this particular pipeline," says Stockman of Oil Change International. "There will certainly be others. In the long run, the only way to stop the tar sands is to reduce the demand for oil."

Other activists agree. "Given 10 years, Canada will figure out a way to get the tar sands oil out into the world," says McKibben. "But if in 10 years we haven't figured out a way to get off oil, we will be heading into a full-scale climate disaster – so it will all be moot anyway. This is about buying us precious time."

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