Testimony of Martin J. Durbin, Executive Vice President

American Petroleum Institute

Before the Subcommittee on Terrorism, Nonproliferation, and Trade

Of the House Committee on Foreign Affairs

December 16, 2011

Good morning. I am Marty Durbin, Executive Vice President of the American Petroleum Institute, which represents nearly 500 companies, both large and small, from America's oil and natural gas industry. Thank you for the invitation to discuss "Changing Energy Markets and U.S. National Security."

America's oil and natural gas currently provide most of our nation's energy, contributes to 7.7 percent of our GDP, supports more than nine million U.S. jobs and delivers to the federal government more revenue, $86 million every day, than any other industrial sector.

In some parts of the United States, oil and natural gas development is going gang busters. While total U.S. crude oil production has remained constant at 5.6 million barrels per day since early 2010, Gulf of Mexico offshore and Alaskan production have dropped by a combined 500,000 barrels per day. This has been offset mainly by increased production onshore in North Dakota and Texas, almost exclusively on non-federal land and through the use of hydraulic fracturing. This increase in domestic onshore production, along with an overall drop in demand, has allowed U.S. imports to decline during this period.

However, we still fall short of Canada's and Brazil's focus on fully developing their oil and gas resources. We are an energy-rich nation and should be taking better advantage of our own country's potential. The commitment to energy development in Brazil and Canada has been observed by some to be part of a rebalancing of the world's oil and gas power centers. If we join them with a similar commitment to developing more of our own energy, we will accelerate this shift and help build an unprecedented security of supply across our hemisphere. No longer will we have to rely so much on energy from unstable parts of the world. Abundant reserves of oil and natural gas remain to be produced in America, and our industry is willing to make the investments to produce them – and spread the success stories we've seen in some states across the nation.

To highlight this point, the energy consulting firm Wood Mackenzie calculated the benefits of expanded domestic development earlier this year in a study conducted for API. It concluded that by increasing onshore and offshore access to U.S. oil and natural gas resources, avoiding unnecessary new regulations on shale energy development, returning the pace of permitting approvals in the Gulf of Mexico, and bringing in more Canadian energy, the U.S. oil and natural gas industry could create as many as 1.4 million jobs by 2030. One million of those jobs can be created in the next seven years. This pro-development path would also generate $800 billion in additional cumulative government revenue by 2030, with $127 billion of that generated by 2020.

Regarding the Keystone XL pipeline, this project will create jobs, and bring economic growth and revenue both to the communities through which it will traverse as well as to the nation at large, and will enhance our energy security. Now in its fourth year of review – longer than any other pipeline project and longer than it will take to build the 1,700 mile pipeline – Keystone XL will create thousands of good-paying jobs for American families who are waiting on the sidelines for a decision. Another House committee heard last week from the labor unions whose members will directly benefit from this project's approval, and I can't say it any better than they did: this is more than a pipeline; it's a lifeline. It's time to put the safest, most highly trained and productive work force to work on this project.

80,000 Americans are currently employed because of Canadian oil sands, and according to the Canadian Energy Research Institute (CERI), we stand to create an additional 500,000 American jobs by 2035 while spurring $775 billion in economic activity. So, for approximately every two Canadian jobs supported by oil sands development, one job will be created here in the U.S. (1.2 million new Canadian jobs – 520,000 new U.S. jobs). Already, there are at least 2,400 companies in 49 states involved in developing oil sands either by providing the supplies and services in Canada or for expanding our pipeline and refinery system here in the US. These are companies like Caterpillar and Michelin but small companies as well. Another fact, for every dollar the U.S. spends on Canadian products – including oil -- Canada returns 90 cents through purchases of U.S. goods and services. You simply don't see that level of return with other trading partners.

But we also have to think more broadly about our energy future – in terms of our US-Canadian trade relationship and all the benefits that come with it. The Energy Information Administration forecasts that U.S. energy demand will grow by 20 percent between 2009 and 2035, with more than half of the energy demand being met by oil and natural gas, as is the case today. Meanwhile, just 8 percent of the nation's energy needs are supplied by renewables today, and projections are that will increase to only 13 percent by 2035.

Canada is already our number one supplier of imported oil. With projects like Keystone XL we have the ability to significantly increase our Canadian imports – which is already making up for declines in imports from Mexico and Venezuela. With the Keystone XL pipeline, our crude imports from Canada could reach 4 million barrels a day by 2020, twice what we currently import from the Persian Gulf. Cambridge Energy Research Associates projects Canada could supply five million barrels of oil a day to the United States in 2030 – or one in every four barrels Americans expect to consume. In fact, with increased U.S. production along with increased Canadian resources and continued increases in domestic biofuels, we could produce all our liquid fuel needs in North America by 2026.

According to IHS CERA:

- In the realm of US energy security, one of the biggest achievements of the past decade has been the growing use of Canadian oil sands production to supply the US market.
- US pipeline infrastructure needs to catch up with changing supply trends and expanding supply—namely, rising output from Canada, as well as the rapidly growing output from the Bakken Formation in North Dakota and Montana.
- Expanding pipeline capacity from Canada to the US Gulf Coast via the proposed Keystone XL project would provide more flexibility to the US supply system, allow infrastructure to begin to catch up with oil supply trends (namely the growing flow of Canadian oil), and enable increased US domestic production in the upper Midwest.
- A larger, more dynamic pipeline system benefits consumers, compared with a more constricted system that is less able to handle shifts in demand and supply.
- Economic logic dictates that more supply lowers prices for a given level of demand.
- If increased oil sands access to the US market is derailed, apart from the loss to consumers of a more dynamic pipeline network, Canadian oil sands producers would likely turn to Asia as a new export market.

- In the absence of oil sands supply, Gulf Coast refiners are expected to demand similar volumes of heavy crude oils, but from more distant sources of supply.

In closing, the U.S. will require 20 percent more energy in 2035 than in 2009, the Energy Information Administration projects, while world demand will increase by 53 percent. To meet this demand, we will need all forms of energy, including substantial amounts of oil and natural gas. Therefore, we have a simple choice before us. We can choose to safely and responsibly produce more North American energy, creating hundreds of thousands of new jobs and generating billions in new revenue for our government, or we can stand on the sidelines and watch as other countries produce the resources that we will then have to purchase.

United States House of Representatives
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Martin J. Durbin	American Petroleum Institute
3. Date of Committee hearing:	
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4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?	**5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?**
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