

Testimony of Andrew Black
Association of Oil Pipe Lines, President & CEO
before the Committee on Energy & Commerce
U.S. House of Representatives

“Hearing on Legislation Addressing Pipeline and Hydropower Infrastructure
Modernization”
May 3, 2017

Statement Summary

- AOPL represents owners and operators of liquids pipelines transporting crude oil, refined products like gasoline and diesel fuel, and natural gas liquids, such as propane and ethane. Our members’ pipeline facilities stretch over 200,000 miles across the United States delivering over 18 billion barrels of crude oil and petroleum products

- While delay of the Keystone XL pipeline project garnered widespread public attention, there were many other Presidential Permit applications stuck at the State Department also facing multi-year delays. Many of these projects were simple changes of ownership filings with no impact on the pipeline’s operations or border-crossing status. And yet they faced lengthy delays obtaining their permit

- For pipeline projects large or small, either intentionally or willingly, the current system of review with no statutory standards or limits allows for abuse of the permitting process

- We believe the State Department career staff faithfully executed their duties under executive order authority. However, the current system still left the process vulnerable to political manipulation by senior political officials of the last administration

- There is no authorizing statute from the Congress laying out the requirements for this program. There is no guidance in the law on what should be reviewed, and what can be exempted because it is too small to make a difference. There are no laws on what criteria to use, what to examine, how or by when. The unfortunate result of the lack of clear, statutory direction is uncertainty and delay

- For these reasons, liquids pipeline operators support reforming the presidential permit process and look forward to working with the committee on this legislation. Key to meaningful reform are the discussion drafts provisions to: 1) provide a statutory time limit for permit review after any applicable environmental reviews are complete, 2) a presumption of approval reflecting the benefit of reducing dependence on unstable overseas energy suppliers, 3) limit the border crossing permit scope of review to border crossing issues and impacts, and 4) exempt modifications to existing cross-border facilities, because they have no impact on the environment at the border crossing

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Mr. Chairman and distinguished members of the committee, thank you for inviting me here to testify today on the need for reform of the Presidential Permit program for cross-border energy infrastructure.

I am Andy Black, President & CEO of the Association of Oil Pipe Lines. AOPL represents owners and operators of liquids pipelines transporting crude oil, refined products like gasoline and diesel fuel, and natural gas liquids, such as propane and ethane. Our members’ pipeline facilities stretch over 200,000 miles across the United States delivering over 18 billion barrels of crude oil and petroleum products.

Today, I will testify on the need for reform of the current Presidential Permit process for liquid pipeline projects. While delay of the Keystone XL pipeline project garnered widespread public attention, there were many other Presidential Permit applications stuck at the State Department also facing multi-year delays. Many of these projects were simple changes of ownership filings with no impact on the pipeline’s operations or border-crossing status. And yet they faced lengthy delays obtaining their permit. We support legislation to streamline the permit process and exempt those projects with minimal policy or practical impact on the environment.

The poster child for presidential permit cross-border abuse is well known. The Keystone XL delay from 2008 to 2015 under the previous administration was inexcusable. No permit review process of any kind should take that long.

Ironically, the Keystone XL NEPA environmental impact statement conducted by the Obama State Department found building KXL would do more to protect the

environment and avoid greenhouse gas emissions than any alternative, including rejecting the pipeline. According to U.S. government statistics, 99.999% percent of petroleum products shipped by pipeline reach their destination safely. The Obama State Department review found the alternatives to not building KXL and forcing that crude oil onto other modes of transportation would result in 2.6 times more crude oil released and 832 times more releases per year. Transporting crude oil by KXL would also result in fewer greenhouse gas emissions.

The State Department study of KXL found the project would provide over 42,000 U.S. jobs and \$2.1 billion in U.S. worker payroll. According to the U.S. State Department, while Keystone XL would support 6,800 construction jobs with \$420 million in payroll, it would also lead to 4,600 manufacturing jobs with \$309 million in payroll, 4,400 jobs in trade with \$172 million in payroll, 2,200 jobs in finance and insurance with \$131 million in payroll, 5,100 jobs in other professional services with \$343 million in payroll, 2,700 jobs in health services with \$141 million in payroll, and 5,700 jobs in food and accommodations with \$278 million in payroll.

Good paying jobs, not just in construction, but also in manufacturing and service sectors, are the benefit of every pipeline project. Whenever a major pipeline project is proposed, across our northern border or anywhere within the United States, thousands of jobs with millions of dollars in worker payroll can follow.

In addition, the benefits of a pipeline project will continue long after construction is completed. Communities along the route of a pipeline will gain property tax revenue that can fund school budgets, police and fire departments and local government needs. Rural communities near pipelines with small budgets will benefit the most from this new influx of revenues. Consumers across the country will benefit from the downward pressure on gasoline and diesel prices new crude oil supplies bring.

As pipeline operators, we know the ultimate reasons for delay and rejection of the KXL pipeline had little to do with its superior safety, minimal environmental impact, new

jobs or consumer benefits. Larger forces were at work hijacking this project for their own political gain.

Unfortunately, the KXL pipeline wasn't the only victim of a dysfunctional presidential permitting process. Under the last administration, we saw review of the simplest pipeline projects with the least amount of environmental impact grind to a halt.

A prime example are the several pipelines that run from Canada to Michigan, crossing the US-Canadian border under the Detroit River near Detroit, Michigan, and under the St. Clair River at Port Huron, Michigan. These pipelines deliver liquefied petroleum gases such as propane and butane for industrial uses in manufacturing, chemicals, plastics, and similar products.

Simply put, these pipelines deliver the raw materials that support good-paying manufacturing jobs in Michigan and beyond. These are blue-collar jobs, with pay and benefits to support a family, provide healthcare, or send a child to college. These pipelines provide exactly the kind of jobs Michigan and the rest of the country need and want. So, it was doubly frustrating when something as important as this was caught up in years of bureaucratic delay under the current presidential permitting process.

For years, a liquids pipeline operator had two presidential permit applications pending for seven pipelines crossing the US - Canadian border into Michigan. Their need to apply for a presidential permit was triggered when the company bought these pipelines in 2012. Under current State Department guidelines, a change in ownership of the pipeline triggered the need to apply for a new presidential permit.

These pipelines already had a pending name change permit application from their previous change of ownership in 2007. So, for more than 5 years, the State Department considered whether to issue a presidential permit for something almost as simple as a name change at the top of the permit. There were no operational changes of the pipelines, no change in materials or any physical or environmental impacts. Just many years of review, document requests, public notices, and additional document requests.

For pipeline projects large or small, either intentionally or willingly, the current system of review with no statutory standards or limits allowed for abuse of the permitting process. We believe the career staff faithfully executed their duties under executive order authority. However, the current system still left the process vulnerable to political manipulation by senior political officials of the last administration.

With no obligations under federal law to reach a timely decision, limit the scope of the review to border crossing, or avoid wasteful reviews of projects with little to no environmental impact, the current process is ripe for abuse by future administrations. The current administration has returned to the original intent of the presidential permit program. Without reform, a future administration could return to the abuses of the past.

As this committee knows, there is no authorizing statute from the Congress laying out the requirements for this program. There is no guidance in the law on what should be reviewed, and what can be exempted because it is too small to make a difference. There are no laws on what criteria to use, what to examine, how or by when. The unfortunate result of the lack of clear, statutory direction is uncertainty and delay.

For these reasons, liquids pipeline operators support reforming the presidential permit process and look forward to working with the committee on this legislation. Key to meaningful reform are the discussion drafts provisions to: 1) provide a statutory time limit for permit review after any applicable environmental reviews are complete, 2) a presumption of approval reflecting the benefit of reducing dependence on unstable overseas energy suppliers, 3) limit the border crossing permit scope of review to border crossing issues and impacts, and 4) exempt modifications to existing cross-border facilities, because they have no impact on the environment at the border crossing.

Thank you again for inviting me to testify and I look forward to any questions you may have.

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