

Testimony of
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Subcommittee on the Western Hemisphere

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Chairman Mack, Ranking Member Engel, members of the subcommittee, thank you for the opportunity to be here today.

National Wildlife Federation is a non-partisan, non-profit organization. Our mission is to inspire Americans to protect wildlife for our children's future. National Wildlife Federation is supported by 47 state and territorial affiliates and 4 million members and supporters across the nation. Our members include hunters, anglers, backyard gardeners, birdwatchers and outdoor enthusiasts from all walks of life.

I have been personally working at the intersection between energy and environmental policies for the past twenty years. Last year, I travelled to the tar sands of Alberta to learn firsthand about the Canadian oil operations.

The Desperate Quest for Extreme Oil

Events in North Africa and the Middle East and rising gas prices once again underscore our dangerous addiction to oil and the high price we pay due to the instability of global oil markets. As our quest for oil has gotten more and more desperate, we are turning to more extreme oil supplies like ultra-deepwater drilling and Canadian tar sands.

The costs are now starting to register. We rushed into new frontiers of deepwater drilling without keeping pace with regulatory oversight, and we witnessed the toll in the BP disaster off our Gulf coast. In Alberta, oil companies are increasingly pursuing scorched earth mining operations that squeeze an oily sludge from dirt, laying waste to vast expanses of forests and rivers in the process.

Put simply, cheap oil is tapped out and the oil industry has us over a barrel. We need to start paying attention to the consequences as oil companies steer us toward extreme oil.

The answer to our oil addiction doesn't lie in chasing increasingly expensive and dangerous forms of oil. Energy choices that harm people's health and destroy the natural world that sustains us are a dead end. They provide neither a quick gas price fix, nor the longer term energy security and economic stability we need.

The answer to our oil addiction also doesn't lie in simply switching suppliers. America has a mounting energy deficit, and our economy is leaking oil money. We borrow more and more money from China as we spend a billion dollars every day on foreign oil. Almost anywhere that oil is drilled, we end up sending our money to the same big oil companies – the same companies that pocketed hundreds of billions in windfall profits when gas prices were last this high.

The best path to energy security is innovation in our transportation and fuels sectors that will create jobs and provide Americans a healthier, cleaner and more secure energy future.

Canadian Tar Sands: An Energy Security Mirage

Currently, about half of our oil imports from Canada are conventional oil and the other half are tar sands products. Most future growth in Canadian oil supplies will come from tar sands mining in Alberta (tar sands account for more than 90% of Canada's oil reserves).

Expanding our reliance on expensive Canadian oil offers nothing more than a mirage of energy security.

Admittedly, it's a tempting mirage. Spiking gas prices hurt families across the nation. And nobody likes paying more for oil from countries that don't like us.

But the reality of what oil companies have in store for us in Canada will eventually overwhelm the illusion being painted by Canada and oil companies today. We are getting a small taste right now. According to the U.S. Energy Information Administration, since violence first broke out in Libya last month, the price of Canadian oil has increased by more than \$20 per barrel. That is double the price spike we have seen for oil from the rest of the world, including the Middle East.

Why do oil prices in Canada go up when there is conflict in North Africa? Because oil companies don't care about energy security or price stability. They care about profits. And if there is a crisis in one part of the world, you can bet they will gauge us with high oil prices everywhere.

Every hour, Americans are spending \$2 million dollars more for Canadian oil than we did one month ago. That is not economic security.

The profiteering of Canadian oil companies in the wake of unrest in Libya and other nations reveals that our friendly relations with Canada matter little when the same oil companies are in charge of oil supplies and prices.

There is no viable scenario of increased Canadian oil production from tar sands that would stop our dependence on oil from other nations or significantly reduce the amount of money that nations such as Venezuela or Iran make from their oil sales.

We can try and pick and choose where we buy our oil, but the only thing we can do to reduce the flow of money to hostile nations is to reduce world oil prices. As the world's leading consumer of oil, we can reduce prices and the flow of money by cutting back our demand for oil.

Canadian oil takes us in the opposite direction. Expanding Canadian tar sands operations is an extraordinarily expensive proposition. New tar sands projects require high oil prices – estimates range from \$65-\$95 per barrel – to be profitable. If you want to lock in high global oil prices, then Canada is the place to turn.

Alberta's Tar Sands: The Most Destructive Source of Oil on the Planet

Alberta's scorched earth tar sands operations are the most destructive source of oil on the planet. It can take 5 barrels of clean water and four tons of sand to squeeze out one barrel of tar sludge. This tar sludge, called bitumen, is so thick and heavy that it must be heated or diluted and pressurized to transport it through a pipeline to refineries, where it is turned into diesel and gasoline. Because it is so heavy and dirty, it requires special refining operations. More of that refining is now happening in the United States, as Canada ships raw tar sludge to refineries in the Midwest.

Last year, I flew over the tar sands operations around Fort McMurray, a frontier town that serves as the hub of the tar sands expansion. As far as the eye could see, barren strip-mined wasteland and lakes full of toxic waste had replaced pristine forest that had been home to abundant wildlife. The scale was shocking and difficult to imagine.

The toxic lakes kill migratory birds and other wildlife that come in contact with it. Researchers from the Pembina Institute explained that conservative estimates for annual wildlife mortality are in the thousands. This includes migratory birds, particularly waterfowl that winter in the U.S. and are an important part of America's great outdoors. Pollution from tar sands production is equally alarming, causing three times more carbon emissions than conventional oil.

We also met with First Nation communities in the area. Their proud heritage, stretching back generation after generation, has reached a tragic crossroads. I listened as they told the heartbreaking story of how cancer rates have increased as the tar sands operations have expanded. One elder told me that parents close their kids indoors when the air pollution gets too noxious. Large volumes of toxic waste leaks into the Athabasca River every year, contaminating their water supply and fish. These communities once depended on fish and game for food. The fish are now too contaminated to risk eating. They have to drive dozens of miles to get past the mining and reach forest for hunting, but populations of Caribou and Moose have plummeted.

Aware of the implications these impacts have for business, the oil companies and the Alberta Government have worked together to downplay, discount, and silence concerns. They have also lobbied against U.S. federal and state policies to promote cleaner fuels, joining forces with the oil industry.

Keystone XL Pipeline: Higher Gas Prices and Canada's Export Gateway

The energy investments we make today will determine our energy future for decades. Oil companies now want to build a 2,000-mile pipeline to carry tar sludge from Alberta to Texas refineries. The price tag is \$14 billion. They plan on operating the pipeline for at least 50 years.

Here is the question we must ask: Should we put our kids' energy, economic and environmental future in the hands of Canadian oil companies for decades to come?

Oil companies say yes. They are banking that our urgent thirst for oil right now will outweigh the environmental destruction that is underway in the boreal forests to our North. They are betting that our blind hopes for lower gas prices will cause us to turn a blind eye to the dangers of transporting corrosive tar sludge in pipelines that have a high risk of rupturing.

The Keystone XL Pipeline is a prime example of the need to look beyond the oil companies' propaganda and understand the real impact on prices and supplies. This pipeline has nothing to do with increasing energy supplies for America. According to their own documents, it is primarily a means for oil companies to better manipulate prices.

We currently have surplus pipeline capacity to carry all the oil Canada can provide to America's Midwest. We currently import about 1 million barrels per day (bpd) of tar sands products, and we have about 2.4 million bpd of pipeline capacity. Keystone XL would add 900,000 bpd to that capacity, increasing total pipeline capacity to 3.3 million bpd – three times current production levels. According to the Canadian petroleum industry, tar sands production can't achieve that production levels for at least 15 years.

So why the rush?

Recently uncovered documents have revealed the true motivations for this pipeline: price manipulation. In seeking their Canadian permit, Transcanada (the company building Keystone XL) argued that the pipeline would allow Canadian oil companies to increase prices for all the oil Canada is already selling the U.S. They submitted a market analysis that put a number on the windfall that the U.S. would hand over to Canadian oil companies: \$4 billion annually. Every dime of this would be for oil and tar sludge the United States already receives from Canada.

With further digging, the company's documents and testimony indicate that seven shippers are pursuing a strategy to manipulate oil markets and increase profits. By limiting supply to Midwest refineries and re-routing this oil to Gulf Coast refineries, Transcanada estimated that Canadian heavy crude prices will increase by \$6.55 per barrel in the Midwest and by \$3 per barrel everywhere else as soon as the pipeline is complete.

In his recent Op Ed in the Minnesota StarTribune, oil market economist Philip Verleger explained how this would affect U.S. farmers and consumers:

“U.S. farmers, who spent \$12.4 billion on fuel in 2009, according to the U.S. Department of Agriculture, could see their expenses rise to \$15 billion or higher in 2012 or 2013 if the pipeline goes through ... In addition, millions of Americans will spend 10 to 20 cents more per gallon for gasoline and diesel fuel as a tribute to our “friendly” neighbor to the north.”

Oil companies want Keystone XL built so they can access the deepwater ports of the Gulf Coast refineries. Earlier this month, the CEO of Valero Energy, one of the companies signed up to ship oil through Keystone XL, said that Valero believes “the future of refining in the U.S. is in exports.” Piping Canadian oil across America does not make it American oil. In fact, a major expansion of refining capacity in Texas is being financed by Saudi Arabia’s state-owned oil company, Saudi Aramco.

Increasingly, America is becoming the middle man in the global oil business. We import vast amounts of crude oil, but are exporting more and more refined oil products such as diesel and gasoline from our Gulf Coast refineries. Exports have doubled in the past five years, and our exports of refined oil products are currently larger than our total imports of Canadian tar sands oil and tar sludge combined.

The Keystone XL Pipeline: Dangerous and Risky

Before new tar sludge pipelines are built, America needs updated pipeline regulations that address the safety challenges of carrying corrosive and toxic tar sludge under the high pressures required. A tar sludge pipeline recently dumped 800,000 gallons into Michigan’s Kalamazoo River. Benzene and other toxins triggered health problems for 58% of nearby residents. Alberta pipelines transporting tar sands sludge have 16 times the number of accidents as U.S. pipeline (as documented in the recent report *Tar Sands Pipeline Safety Risks*, published by NRDC, National Wildlife Federation, Pipeline Safety Trust, and Sierra Club).

Landowners along Keystone XL’s proposed right-of-way are routinely bullied by Transcanada, who has threatened these landowners with eminent domain. These landowners are right to ask questions about the safety of the pipelines and demand better answers than the vague assurances and threats they are getting.

The proposed route of Keystone XL through the most sensitive area of the Ogallala Aquifer in Nebraska, which provides irrigation for much of America’s breadbasket and drinking water for over 2 million people, is particular cause for concern. Nebraska Republican Senator Mike Johanns has said:

"[There] could not be a worse route in the entire state of Nebraska ... Maybe couldn't be a worse route in the entire country."

National Wildlife Federation is encouraged that the State Department has decided to further investigate the environmental impacts of this pipeline. We should not put our water and lands at risk for a pipeline that is forced on landowners and will only increase our gas prices.

A Better Path for America's Energy Future

With American leadership in rapidly growing advanced transportation industries, we can replace a huge trade deficit in oil with domestic jobs and manufacturing exports.

Congress needs to act now to launch an aggressive plan that includes real solutions to slash our dependence on foreign oil. The centerpiece of any plan should be to stop wasting oil by giving Americans better transportation choices and more efficient technologies. New and proposed fuel economy standards would cut America's demand for gasoline by a third over the next 20 years. That is 4 times the oil that could be delivered by Keystone XL, without any need for the devastating environmental destruction that attends it. The combination of strong efficiency standards, and public and private investment in cutting-edge American manufacturing, is already providing exciting new choices that deeply cut household and business fuel bills, while retaining or enhancing vehicle performance.

Cities and states across the country should pursue innovative and effective high speed rail, transit, and freight projects that boost local and regional economic development and cut oil use and pollution. These projects also improve our quality of life, modernize our cities, and drive robust job growth in domestic manufacturing, infrastructure construction and operation. Just as the creation of the highway system reshaped America in the 20th century, we now need a 21st century American infrastructure necessary to cut our oil addiction.

Looking to the future, electric cars are an example of using new technologies and new thinking to move beyond oil. Electric cars now being sold can "fill up" for the equivalent of about 75 cents per gallon. The challenges are the initial cost and purchase price. As technology improves and manufacturers gain production experience, the costs of these new technologies will fall while performance increases. It will take a sustained commitment to cleaner fuels, cleaner cars, and clean electricity (such as offshore wind production) to make this vision a reality.

Conclusion

Canada is an important supplier of oil for the United States. Expanding our dependence on Canadian oil further, however, won't help improve our energy security. Instead, it will lock in high gas prices, weaken our economy, lead to significant destruction of important North

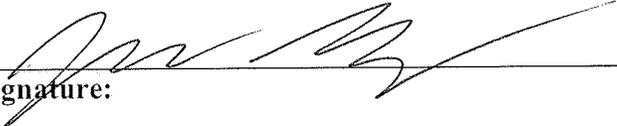
American wildlife habitat, increase greenhouse gas emissions, and put some of the United States' most important water supplies at risk.

When our kids grow up, they should be benefiting from American clean energy, not hooked on expensive and destructive tar sludge from Canada.

United States House of Representatives
Committee on Foreign Affairs

“TRUTH IN TESTIMONY” DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee require the disclosure of the following information. A copy of this form should be attached to your written testimony.

1. Name: Jeremy Symons	2. Organization or organizations you are representing: National Wildlife Federation
3. Date of Committee hearing: March 31, 2011	
4. Have <u>you</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	5. Have any of the <u>organizations you are representing</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
6. If you answered yes to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.	
7. Signature: 	

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