March 6th, 2014

Robin L. Dunnigan
Director
Office of Europe, the Western Hemisphere and Africa
Bureau of Energy Resources
U.S. Department of State.

Re: Presidential Permit Applications: TransCanada Keystone Pipeline, L.P, National Interest Determination (Docket #: DOS-2014-0003)

Dear Ms. Dunnigan,

This letter is being submitted in response to the solicitation for public comment issued by the U.S. Department of State, with regard to if TransCanada Keystone Pipeline, L.P.'s application for a Presidential Permit would serve the national interest.

I am writing as a concerned United States citizen. I work as a freelance journalist, and have contributed to The Nation, The Washington Post the American Prospect, and N+1. In addition, I currently serve as the Communications Director for the nonprofit group The Other 98%. I spent seven years working on Wall Street, in both the cash equity and equity derivatives spaces, across three firms: Morgan Stanley, Merrill Lynch and Deutsche Bank. Finally, I was a co-author of the "Occupy the SEC" comment letter[1] on the "Volcker Rule," Section 619 of Dodd-Frank, the Wall Street Reform and Consumer Protection Act. I am writing this letter in a

[1] See Occupy the SEC's Comment Letter re Prohibitions and Restrictions on Proprietary Trading (77 FR 8332) – Comment No: 57409 (Feb. 13, 2012), *available at* http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=57409&Searc

personal capacity.

The TransCanada Keystone XL Pipeline Project (hereinafter "Keystone XL") is not in the national interest of the United States of America, nor does it advance the State Department's mission of creating a more secure, democratic, and prosperous world for the benefit of the American people and the international community.

The State Department's Final Environmental Impact Statement ("FEIS") appears to have been drafted in order to reverse engineer justification for Keystone XL. This is not surprising, given that the FEIS's author, Environmental Resources Management ("ERM"), is marred by a conflict-of-interest, with a prior business relationship with TransCanada.[2] Science and facts should not be bent to serve the demands of industry, and the State Department should not stand idly by when its hired contractors disclose conflicts after-the-fact.

Keystone XL is not in the U.S.'s national interest in the realms of international diplomacy, public health (both domestic and foreign), capital markets liquidity, economic stability and job creation. Thus, the State Department should recommend *against* approval of the Presidential Permit to TransCanada.

The FEIS was Marred by Inherent Conflicts of Interest

That ERM has done previous work on a TransCanada project was a fact disclosed only *after* ERM won the contract to conduct the State Department's FEIS[3]. This late disclosure raises questions as to whether or not the State Department violated its agency responsibilities under the National Environmental Policy Act ("NEPA") which insist that:

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[2] Jim Snyder, *Keystone Consultant Disclosed Alleged Conflict After Win*, Bloomberg News, Feb. 7, 2014, *available at* http://www.bloomberg.com/news/2014-02-07/keystone-consultant-disclosed-alleged-conflict-after-win.html
[3] *Id.*

> Contractors shall execute a disclosure statement prepared by the lead agency, or where appropriate the cooperating agency, specifying that they have no financial or other interest in the outcome of the project.[4]

This failure to address potential conflicts of interest between TransCanada and ERM within the FEIS compromises its integrity. To address this failure, the State Department should re-start the process, selecting a new third-party contractor *without* ties to TransCanada or other parties with an economic interest in the approval of the Pipeline permit.

The FEIS Makes Flawed and Inaccurate Assumptions

The FEIS makes the flawed assumption that pipeline or not, Canadian tar sands will most likely be brought to the global marketplace. Statements by carbon industry leaders prove this assertion to be false. Brian Ferguson, CEO of Cenovus Energy Inc., a Canadian oil company, has stated that "if there were no more pipeline expansions, I would have to slow down" Cenovus's tar sands expansion plans.[5]

Another conclusion the FEIS draws is that Keystone XL's rejection would have limited impact on tar sands expansion. But once again, the State Department's conclusion here is based on an assumption that WTI prices will exceed $105 by 2020.[6] But the Jun 2020 futures contracts currently trading on the Chicago Mercantile Exchange (the CLZ9 contract) closed at 78.72 on March 7th, 2014. And this is a contract that has been in steady decline for the last

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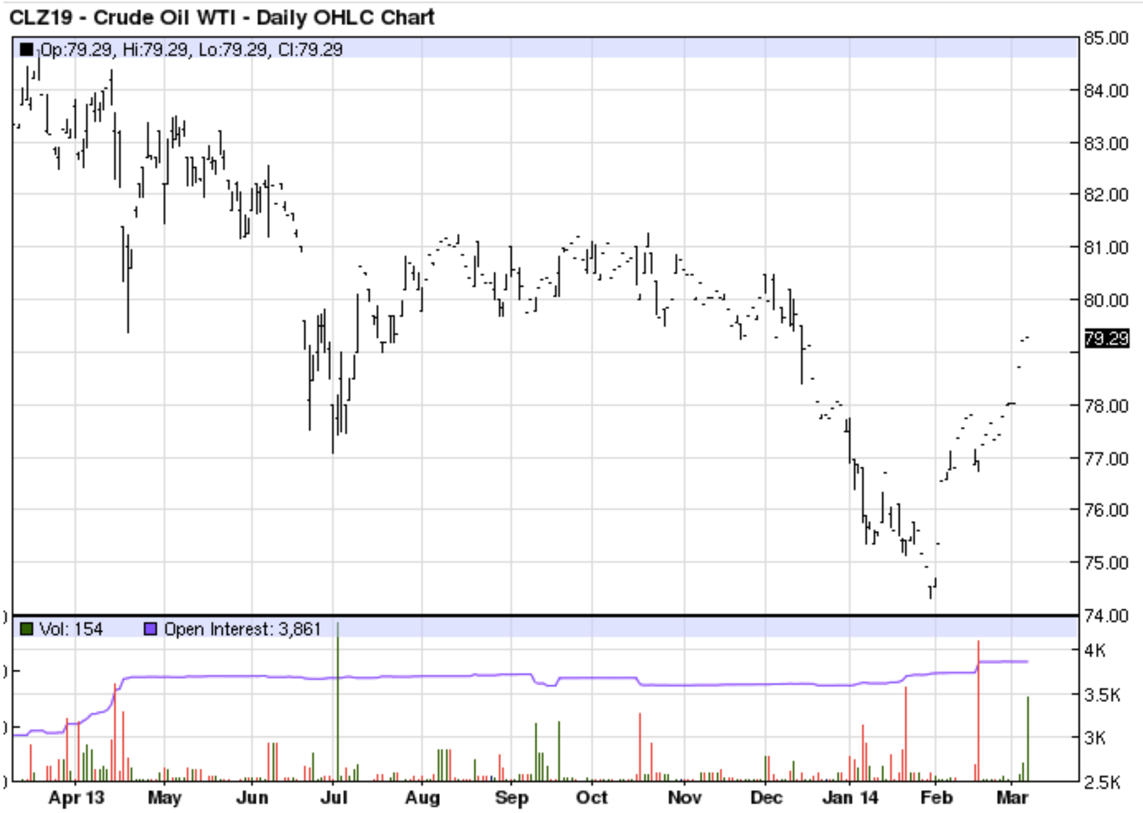
[4] 40 C.F.R. § 1506.5(c).

[5] Shawn Mccarthy & Richard Blackwell, *Oil industry rebuts 'trash-talking' celebrity critics*, The Globe & Mail, Jan. 15, 2014, *available at* http://www.theglobeandmail.com/report-on-business/industry-news/energy-and-resources/oil-industry-rebuts-trash-talking-celebrity-critics/article16357980/.

[6] FEIS, Section 1.4.4, p. 1.4-105

one year (see Figure 1.1).[7]

Figure 1.1



In addition, the IMF's Price Forecast for Spot Crude in 2019 is 86.6.[8] Given market expectation for lower oil prices in the future, the FEIS's conclusion that a rejection of Keystone XL would not limit tar sands expansion is patently false.

Building Keystone XL would Threaten International Diplomacy

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[7] Technical Chart, Crude Oil WTI December 2019 (CLZ19), barchart.com, Mar. 7, 2014, *available at* http://www.barchart.com/chart.php?sym=CLZ19&style=technical&template=&p=DO&d=X&sd=&ed=&size=M&log=0&t=BAR&v=2&g=1&evnt=1&late=1&o1=&o2=&o3=&sh=100&indicators=&addindicator=&submitted=1&fpage=&txtDate=#jump.

[8] International Monetary Fund, Price Forecasts Excel file, "Medium Term Commodity Price Baselines," Tab T2, row 68, *Available at* http://www.imf.org/external/np/res/commod/CommodityPriceForecasts.xls.

The United States must put in a good faith effort to address our carbon footprint at home before we can have a meaningful dialogue with other nations about climate change and reducing emissions. How can the United States, in our efforts to encourage other nations to take steps to curb emissions, be taken seriously in this advocacy when by the FEIS's own account, the bitumen transported by Keystone XL is 17 percent more carbon intensive than conventional crude[9], and will have total emissions of up to 168 million metric tons CO_2e[10], which is equivalent to the tailpipe emissions of 35 million passenger vehicles?[11]

Approval of Keystone XL would seriously undermine our legitimacy in the realm of international diplomacy, as climate change will severely destabilize both island nations and nations with significant economic presences on their coasts.

Keystone XL Creates Significant Risks to Domestic and International Public Health

The World Health Organization estimates that 150,000 deaths per year are already caused by climate change.[12] This estimate is on the low end, as a study commissioned by 20 of the world's governments whose nations are most threatened by climate change found that 400,000 are killed each year due to climate change.[13] Failure to reject Keystone XL would be an irresponsible decision given that these number of deaths due to advanced climate change

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[9] FEIS, Section ES.4.1.2, p. ES-15.

[10] FEIS, Section 4.14.1.3, p. 4.14-36, footnote 5.

[11] Environmental Protection Agency, Greenhouse Gas Equivalencies Calculator, *available at* http://www.epa.gov/cleanenergy/energy-resources/calculator.html#results.

[12] The Health and Environmental Linkages Initiative (HELI), *Priority Risks: Climate Change*, World Health Organization, *available at* http://www.who.int/heli/risks/climate/climatechange/en/.

[13] Climate Vulnerability Monitor, *A Guide to the Cold Calculus of a Hot Planet, 2nd Edition,* Sep, 27, 2012, *available at* http://daraint.org/wp-content/uploads/2012/09/CVM2ndEd-FrontMatter.pdf.

will only continue to rise without significant commitment from the United States.

Keystone XL Would Harm Capital Markets Liquidity

Natural disasters create great market volatility. As one example, a study from Stanford and Purdue University warned that climate change could lead to increased price volatility in the corn market.[14] Increased climate change will create more regular natural disasters, discouraging investments and loan-making in areas along the coasts globally. Volatility (and uncertainty) reduces liquidity, shrinking the pool of those willing to provide it, and increasing the premiums charged by them. These increased premiums and reduced liquidity providers fuels additional volatility, which further reduces the liquidity, creating a vicious cycle.

The risks climate disasters present to liquidity providers and investors alike are widely recognized. A survey by the Global Investor Coalition on Climate Change of 84 participating investors from ten different countries with assets in excess of $14 trillion (USD) found that **81 percent of asset owners** and **68 percent of asset managers view climate change as a material** risk across their entire investment portfolio.[15]

Climate disasters also create increased costs to financial businesses, which need to invest significant funds in developing

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[14] Rob Jordan, *Climate change may create price volatility in the corn market, say researchers from Stanford and Purdue*, Stanford News, Apr. 23, 2012, *available at* http://news.stanford.edu/news/2012/april/climate-change-corn-041912.html.

[15] The European Institutional Investors Group on Climate Change, the North American Investor Network on Climate Risk, the Australia/New Zealand Investor Group on Climate Change and the Asia Investor Group on Climate Change, *Global Investor Survey On Climate Change: 3rd Annual Report On Actions And Progress*, Aug. 5, 2013, *available at* http://globalinvestorcoalition.org/global-climate-change-investor-groups-publish-report-on-investor-practices-relating-to-climate-change/.

disaster recovery systems. As a recent example, the DTCC had 1.3 million stock certificates ruined by Hurricane Sandy.[16]

More concerning, the risks associated with climate change are not easily diverted through diversification, and may thus lead to significant market losses.[17]

Keystone XL Will Not Create Significant, Permanent U.S. Jobs, and Could Impact Economic Stability

The FEIS noted that during construction, Keystone XL will only create 1,950 per year over 2 years[18], and once Keystone XL enters service, it will only required 35 permanent employees, and 15 temporary contractors.[19]

Contrast this with the impact on jobs from just *one* tarsands oil spill, the Kalamazoo River Oil spill of 2010. This spill in Kalamazoo, MI, led to the direct loss of 12 jobs following the closure of a daycare center near the pipeline[20], and a carpet store owner reported:

> Business profits are 35 percent lower than their pre-spill

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[16] Steven Lofiche, *DTCC Post-Superstorm Sandy Update: Stock Certificates Feared To Be Ruined,* Center for Financial Stability, Nov. 6, 2012, *available at* http://centerforfinancialstability.org/wp/?p=743.

[17] Lin Wang, The Impact of Japanese Natural Disasters on Stock Market, *available at* http://artsci.wustl.edu/~gradconf/LinWang.pdf ("what really matters is the risk that cannot be diversified away. In this case, if there are any changes in the stock market return or stock market volatility that are due to natural disasters, special attentions to impact of natural disasters will be necessary since these impacts could not be effectively absorbed by the market itself and may lead to significant losses.").

[18] FEIS, Section 4.10.3.1, p. 4.10-15

[19] FEIS, Section 4.10.1, p. 4.10-5

[20] Lara Skinner, Ph.D & Sean Sweeney, Ph.D, *The Impact of Tar Sands Pipeline Spills on Employment and the Economy*, Cornell Global Labor Institute, p. 13, *available at* http://www.ilr.cornell.edu/globallaborinstitute/research/upload/GLI_Impact-of-Tar-Sands-Pipeline-Spills.pdf

> levels. In the months immediately following the spill, workers required regular access of miller's property in order to conduct cleanup operations. Miller said that more than 100 cleanup workers came onto her property with trucks and equipment, blocking the roads and preventing public access to both her office and her warehouse. The business was also closed for 13 weeks to facilitate cleanup efforts.[21]

The spill has cost Enbridge, the operator of the pipeline, $765 million to date, though the cleanup effort is ongoing over three years later. The Enbridge pipeline carried the same diluted bitumen as Keystone XL.

In addition, a 2011 study by Cornell University's ILR Global Labor Institute concluded Keystone XL may destroy more jobs than it creates.[22] The study found that:

> [Keystone XL] will divert Tar Sands oil now supplying Midwest refineries, so it can be sold at higher prices to the Gulf Coast and export markets. As a result, consumers in the Midwest could be paying 10 to 20 cents more per gallon for gasoline and diesel fuel. These additional costs (estimated to total $2–4 billion) will suppress other spending and will therefore cost jobs.[23]

The study also found that:

> Pipeline spills incur costs and therefore kill jobs. Clean-up operations and permanent pipeline spill damage will divert public and private funds away from productive economic activity. In 2010 US pipeline spills and explosions killed 22

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[21] *Id.* p. 15.

[22] Cornell ILR Global Labor Institute*, Pipe dreams? Jobs Gained, Jobs Lost by the Construction of Keystone XL*, available at *http://www.ilr.cornell.edu/globallaborinstitute/research/upload/GLI_KeystoneXL_Reportpdf.pdf.*

[23] *Id.* p. 4.

people, released over 170,000 barrels of petroleum into the environment, and caused $1 billion dollars worth of damage in the United States.[24]

The meager 35 permanent jobs Keystone XL will create is also vastly insufficient given the vast economic losses due to recent climate and natural disasters. Hurricane Katrina caused losses estimated at over $200 billion, and the loss of 95,000 jobs during the first ten months after the hurricane. [25] Hurricane Sandy was estimated to have caused $50 billion in estimated damages.[26]

And in 2012, natural disasters in the United States caused "$35 billion in privately insured property losses, $11 billion more than the average over the last decade." [27]

Conclusion

The Keystone XL pipeline is not in the national interest of the United States of America, be it our diplomatic, public health, or economic interest. Ostensibly, Secretary of State John Kerry is in agreement, as evidenced by a speech he gave in Indonesia where he said that climate change is a weapon of mass destruction, "perhaps the most fearsome weapon of mass destruction."[28] But if the State Department does not reject Keystone XL, it will be

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[24] *Id*. p. 5.
[25] Michael L. Dolfman, Solidelle Fortier Wasser, & Bruce Bergman, *The effects of Hurricane Katrina on the New Orleans economy*, Monthly Labor Review, Jun. 2007, *available at* http://www.bls.gov/opub/mlr/2007/06/art1full.pdf.
[26] David Potter, *Hurricane Sandy Was Second-Costliest In U.S. History, Report Shows,* Huffington Post, Feb. 12, 2013, *available at* http://www.huffingtonpost.com/2013/02/12/hurricane-sandy-second-costliest_n_2669686.html.
[27] Eduardo Potter, *For Insurers, No Doubts on Climate Change*, NY Times, May 14, 2013, *available at* http://www.nytimes.com/2013/05/15/business/insurers-stray-from-the-conservative-line-on-climate-change.html?pagewanted=all.
[28] Steve Almasay, *John Kerry: Climate change as big a threat as terrorism, poverty, WMDs*, CNN, Feb. 17, 2014, *available at* http://www.cnn.com/2014/02/16/politics/kerry-climate/.

Secretary Kerry himself responsible for launching those very weapons of mass destruction.

Sincerely,

/x/
Alexis Goldstein