WRITTEN STATEMENT

HEARING ON “THE AMERICAN ENERGY INITIATIVE”

FROM

MURRAY SMITH, CALGARY, ALBERTA, CANADA

BEFORE THE

HOUSE COMMITTEE ON ENERGY AND COMMERCE

SUBCOMMITTEE ON ENERGY AND POWER

U.S. HOUSE OF REPRESENTATIVES

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SUMMARY OF MAJOR POINTS

- Today's hearing recognizes the importance of North American energy and the pressing need for new infrastructure to ensure North America's resources are able to be used to the advantage of consumers in the U.S.
- Today, the U.S. will receive over 1.6 million barrels of oil from Alberta, and about 2 million barrels from all of Canada.
- Producing oil from Alberta's oil sands adds great economic value to the economy of the U.S. Billions of dollars and thousands of jobs are generated each year in the U.S. from investment and construction in Alberta's oil sands.
- It is clear that Alberta oil will deliver **more economic value** per barrel than any other barrel of oil imported into the U.S.
- All oil from Canada arrives via underground pipelines in a safe uninterrupted secure supply 365 days a year. Unlike an oil tanker that can be traded many times and increase in price from time of shipment to arrival in the U.S., pipeline crude is contracted at an initial strike price and leaves little to no room for price speculation through its journey to destination terminal.
- In order to start this new cycle of U.S. job creation, increased oil supply, secure oil supply, and downward pressure on gas prices at the pump, a permit to construct Keystone XL is critical.

Good afternoon Chairman Whitfield, Ranking Member Rush, and members of the committee. I am Murray Smith, a former elected member of the Legislative Assembly of Alberta, Canada from 1993 to 2004. I served in various cabinet portfolios, including Minister of Energy from 2001 to 2004. After leaving politics I served, at the request of Alberta's Premier, as Alberta's first official diplomatic representative to the United States of America from 2005 to 2007. Today I serve on various Boards of Directors in the energy sector. It is a privilege to be here today to discuss U.S. energy supply.

I want to thank the U.S. for being Alberta's top customer for natural gas and crude oil for the past 50 years. Today's hearing recognizes the importance of North American energy and the pressing need for new infrastructure to ensure North America's resources are able to be used to the advantage of consumers in the U.S.

I also want to recognize the great contribution U.S. citizens and U.S. companies have made to develop a strong vibrant and responsible energy industry in Alberta.

This fifty-year energy relationship has built strong bonds between the two countries and created wealth and prosperity for citizens on both sides of the 49th

parallel. This energy relationship is deemed to be so important by the two countries that the North American Free Trade Agreement has a separate energy section that encompasses this relationship and ensures continued uninterrupted flow of energy into the U.S. from Canada.

It is on this strong foundation that the opportunity to expand hydrocarbon shipments with new pipelines has become a reality.

Today the U.S. will receive about 1.6 million barrels of oil from Alberta and about 2 million barrels from all of Canada. Canada is your largest non-domestic supplier of oil, providing over 9 percent of the total daily oil needs of your great country.

Alberta is home to the third largest proven oil reserves in the world totaling 171.3 billion barrels. To provide context, Alberta, covers an area of 256,000 square miles, slightly smaller than the state of Texas, which covers 269,000 square miles. Today Alberta produces about 1 ½ times the amount of oil that Texas produces. Alberta's production is expected to increase to over 3 million barrels a day by the end of the decade.

Alberta's oil sands are an important component to the U.S. Recovery Plan. Producing oil from Alberta's oil sands adds great economic value to the economy of the U.S. Billions of dollars and thousands of jobs are generated each year

from investment and construction in Alberta's oil sands.

470-ton trucks called Caterpillar 797Bs are manufactured in Decatur, Illinois. Each truck sells for about US$5 million. The engines are made in Indiana and tires come from South Carolina. The shovels that fill these trucks, in just 4 scoops, come from Bucyrus in Wisconsin (now owned by Caterpillar of Peoria).

Consulting and fabrication expertise for the extraction and separation equipment comes from U.S. companies, one of whom just received a $1 billion contract for a new oil sands facility.

Upgrades to refineries to process Alberta oil in the U.S. creates new jobs for construction workers, trades people, engineers, and steel manufacturers. These expansions will process increased volumes of Alberta oil into major U.S. markets. Multiple studies have placed job creation in excess of 13,000 direct and over 34,000 jobs in total just for pipeline expansion. This clearly demonstrates that Alberta oil delivers more economic value per barrel than any other barrel of oil imported into the U.S.

All oil from Canada arrives via underground pipelines in a safe uninterrupted secure supply 365 days a year. Unlike an oil tanker that can be traded many times and increase in price from time of shipment to arrival in the U.S., pipeline crude is contracted at an initial strike price and leaves little to no room for price

speculation through its journey to destination terminal.

Canada, and predominantly Alberta has been the premier supplier of crude oil and refined products to the U.S. for the past 8 years. Expansion of supply from Canada has helped replace declining U.S. production, reduced imports from Venezuela, and can over time reduce America's dependence on non-continental oil supply.

Oil and gas companies spend more money on environmental issues than any other sector in the Canadian economy.

Companies continue every day to improve the efficiency, cost and environmental sustainability of oil sands operations. Air quality in Fort McMurray exceeds Toronto 98% of the time and New York City 100% of the time.

Carbon emissions from oil sands production differ only marginally from heavy oil production in Venezuela, Mexico and the heavy oil of California.

The dynamic tension of environmental pressures and cost efficiency serve to reduce oil sands greenhouse gas emissions; as proved by industry's record of reducing emissions annually.

Personally, I serve on the Board of two technologies designed to reduce

emissions and surface disturbance. N Solv is a solvent-based technology that reduces GHG emissions by 85% and uses no water in its in situ oil sands extraction.

Today there is about a $15.00 spread between foreign oil imported from offshore sources (North Sea Brent) and WTI or oil priced in North America. If refineries in the Gulf Coast could refine Alberta crude, consumers could expect a noticeable savings at the pump from crude oil replacement of a million barrels/day.

Increased volumes from North America also lessen the pressure on U.S. defense spending protecting vital oil supply lines.

In order to start this new cycle of U.S. job creation, increased oil supply, secure oil supply and downward pressure on gas prices at the pump, a permit to construct Keystone XL must be initiated to start the process. The opportunity is now.

In 2003, when the EIA recognized Alberta's 174 billion barrels of producible reserves, I was the Minister of Energy for the Province. I knew this global recognition would create an avalanche of investment. In the past 8 years, well over $40 billion has been invested. Today oil sands investors include China, South Korea, Japan, Thailand, Norway and France.

A pipeline is in the permitting process to move Alberta crude to a port in Western Canada and from there to Asia. Once new markets are reached the product will be forever lost to the U.S.

If the U.S. delays, it will never recover the opportunity it stands to gain today by expanding pipeline infrastructure now.

Canada and Alberta have stood shoulder to shoulder with the U.S. from World War I to World War II and today as we meet, our troops are deployed in Afghanistan and now our Air Forces in Libya. We have fought together; we have died together, now we can build together. We can build a stronger North America, a more secure North America and a more prosperous North America.

Thank you for this opportunity to present and I do look forward to your questions and comments.

Murray Smith, Calgary, Alberta, Canada