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U.S. SENATE CLIMATE CHANGE CLEARING HOUSE

## United States Senate

November 5, 2013

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Mr. Russell K. Girling  
President & CEO  
TransCanada  
450 – 1 Street SW  
Calgary, Alberta, Canada

Dear Mr. Girling,

I write to ask for clarification regarding your recent statements about whether the oil transported through the proposed Keystone XL pipeline would be re-exported from the United States. It is imperative that the American people and policy makers fully and properly understand the energy security impacts of this proposed pipeline. I am concerned that your recent comments continue to fail to properly address the ultimate fate of the refined fuels that would be produced from oil transported through the pipeline and therefore do not adequately guarantee that the American people will realize any energy security benefits from this project.

Last week, *Politico* quoted you as stating “not a drop of this crude oil is going to leave this continent that’s moving through our pipeline...I’ve talked to every one of these refiners. I know every one of these producers and they have no plans to export a drop. It will all go into U.S. refineries and be refined in the U.S.”<sup>1</sup> These assurances do not account for the possibility that, once refined in the United States, the diesel fuel or other petroleum product would itself be re-exported.

Your statements address only the crude oil that would be transported through the proposed pipeline but not the refined fuels -- such as gasoline, diesel fuel and jet fuel -- that would be produced at U.S. refineries from that oil and whether those refined fuels would then be exported. While there are restrictions in U.S. law on the export of crude oil produced in the United States, no such restrictions exist for the export of refined petroleum products. If the refined fuels produced from oil transported through the Keystone pipeline are simply exported, it would nullify the potential energy security benefits to the United States from the project. Your comments therefore continue to fail to guarantee that there would be any energy security benefit from the proposed Keystone XL pipeline.

At a hearing of the House Energy and Commerce Committee on December 2, 2011, I asked a member of TransCanada’s leadership team whether your company would guarantee that not just the oil that would be transported through the Keystone XL pipeline but also the refined fuels

<sup>1</sup> Politico, October 30, 2013, Available at: <http://www.politico.com/story/2013/10/transcanada-ceo-keystone-pipeline-99104.html#ixzz2jFBc8oqE>

produced from that oil would stay in the United States. Specifically, I asked Alexander Pourbaix, TransCanada's President of Energy and Oil Pipelines, whether he would commit to including a requirement in TransCanada's long-term contracts with Gulf Coast refineries, as a condition of shipping, that all refined fuels produced from oil transported through the Keystone XL pipeline be sold in the United States. In response, Mr. Pourbaix stated "no, I can't do that."<sup>2</sup> Without that guarantee, there is nothing to prevent gasoline, diesel and other refined fuels produced at U.S. refineries from Keystone oil from simply being exported abroad and cancelling any potential energy security benefits of the project.

In recent years, the amount of refined fuels that are being exported from the United States has increased dramatically. We are now reportedly the world's largest fuel exporter.<sup>3</sup> Last year, the United States exported more than twice as much refined fuels as we did five years ago. Our exports of finished motor gasoline have more than tripled over that period and our exports of diesel fuel have nearly quadrupled. The value of this American fuel and other petroleum products sent overseas has increased by 75 percent since 2010 to roughly \$120 billion last year.<sup>4</sup>

The proposed Keystone XL project would deliver oil from Alberta, Canada to existing pipeline facilities connected to the Gulf Coast, which is where the vast majority of the United States' exports of refined fuels depart. Last year, we exported nearly 1 billion barrels of refined petroleum products from the United States. 77 percent of those fuel exports were exported out of the Gulf Coast. 92 percent of the finished motor gasoline that the United States sent overseas last year was exported out of the Gulf as was 80 percent of the diesel that was exported.<sup>5</sup> In addition, many of the refineries to which the Keystone oil would be sent are located in Port Arthur, Texas, which is designated as a Foreign-Trade Zone, meaning that refiners may not pay taxes on the refined fuels they export from facilities located there.<sup>6</sup>

Canadian Prime Minister Stephen Harper has cited the threat of Iran blocking fuel shipments through the Straits of Hormuz as a reason for the United States to approve the permit for the Keystone XL pipeline<sup>7</sup>, asserting that the U.S. should choose 'North American' oil over that coming from less stable regions of the world. If proponents of the Keystone XL project are going to assert that there will be an energy security benefit to the United States from approving this project it is essential to guarantee that not only all of the oil that would be transported through the pipeline but also all of the refined fuels that would be produced from that oil stay in the United States. Thus far, those assurances have not been provided.

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<sup>2</sup> Hearing of the House Energy and Commerce Committee Subcommittee on Energy and Power, "Expediting the Keystone XL Pipeline: Energy Security and Jobs," December 2, 2011.

<sup>3</sup> Bloomberg, February 8, 2013. Available at: <http://www.bloomberg.com/news/2013-02-08/trade-deficit-in-u-s-plunges-on-record-petroleum-exports.html>

<sup>4</sup> U.S. Census Bureau, Available at: [http://www.census.gov/foreign-trade/Press-Release/2012pr/final\\_revisions/exh8.pdf](http://www.census.gov/foreign-trade/Press-Release/2012pr/final_revisions/exh8.pdf)

<sup>5</sup> Energy Information Administration, Available at: [http://www.eia.gov/dnav/pet/pet\\_move\\_exp\\_dc\\_NUS\\_Z00\\_mbb1\\_a.htm](http://www.eia.gov/dnav/pet/pet_move_exp_dc_NUS_Z00_mbb1_a.htm)

<sup>6</sup> Available at: <http://enforcement.trade.gov/ftzpage/letters/ftzlist-map.html#texas>

<sup>7</sup> Fuelfix, January 17, 2012. Available at: <http://fuelfix.com/blog/2012/01/17/canadian-pm-says-iran-threat-justifies-keystone-xl-approval/>

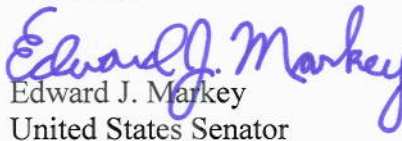
Mr. Russell K. Girling  
President and Chief Executive Officer, TransCanada  
Page 3 of 3

The Keystone XL pipeline would ignore the impact that tar sands production has on our climate. It would ignore the impact of pipeline spills on our environment. And this project would ask the United States to bear all of the environmental risk of transporting tar sands oil without ensuring that American consumers or our energy security realize any benefits.

I therefore ask you to clarify your statements of last week and whether you will commit that TransCanada will enter into legally binding contracts to ensure that all of the refined fuels that would be produced from oil transported through the Keystone XL project will be sold in the United States and barred from further export.

Should you have any questions about this request, please contact Morgan Gray or Michal Freedhoff on my staff at (202) 224-2742. Thank you for your attention to this matter.

Sincerely,

  
Edward J. Markey  
United States Senator