



***Desperately Defending Keystone XL  
Industry and Allies Flail in Attack on “Exporting Energy Security” Report***

On August 31<sup>st</sup>, Oil Change International released a new report: [“Exporting Energy Security: Keystone XL Exposed”](#) which, using industry and government sources, succinctly and transparently puts forward the case that the heavy sour oil (diluted bitumen) imported via the proposed Keystone XL will not reduce United States dependence on Mideast oil. We stand fully behind that conclusion.

The energy security arguments that are put forward by proponents of the Keystone XL pipeline are fundamentally undermined by the fact that *the specific refineries that will process KXL oil* are focused on export markets. The reason they are focused on exports, is because US demand for gasoline is shrinking and in order to thrive in a shrinking market they need to export.

***Refiners are just doing their fiduciary duty to maximize profits – but that fiduciary duty is in conflict with any reasonable definition of the U.S. national interest.***

Valero, TransCanada and their allies at the Heritage Foundation and elsewhere have quickly tried to rebut the report, using misleading quotes without even bothering to back up those assertions. Below, we repeat our key points, and put them next to industry’s supposed rebuttals and our responses.

Exporting Energy Security made three key points:

- 1) *Keystone XL is an export pipeline.* The Port Arthur, Texas, refineries at the end of its route are focused on expanding exports to Europe, and Latin America. Much of the fuel refined from the pipeline’s heavy crude oil will never reach U.S. drivers’ tanks.

[Heritage Foundation](#): “Whether the company will export the oil and whether it will reduce the industry’s dependence on OPEC, though, are two different questions. Some of Valero’s largest export markets are in South America and Europe. If those markets can replace OPEC crude with oil from Canadian tar sands, Middle Eastern oil exporters will still enjoy a smaller share of the global market.”

**Oil Change Response:** Heritage has seemingly acknowledged that the oil will be exported, which is instructive in and of itself. Beyond that, Canadian oil does not compete directly with OPEC oil. In fact, OPEC historically constrains its supply to keep prices up – there is no reason to suspect that they would not do

the same thing they have always done – in response to more Canadian oil entering the market, they will likely restrict supply to keep up prices. Finally, even if this resulted in a global reduction of OPEC market share, it does not follow that US dependence on MidEast oil would be reduced.

- 2) *Valero, the key customer for crude oil from Keystone XL, has explicitly detailed an export strategy to its investors.* Because Valero's Port Arthur refinery is in a Foreign Trade Zone, the company can carry out its strategy *tax-free.*

[Valero](#): "While Valero has said that it is exporting an increasing amount of products, particularly from the Gulf Coast, the volume of exports remains relatively small. The vast bulk of our products are made for domestic consumption.

**Oil Change Response:** Again, an acknowledgement that Valero is exporting is instructive. Valero is the US's #1 refiner. Of course the majority of their products are made for the domestic market. They do not refute the claim that the oil from the Keystone XL will be refined for diesel into export – presumably because they cannot.

[Valero](#): "The Canadian oil from the XL pipeline would supplement supplies of less-expensive heavy sour crudes. The pipeline would provide a steady supply of oil from a nearby and friendly trading partner, in a manner that is more efficient than bringing cargoes of oil in by ship. The Oil Change International report fails to mention that Valero is rapidly increasing the amount of Texas oil it processes at our McKee and Three Rivers refineries, and that we recently opened a pipeline to our Ardmore, Okla. refinery in order to process domestically produced oil stored at Cushing.

**Oil Change Response:** This statement in no way refutes the idea that oil from KXL will be refined for export. Why would we mention McKee and Three Rivers or care that pipelines are more efficient than tankers? This has nothing to do with our argument that KXL is for export.

- 3) *In a shrinking U.S. market, Keystone XL is not needed.* Since the project was announced, the oil industry acknowledges that higher fuel economy standards and slow economic growth mean declining U.S. oil demand, even as domestic production is booming. Oil from Keystone XL will therefore displace American crude from new, "unconventional" domestic fields in Texas or North Dakota.

This statement has not been refuted.

Industry has also made several additional statements that are spurious in the course of their attacks on the Exporting Energy Security report:

[Valero](#): " In fact, the Keystone will generate 20,000 jobs, increase property values and generate tax revenue that will directly benefit hard-hit cities, counties, school districts, etc."

**Oil Change Response:** [Our colleagues at the National Wildlife Federation have documented the wildly inflated estimates of jobs impacts associated with the Keystone XL quite well.](#)

[Valero](#): "Lastly, I dispute the statement that Valero was "behind last year's attempt to overturn California's clean fuel standards." As the operator of two refineries in California, Valero was among the supporters of Proposition 23, which would have postponed implementation of California's carbon dioxide cap-and-trade regime until the economy improved in that state. Prop 23 had nothing to do with clean fuel standards.

**Oil Change International:** Really? Proposition 23 was a California ballot proposition that was on the November 2, 2010 California statewide ballot. California voters defeated it during the statewide election by a 23% margin. If passed, it would have suspended AB 32, a law enacted in 2006 that is legally referred to as the Global Warming Solutions Act of 2006.

[Valero was the top corporate sponsor behind California's Prop 23.](#) Whether it is described in shorthand as being about clean fuels, global warming, or cap and trade - Valero lost.

*September 2, 2011*