



The changing climate of the Keystone XL pipeline

By Paul C. Knappenberger
November 14, 2014

In the wake of lengthy delays, cheap oil, and the U.S. elections, the climate of the Keystone XL pipeline is changing.

The midterm elections brought pro-pipeline Republicans into control of the Senate and along with a few remaining pro-pipeline Democrats there, the stage is set for a [filibuster-proof Keystone proposal](#). Some sort of measure to approve the pipeline and supersede a State Department's decision to scrap it could pass both the House and the Senate and end up on President Obama's desk sooner rather than later.

According to North Dakota Republican Sen. Jon Hoeven, "I think you're going to see us bring up energy legislation right away and Keystone will be one of the first things we pass." What the president would do with such legislation it is anyone's [guess](#), but, there are probably not enough votes in the Senate to overcome a veto.

During the more than six years of political wrangling as the State Department considered TransCanada's Keystone XL pipeline proposal, the economics of the project have changed significantly. TransCanada's president, Russ Girling, in a recent [conference call](#), reported that the estimated cost of building the pipeline will nearly double from \$5.4 billion to the most recent estimate of \$8 billion. Costs may even reach \$10 billion, Girling warned. There is also a shifting responsibility for cost sharing between the shippers and TransCanada, with a greater burden placed on TransCanada if the cost does exceed \$8 billion.

In the meantime, TransCanada has been exploring several alternative ways of getting oil from Alberta's tar sands to market. They have recently [proposed](#) an \$10.5 billion "Energy East" pipeline—a combination of new pipeline and the conversion of an existing natural gas pipeline to carry heavy crude—that would send the tar sands oil from Alberta to Canada's Atlantic Coast and then by tanker to the U.S. Gulf refineries, negating the need of State Department approval.

On top of this, the price of a barrel of oil has plummeted in recent months. This sends a mixed message for the Keystone XL. On one hand, a low price is a [disincentive](#) to develop new oil

projects, while on the other, extraction of a lot of the surface Alberta tar sands oil is pretty cheap, so a low price may [favor](#) further development there.

And one last thing—there is still an ongoing [case](#) before the Nebraska Supreme Court concerning who had the authority to approve the routing of the Keystone XL pipeline through Nebraska, whether it is the state's governor or the Public Service Commission. It is not expected to be decided until 2015.

And while the political and economic climate of the pipeline has certainly been changing, one aspect that hasn't changed is the pipeline's impact on global climate change. It remains as [insignificant](#) as it ever was. A year-and-a-half ago, at the request of Congress, I calculated that the oil that would flow through the Keystone XL pipeline would add less than 1/100th of a degree to whatever global warming is to come over the course of the rest of this century, and that "Keystone XL's impact on the climate would be inconsequential and unmeasurable," I wrote at the time. That conclusion remains true.

So, while approval of pipeline is not imminent, it may be inching closer. But by the time the approval is granted, it may end up being too late, as TransCanada might ship the oil east, or decide that the original pipeline is just too expensive.

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