Busting the Myth In Their Own Words:
Keystone XL is the Pipeline to Tar Sands Industry Expansion

According to Industry and Canadian Government, Without TransCanada's Pipeline, Vast Amounts of Tar Sands Stay in the Ground

There is a peculiar idea in American policy circles that Canadian tar sands production will be expanded at the same rate whether the Keystone XL pipeline is built or not. This view is not shared by Canadian government and industry officials; in other words, it is not shared by experts who observe the industry on a daily basis.

If the crude does stay underground, that will be a good thing for the climate. The tar sands are thought to contain as much as 240Gt of carbon, about half of what scientists say we can burn to stay below 2 degree Celsius of warming.

You don’t need to listen to those who oppose the pipeline to know this. Experts, industry leaders, and economists have known that the Keystone XL tar sands pipeline is the industry's best hope to expand tar sands production and profits. Hear it from them, in their own words:

Pipe or Perish: Saving an Oil Industry at Risk

Pipe or Perish: Saving an Oil Industry at Risk reveals significant economic losses to the Canadian economy – between $30 and $70 million per day for each stalled pipeline project that would open up access to the right markets.

In addition to the need to open up pipeline access to new markets, the report also finds:

- There are clear opportunities for rail transport, but building new pipelines is the best long-term transportation solution;
- Current market conditions do not support developing additional refining and upgrading capacity in western Canada.

Pipe or Perish concludes that failure to address current pipeline shortfalls will put western Canada's oil industry at risk and will have a substantial negative impact on the Canadian economy. The economic benefits will be lost if provinces don't work
together to open up access to markets in Asia, Eastern Canada and the U.S. Eastern Seaboard while cooperation between Canada and the US is key to getting oil to the Gulf Coast.

**André Goffart, Total E&P Canada Ltd. President**

“This is why Keystone is so important for us – because we have this refinery capable of treating our crude and today we are missing that opportunity because of that logistical constraint,” he said. “Over all, we are quite confident that the logistics will adjust. … Of course, if those main pipeline projects are taking more time, that may impact the timing of the decisions for the biggest projects in the oil sands.” - Total sets sights on getting oil sands crude to Gulf Coast, Globe and Mail, March 28, 2013

**New York Times**

If the Keystone pipeline is not completed, energy experts say, weak prices will make the economics of future oil sands projects questionable. – Obama Faces Risks in Pipeline Decision, New York Times, February 17, 2013

**Dinara Millington, a senior research director with CERI**

“Pushed by competition for materials and labour, supply costs for a new oil sands mine without an upgrader climbed 13.2% from a year ago to $68.30 a barrel, a study published this week by the government- and industry-funded Canadian Energy Research Institute said. ‘In today’s market, I wouldn’t say the new projects wouldn’t go ahead, but they’re at risk,’ said Dinara Millington, a senior research director with CERI and the report’s lead author. She added: ‘I would be looking into putting my money into in-situ-type projects, which are able to realize higher netbacks for producers.”’ - Oil sands mines face growing challenges as supply costs rise, Financial Post, May 29, 2013

**RBC Dominion Securities Inc.**

On Monday, RBC Dominion Securities Inc. warned that as much as a third of oilsands growth - 450,000 barrels a day - could be put in hold between 2015 and 2017 if Keystone XL pipeline is not approved by US President Varack Obama.” - Alberta oil discount raises investing alarams for Chinese firms, Globe and Mail,
February 12, 2013

**Guy Saint-Jacques, Canadian Ambassador to China**

“‘They say things like, ‘We are concerned about the price differential, and we want to get the best return,’ [Saint-Jacques] said following a speech at the University of Alberta. That focus has led to concern ‘about the limited capacity to take crude to the U.S. And so, therefore, I think the decision on the Keystone XL pipeline will be followed very closely.’ The ‘differential’ refers to the gap in pricing between Canadian heavy oil and the benchmark West Texas intermediate price. Historically, it has averaged roughly $18 a barrel. In December, it exploded to more than $40, stripping billions of dollars in revenue from the Canadian energy sector.” - *Alberta oil discount raises investing alarms for Chinese firms*, The Globe and Mail, February 11, 2013

**Gordon Houlden, director of the China Institute at the University of Alberta**

‘If you’re putting billions or tens of billions – over $10-billion – into an investment, it helps to have a market for that oil,’ [Houlden] said. Keystone XL is particularly important in solving that market issue, given that the 830,000-barrel-a-day pipeline could be the first large project to ease the current logjam.

‘I’m not suggesting that no Keystone means no investment, because the Chinese in particular come with very long time horizons,’ Mr. Houlden said. But if Keystone’s export capacity does not materialize, ‘that changes valuations, and that changes calculations.’” - *Alberta oil discount raises investing alarms for Chinese firms*, The Globe and Mail, February 11, 2013

**Alex Pourbaix, President of Energy and Oil Pipelines, TransCanada**

“When I talk to producers in Alberta, as long as Keystone XL goes ahead, they view that there’s pretty sufficient takeaway capacity to get us to late in the decade.” - *Oil sands producers fighting for pipeline space*, Bloomberg News, October 11, 2012

**Chris Feltin, Analyst, Macquarie Research.**

“The shortfall in take-away capacity is absolutely going to weigh on realized prices for the Canadian producers over the near term on both heavy and light oil… But especially heavy oil, which is at a pretty substantial discount to WTI right now …
It’s a challenging market for Canadian upstream crude producers.” - Full pipelines to cut into Canadian oil producers’ profits, Reuters, January 14, 2013

Andrew Potter, Executive Director of Institution Equity Research, CIBC World Markets

“And conditions are not improving – pointing to an even weaker first quarter as Canadian prices continue to weaken. ‘If this persists it really points to (the first quarter) as being a really, really ugly quarter for heavy oil producers…”’ - Full pipelines to cut into Canadian oil producers’ profits, Reuters, January 14, 2013

“But for the growth to continue, all the proposed export pipeline capacity and more will need to be built, and soon, according to CIBC World Markets institutional equity research executive director Andrew Potter. ‘Even if you build every single pipe that's on the table right now...you're still short pipeline capacity,’ he noted.” - Pipeline export constraints will continue curbing oil industry enthusiasm in 2013, Oil and Gas Inquirer, January 1, 2013

“Even if all the pipelines being planned were built, there would not be enough capacity to handle the growth that companies have laid out in their expansion plans. And Mr. Potter said there is “less than a 50-50 chance” that the two proposed pipelines through B.C. – Enbridge’s Inc.’s Northern Gateway and Kinder Morgan’s Trans Mountain expansion – will be completed.” - Pipelines, glut of cheap crude raise doubts over oil sands expansion, The Globe and Mail, August 17, 2012

Marcel Coutu, Chief Executive, Canadian Oil Sands

“We are hedging and making sure we are going to have pipe capacity for most of our product as we get through what will continue be a couple of tough years here in 2013 (and) 2014,” Marcel Coutu, the chief executive of Canadian Oil Sands, said at an investment conference on Tuesday. - Full pipelines to cut into Canadian oil producers’ profits, Reuters, January 14, 2013

Gerry Hannochko, Director, Standard & Poor’s Rating Services

"Production is coming, you're going to need a home for it, and there's simply not enough take-away capacity in the basin right now.” - Pipeline export constraints will continue curbing oil industry enthusiasm in 2013, Oil and Gas Inquirer, January 1, 2013
Vern Yu, Vice-President of Business Development and Market Development, Enbridge Inc.

“All of the crude oil export pipelines are pretty much full, running at maximum capacity… And we’re not likely to see any meaningful capacity added to these networks until the end of next year.” - Canada’s crude export pipelines clogged, The Globe and Mail, November 21, 2012

Bruce March, Chief Executive Officer, Imperial Oil

“We’re trying to get the pipelines in as fast as we can… Of course, I’m concerned [about the impact of bottlenecks on prices].” - Oil sands producers fighting for pipeline space, Bloomberg News, October 11, 2012

Jackie Forrest, Senior Director of Global Oil, IHS CERA

“U.S. production is forecast to increase before expansions and new lines are built, worsening the backlogs, said Jackie Forrest, senior director of global oil at IHS CERA in Calgary. Though capacity exceeds western Canadian production, which averaged 2.7 million barrels a day last year, producers can’t get good prices due to competition from U.S. oil extracted from so-called tight formations. “Over the next decade, our outlook is that tight oil will grow at twice the pace of oil sands in North America. We think new markets are urgently needed.” - Oil sands producers fighting for pipeline space, Bloomberg News, October 11, 2012

Canadian Energy Research Institute

“TransCanada’s proposed KXL pipeline will offer access to the Gulf of Mexico rather than the Pacific Rim. And though the project has been halted by the US government, there is a very good chance that it will be given the go-ahead once the 2012 US Presidential election is over. KXL is likely, therefore, to be moving Canadian bitumen before any of the other major pipeline projects considered in this report. In fact, with KXL in place and operating at capacity, bitumen production could increase substantially and have a major effect on the overall supply/demand situation throughout the North American continent.” - Pacific Access: Part I – Linking Oil Sands Supply to New and Existing Markets, July 2012

Ralph Glass, Economist and Vice-President, AJM Petroleum Consultants
“Unless we get increased [market] access, like with Keystone XL, we’re going to be stuck... We’re heading into the same situation with crude oil as we did with natural gas, in that we’re going to hit a wall at some point in time and our production is going to be the one backed out of the system, like natural gas has been backed out of the U.S. system. I think it will have a dramatic impact.” – Without Keystone XL, oil sands face choke point, The Globe and Mail, June 8, 2011

Chris Seasons, President, Devon Canada

“For the oil patch, the possibility that the XL project will falter is so outside expectations that many haven’t even considered it. Indeed, companies have already signed up for the majority of its capacity. ‘None of us are really planning for that,’ Devon Canada president Chris Seasons said.” – Without Keystone XL, oil sands face choke point, The Globe and Mail, June 8, 2011

Canadian Association of Petroleum Producers

“Growing conventional oil, including tight oil, and oil sands production has created an urgent need for additional transportation infrastructure. New pipelines, expansions to existing infrastructure and increased transportation by rail are all required to meet this need for capacity.” – Crude Oil Forecast and Market Outlook, June 5, 2012

Wood Mackenzie international energy research firm

“The oil sands region is one of the costliest in the world to develop. And as oil prices tumble, it is vulnerable. ‘Oil sands projects display some of the highest break-evens of all global upstream projects,’ the firm said. ‘The potential for wide and volatile differentials could result in operators delaying or cancelling unsanctioned projects.’” - Crude glut, price plunge put oil sands projects at risk, The Globe and Mail, June 2, 2012

CIBC

“Canada needs pipe — and lots of it — to avoid the opportunity cost of stranding over a million barrels a day of potential crude oil growth.” - Oil industry faced with ‘serious challenge’ as pipelines fill up, TD warns, Financial Post, December 17, 2012
TD Economics

“Canada’s oil industry is facing a serious challenge to its long-term growth. Current oil production in Western Canada coupled with significant gains in U.S. domestic production have led the industry to bump up against capacity constraints in existing pipelines and refineries.” - Oil industry faced with ‘serious challenge’ as pipelines fill up, Td warns, Financial Post, December 17, 2012

Brad Wall, Saskatchewan Premier

“We need greater pipeline capacity to move the oil – Canadian and American – that is vital to our shared goal of North American energy security.” - Keystone XL: No Longer on the Back Burner?, Wall Street Journal, January 17, 2013