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THE CURRENT: What does the end of the Keystone pipeline mean for US energy?

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PITA: You're listening to The Current, part of the Brookings Podcast Network. I'm your host Adrianna Pita.

Earlier this week, the Keystone XL pipeline project, intended to transport oil from Canada's oil sands down to U.S. refineries along the Gulf Coast, was officially terminated. With us to discuss what finally led to the pipeline's cancellation and what it signifies for U.S. energy policy is Samantha Gross, a fellow and director with the Energy Security and Climate Initiative here at Brookings. Samantha, thanks for talking to us again.

GROSS: Always a pleasure.

PITA: So, this multi-billion-dollar project has been in the works for over a decade. It's seen court cases and long-standing protests, even while construction continued on various parts of it. So, what led to the energy firms and the government of Alberta, Canada to finally pull the plug on this project?

GROSS: Well, this has been in the news for a long time, and it became a bit of a cause for the environmental movement to stop this pipeline from being built. Way back during the Obama administration, after the Waxman-Markey bill was defeated in Congress, a lot of environmentalist looking for something new, and opposing this pipeline really became something that was a central part of their cause. But during all this time, while these pipelines have gone on, we've seen two different presidents, what's happened is that those oil sands resources have become a bit less economic. We had a long string of lower oil prices and oil sands are quite an expensive source of oil. And so, I think what finally led them to pull the plug was the combination of the project itself being less economic and perhaps less needed and the opposition of the Biden administration. I think those two blows combined just turned out to be too much.

PITA: Back in January when the administration took office, one of their first moves was canceling one of the significant permits involved with this project. What reason did the White House give for that at the time?

GROSS: They see it as related to climate change; they don't want to encourage the development of higher carbon emissions oils, and that includes the Canadian oil sands. They're on the high end of greenhouse gas emissions associated with oil production. And also, it was definitely a nod to the environmental wing of the Democratic Party that helped get President Biden both the nomination and elected, so I think it was a combination of a policy move, and also a bit of a thank-you to the environmental movement.

PITA: Speaking about the environmental concerns about this project, what was its footprint going to be in terms of emissions? How much does canceling this project make in terms of decreasing the current U.S. emissions?

GROSS: Canceling this pipeline is more of a symbolic move than it is a move to actually reduce U.S. emissions, and the reason why is that oil in Canada is likely to continue to be produced as long as it's economic to produce. As long as those producers can make money producing it, they'll find another way to get it to market. A lot of that that oil has been getting out of Canada by rail, which is actually a higher-emissions way of transporting it then transporting it by pipeline. And so, unless you think that those projects are going to be shut down -- and that's an economic decision not having to do with whether or not this pipeline exists -- it really doesn't make a difference in terms of overall emissions. And worst-case scenario they could actually go up if oil comes from those projects to the United States by rail, instead of by pipeline.

PITA: As you mentioned, the Keystone pipeline project is certainly one of the most well-known pipeline projects, both in the U.S. and in Canada, but it's certainly not the only one. Are there other projects that are still in development or potentially being looked at to be developed, and how does the death of this particular project affect the likelihood of those going forward?

GROSS: There are a number of pipelines still in development. There's one up in the northern Midwest that's under a ton of debate right now. There's also been a lot of debate not just on oil pipelines, but on natural gas pipelines. And I have really mixed feelings about this from an environmental point of view.

On the one hand, I understand environmentalists' opposition to continuing to build fossil-fuel related infrastructure and the idea that we want to be moving away from fossil fuels, not building more fossil fuel infrastructure. But the flip side of that is it depends on what those projects are intended to do. I see the idea of building, let's say natural gas pipelines into the U.S. northeast to help replace heating oil as being perhaps a good thing, at least for a while, while we work to make the change to greener fuels.

So, it'll be interesting. The environmental movement is pushing really hard against fossil fuel infrastructure; I think this one was one of the major ones that they've pushed against for more than a decade. But I think there's an understanding from folks in the Biden administration that we will still need some fossil fuel infrastructure. Some infrastructure that's aging that we'll still need for a decade or two perhaps might still need to be upgraded. So I think it's really going to be a balance. I think we need to look at existing pipeline projects, decide what they're for, are they bringing new supply, what would they be replacing if they came in, and decide whether or not they make sense in a decarbonizing world. Some still might and then many won't.

PITA: Okay, on that point on those in favor of this project are decrying the effect that its abandonment will have both on energy jobs and on U.S. energy security more broadly. Can you speak to those aspects? What role was Keystone going to play in the broader U.S. energy portfolio?

GROSS: On the jobs point of view, it was a source of temporary jobs, but the economy is booming right now; there's a lot of construction going on. I don't think that those workers will have a hard time finding other places to work, particularly because they're in the construction industry and it's going great guns right now.

From a U.S. energy security point of view, the story is mixed. On the one hand to the U.S. is now the world's largest crude oil producers, or we've been bouncing around between number one and number two. So, we have plenty of crude oil in the U.S. and this pipeline won't make a ton of difference.

The one way that it might matter is that this heavy oil that's coming out of the Canadian oil sands is quite well-suited for the refining capacity that we have on the U.S. Gulf Coast, whereas a lot of the new oil production that's come out in the last five or 10 years here in the United States, it's actually lighter oil that's not a great fit for those refineries. So, we've been doing a bit of a swap: we've been exporting some of that lighter oil and bringing in heavier oil to run at those Gulf Coast refineries. I don't think this is an issue for U.S. energy security; it's a little bit of an issue for getting the right oil to fit those refineries, but there are other sources of oil that can fit that bill.

PITA: As you previously mentioned, the Biden administration has significant concerns about high-carbon energy; they are very much involved with the environmental wing of the Democratic Party; during his campaign President Biden talked about his commitment to bring the U.S. back into alignment with the Paris Climate Accords and not just meeting those earlier commitments but expanding them and accelerating them as well. Should the cancellation of this project be taken as a sign of how the administration is going to be looking at all other carbon-based energy projects going forward or was this such a singular case that it shouldn't be looked at as sort of a bellwether for how they'll handle other energy concerns?

GROSS: I think it was definitely a singular case with a really remarkable history over the years. It's actually kind of amazing how long TC Energy hung on in trying to get that project done. But I do think that President Biden is very, very serious about his decarbonization goals. He's really pushing to particularly decarbonize the electricity sector, working on establishing more electric vehicles through providing both incentives to buy the vehicles and incentives to build charging infrastructure. He's really pushing hard to decarbonize the economy and his goals are serious. But the question is, we're not going to get rid of all fossil fuel right away. And particularly oil, which this pipeline was designed to deliver, is going to be in our economy for a while, because it's harder to replace and many uses in the transportation sector. And it'll take us a long time to turn over all the vehicles. Even if sales of electric vehicles just start skyrocketing, we'll still have the existing fleet and it will take a while for that fleet to turnover. And so, you will see him pushing to decarbonize the economy, but we're not eliminating fossil fuels right away. Just because it will take a while, we're not ready for that, and so a lot of existing fossil fuel infrastructure will continue to operate and, in some cases, we may need some upgrades to existing infrastructure to get it to last for as long as will need it.

PITA: Alright. Well, Samantha, thanks very much for talking to us about this today.

GROSS: I'm happy to do so. Good to talk to you.