

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Rules

BILL: HM 281
INTRODUCER: Representative Hill and others
SUBJECT: Keystone XL Pipeline
DATE: April 11, 2014 REVISED: _____

ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1. <u>Wiehle</u>	<u>Phelps</u>	<u>RC</u>	Favorable

I. Summary:

HM 281 urges the President to issue final approval of the Keystone XL Pipeline Project, a proposed 875-mile pipeline crossing the U.S.-Canadian border at Morgan, Montana, and continuing to Steele City, Nebraska, where it will connect with existing pipelines to deliver crude oil from oil sands in Canada and from the Williston Basin (Bakken) region in Montana and North Dakota to refineries in the Midwest and the Gulf Coast of Texas.

II. Present Situation:

Permit Process Requirements

Executive Order 13337 requires that all proposed petroleum pipelines that cross international borders of the U.S. receive a Presidential Permit.¹ In this process, the President must first issue an Executive Order which directs the Department of State (Department) to determine whether a particular project serves a national interest. In this determination, the Department considers factors consistent with the National Environmental Policy Act and prepares a Final Supplemental Environmental Impact Statement (FSEIS) which determines if the project does or does not serve a national interest. Upon publishing the FSEIS, the Department has 90 days to consult with eight federal agencies including the Environmental Protection Agency and the Departments of Energy, Defense, Transportation, Homeland Security, Justice, and Commerce. The Department must also consider public comment on the proposed project. This window does not impact the President's unspecified timeline² for making a decision on the Project's application. At any point after this

¹ *Executive Order 13337—Issuance of Permits With Respect to Certain Energy-Related Facilities and Land Transportation Crossings on the International Boundaries of the United States*, April 30, 2004, available at <http://www.gpo.gov/fdsys/pkg/WCPD-2004-05-10/pdf/WCPD-2004-05-10-Pg723.pdf>.

² According to the U.S. Department of State (in *Remarks on the Release of the Final Supplemental Environmental Impact Statement for the Proposed Keystone Pipeline*, Jan. 31, 2014, available at <http://www.state.gov/e/oes/rls/remarks/2014/221129.htm>) "the only specific timeline that's given in the executive order is that the consulting agencies have up to 90 days to get their views in."

Presidential Permit process, the President may issue a National Interest Determination and then either approve or deny the Project's application.³

Keystone Pipeline System and Keystone XL Pipeline

The Keystone Pipeline System is an oil pipeline system delivering oil from the Western Canadian Sedimentary Basin in Alberta, Canada, to refineries in the United States in Steele City, Nebraska; Wood River and Patoka, Illinois; and the Gulf Coast of Texas. It consists of four pipeline systems, or phases. Three are complete and operational:

- Phase I (for which the Department issued a Presidential Permit on March 17, 2008) runs from Hardisty, Alberta, to Steele City, Nebraska, and then to Wood River and Patoka, Illinois;
- Phase II extends south from Steele City, Nebraska, to Cushing, Oklahoma; and
- Phase III extends further south from Cushing, Oklahoma, to Nederland, Texas.⁴

Phase IV, the Keystone XL Pipeline Project (Project), also will run from Hardisty, Alberta to Steele City, Nebraska. In 2008, TransCanada Keystone Pipeline, LP (TransCanada), a Canadian company that is financially backing the entire pipeline system, submitted its first application for the Project.⁵ The proposed pipeline was 1,384 miles, and would have crossed 90 miles of the Sand Hills Region in Nebraska, a region the Nebraska Department of Environmental Quality identified as environmentally-sensitive. The Department published the FSEIS for this proposal in 2011, but the President subsequently denied the permit due to the controversial path the Project took across the Sand Hills Region.

On May 4, 2012, TransCanada filed a new Presidential Permit application, proposing a new route which avoids the Sand Hills Region. Under the new application, the Project consists of an 875-mile pipeline crossing the U.S.-Canadian border at Morgan, Montana, and continuing to Steele City, Nebraska. The Project is estimated to cost TransCanada approximately \$3.3 billion.⁶ The Project is estimated to take two years to complete construction. Along with the three previous phases of the Pipeline, the Project will have the capacity to deliver roughly 830,000 barrels per day of crude oil from oil sands in Canada and from the Williston Basin (Bakken) region in Montana and North Dakota to refineries in the Midwest and the Gulf Coast of Texas.⁷

For its review of the application, the Department selected the consulting firm, Environmental Resources Management as a third-party to prepare the Supplemental Environmental Impact Statement. In preparing the FSEIS, the Department took into consideration over 1.5 million public comment submissions.⁸ The Department issued the FSEIS in January 2014, triggering a

³ 42 U.S.C.A. § 4332 (West); U.S. Department of State, *Remarks on the Release of the Final Supplemental Environmental Impact Statement for the Proposed Keystone Pipeline*, (Jan. 31, 2014), available at <http://www.state.gov/e/oes/rls/remarks/2014/221129.htm>.

⁴ United States Department of State Bureau of Oceans and International Environmental and Scientific Affairs, *Final Supplemental Impact Statement for the Keystone XL Project (FSEIS)* (January 2014) at 3, available at <http://keystonepipeline-xl.state.gov/documents/organization/221135.pdf>.

⁵ FSEIS Exec. Summ., at 1.

⁶ FSEIS Exec. Summ. at 9.

⁷ FSEIS Exec. Summ. at 6.

⁸ U.S. Department of State, *Keystone XL Pipeline Evaluation Process Fact Sheet*, available at Keystonepipeline-xl.state.gov/draftseis/205549.htm.

90-day period for the Department to solicit comment from the appropriate U.S. agencies per Executive Order 13337.

The FSEIS states the Project will not significantly add to greenhouse emissions.⁹ Specifically, the FSEIS states that assuming the Project occurs within the next few years, the climate conditions will not substantially differ from the current conditions.¹⁰ The FSEIS also states that the potential for certain spills have been mitigated by implementation of the PHMSA prevention plan.¹¹ Finally, the FSEIS states the Project will support approximately 42,100 jobs either indirectly, directly, or induced by the Project. Approximately 3,900 of these jobs are construction jobs located through Montana, South Dakota, Nebraska, and Kansas.¹² Overall, the Project would result in approximately \$2 billion in earnings throughout the United States and approximately \$3.4 billion (or 0.02 percent) to the U.S. gross domestic product (GDP).¹³

Supporters and Opponents

Supporters of the Keystone XL Pipeline state the Project supports market demand for crude oil refineries in closer proximity to the U.S. Additionally, obtaining crude oil from Canada would reduce the necessity to rely on foreign oil companies in unstable regions.¹⁴ Pipelines are one of the safest and most cost-effective ways to transport oil and other hazardous liquid products to the U.S., reducing the potential for spills and other related disasters.¹⁵ In early 2013, 53 Senators including 44 Republicans and 9 Democrats signed and sent a letter to the President urging him to approve the Project.¹⁶ At least one poll has shown approximately two-thirds of Americans support the construction of the Project.¹⁷

Specifically in Florida, supporters of the Pipeline claim that quick and easy access to oil is important to Florida because Floridians consume approximately 9.5 billion gallons of gasoline and diesel fuel annually.¹⁸ Various Florida industries such as fertilizer, agrochemical, and plastic rely heavily on the access and use of oil-based products. Because Florida has no crude oil refineries, much of its petroleum products must be delivered to cities such as Jacksonville, Miami, and Tampa, and ports such as Port Canaveral, Port Manatee, and Port Everglades.¹⁹ The

⁹ FSEIS Exec. Summ. at 15, 34.

¹⁰ FSEIS Exec. Summ. at 17.

¹¹ FSEIS Exec. Summ. at 19.

¹² FSEIS Exec. Summ. at 19.

¹³ *Id.*

¹⁴ Nancy Smith, *Enough Stalling on the Keystone XL Pipeline*, SUNSHINE STATE NEWS (October 19, 2013), available at <http://www.sunshinestatenews.com/story/enough-stalling-keystone-xl-pipeline-already>.

¹⁵ U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration, Safe Pipeline FAQs, available at

<http://phmsa.dot.gov/portal/site/PHMSA/menuitem.ebdc7a8a7e39f2e55cf2031050248a0c/?vgnextoid=2c6924cc45ea4110VgnVCM1000009ed07898RCRD&vgnnextchannel=f7280665b91ac010VgnVCM1000008049a8c0RCRD&vgnnextfmt=print>.

¹⁶ Matt Daly, *53 Senators Urge Approval of Keystone XL Pipeline*, USA Today (Jan. 23, 2013), available at <http://www.usatoday.com/story/news/politics/2013/01/23/senators-urge-approval-keystone-pipeline/1860003/>.

¹⁷ Pew Research Center, Continued Support for Keystone XL Pipeline (Sept. 26, 2013), available at <http://www.people-press.org/2013/09/26/continued-support-for-keystone-xl-pipeline/>.

¹⁸ Federal Highway Administration, Motor-Fuel Use 2012, available at <http://www.fhwa.dot.gov/policyinformation/statistics/2012/pdf/mf21.pdf>.

¹⁹ U.S. Energy Information Administration, Florida State Profile and Energy Estimates, available at <http://www.eia.gov/state/analysis.cfm?sid=FL>.

Project would reinforce our strong relationship with Canada and ensure America's energy security.²⁰

Opponents of the Keystone XL Pipeline assert that the potential environmental impacts outweigh the economic benefits. In Florida, the opposition appears to center around claims that the completion of the Pipeline will increase the rate of greenhouse emissions because the method of extracting tar sand oil employed in producing oil for the Project will produce more gasses than traditional methods of producing oil. Opponents argue that these emissions cause potential risks including economic loss, biodiversity loss, food and water shortages, health issues, extreme weather, storms, and sea level rise. Finally, the opposition states that because Florida's environmental and economic industries, like tourism, rely on clean shorelines and water, increasing pollution via fossil fuel emissions could hinder these kinds of industries.²¹

III. Effect of Proposed Changes:

HM 281 urges the President to issue final approval of the Keystone XL pipeline Project.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

None.

²⁰ Kevin Doyle, *Keystone Pipeline Important to Florida*, StAugustine.com (June 26, 2013), available at <http://staugustine.com/opinions/2013-06-26/guest-column-keystone-xl-pipeline-important-florida#.UvKBWvldW9U>.

²¹ See, CREDO Action, Sign the Keystone XL Pledge of Resistance, available at http://act.credoaction.com/sign/kxl_pledge and Keystone XL Pipeline, available at <http://florida.sierraclub.org/northeast/issues/articles/XLPipeline.html>.

VI. Technical Deficiencies:

None.

VII. Related Issues:

Legislative memorials are not subject to the Governor's veto power and are not presented to the Governor for review. Memorials have no force of law, as they are mechanisms for formally petitioning the U.S. Congress or the President to act on a particular subject.

VIII. Statutes Affected:

This bill does not affect the Florida Statutes.

IX. Additional Information:**A. Committee Substitute – Statement of Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.