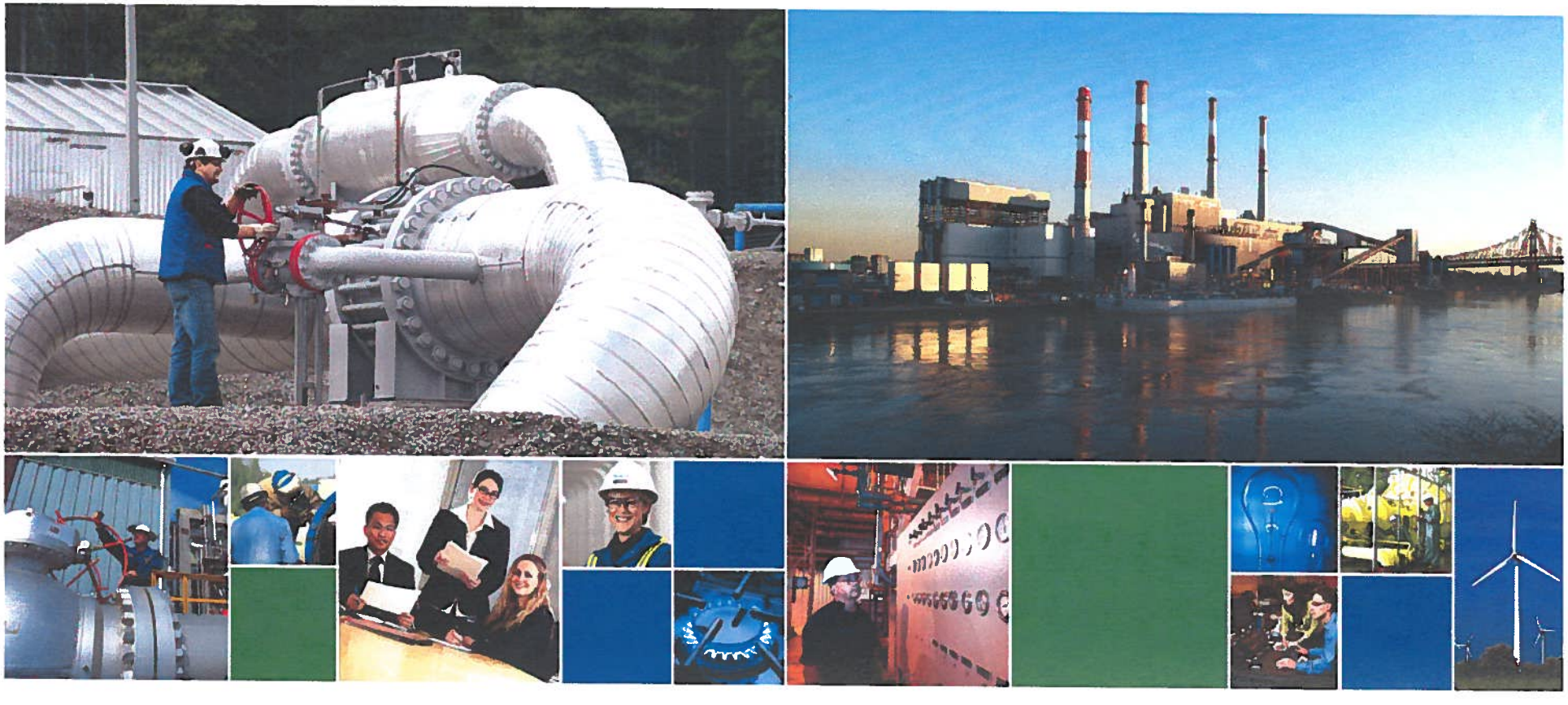
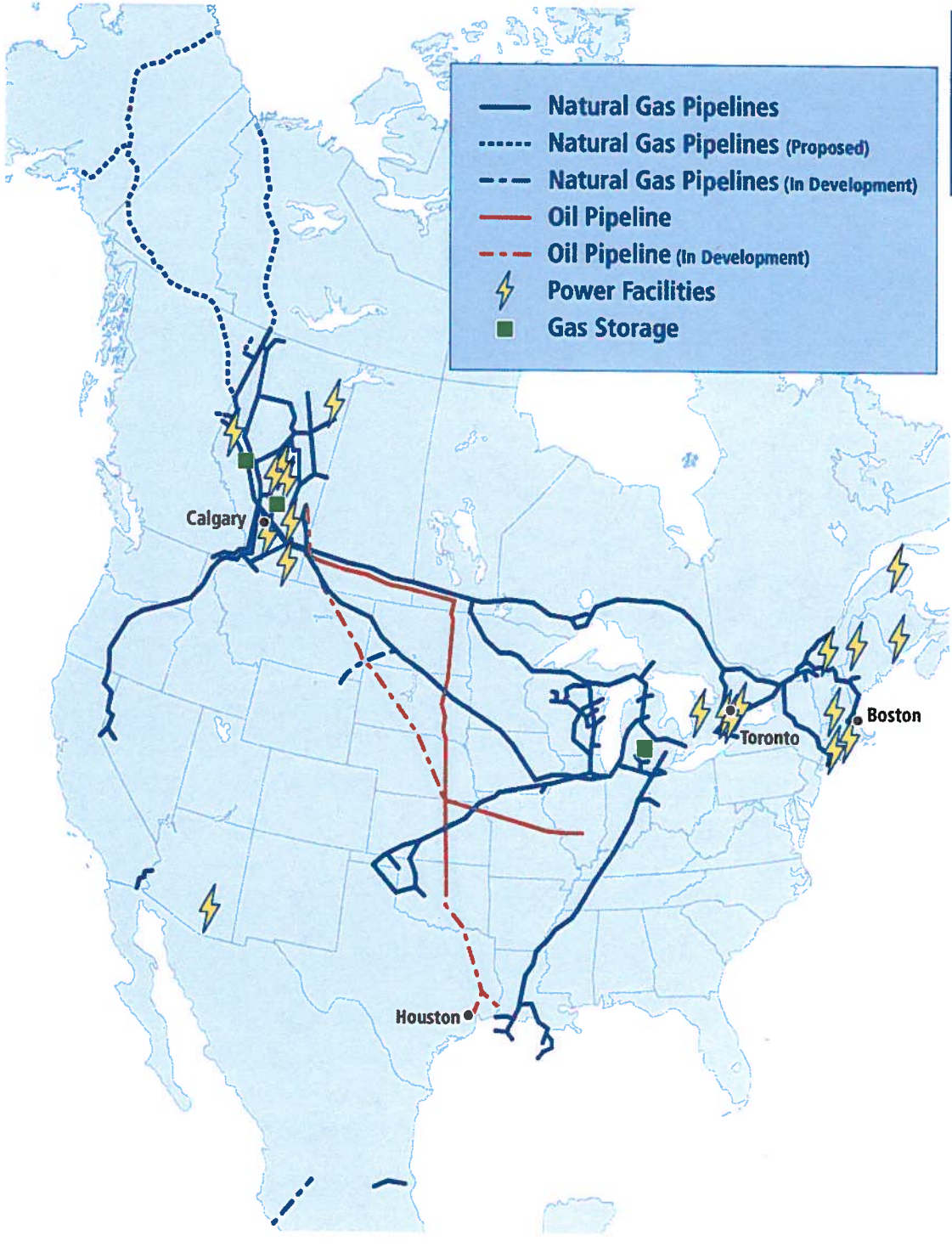


Michigan House of Representatives
Energy & Technology Committee
HR 136

Peter Jaskoski, Government Relations

October 11, 2011

TransCanada
In business to deliver



TransCanada

North America's Largest Natural Gas Pipeline Network

- 60,000 kms (37,000 miles) wholly-owned
- 8,800 kms (5,500 miles) partially-owned
- Average volume of 15 Bcf/d

North America's 2nd Largest Natural Gas Storage Operator

- 380 Bcf of capacity

Canada's Largest Private Sector Power Generator

- 20 power plants, 11,700 MW

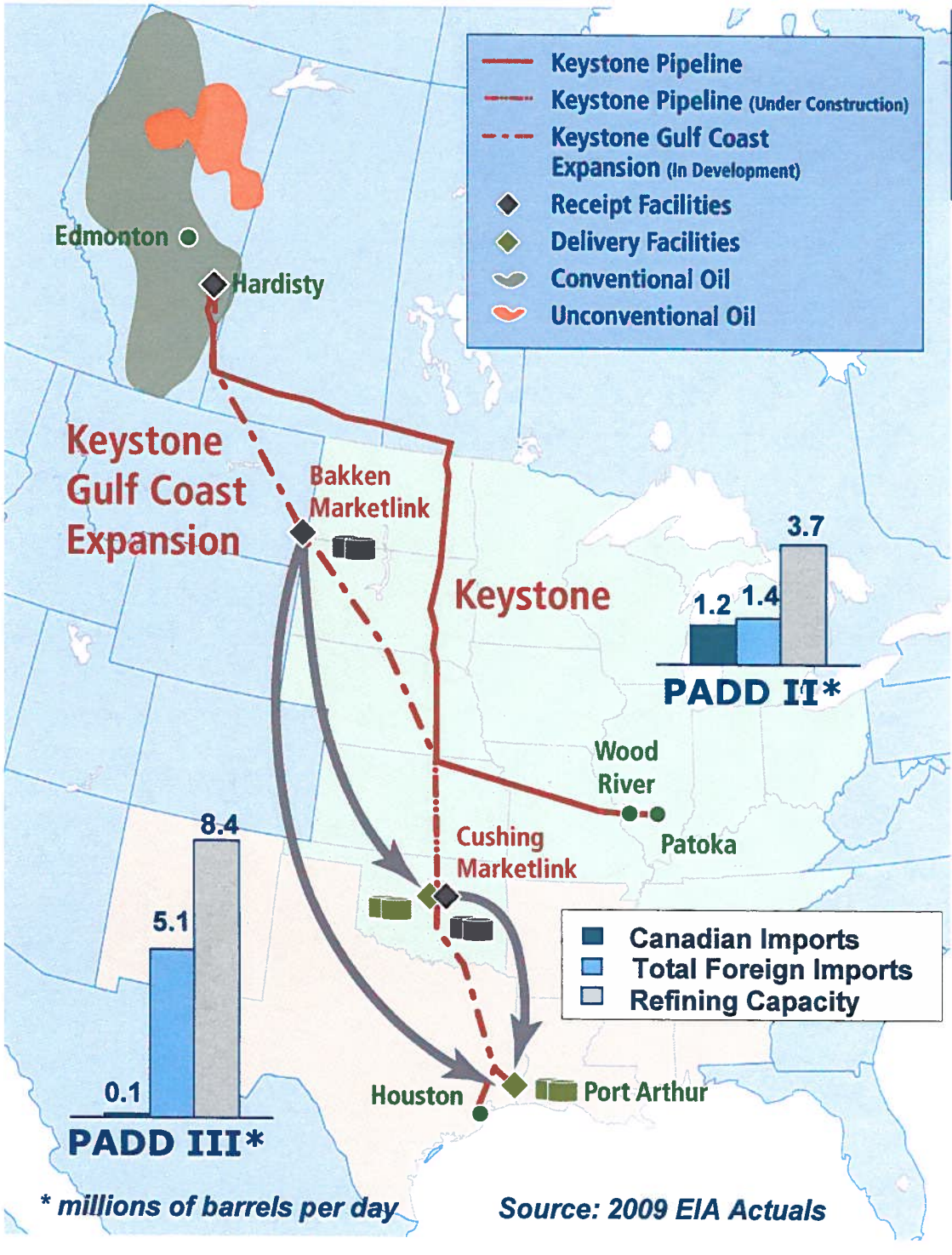
Premier North American Oil Pipeline Under Construction

- 1.1 MMb/d

4,000 Talented Employees

- In 7 provinces and 34 states

Keystone Oil Pipeline



- Links growing supply in Western Canada with the largest refining market in North America
- Keystone Phase 1 completed and in-service June 2010
- 1.1 MMb/d of combined total capacity, with 83% committed for an average term of 18 years
- A US$13 billion infrastructure investment requiring no government stimulus and which is shovel-ready
- Bakken and Cushing Marketlink projects (for incremental volumes) promote development of domestic crude production, delivering U.S. crude to U.S. markets

TransCanada

North American Crude Oil Supplies

- **With 175 billion barrels, Canada has the third largest oil reserves in the world**
  - 170 billion barrels of the Canadian reserves are located in the oil sands
- **Canada's oil sands are uniquely positioned to contribute to meeting the growth in energy demand.**

Source: Canadian Association of Petroleum Producers, 2011

- **Advances in technology have led to increased American shale oil plays**
- **An estimated 3-4 billion barrels of recoverable crude oil in the Bakken Formation & Williston Basin in Montana and the Dakotas**

Source: United States Geological Survey (USGS), 2008

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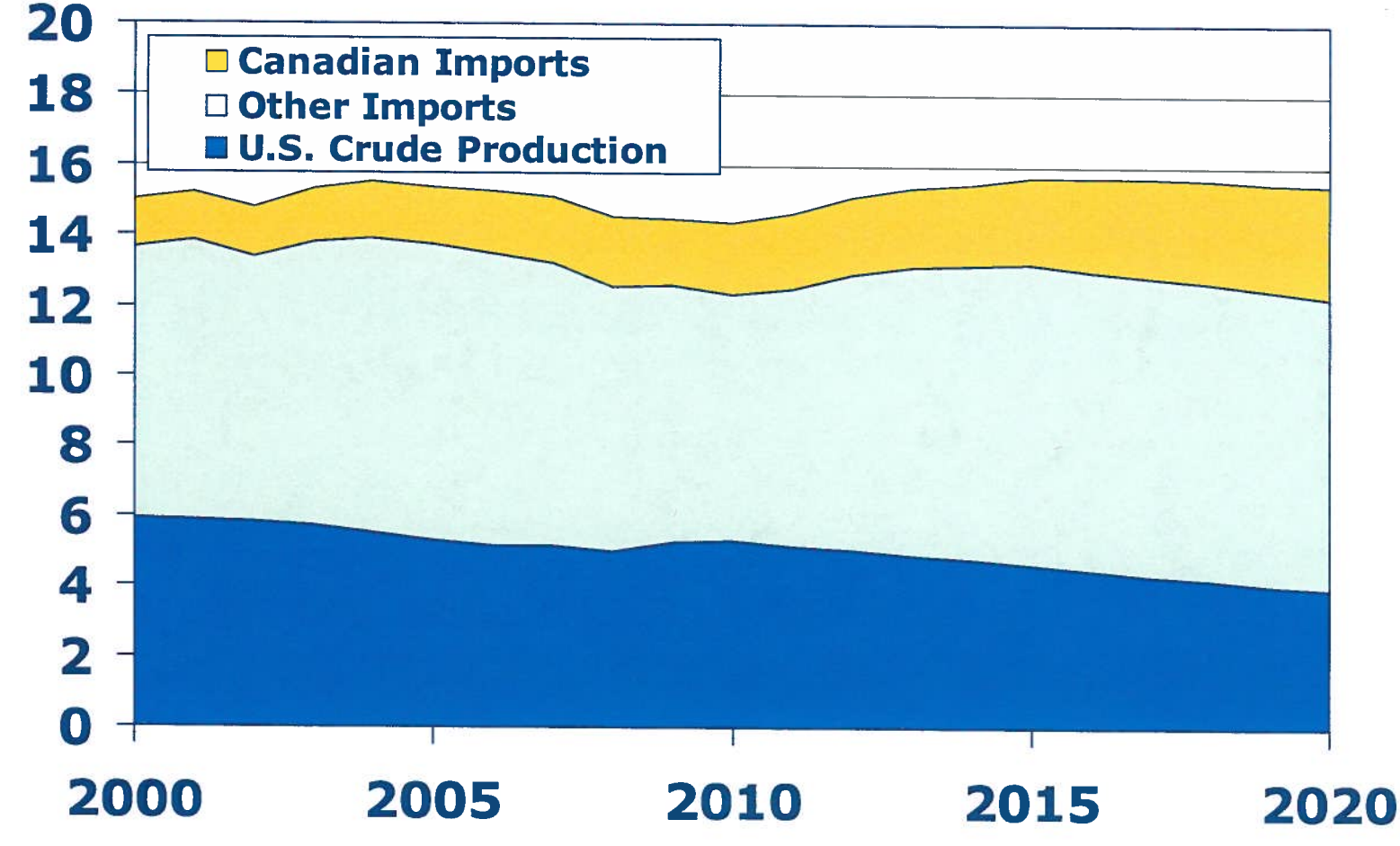
U.S. Crude Oil Demand and Supply Sources



Source: Purvin & Gertz Inc

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Keystone will Decrease the Annual Wealth Transfer to Other Nations

$80 per barrel

Total 2009 estimated oil export revenues from the US

- **Venezuela** $21 billion
- **Iraq** $10 billion
- **Nigeria** $17 billion
- **Algeria/Libya** $7.5 billion
- **Russia** $5 billion

Source: EIA – Historical U.S. Total Crude Oil Imports

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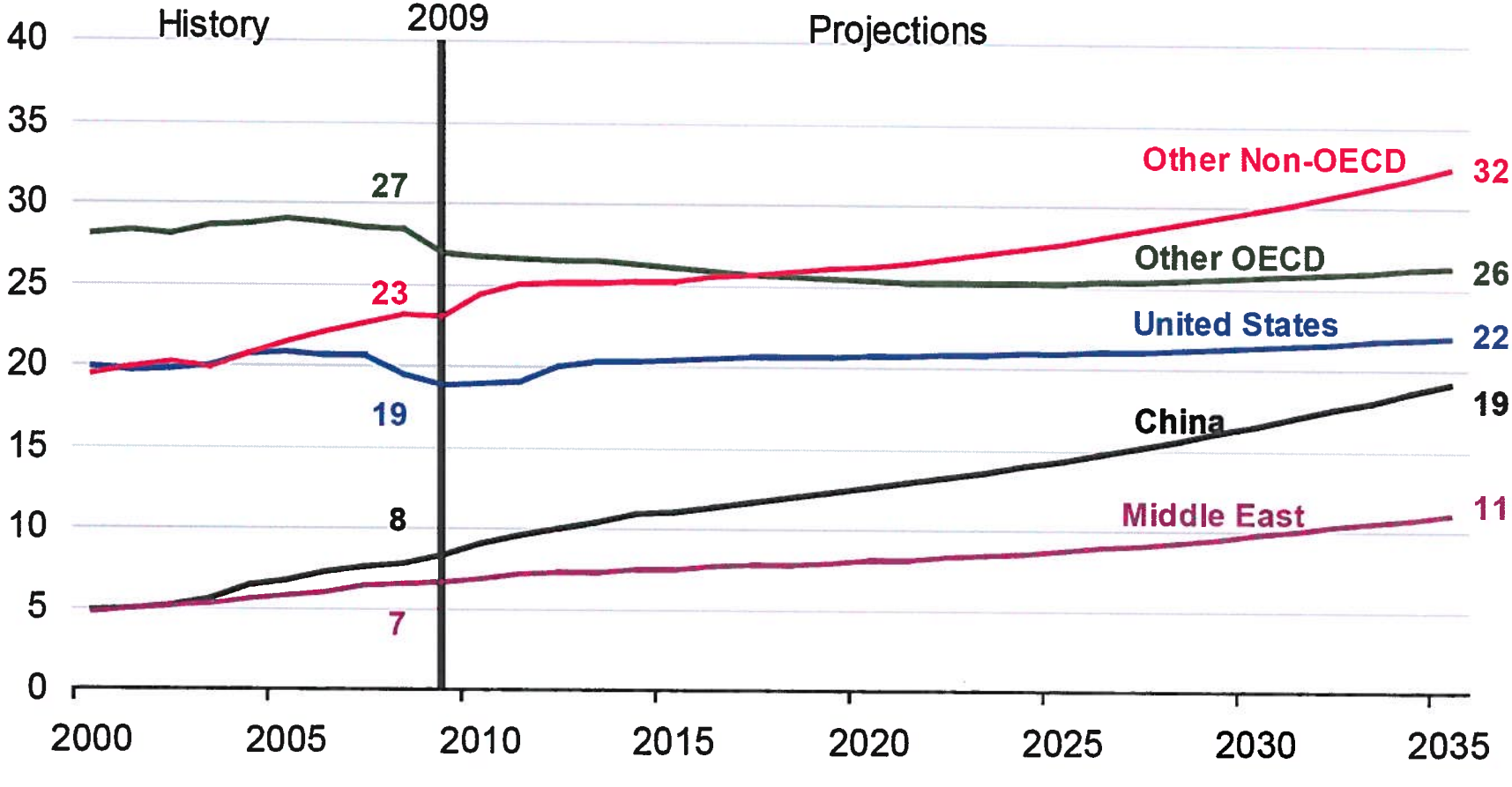
Increasing International Competition for Crude Oil Reserves

total liquids consumption
million barrels per day



Source: EIA, *Annual Energy Outlook 2011*

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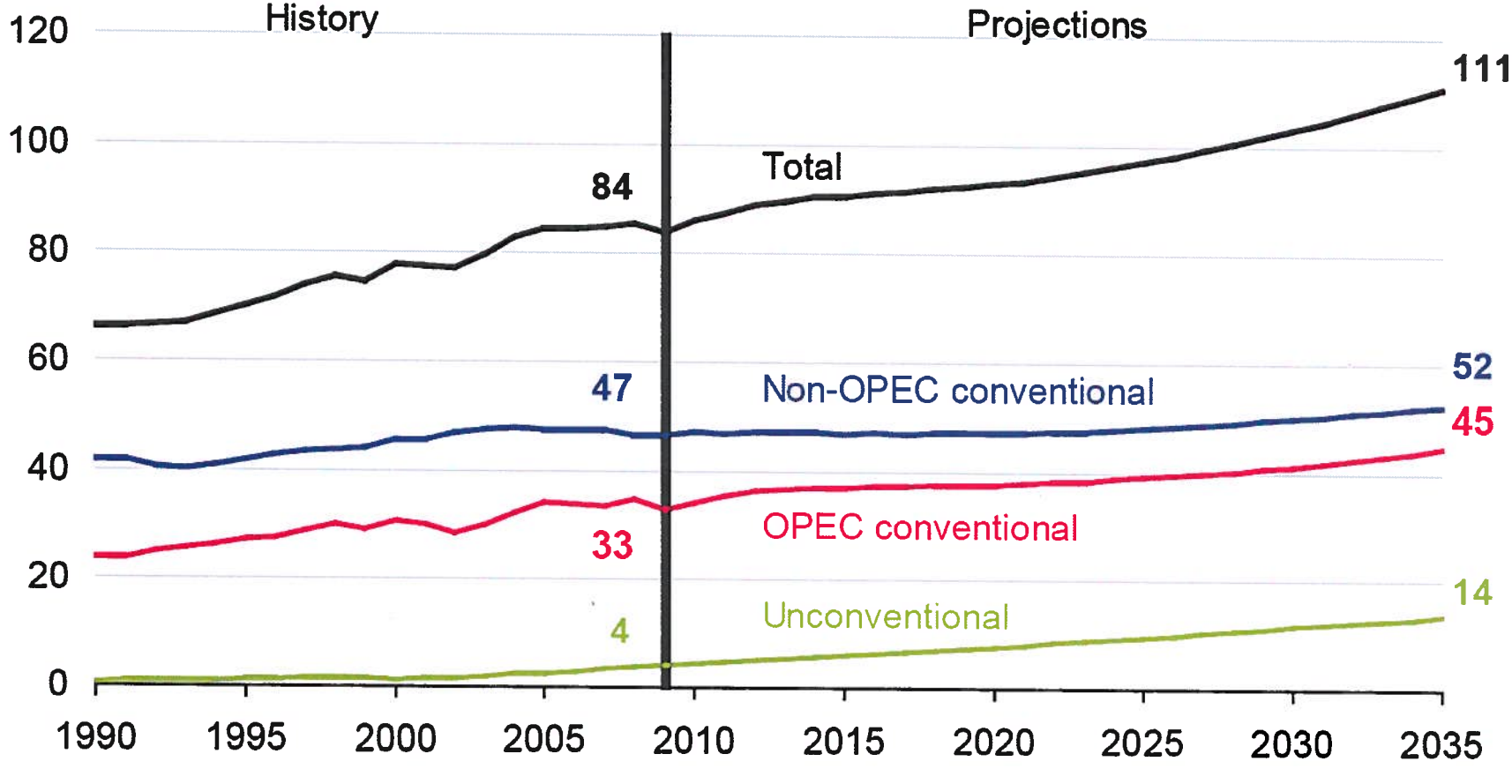
Increasing demand on OPEC and Unconventional Crude Oil to meet demand

liquids production
million barrel per day



Source: EIA, *Annual Energy Outlook 2011*

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Keystone Benefits

Security of Supply

- Linking long-term North American supply to North American demand
- Will reduce US dependence on oil from Venezuela and Middle East by up to 40 per cent

Short and long term economic benefits of proposed Keystone XL:

- $20 billion total spending during construction
- $6.5 billion in personal income during construction
- 20,000 direct jobs during construction
- 118,000 spin-off jobs during construction
- $585 million in state & local government revenues during construction
- $9.6 billion in gross product during construction
- $5.3 billion in cumulative property taxes during operational life of Keystone XL

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Keystone XL - National Benefits

Energy Security

- **Reliable Source of Oil:**
  - Permanent benefits from savings associated with a reliable supply of oil
- **Decreases Wealth Transfer to Other Nations:**
  - Keystone XL would directly offset 900,000 B/d of heavy crude that the U.S. currently imports
  - Keystone XL would offset 20% of current imports from OPEC (~4.5 million B/d – data from US DOE EIA)

Industry

- **Domestic Production:**
  - Delivery of growing U.S. crude oil from the Bakken Oil Play to U.S. markets
  - Raises the well-head value of Bakken Oil (savings of $5-$10/bbl)
- **Secure Domestic Refinery Supply:**
  - Delivery of a needed and stable supply of Cdn crude oil to vital U.S. refineries
  - Increases the profitability of American refineries by raising operating margins
- **Transporting and Processing Income:**
  - Additional oil sands crude will inject $100-600 million into the U.S. economy each year

Source: The Perryman Group Report (June 2010), Energy Policy Research Foundation, Inc. (Dec 2010)

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Keystone XL – Economic Benefits

Economic

- **Stimulus:**
  - Over $20 billion in new spending for the US economy (includes indirect economic activity)
  - Over $9.6 billion in total output
- **Job Creation:**
  - 13,000 direct construction and manufacturing related American jobs
  - Indirect impact includes over 118,000 person years of employment
- Union supported with a Project Labor Agreement in place for a significant portion of US construction
- Increased local business activity associated with construction work

Taxes

- **New Source of Revenue:**
  - Long term municipal, state and federal taxes
  - Approximately US$600 million in government revenue during construction:
    - Montana: $8.9 million
    - South Dakota: $10 million
    - Nebraska: $11.3 million
    - Kansas: $18 million
    - Oklahoma: $25.3 million
    - Texas: $48.8 million
    - Rest of US: $463.1 million
  - US$5.2 billion - cumulative property taxes paid during operational life of the pipeline

Source: The Perryman Group Report (June 2010), Energy Policy Research Foundation, Inc. (Dec 2010)

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Keystone XL - Status

Canada:

- National Energy Board approval in early 2010

U.S.:

- Awaiting U.S. Department of State approval & Presidential Permit
- Draft Environmental Impact Statement (DEIS) issued by DOS April 2010
- Supplemental DEIS issued April 2011 – reaffirmed "limited impact on the environment" ("reliability and safety well within industry standards")
- Final EIS anticipated by end of July; 90-day National Interest Determination period begins end of July
- DOS committed to conclude regulatory review by end of 2011
- Keystone XL under review since 2008
- Since 2008, we have held close to 100 open houses and public meetings; delivered hundreds of hours of testimony; filed thousands of pages of information to government agencies
- ***It is time to move this project forward!***

TransCanada

Keystone XL pipeline is in the U.S. national interest

- This $7-billion pipeline project is shovel ready.
- It will put 20,000 Americans directly to work during the construction phase.
- Keystone XL will generate an additional 118,000 spin-off jobs.
- Project will hire welders, pipe fitters, heavy equipment operators and engineers.
- Benefits of Keystone not limited to the states where it would be located: e.g. pipe manufactured in Arkansas, pump motors made in Ohio and transformers built in Pennsylvania.
- Workers in almost every state would benefit from the project and the ongoing development of Canada's oil sands.

TransCanada

Keystone XL pipeline is in the U.S. national interest

- TransCanada will invest a total of $13 billion in the Keystone Pipeline System - all private money, no government stimulus
- Keystone will deliver Canadian and American crude oil to U.S Gulf Coast to meet energy needs of Americans.
- Keystone XL would also have a significant ongoing benefit to U.S. economy by:
    - providing more stable, consistent and reliable supply of crude oil from Canada versus importing crude oil from volatile, unstable regimes overseas that do not share the interests and values of Americans.
- Perryman Group study conservatively estimated permanent increase in stable oil supplies will:
    - add more than 250,000 permanent jobs for U.S. workers; and
    - add more than $100 billion in annual total expenditures to the U.S. economy.

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Key Takeaways

- The Keystone Pipeline System is a key link between growing supply of Canadian crude and U.S. markets
- Further permit delay puts this project at risk
- The US will obtain significant benefits:
  - Energy Security
  - National Security
  - Economic Stimulus
  - Job Creation
  - Tax Revenue
  - Promotes Domestic Crude Production
  - Decrease GHG Emissions
- Project is shovel-ready, can begin construction 1 month after receipt of permit and no government funding required

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Thank You!

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