

Ottawa

Room 518, Confederation Building
Ottawa, Ontario K1A 0A6
Tel.: 613-996-1119
Fax.: 613-996-0850



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Ottawa

Pièce 518, Édifice de la Confédération
Ottawa (Ontario) K1A 0A6
Tél. : 613-996-1119
Télééc. : 613-996-0850

Constituency

1 - 9711 Fourth Street
Sidney, British Columbia V8L 2Y8
Tel.: 250-657-2000
Fax.: 250-657-2004

Elizabeth May

Member of Parliament / Députée
Saanich—Gulf Islands / Saanich—Gulf Islands

Circonscription

1 - 9711, rue Fourth
Sidney (Colombie-Britannique) V8L 2Y8
Tél. : 250-657-2000
Télééc. : 250-657-2004

Mr. John Kerry
Secretary of State
U.S. Department of State
2201 C Street NW
Washington, DC 20520

March 7, 2014

Dear Mr. Secretary,

I am writing you as a Canadian Member of Parliament and the Leader of the Green Party of Canada. I am writing to urge that you reject the proposal from TransCanada to build the Keystone XL pipeline. I urge that you do so as the most helpful decision to assist Canada to avoid huge future economic losses when the carbon bubble bursts. I am writing that you do so to assist Canada to develop a domestic energy strategy, energy security, and a real climate plan.

I understand that your mandate is not to help Canada, but to determine if the Keystone project will exacerbate anthropogenic climate change.

Canada's Minister of Natural Resources has made much of a small section of the report which concludes that not approving the project will *cause* more GHG emissions than approving it. Of course, you will understand that conclusion is irrelevant. The assumption that led to that conclusion was that the same volume of bitumen and diluents as that potentially delivered by Keystone *must* reach the Gulf Coast.

If we dispense with that red herring and make the friendly suggestion that bitumen be upgraded to synthetic crude in Alberta and shipped to US refineries far north of the Gulf Coast, the whole assumption falls away. Even more so if we assume processing the synthetic crude in Canada and exporting finished product to the US.

Will Keystone lead to oil sands expansion?

There is no doubt, based on the Final EIS to the State Department that Keystone will lead to growth in the oil sands. And that is what this issue is about. Canada will continue to exploit the oil sands at some level. Current levels of production are about 1.7 million barrels per day (mbd), contributing about 3% of Canada's GDP. The Prime Minister, the Right Honourable Stephen Harper, has expressed a commitment to growing

production more than three-fold, to 6 mbd. This level of expanded production is simply not possible without Keystone XL.

The EIS makes it clear that if there are constraints on shipping bitumen mixed with diluents Keystone will increase expansion in the oil sands.

The report makes it clear that the costs of transportation are a key factor.

What the report does not do is some basic math.

Do the math

When one examines the commitment to 6 million barrels of oil a day against the combined totals of the Enbridge's Northern Gateway, Kinder Morgan's Transmountain, and TransCanada's Keystone XL pipelines, it is clear they would still be using rail and still require more pipeline capacity.

Even if Keystone and Enbridge pipelines were allowed to proceed, the industry would still be shipping bitumen by rail. When you do the math, the industry drive to 5 million barrels of bitumen per day, or Harper's 6 million barrel per day goal, means that with Keystone at 800,000 barrels per day, *combined* with Enbridge's 525,000 barrels a day, trains will still be demanded.

Of course, that is only the case if the non-stop growth trajectory for the oil sands is allowed to prevail. If Alberta were to go back to the late Peter Lougheed's planned development scenario, the bitumen project might include a levelling off of new mines while processing bitumen in Alberta. Shutting off the proposed dilbit pipelines will increase costs for the industry. That could limit the growth mania. As the U.S. State Department Final Environmental Impact Statement on Keystone concluded, higher transportation costs will limit the rate of oil sands expansion.

Meanwhile, ramping up more bitumen shipments by rail is not easy. There are physical limits to how much Canadian rail can expand its rail shipments. A paper delivered at the Canadian Transportation Research Forum conference in 2013 concluded that without massive investments in more tracks, the combined CN and CP existing rail lines could only accommodate another 600,000- 800,000 barrels of bitumen a day — by 2035.

However, those estimates leave out another serious problem for rail. The current rail cars used for shipping hazardous materials are not safe. Both the US and Canadian Railway Safety Boards have ruled that the DOT111 cars are unsafe, needing upgrading and replacement. They need thicker walls and ideally onboard diagnostic systems to monitor all aspects of train operation. The transportation safety boards are not regulators. They are responsible for reviewing accidents, not banning the cars that *caused* the accidents. It will take Transport Canada to regulate to ban these cars in our country, as we hope your transportation authorities will move to ban them in yours.

The cost for each new car is upwards of \$130,000. It is estimated that 78,000 DOT111 cars manufactured before 2011 need to be upgraded. Not only will this be expensive, manufacturing new cars is not keeping up with demand. According to the industry publication *Railway Age*, current production is running approximately two years behind demand.

Another factor ignored in the Final EIS

All the current pipeline proposals from Alberta to coastlines (whether Gulf Coast, British Columbia Coast or Atlantic Coast) involve the shipping and export of “dilbit.” All proposed pipelines are about shipping unprocessed product out of North America. Keystone is not about delivering Canadian oil to Americans. It is about shipping unprocessed bitumen to refineries off-shore. The State Department report makes the error of describing the Keystone project as being about the shipment of crude oil.

There are many kinds of crude. Some will argue that bitumen is a form of crude. I ask you to rule that the whole report is deficient in failing to notice that bitumen is not crude.

I ask you to find that, no matter how light or heavy crude oil may be, to be called “crude,” it is at least required to be a liquid.

Bitumen is essentially a solid.

It will only move through proposed pipelines once it has been mixed 30-70 with “diluent.” Diluent is not a term of science, but of industry usage. It has no precise chemical meaning. It is generally a fossil fuel condensate – an otherwise valuable product. It is usually naphtha, with benzene added, and often butane as well. It is not produced in sufficient quantities in Canada to keep pace with the planned oil sands boom.

It is imported to Canada. Enbridge stated in its submission to the NEB hearings that it planned to import its diluents from Saudi Arabia. So “dilbit” is not a 100% Canadian product at all; nor does it necessarily unplug the US from Middle East dependency.

Will stopping Keystone help Canada and the US meet climate targets?

Yes.

Canada’s current administration is in desperate need for a wake-up call in its persistent failure to take the threat posed by anthropogenic climate change seriously. It is to our collective national shame that we are the only nation to legally withdraw from the Kyoto Protocol.

The Prime Minister has directed our negotiators at COP after COP in the UNFCCC (UN Framework Convention on Climate Change) process to undercut and back-track. Canada has damaged the chances for the world community to move forward.

Having sabotaged the first and second phase of Kyoto, our current administration accepted the “politically binding” (which is to say, non-binding) Copenhagen targets. As the Final EIS makes clear, Environment Canada is now projecting that by the year in which this promise falls due, 2020, we will be essentially at exactly the same level of emissions that we had pledged to cut by 17%. In other words, Canada’s promise in 2009, to reduce by 17% against 2005 levels by 2020, will have been completely ignored, while the US appears on track to meet the same pledge.

In 2005, our emissions were 737 megatons (MT). In 2020, our emissions will be 734 MT. We promised 130 MT in reductions. Despite efforts by several provinces, notably a successful carbon tax in my home province of British Columbia, all progress at the provincial levels has been wiped out by growth in the oil sands.

The most effective way to send a strong message that Canada must start behaving as a responsible participant in the global challenge to avoid exceeding a 2 degree C global average temperature increase, a pledge to which both our administrations have committed, is to reject Keystone. It will be helpful to explain that part of the reason is that Canada has negotiated in bad faith at the climate table. There have been no sanctions created globally for neglecting climate obligations. Not rewarding bad conduct is the least that should be done.

Conclusion

I must conclude by adding that rejecting Keystone is a required, but insufficient step to meet the climate challenge.

While your administration has unquestionably done more than Canada's, the UNFCCC process requires more than the foot-dragging of the performance of your State Department negotiators at COP after COP.

The world requires leadership from the US. Leadership means pledging early to meaningful reductions, meeting the promises of Copenhagen to the least developed countries on climate financing (which, I note parenthetically, were not demanded by the poor nations, but offered up by your predecessor in a clear attempt to distract the world from the resistance to meaningful reductions from the US), and to stepping up to the UN Climate Leaders' Summit planned for September 23 in New York.

Saying "no" to Keystone will slow growth of oil sands development, but insisting on capturing the fugitive emissions of the Bakken fields is also urgent. Shutting down fracking where the lifetime emissions of fracking exceed those of coal is urgent. Stepping up to the challenge of a transition plan to reducing US dependence on all forms of fossilized energy is urgent.

This decision on Keystone is critical, but, truth be told, it is mostly critical to help Canada. We need a climate plan and a domestic energy strategy. Shutting down new on-ramps to the super-highway to shipping unprocessed bitumen off this continent, into tankers heading to foreign refineries, will be a very helpful first step for both our nations.

Respectfully submitted,



Elizabeth E. May, O.C.
Member of Parliament for Saanich-Gulf Islands
Leader of the Green Party of Canada