

United States Senate

WASHINGTON, DC 20510-1401

January 6, 2012

The Honorable Barack Obama
President of the United States
The White House
Washington, D.C.

Dear President Obama:

I write today to encourage approval of the Keystone XL pipeline permit. In my judgment, there is no doubt that Keystone XL would benefit United States national security, energy reliability, economic growth, and job creation. It would be the most advanced pipeline in the United States, thus minimizing environmental risks.

I am the lead sponsor of legislation that would require a decision on the Keystone XL pipeline within 60 days, thus bringing to a conclusion more than three years of permit review. This legislation was passed with bipartisan support in the Senate and House and enacted on December 23, 2011.

The lengthy delay in permitting Keystone XL is incongruous with our country's dire need to diversify oil sources and promote job creation. The first Keystone pipeline's permit was granted in 693 days. Your Administration approved the Alberta Clipper permit after an 829 day review. As of today, the Keystone XL permit has already been under review for 1,205 days.

Consider some of the flashpoints in major oil supplying countries during the 1,205 days that indecision on Keystone XL has prevailed: Iranian threats against oil shipments and the U.S. Navy; war in Libya; hostilities in Iraq; Venezuelan antagonism; violence in Nigeria; political unrest in Russia; strained relations with Saudi Arabia; failing rule of law in Ecuador; and the ongoing threat of terrorism against energy infrastructure in multiple regions.

In contrast, the only uncertainty in oil trade with Canada has been the U.S. indecision over Keystone XL. This delay has caused the Canadian government to openly question whether the U.S. is a reliable market and whether it should devote new oil capacity to supplying China's voracious appetite for energy.

United States dependence on foreign oil is one of our foremost national security vulnerabilities. Iran's threat to shatter global economic recovery and splinter allied opposition to their nuclear weapons program by using their oil exports is just the most visible example today. The dollars we use to buy oil from autocratic regimes complicate

our own national security policies by entrenching corruption, financing regional aggression and repression, and inflating Defense Department costs.

The national imperative to reduce dependence on foreign oil from adversarial and unreliable regimes is not a partisan issue. Increased development of domestic energy resources, including domestic oil, alternative liquid fuels from biomass and coal, and innovation for fuel efficiency and electrification are all needed. Legislation I have offered, the Practical Energy Plan, if implemented, would reduce our need for foreign oil by 6.3 million barrels per day by 2030 – well more than 50%.

Even if we achieve domestic production and efficiency goals, we cannot afford to ignore the source of our foreign oil. Canada is our most reliable and safest oil trading partner. The Keystone XL pipeline alone could virtually eliminate the need for oil from Venezuela. Even if in the future we do not ourselves consume all the Canadian oil imported, having that crude in the U.S. system would give us tremendous flexibility to deal with supply shortages caused by conflict, political manipulation, terrorism, or natural disaster. We have an opportunity now to lay the foundation for a future in which our oil import needs are satisfied by friendly Western Hemisphere neighbors.

At the same time, Keystone XL offers a quick job creation opportunity that involves no taxpayer expense. With unemployment at 8.5% nationally and 9.0% in Indiana, and many more Americans underemployed, job creation must be our top domestic priority.

Keystone XL is expected to directly create 20,000 jobs, particularly in the hard-hit construction and manufacturing sectors. In addition, tens – if not hundreds – of thousands of other American workers will have their job prospects bolstered through the supply chain. Many of these are small American businesses that manufacture specialty parts or provide services. Even if Keystone XL creates fewer jobs than expected, the impact on our economy and employment of such a large privately-funded infrastructure project would be enormous. At a time of simultaneous concerns over low job creation and high deficits, the Keystone XL project is exactly that kind of remedy that we need.

Keystone XL represents a \$7 billion infrastructure investment. That will have a multiplier effect for economic growth. Moreover, it is estimated that approximately 90% of the money Americans send to Canada for imports is returned to the United States, thereby encouraging more trade beyond the energy sector.

I recognize that there is opposition to Keystone XL among certain segments of the environmental community. I take these concerns seriously. That is why the legislation I drafted with colleagues contained perhaps the strongest environmental and safety safeguards for a pipeline ever put into U.S. law. It reflects work of the State Department, the Transportation Department, and other Agencies that identified expansive and specific

requirements for pipeline construction and operation. TransCanada has pledged to follow those guidelines, which have the force of law through our legislation.

In delaying a decision on Keystone XL, the State Department cited concerns that the State of Nebraska did not have in place a procedure to address its concerns over routing in the Sand Hills area. Nebraska now has that procedure in place and is shifting the route to address its concerns. The Keystone XL legislation shows trust in the State of Nebraska to determine a new route within its territory.

The law clearly states that no further Federal environmental review is necessary, so after three years the Federal government now has all the information it needs to make a national interest determination.

Some landowners along the route also have expressed concern over conduct of TransCanada representatives in obtaining rights to cross their lands. We take these charges seriously, and my legislation clearly states that TransCanada and its partners must follow Federal and State law, including permitting requirements. Further, a Federal permit would not interfere with State jurisdiction over eminent domain.

In the end, the most vigorous environmental objections to Keystone XL are not over the pipeline itself; they are against further development of the Canadian oil sands in an effort to stem greenhouse gas emissions. In considering this issue, it is important to understand that extensive investment in coking capacity in U.S. refineries means that oil from the oil sands will mostly replace other heavy oil, such as that from Venezuela.

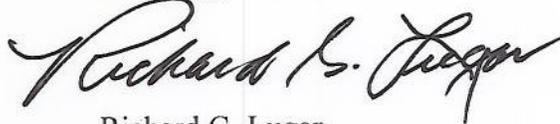
But more to the point, there is no doubt that Canada will continue to develop the oil sands regardless of U.S. decision-making on Keystone XL. The Canadians have already spent billions of dollars developing this resource, which they see as an essential national asset and job producer. The value of this asset will increase over time as the growth in global populations and living standards increases the demand for oil. Shipping the oil to the Canadian Pacific or Arctic coasts and onward via tanker for sale to China would compound environmental risks, while denying our country the strategic and economic benefits associated with it.

Still other opponents of Keystone XL are simply against oil usage, or any fossil fuel, in our economy. The fact is, however, that even with aggressive progress on alternative fuels and efficiency to reduce overall oil need, all realistic projections of energy demand recognize that oil will continue to be essential to transportation, industry, and chemical processes for the foreseeable future. Innovation in the power sector, whether needed energy efficiency gains or new power generation from cleaner coal, shale gas, nuclear, wind, or solar sources, will have virtually no impact on oil usage, which is concentrated for use in transportation.

After 1,205 days of review and enactment of legislation that clarifies that no further Federal review is required by law, it is inexplicable that White House officials have said publicly that they do not have enough information to make a decision. The benefits of this project for our national security and economic recovery should not be delayed until after the 2012 election. The American people agree. Rasmussen polling clearly indicated that a majority of Americans support the granting of the Keystone XL permit.

Thank you for your consideration of this important issue. I am hopeful that you will approve the Keystone XL pipeline permit quickly and join with me and the bipartisan group of Senators and Congressmen in welcoming new jobs and enhanced security.

Sincerely,

A handwritten signature in black ink, reading "Richard G. Lugar". The signature is written in a cursive style with a large, prominent "R" and "L".

Richard G. Lugar
United States Senator

RGL/nbd