

**Government of Alberta ■**  
Environment

Environmental Assurance  
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AR 41885

September 24, 2010

Ms. Cynthia Giles  
Assistant Administrator  
United States Environmental Protection Agency Headquarters  
Ariel Rios Building, 1200 Pennsylvania Avenue NW  
Washington, DC 20460

Dear Ms. Giles:

The Ministry of Environment in the Government of Alberta has reviewed your July 16, 2010 letter to the United States Department of State in which you provide the Environmental Protection Agency's comments on the proposed Keystone XL project.

In light of the comments, considerations and conclusions raised in this letter, some of which have a direct connection to the mandate of this department, we see this as an opportunity to better engage with regulatory bodies beginning to now focus on the entire lifecycle carbon footprint of product flows.

While the consideration of lifecycle emissions is not a new element of project assessment and decision making, the advancement of policies such as low carbon fuel standards has taken this relatively nascent concept a step further. As such, it is becoming increasingly important to ensure we have the right data, policy information and regulatory and associated relationships to ensure any such policies are first and foremost necessary, and secondly, if they are utilized, that they are effective in working to deliver on desired outcomes.

The need to engage is further magnified by the use of such an assessment tool to go beyond just the lifecycle aspects of the physical project, and into the lifecycle of what is being transported through the pipeline. To our knowledge, this would be one of the first times an assessment of this type has been contemplated. The intent - to best understand the full range of impacts of our decisions, particularly around energy supply and consumption - is understood and shared, however as a new tool, our experience thus far suggests that caution is warranted to ensure no unintended consequences. This is in addition to more general, but strong concerns around how such a tool essentially reaches into other jurisdictions.

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Understanding the desired outcomes is paramount in this discussion. Based on Alberta's ongoing discussions with United States federal and state officials and elected representatives, it is clear that we are working to similar outcomes -- reducing the overall environmental footprint of our energy production and use. There is an equally clear role for both producers and consumers in this effort.

As a major energy producer, Alberta feels it is important for us to understand the needs and expectations of our customers. We recognize the growing importance of customers being aware of the entire lifecycle of products being consumed. Part of this includes an understanding of the actions being taken by suppliers to meet evolving needs in the marketplace, including environmental performance.

Recognizing these common interests and shared desires for clean secure energy, some of the statements made and conclusions reached in your letter give us cause for concern. We see bringing these concerns to your attention as an opportunity to better understand the root of these differences, and ultimately how to best land on a common understanding of the impacts of not only Alberta's energy supply, but also of other supplies necessary to meet United States energy demand.

We are all working towards a clean energy future that includes reduced overall energy demand, de-carbonized fossil fuels and a strong contribution from renewables. The challenge is how to get to this point in a way that does not compromise energy and national security, social and economic well being, and other related needs. Acceptance of a transition period that involves responsibly developed fossil fuels in the near term will help to inform short to medium term policy discussions that are needed to put us on the desired clean energy path. I am sure that the State Department will do the work it has to do with regard to assessing the proposals in your comment letter and, although not particularly within the purview of an environmental regulator, I do think that there is substantial evidence to indicate that even if the United States (and Canada for that matter) were to make substantial strides in the move towards alternative fuels and energy sources, oil will continue to be a significant part of our energy mix for decades to come.

But we don't simply accept that since there will be a demand for oil, it can be produced without regard to environmental performance. In considering the need to take a balanced approach to energy supply and demand, oil sands can, especially when assessed against other sources of imported crude oil, play an important and net positive role in meeting future United States and North American energy demand.

In Alberta, our focus as an oil and gas producer is to reduce the environmental footprint and carbon content of our production. Notwithstanding accounting for the largest share of United States oil and natural gas imports, to our knowledge Alberta is the only jurisdiction providing oil to the United States with a regulated carbon reduction regime.

Since 2004, Alberta has mandated the reporting of emissions from our oil sands sector, as well as other large emitters. We have also, since 2007, had a functioning climate change legislative framework that mandates greenhouse gas reductions and puts a price on carbon. These actions are complemented by a track record of significant public investment in alternative fuels, and energy efficiency and conservation, as well as one of the largest investments in carbon capture and storage in the world.

The numbers referenced in your letter in terms of impact of oil sands, while generally consistent with figures that we have estimated, do not necessarily convey an accurate picture of impacts relative to other alternatives. Depending on the oil sands production pathways assessed and the reference crude, lifecycle emission differences can vary significantly. We need to avoid any debate on the 'best' studies, to ensure we focus on the most accurate information, but independent analysis does indicate that the lifecycle emissions from oil sands may be 5-15 per cent higher than the average crude oil consumed in the United States on a wells-to-wheels basis. Further, oil sands may be about 6 per cent higher than the average lifecycle emissions of crude refined in the United States, and similar or lower emissions than some other unconventional oil products in the United States.

This is all before you factor in that Alberta has a 12 per cent emission intensity reduction obligation on oil sands facilities; that oil sands facilities are currently employing cogeneration and other eco-industrial integration options and that carbon capture is being advanced on two projects in the sector as part of our \$2 billion commitment to this important technology. With emissions intensity in the sector seeing a 39 per cent decrease between 1990-2008, we already have a proven track record for improvements. These actions will help to take Alberta further, while the average global crude intensity increases as supply sources shift.

Factoring these elements into the analysis provides a more accurate picture of the impact to total incremental emissions from this project under various scenarios. It also raises a larger question on the overall approach to undertaking such an assessment. Not only does more work need to be done on common and generally accepted practices around such a tool, but it will be important to ensure that when it is more formally developed, that a similar approach be applied to all types of energy and all import pathways to the United States. This appears, for now, to be singling out a product that on its own merits is already comparable to other crude types in North America.

There are other areas of your letter where Alberta differs in our perspective, but these are areas within your jurisdiction and that of the State Department and items perhaps for future discussion as part of what we perceive as a need for Alberta and the Environmental Protection Agency to build our relationship and work together to effectively support North America's transition to a clean energy future.

While we respect the intent of your input to this process, we also believe that the impacts occurring outside your jurisdiction are not substantive to the assessment of this pipeline. Particularly given that they are being demonstrably addressed and managed by the relevant jurisdiction, in this case principally Alberta, as well as the Government of Canada.

This is, of course, of an even more serious nature when the relatively superficial information and analysis of this complex subject risks the development of policy that may be discriminatory in nature and counter to the longstanding energy trading relationship between our two jurisdictions.

Alberta has had the opportunity to have some discussions with Environmental Protection Agency staff about oil sands development, environmental regulation and greenhouse gas emissions, as well as climate change legislation in Alberta. We hope to continue these discussions to ensure that we better understand one another and our joint commitments to environmental protection and greenhouse gas reduction locally, regionally and globally.

Thank you for your attention to our concerns. If you have questions, please feel free to contact me or Mr. Gary Mar, Alberta's Representative in Washington, D.C. Mr. Mar can be reached by telephone at 202-448-6475 or by email at [gary.mar@international.gc.ca](mailto:gary.mar@international.gc.ca).

Sincerely,



Ernie Hui  
Assistant Deputy Minister

Enclosure

c.c. Jose W. Fernandez, Assistant Secretary  
Economic, Energy and Business Affairs, United States Department of State

Keri-Ann Jones, Assistant Secretary  
Oceans and International Environmental and Scientific Affairs, United States Department of State

Gary G. Mar, QC  
Alberta's Representative, Washington DC



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

OCT 19 2010

ASSISTANT ADMINISTRATOR  
FOR ENFORCEMENT AND  
COMPLIANCE ASSURANCE

Mr. Ernie Hui  
Assistant Deputy Minister  
Environmental Assurance  
Alberta Environment  
10th Floor, Petroleum Plaza South Tower  
9915 - 108 Street  
Edmonton, Alberta  
Canada T5K 2G8

Dear Mr. Hui:

Thank you for your letter of September 24, 2010, concerning the Environmental Protection Agency's (EPA's) comments on the Department of State's Draft Environmental Impact Statement (EIS) for the proposed Keystone XL project. I appreciate the Alberta Ministry of the Environment's concerns, and welcome the opportunity to work further with you on these important issues.

We agree that conducting lifecycle emission analyses as part of the review of energy supply and consumption projects can help us all best understand the full range of impacts of our decisions, and that these analyses need to be done carefully to ensure their accuracy and relevance. We appreciate the information you provided in your letter, and welcome any further ideas or suggestions you may have on this issue. The Department of State is currently working on its environmental impact assessment with a number of expert agencies in an effort to produce a sound assessment of the potential impacts of issuing a cross-border permit to TransCanada for the Keystone XL project.

We also appreciate your concerns about sensitive jurisdictional issues, and would like to take this opportunity to clarify that although greenhouse gas emissions associated with oil sands extraction activities supplying the Keystone XL pipeline would originate outside of the United States, EPA's comments on the Draft EIS focused on the disclosure of "reasonably foreseeable environmental impacts on the U.S." Given that the potential consequences of greenhouse gas emissions are global in nature and include impacts on the United States, it is appropriate that the Department of State consider these upstream greenhouse gas emissions in their evaluation.

Thank you again for your letter, and for taking the time to raise these issues to me personally. I look forward to continued dialogue with you and other Canadian government partners as we work together to move our respective countries toward our shared clean energy goals. If you would like to discuss these issues in greater detail, Matt Bogoshian, EPA's Deputy Assistant for Enforcement and Compliance Assistance, and I can be reached at (202) 564-2400.

Sincerely,



Cynthia Giles

cc: Stephen D. Mull, Executive Secretary, U.S. Department of State  
Michelle DePass, Assistant Administrator, Office of International and Tribal  
Affairs, EPA

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Canadian Embassy



Ambassade du Canada

November 3, 2010

Lisa Jackson  
Administrator  
United States Environmental Protection Agency  
Ariel Rios Building  
1200 Pennsylvania Avenue, N.W.  
Washington, DC 20460

Dear Madame Administrator,

The Government of Canada has reviewed the letter submitted on July 16, 2010, by the United States Environmental Protection Agency (EPA) providing its comments to the Department of State in response to the inter-agency consultation on the permitting process for the proposed Keystone XL pipeline project.

Considering that Canada and the U.S. have committed to the same 17% greenhouse gas (GHG) reduction target at Copenhagen, we are concerned with the EPA's recommendation that extraction-related GHG emissions in Canada form part of the Environmental Impact Statement included in the permitting process.

In various international agreements, including in the recently concluded Copenhagen Accord, it is recognized that countries may set economy-wide emissions targets. This has been a long-established practice in our bilateral relationship and was clearly laid out in the State Department's 2009 decision to issue a Presidential Permit for the Alberta Clipper pipeline. In its National Interest Determination, the State Department noted:

*"The administration believes the reduction of greenhouse gas emissions are best addressed through each country's robust domestic policies and a strong international agreement."*

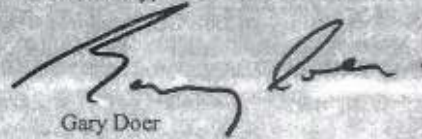
Moreover, it is relevant as well to consider the compatibility of our environmental assessment regimes and the ways they complement each other. Our two countries have traditionally relied on each other to ensure that we each adopt sound environmental management practices to protect our common North American environment, while respecting the sovereignty of our independent decision-making processes.

Like the U.S., Canada is working within the confines of its own regulatory processes to mitigate climate change impacts at home. The 17% GHG reduction target we committed to at Copenhagen, establishes a benchmark we intend to meet through a combination of regulation and clean energy technology development. We have already taken several important steps towards meeting this objective. In addition to major government investments in carbon capture and storage, advanced biofuels and energy efficiency initiatives, Canada recently announced that it is taking action to reduce GHG emissions in the electricity sector by moving forward with regulations on coal-fired electricity generation.

As you are aware, we are also working with the U.S. towards common North American standards for regulating greenhouse gas emissions from vehicles, and have published final regulations for new light-duty vehicles, under the Canadian Environmental Protection Act that are harmonized with those of the U.S.. Building on this successful collaboration between Canada and the United States, we will continue to work together to do the same for heavy-duty vehicles. This is in addition to the important work both countries continue to undertake in promoting the development of low-carbon energy technologies through the Canada-U.S. Clean Energy Dialogue.

In addition to sharing a common commitment to greenhouse gas emission reductions, domestically and at the international level, it is important to note that Canada is the United States' largest, most accessible and secure supplier of energy. As both our countries continue to build clean energy economies, it is important that we assess and discuss policy issues of concern that may arise. I would welcome the opportunity to further review with you the issues outlined in this letter and look forward to your consideration of this matter.

Sincerely,



Gary Doer  
Ambassador

c.c. The Honourable Hilary Clinton, Secretary of State  
David Goldwyn, Coordinator, International Energy Affairs, Department of State  
Cynthia Giles, Assistant Administrator, U.S. Environmental Protection Agency  
His Excellency David Jacobson, Ambassador of the United States of America to  
Canada





UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

DEC 7 2010

THE ADMINISTRATOR

His Excellency Gary Doer  
Ambassador of Canada  
501 Pennsylvania Avenue, NW  
Washington, D.C. 20001

Dear Mr. Ambassador:

Thank you for your letter of November 3, 2010, concerning the U.S. Environmental Protection Agency's comments on the U.S. Department of State's draft environmental impact statement for the proposed Keystone XL pipeline project. I appreciate the government of Canada's commitment to reducing greenhouse-gas emissions and look forward to continuing our partnership on this important issue.

I would like to clarify that although greenhouse gas emissions associated with oil-sands-extraction activities supplying the Keystone XL pipeline project would originate outside of the United States, the EPA's comments on the draft environmental impact statement addressed the disclosure of reasonably foreseeable environmental impacts on the United States. Given that the possible consequences of greenhouse-gas emissions are global in nature, they include potential impacts on the United States, and we believe it is appropriate that the State Department consider these upstream greenhouse-gas emissions in its evaluation.

Please accept my thanks once more for raising these issues with me. If you would like to discuss them in greater detail, I would be happy to do so.

Sincerely,

A handwritten signature in blue ink, which appears to read "Lisa P. Jackson", is written over a horizontal line.

Lisa P. Jackson