

RELEASE IN FULL

From: Mills, Cheryl D <MillsCD@state.gov>
Sent: Thursday, February 9, 2012 12:43 PM
To: H
Subject: FW: KXL Early Press stories - solid

From: Hammer, Michael A
Sent: Thursday, February 09, 2012 12:39 PM
To: Mills, Cheryl D; Clune, Daniel A; Klevorick, Caitlin B; Adams, David S; Blumenfeld, Joshua R; Benes, Keith J; Jones, Kerri-Ann
Subject: KXL Early Press stories - solid

Toria just got the question at the podium and deployed topline. Following are several stories, rather than continuing to bombard you we'll put together a summary but so far so good.

State Department watchdog clears agency of impropriety in Keystone pipeline review

By Associated Press,

WASHINGTON — The State Department's internal watchdog has cleared the agency of any impropriety in its review of a permit for a controversial pipeline that that would carry Canadian oil across the continental United States.

In a report released to Congress on Thursday, the department's inspector general's office said it found no evidence that State Department employees were improperly influenced by proponents of the Keystone XL pipeline, including the applicant TransCanada.

Opponents of the pipeline, which was ultimately rejected, had alleged that TransCanada had an inappropriately cozy relationship with some State Department employees conducting the review. They suggested that this affected an environmental impact statement.

The report said the department incorporated relevant concerns from other federal agencies in the review but expressed concern that its limited resources and expertise impacted the process.

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The Hill

State Dept. IG: Keystone review wasn't biased

By Ben Geman - 02/09/12 12:14 PM ET

The State Department's inspector general has concluded that the department's review process for the controversial Keystone XL oil sands pipeline was above-board but is also suggesting several ways to improve the agency's procedures.

The new report, obtained by The Hill, was requested by lawmakers critical of the proposed pipeline who have alleged that State's review process was marred by conflicts.

The Obama administration rejected a permit for the proposed Alberta-to-Texas pipeline in January but invited the company to reapply, while Republicans are pushing bills that would mandate approval of the project.

The new IG report will likely give proponents of the project political ammunition as they continue pushing for its approval, although pipeline opponents will seize on the finding that State's current procedures have deficiencies.

Critics of State's oversight process had zeroed in on use of the firm Cardno Entrix as a contractor in crafting the environmental analysis of the pipeline, calling it a conflict of interest because of pipeline developer TransCanada Corp.'s relationship with the firm.

The 2011 environmental impact statement (EIS) gave the project a largely favorable review.

The IG audit "found no evidence that TransCanada (the applicant) had improperly influenced the Department's selection of Cardno Entrix as the Keystone XL EIS third-party contractor."

The IG's audit, in rebutting conflict-of-interest concerns, notes that Cardno Entrix had previously worked as a contractor on two prior Federal Energy Regulatory Commission and two State Department pipeline reviews.

The audit notes that Cardno Entrix had received a "minimal" amount of work on two projects it had been associated with for many years that were bought by TransCanada in 2007 and 2008. It finds:

OIG determined that these relationships did not present a conflict of interest because they are not directly related to the Keystone XL project and are either federally controlled relationships or minimal financial relationships that would not "impair the contractor's objectivity in performing the contract work" or "result in an unfair competitive advantage to a contractor."

However, the report also calls on State to "redesign" the process for selecting third-party contractors "by maximizing the Department's control of each step and minimizing the applicants' role in the process" in order to reduce the "appearance" of improper influence.

The current process, the IG notes, "inherently gives the applicant some influence in the process." State, in its response included with the report, notes it is redesigning the process. Similarly, the report calls for revamping the way State uses third-party contractors to improve the "organization conflict of interest screening process."

Elsewhere the report notes that State "did not violate its role as an unbiased oversight agency."

It also finds "found no evidence that communications between Department officials, TransCanada, the Canadian Government, proponents, and opponents of Keystone XL deviated from the Department's obligations under Federal law."

But it faults State by noting that its "limited technical resources, expertise, and experience impacted the implementation" of the environmental review process.

The audit calls on State to improve the process, noting there should be at least one full time position within the Bureau of Oceans and International Environmental and Scientific Affairs filled by someone with "experience and expertise" in handling National Environmental Policy Act review.

State, in its response, notes it's developing such a position.

Reuters

Watchdog absolves State Dept in Keystone review

Thu Feb 9, 2012 12:16pm EST

By Timothy Gardner and Roberta Rampton

Feb 9 (Reuters) - An internal watchdog on Thursday cleared the U.S. State Department of allegations that there were conflicts of interest between a contractor hired to review the Keystone XL oil pipeline and TransCanada, the developer of the \$7 billion project.

Lawmakers concerned about the environmental impact of the pipeline, which President Barack Obama has put on ice for further environmental study, had requested the State Department's Inspector General take a closer look at the players involved in reviewing the project.

In a 58-page report, Harold Geisel, State's deputy inspector general, said he found the department "did not violate its role as an unbiased oversight agency" in reviewing the Canada-to-Texas pipeline.

"TransCanada's influence was minimal," the review said.

Obama blocked the project last month, citing the need for further review of its route as the line would have traversed sensitive lands and an aquifer in Nebraska.

But the absolution of alleged conflicts clears the way for Republican efforts to speed approval for the pipeline.

Republicans in both the Senate and House of Representatives have introduced legislation to try to fast-track the stalled project, which has become a prominent issue ahead of the 2012 elections.

Those bills will have a hard time overcoming Democratic opposition in the Senate.