

United States Senate

WASHINGTON, DC 20510-1401

February 3, 2012

The Honorable Henry Waxman
United States House of Representatives
Washington, D.C.

Dear Henry:

I understand that you have written to Indiana Governor Mitch Daniels' federal representative to request a briefing in order to "learn about Indiana's interests in the proposed Keystone XL pipeline." The State of Indiana is fully justified to advocate on this issue and for private sector Hoosier jobs.

As a lead author of Senate legislation to override President Obama's failure on the Keystone XL pipeline and as the Ranking Member of the Senate Foreign Relations Committee, I appreciate this opportunity to share the importance of the project for Hoosiers and for Americans across the country.

The Keystone XL pipeline would create thousands of private sector jobs, and it would help protect United States national security interests. It comes at no taxpayer expense, and it will strengthen our vital ties with our ally Canada.

Governor Daniels was absolutely correct to address this issue in his response to President Obama's State of the Union Address. This is a significant project for our country which will have an important impact on our state.

I have personally met with Hoosiers working in jobs that will directly benefit from Keystone XL. On January 18, for example, I visited with women and men working at Endress+Hauser in Greenwood where they manufacture instruments that will be sold to Keystone XL. In South Bend, Hoosiers at Koontz-Wagner Electric build controls for Siemens pumps that will move the oil along the pipeline.

The President failed America's workers when he denied a permit for Keystone XL. Keystone XL is expected to directly create 20,000 private sector jobs, particularly in the hard-hit construction and manufacturing sectors. The assumption that not being along the pipeline route prohibits economic benefits does not take into account how manufacturing supply chains work in this country. Tens – if not hundreds – of thousands of other American workers will have their job prospects bolstered through the supply chain.

Hoosiers working at Caterpillar in Lafayette, for example, build engines for the large trucks used in oil extraction in Alberta. Caterpillar has about 4,400 full time employees in Indiana, 2,500 of which are at the Lafayette plant. That company alone works with 276 Indiana suppliers, paying them more than \$300 million in 2010 alone.

Keystone XL offers a quick job creation opportunity that involves no taxpayer expense. With unemployment at 9.0% in Indiana and 8.3% nationally, and many more Americans underemployed, private sector job creation must be our top domestic priority. More than 2,400 American companies across 49 states, including over 100 in Indiana, supply goods and services for oil sands development and transport, according to industry estimates. At a time of simultaneous concerns over low job creation and high deficits, the Keystone XL project is exactly the kind of private sector remedy that we need.

President Obama's opposition to the Keystone XL pipeline is not in the best interest of the United States.

Consider some of the flashpoints in major oil supplying countries during the 1,217 days during which the Obama Administration reviewed, and rejected, the Keystone XL pipeline application: Iranian threats against oil shipments and the U.S. Navy; war in Libya; hostilities in Iraq; Venezuelan antagonism; violence in Nigeria; political unrest in Russia; strained relations with Saudi Arabia; failing rule of law in Ecuador; and the ongoing threat of terrorism against energy infrastructure in multiple regions.

In contrast, the only uncertainty in oil trade with Canada was the U.S. indecision over Keystone XL. The delay and Obama rejection led the Canadian government to openly question whether the U.S. is a reliable market and turn its attention to supplying China's voracious appetite for energy.

There is no doubt that Canada will continue to develop the oil sands regardless of U.S. decision-making on Keystone XL. Shipping the oil to the Canadian Pacific or Arctic coasts and onward via tanker for sale to China would compound environmental risks, while denying our country the strategic and economic benefits associated with it.

United States dependence on foreign oil is one of our foremost national security vulnerabilities. Iran's threat to shatter global economic recovery and splinter allied opposition to their nuclear weapons program by using their oil exports is just the most visible example today. The dollars we use to buy oil from autocratic regimes complicate our own national security policies by entrenching corruption, financing regional aggression and repression, and inflating Defense Department costs.

The national imperative to reduce dependence on foreign oil from adversarial and unreliable regimes is not a partisan issue. Legislation I have offered would reduce our need for foreign oil by 6.3 million barrels per day by 2030 – well more than 50%. Even

if we achieve domestic production and efficiency goals, we cannot afford to ignore the source of our foreign oil. Canada is our most reliable and safest oil trading partner.

I recognize that there is opposition to Keystone XL among certain segments of the environmental community. I take these concerns seriously. That is why the legislation I drafted with colleagues that became law in December 2011 and the new draft I have offered to override the President's failure to approve Keystone XL contains perhaps the strongest environmental and safety requirements for a pipeline ever put into U.S. law.

The benefits of this project for job creation and our national security are clear. The American people agree. Polling by Rasmussen and United Technologies/*National Journal* clearly indicates that a majority of Americans support the granting of the Keystone XL permit. Joining this chorus of support are both Republican and Democratic Hoosier mayors, military personnel, and the Indiana State Senate.

Hoosiers need jobs and energy security. Governor Mitch Daniels understands the importance of these concerns, and we could have no better leader in Indiana.

Sincerely,

A handwritten signature in black ink, appearing to read "Dick", written in a cursive style.

Richard G. Lugar
United States Senator

Attach: Copy of S.2041

Cc: The Honorable Fred Upton, Chairman,
House Energy and Commerce Committee

RGL/nbc