



# **Economic Analysis of the Keystone XL Pipeline**

**Corrected Estimates of Economic Impacts  
from Constructions and Operations**  
*Wednesday, February 29<sup>th</sup>, 2012*

*what does **REMI** say? <sup>sm</sup>*

# Presented by...

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# Primary Questions

- Today, we seek to answer two questions about the Keystone XL pipeline and the economics of the policy debate:
  - **(1) What is the status of the Keystone XL record, and what can we use?**
  - **(2) What, as economists, can we conclude about the impact of the pipeline?**



# Today's Agenda



The Keystone  
XL Pipeline

Literature  
Review

Models and  
Methods

Economic  
Results

Surveying Oil  
Markets

## REMI

**Regional Economic Models, Inc.**

*“Dedicated to improving the quality of public policy decisions since 1980.”*

- Regional economic impacts and policy analysis models
- Software training and unlimited technical support
- Annual updates with ongoing research and development

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# Project Phases

## Phase 1 – operating since June 2010

- 1,853 miles through Canada and the Dakotas to Steel City, NE and then east to PADD 2 as far as Patoka, IL

## Phase 2 – operating since February 2011

- 298 miles from Steel City, NE to Cushing, OK

## Phase 3 – proposed for Keystone XL

- 533 miles from Cushing, OK to Houston, TX and Port Arthur, LA

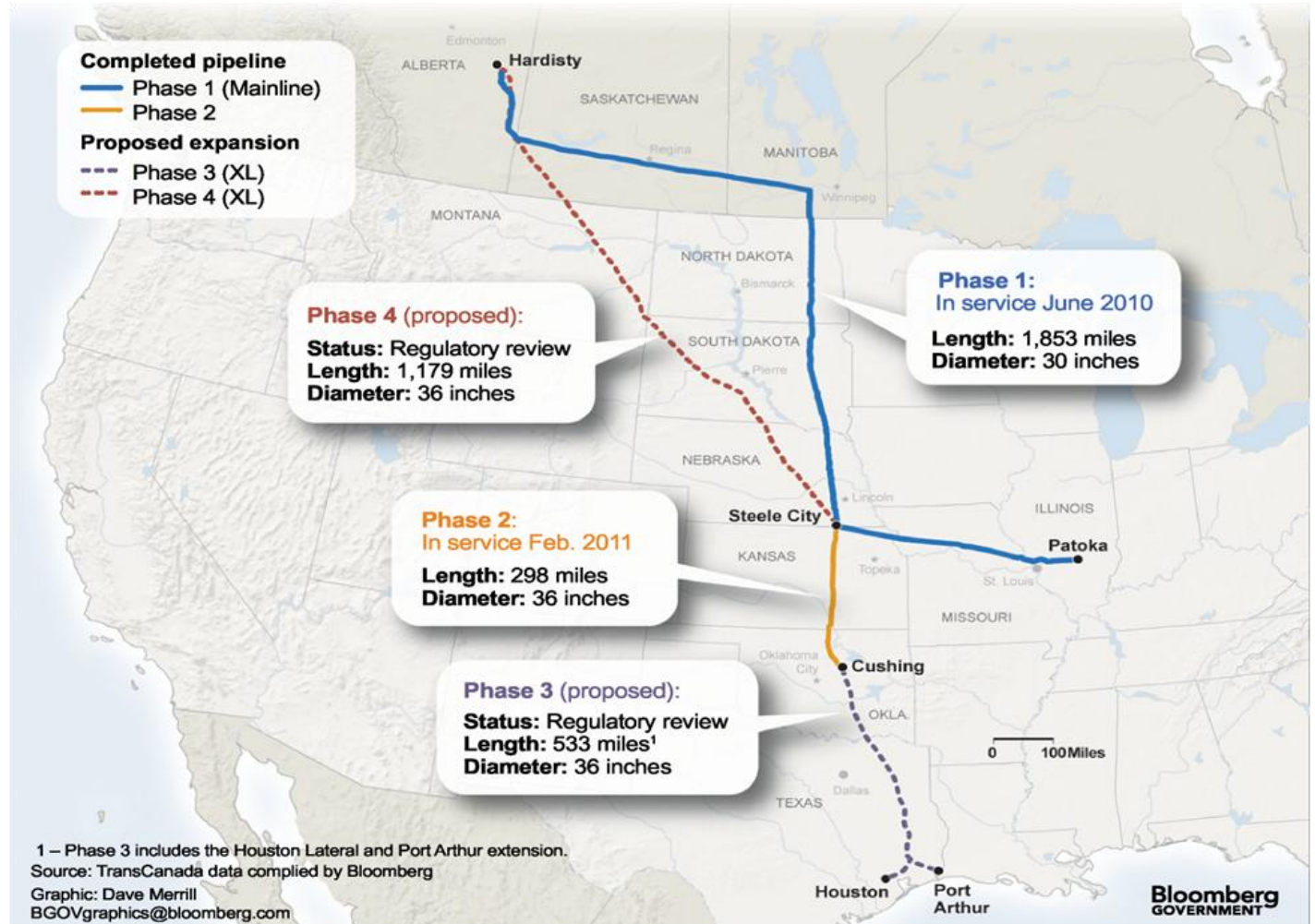
## Phase 4 – proposed for Keystone XL

- 1,179 miles to streamline the route from Alberta to Steel City, NE (through the Great Plains) and then onto the Gulf Coast
- Capacity of 700,000 barrels/day from Alberta to U.S. refineries

*what does **REMI** say? <sup>sm</sup>*



# Pipeline Map



what does **REMI** say? <sup>sm</sup>



# Current Situation

## Initial route and border applications

- TransCanada proposed the original Keystone on February 9, 2005
- They further proposed the “XL” portion of the pipeline in early 2009

## Obama administration’s decision

- On January 18, 2012, President Obama denied the application for the XL pipeline, citing incomplete analysis of environmental concerns
- Various Republican provisions from Congress (including an amendment to the payroll tax cut) tried to force the XL approval

## Pending redesigns over Ogallala aquifer

- Final decision delayed beyond the 2012 elections
- Pending reapplication from TransCanada with slight route redesigns







# Policy Question

**What is the economic impact of the Keystone XL pipeline (in phases 3 and 4) in terms of jobs and economic activity?**

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## The Perryman Group

The Impact of Developing the Keystone XL Pipeline Project on Business Activity in the US:  
An Analysis Including State-by-State Construction Effects and an Assessment of the Potential Benefits of a More Stable Source of Domestic Supply

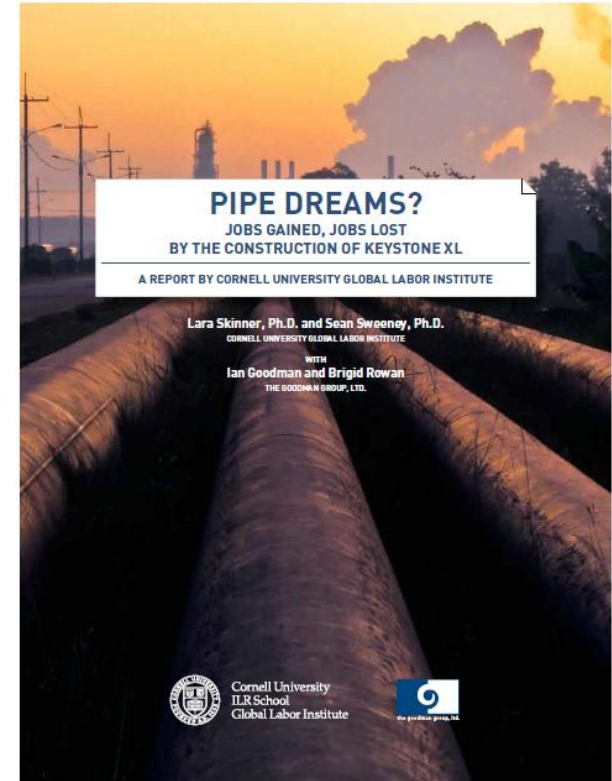


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June 2010



## Cornell University's GLI



## Insert Ensys Dec 2010 cover

## Insert Ensys 2011 cover

- Also cite
- Philip Verleger, “If gas prices go up further, blame Canada,” *Minneapolis Star-Tribune*, May 13, 2011.
- Philip Verleger, “The Keystone XL Pipeline: OPEC’s Trojan Horse,” September 2011.





# Perryman



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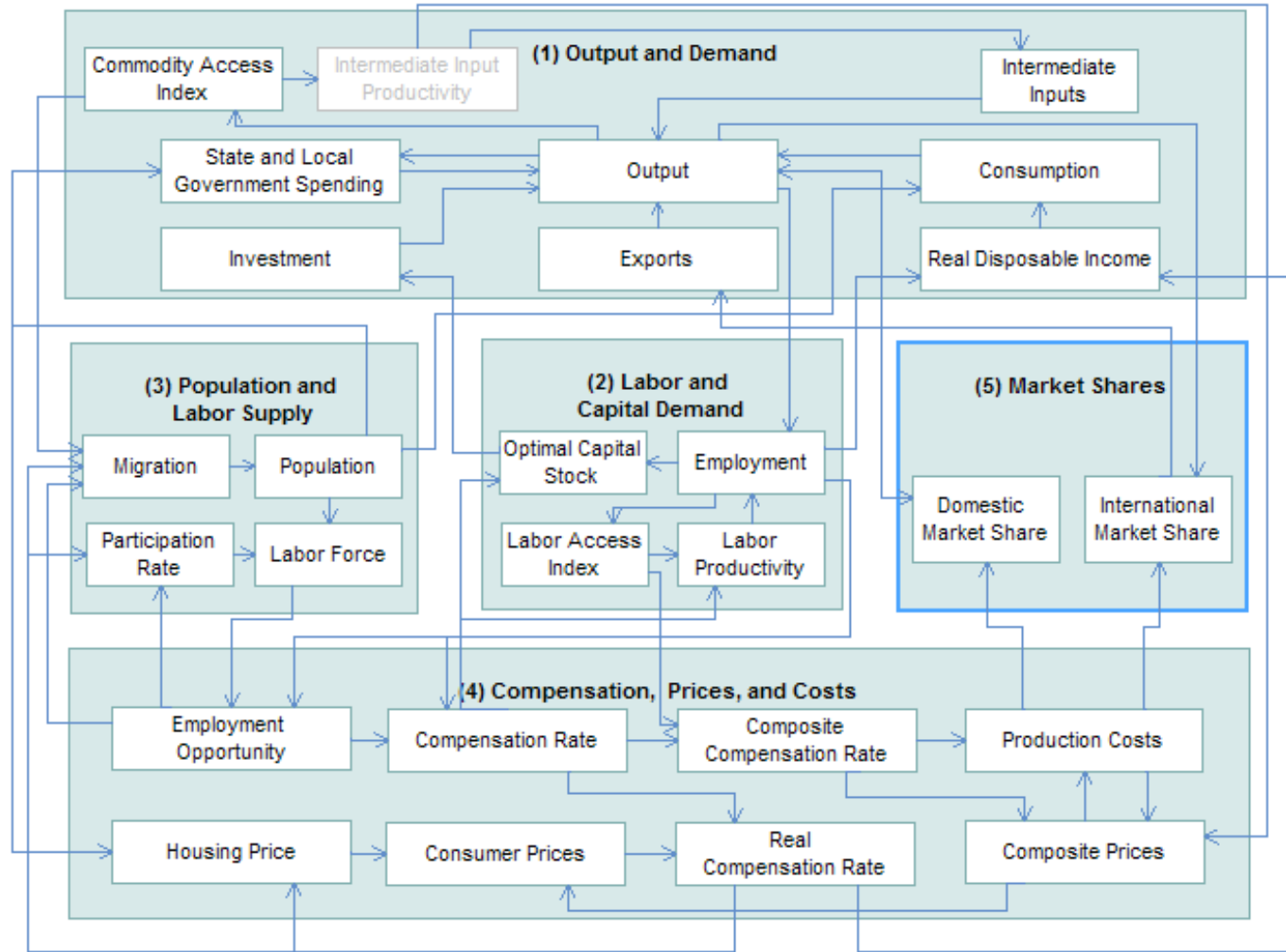


# Cornell GLI



what does **REMI** say? <sup>sm</sup>

# PI<sup>+</sup> Model Structure



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# Model Demonstration

**REMI PI<sup>+</sup> v. 1.3**

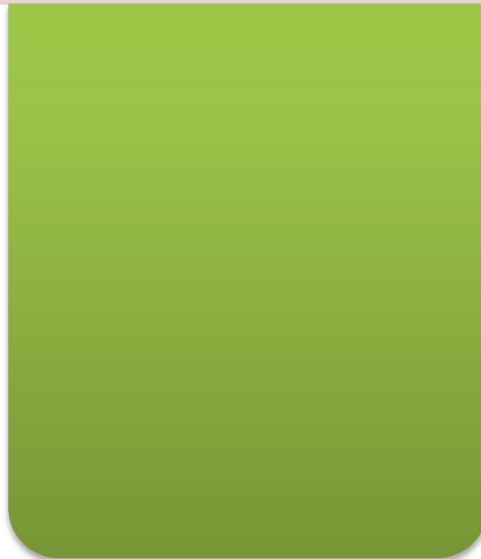
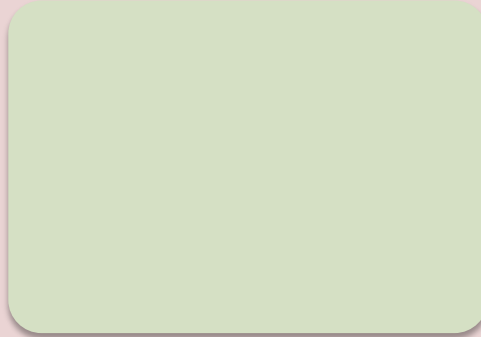
**51-regions (50 states and DC)**

**169-sectors (approximately four-digit NAICS)**

*what does **REMI** say? <sup>sm</sup>*



# Economic Results



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