

The Politics of Pipelines

This past week President Obama made news when he rejected TransCanada Corp.'s Keystone XL pipeline application. The proposed pipeline would deliver crude oil 1,700 miles from Alberta, Canada through six U.S. states, ultimately being delivered to refineries in Texas.

The oil sands of northern Alberta are the world's third-largest crude source after those in Saudi Arabia and Venezuela.

In addition to delivering 830,000 barrels of oil per day from a friendly neighbor, the project would cost about \$7 billion and would immediately put many Americans to work. TransCanada says the pipeline could create as many as 20,000 jobs while a State Department report indicates the pipeline would create up to 6,000 jobs during construction.

This decision was an immediate lightning rod for criticism.

Newt Gingrich quickly proclaimed "What Obama has done is kill jobs, weaken American security and drive Canada into the arms of China out of just sheer stupidity." Not surprisingly, other Republicans had similar comments.

However, the criticism did not end there. One of Obama's largest supporters, the labor unions, is very much in favor of the pipeline project as an immediate job creator. Surely the president does not want to alienate this group of supporters. This is especially true when stated unemployment is 9% and functional unemployment is over 20%. Any job growth should be welcome.

The president is stepping very lightly with the election only nine months away. In supporting the pipeline, Obama risks offending another political supporter—the environmentalists. Despite the massive amounts of safely run pipelines crisscrossing our national landscape, rather vocal environmental groups have promised to yank support, as well as funding, should the president approve this project.

No matter what the terms are, environmental groups generally loathe oil sands. These groups oppose increasing the flow of oil sands crude from Canada because of its bigger carbon footprint in the mining process.

However, the environmentalists in the U.S. are very idealistic. The U.S. does not own Canada and Canada has other options. Canadian Prime Minister Stephen Harper has already said Canada is serious about building a pipeline to its West Coast, where oil could be shipped to China and other Asian markets. Translation: if the U.S. does not build the pipeline, it will be built elsewhere.

The president has another, larger, issue to consider. The proposed pipeline treks across a 65 mile stretch of the Sandhills area in Nebraska, which supplies water to eight states. This seems to be the largest sticking point to the entire project. While the president's experts claim they need additional time to solve the Sandhills problem, they have had since 2008 to evaluate this issue. More than likely, the democrats wanted to delay a decision on this project until after the November election.

This entire controversy is nothing but jockeying from both sides of the political equation. There is virtually no doubt that the proposed pipeline will be rerouted around the Sandhills area and it's Ogallala Aquifer—it is just a matter of when.

Unfortunately, the longer we drag this out, the longer American jobs are put on hold and the greater the chance the Canadians build the pipeline to their western ports excluding us altogether. Additionally, the longer we stall the more oil we buy from OPEC as opposed to our friendly neighbors to the north.

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