Pipeline Profiteering

TransCanada's Keystone XL Pipeline: Manipulating Supplies to Raise Midwest Gas Prices

At a time when Americans are struggling to cope with high gas prices, Secretary of State Hillary Clinton will decide soon whether to approve construction of a new pipeline to carry petroleum sludge from Canadian tar sands through the U.S. heartland to the Gulf Coast – a project that was conceived to milk billions of dollars from U.S. consumers.

The simple truth is that TransCanada wants to build the Keystone XL pipeline for two reasons that have nothing to do with providing oil to America. The corporations's own documents and a detailed study by an independent oil market expert show that the pipeline will:

1. Raise prices at the pump for Midwesterners.

2. Open up a direct route to American ports in order to ship Canadian crude to China and other overseas markets.

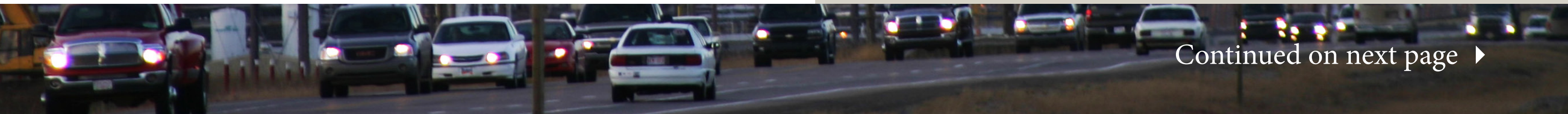
Straight from the Horse's Mouth: Keystone XL will **"increase the price of heavy crude"**

From TransCanada Keystone Pipeline GP Ltd., Canadian application to build the Keystone XL Pipeline:

Section 3: Supply and Markets

3.4.3 Crude Pricing Impact

Existing markets for Canadian heavy crude, principally PADD II [U.S. Midwest], **are currently oversupplied, resulting in price discounting for Canadian heavy crude oil.** Access to the USGC [U.S. Gulf Coast] via the Keystone XL Pipeline is expected to strengthen Canadian crude oil pricing in PADD II by removing this oversupply. **This is expected to increase the price of heavy crude to the equivalent cost of imported crude.** Similarly, if a surplus of light synthetic crude develops in PADD II, the Keystone XL Pipeline would provide an alternate market and therefore help to mitigate a price discount. The resultant increase in the price of heavy crude is estimated to provide **an increase in annual revenue to the Canadian producing industry in 2013 of US $2 billion to US $3.9 billion.**



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Manipulating Supply to Raise U.S. Gas Prices

- For the past year, TransCanada has operated a pipeline called "Keystone" that carries tar sands oil from Alberta to refineries in the U.S. Midwest. TransCanada made over $1.3 billion in profits last year and posted a 39 percent increase in profits in the first quarter this year, thanks in part to a nearly $100 million earnings boost from Keystone.
- As TransCanada's application to build the new Keystone XL pipeline shows, the first line provides more than sufficient pipeline capacity to transport tar sands crude.
- TransCanada actually wants to build the additional Keystone XL pipeline in order to reroute Canadian tar sands crude around Midwestern refineries to the Gulf Coast. As stated in its application documents to the Canadian government, bypassing these refineries will allow the company to withhold supply from the American refineries in the Midwest until they are willing to pay the same higher prices for Canadian "heavy crude" as for "imported crude." Americans deserve better.
- TransCanada estimates that its ability to manipulate supply with Keystone XL will allow it to receive an additional $2 billion to $4 billion per year from U.S. consumers at the pump.
- The price for a Midwestern driver to pump 15 gallons will increase by $3, according to an independent analysis of Keystone XL. Economist and oil industry market expert Philip Verleger determined that TransCanada "will be able to use its market power to raise the heavy crude price to Midwest refiners above the level that would prevail in a competitive market."

Oil for China, Not Energy Security for U.S.

In its sales pitch of Keystone XL for U.S. approval, TransCanada pretends to be playing good neighbor by touting the tar sands pipeline as a way to reduce America's dependence on Middle East oil. Verleger shows that this is not at all the case:

- Saudi Arabia, Mexico, and Venezuela already have long-term supply agreements that will continue to tie up much of the refining capacity on the Gulf for the foreseeable future.
- Gulf Coast refineries are clearly not the destination for tar sands. As Verleger concludes, Keystone XL is instead a direct line to U.S. ports that open tar sands up to the global market, and "the most likely buyer [for Canadian tar sands crude] would be in China."

"[T]here is clear indication that there is a coordinated 'strategy' among Canadian suppliers to gain higher prices."

U.S. Sen. Ron Wyden in a letter to the FTC asking for an investigation into collusion and market manipulation related to Keystone XL.

In deciding whether to approve construction of this pipeline through 2,000 miles of U.S. farmland, the U.S. State Department must determine if Keystone XL is in America's national interest.

Keystone XL is not a pipeline TO the U.S. but rather one THROUGH it.

TransCanada's plan is to use Keystone XL to manipulate oil and gas prices in the Midwest and gain access to overseas shipping routes. Higher gas prices and fueling China's appetite for fossil fuels is clearly NOT in the best interest of the U.S.

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