

September 17, 2009

The Honorable James L. Jones
Assistant to the President for National Security Affairs
The White House
Washington, DC 20500

Dear General Jones:

Late last month, the U.S. Department of State, a member of the National Security Council, granted a permit for the construction of the Alberta Clipper pipeline -- a conduit through which an estimated 450,000 barrels a day of secure, Canadian energy will eventually travel to grateful energy consumers in the United States. Upon completion, the pipeline will extend 665 miles from Alberta, Canada to Superior, Wisconsin, crossing through North Dakota and Minnesota, and significantly strengthening America's energy and economic security along the way.

Consumer Energy Alliance, a non-partisan, not-for-profit organization of more than 120 affiliates and nearly 200,000 grassroots supporters, applauds the administration for its forthright action in countenancing this critical project, and for recognizing that it "will advance a number of strategic interests" for our nation. We believe the pipeline will advance a number of key economic interests as well, including the creation of thousands of high-wage American jobs and promoting the high-volume delivery of secure, affordable sources of energy for the American people.

Of course, the pipeline will achieve none of these objectives if the supply of this energy is diverted elsewhere, or if the ability of it to travel undisturbed into the United States is artificially restricted by Low-Carbon Fuel Standard (LCFS) policies currently being considered by Congress.

As it relates to the threat over future supply, we commend to your attention recent news out of Canada regarding a new partnership between local producers of oil sands and China's state-owned oil giant, PetroChina. Under the terms of the deal, which have been widely reported in both the Canadian and U.S. press, PetroChina invested \$1.7 billion USD in contracting with the Athabasca Oil Sands Corporation to secure 60 percent of the firm's MacKay River and Dover projects in the Alberta province.

How is this news relevant to the Alberta Clipper project? Last year, the United States imported 1.5 million barrels of oil a day derived from the Canadian oil sands, and thanks to projects such as the Alberta Clipper, that number is expected to climb to 4.3 million barrels a day over the next two decades. This is encouraging news. As you know, the greater the volume of energy we're able to secure from our allies on the continent, the less we'll need to import from people and places around the world whose strategic interests don't always align with our own.

Considering the close economic and strategic relationship we share with our friends in Canada, it's always been assumed that the preponderance of oil produced from the Canadian oil sands in the future will be claimed by U.S. markets. News of China's involvement in the development of those resources, coupled with renewed talk of constructing an east-west pipeline for exportation of this oil to Asia, casts serious doubt on that expectation. So too does the advancement of a nationwide LCFS policy in Congress -- which, if enacted,

would deny millions of Americans access to Canadian energy without materially affecting global emissions of greenhouse gases. In fact, according to a recent study published in the American Economic Journal, an LCFS may actually lead to an increase in those emissions.

Plainly put, the Canadians have finally read the handwriting on the wall. They understand efforts are underway in Congress and in several U.S. states to pass LCFS policies, and they know well that policies of this sort will effectively preclude U.S. consumers from accessing this unique resource. The advancement of an LCFS policy in Washington is the cause – not the effect – of Canada’s newfound interest in engaging new energy markets in Asia. And if passed, an LCFS would only strengthen its resolve to seek out and find new markets in which to sell these critical energy supplies.

The emergence of constraints on both the availability of Canadian crude and U.S. receptivity to it – the former, an indirect function of LCFS; the latter, a direct consequence of it – represents a serious impediment to our taking full advantage of the opportunities presented to us by the Alberta Clipper project. And considering the enormous investment involved and the serious security implications an LCFS entails – greater dependence on unstable energy, greater volatility of supply – it stands to reason that the National Security Council would want to take an active role in studying this issue further, and perhaps even making recommendations consistent with the preservation of that security.

As such, I’m writing to you today to ask the Council to conduct a thorough evaluation of how the advancement of an LCFS policy might impact our national security by casting serious doubt on our ability to make full use of the Alberta Clipper pipeline. With billions of dollars at stake, billions of units of much-needed energy hanging in the balance, and serious implications related to the status of our continued relationship with Canada, it would seem such a request fits well within the interests and mandates of your department. Please know that Consumer Energy Alliance stands ready to assist you in any manner you deem appropriate.

Thank you in advance for your forthright consideration. I look forward to hearing from you soon.

Sincerely,

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

David Holt
President
Consumer Energy Alliance

CC: The Honorable Hillary Clinton, Secretary, U.S. Department of State