

**Resolution of the Board of Directors in Support
of the Keystone XL Pipeline Project**

The Greater Houston Partnership (GHP) recommends support of the Keystone XL Pipeline Project.

This pipeline project will strengthen American energy security by delivering crude oil from the Canadian oil sands and from growing U.S. mid-continent production facilities to the Gulf Coast where the majority of the nation's refining capacity is located.

According to an independent study conducted by the Perryman Group, once permitted and completed, the Keystone XL Pipeline Project will supply roughly half the amount of oil the U.S. currently imports from the Middle East or Venezuela.

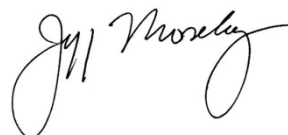
Local economies within the pipeline route will benefit from increases in tax revenues and business activity associated with temporary construction work in the area, and local property taxes will be paid on a continuing basis. The Perryman Group study further notes that once the pipeline is operational, states along the pipeline route are expected to receive an additional \$5.2 billion in property taxes during the estimated operating life of the pipeline.

The \$7 billion pipeline project is expected to directly create more than 118,000 person-years of employment across the U.S., stimulating significant additional economic activity.

Finally, by improving infrastructure and easing existing domestic crude oil logistical bottlenecks, the pipeline will reduce cost volatility. This will deliver higher royalty and severance tax payments to individuals and governments and improve the economics of domestic shale oil production, resulting in greater investment, more high paying oil industry jobs and further reduction in imports.



Larry Kellner, Chairman



Jeff Moseley, President and CEO



Tony Chase, Secretary

BACKGROUND MEMORANDUM

DATE: May 20, 2011

TO: Greater Houston Partnership Board of Directors

FROM: David Dickson, Chairman, Energy and Environment Advisory Committee

SUBJECT: Resolution of the Board of Directors in Support of the Keystone XL Pipeline Project

RECOMMENDATION

The Greater Houston Partnership (GHP) supports the Keystone XL Pipeline Project.

This pipeline project will strengthen American energy security by delivering crude oil from the Canadian oil sands and from growing U.S. mid-continent production facilities to the Gulf Coast where the majority of the nation's refining capacity is located.

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BACKGROUND

TransCanada Keystone Pipeline, L.P. proposes to construct and operate a crude oil pipeline and related facilities to transport Western Canadian Sedimentary Basin crude oil from an oil supply hub near Hardisty, Alberta, Canada to destinations in the south central United States, including delivery points in Nederland (near Port Arthur) and Moore Junction (in Harris County), Texas.

In total, the proposed Keystone XL Project would consist of approximately 1,711 miles of new, 36-inch-diameter pipeline, with approximately 327 miles of pipeline in Canada and approximately 1,384 miles in the United States. The proposed project would cross the international border between Saskatchewan, Canada, and the United States near Morgan, Montana. The proposed Project initially would have a nominal transport capacity of 700,000 barrels per day (bpd) of crude oil.

Because this proposed project will cross into the United States from Canada, a Presidential Permit issued by the U.S. Department of State is required for the project to proceed. This subjects the Keystone XL Project to the National Environmental Policy Act, which requires disclosure of potential environmental impacts (beneficial and adverse) and the consideration of possible alternatives.

The initial Draft Environmental Impact Statement (DEIS) for the proposed project was released April 16, 2010. The public comment period for the DEIS closed July 2, 2010. The U.S. Department of State determined no new issues of substance emerged from the comments received and it would not be mandatory to issue a supplemental document. However, after the DEIS was issued, additional updated information became available regarding environmental impacts of the proposed Keystone XL Project. The U.S. Department of State decided that it would be beneficial to release a supplemental document to provide the public the opportunity to review and comment on the updated information.

The Supplemental Draft Environmental Impact Statement (SDEIS) for the Keystone XL Project was released April 15, 2011. The document states, "The information provided in this SDEIS does not alter the conclusions reached in the draft EIS regarding the need for and the potential impacts of the proposed Project." Comments on the SDEIS will be accepted through June 6, 2011.

KNOWN OPPOSITION

- Environmental interest groups with concern regarding the project's environmental security. Those opposed list pipeline leaks along the transport route and emissions associated with increased production at delivery sites are listed among the principle environmental concerns.
- There is argument that oil imported by marine vessels from international locations, such as Venezuela, is delivered more economically and quicker than that delivered by

pipeline. It is on the long term interest of Gulf Coast refiners to have access to reliable crude source that can withstand large fluctuations in crude prices, be delivered at a lower cost, and require less working capital.

ACTION NEEDED

GHP recognizes the need for safe and environmentally responsible transport of hydrocarbon resources. GHP urges an expedited review and permit process for the Keystone XL Pipeline Project in order to accelerate project benefits to the Gulf Coast region, oil producing states and to the nation.

IMPLEMENTATION

To implement this recommendation, GHP would communicate its support of this resolution to the U.S. Department of State.

FISCAL IMPACT

Adoption of this legislative policy positions will have no impact on the state budget.

RESOURCES REQUIRED

This recommendation can be implemented with available GHP staff within current operating budget resources.