

## **The Truth About Tar Sands-by-Rail (Reuters investigation)**

Watershed Sentinel

USA, July 29, 2013 - Despite evidence to the contrary showing that rail would not be a viable replacement to the Keystone XL tar sands pipeline, TransCanada and its allies continue to rely on their outdated—and inaccurate—talking point.

Industry experts point out that the State Department’s incorrect analysis is based in part on the mistaken assumption that tar sands oil can be transported in the same manner as light Bakken oil from North Dakota:

1 The Alberta tar sands oil needs to go to refineries that can process it, and the Gulf Coast is the best option. But the Canadian tar sands are roughly 900 miles further away from the Gulf Coast than North Dakota’s Bakken formation, which makes the transport costs significantly higher.

2 Moreover, the “heavier nature” of the Canadian tar sands oil also makes it significantly more expensive to transport than the Bakken oil. As Goldman Sachs recently observed, there are substantial logistical hurdles which increase the cost of moving heavy tar sands crude by rail:

- “The first hurdle is that bitumen/heavy crude oil rail cars have to be specially made, so that their viscous cargo can be heated by steam in order to flow the crude out of car.
- Secondly, heating a rail car so that the heavy crude oil can be unloaded takes more time than simply tapping a rail car filled with light oil, which means fewer heavy barrels per day can be transported than light.
- Third, bitumen and WCS are denser than light crude, and since rail cars have maximum weight restrictions, fewer barrels of heavy crude can be carried in each car compared to light. Therefore, of the 150,000 b/d of crude transported by rail in 2013, we estimate that no more than 40% is likely to be heavy (and this number could prove closer to 20%).”

1 Industry experts say the additional costs of rail transport make Canadian tar sands oil uncompetitive against the price of heavy crude from traditional sources such as Saudi Arabia, Mexico and Venezuela. As Goldman Sachs concluded in June, “given the long distances and higher costs of rail, we believe pipeline capacity growth is critical in Canada and the key to sustainably removing congestion in the system.”

For information about rail, visit: [Reuters investigation deflates State Department's argument that rail can fuel tar sands growth](#)

## **State Dept Report Lacks Science:**

### [Analysis: Oil-by-train may not be substitute for Keystone pipeline](#)

Some industry officials, energy analysts and recent data raise questions about whether the industry is really eager to adopt crude-by-rail should the U.S. government rule against the TransCanada Corp pipeline.

They say train transport is so expensive that Canadian heavy crude, produced by processing bituminous sand, isn't likely to reach Texas and Louisiana in Keystone-like quantities by rail.

These experts also point to plentiful supplies of lighter crude oil from the Bakken shale formation in North Dakota, which is roughly 900 miles closer to the Gulf than the hub of Canadian oil sands production, and plenty of heavy crude from traditional sources such as Saudi Arabia, Mexico and Venezuela, as signs that Gulf Coast refiners can get along without Keystone.

The State Department report cites two industry studies to predict that 200,000 barrels a day or more of Canadian heavy crude oil will reach Gulf Coast refiners by train by the end of this year.

Officials used that figure to bolster their argument that the oil industry has already decided rail is a good option for moving oil sands crude. "Limitations on pipeline transport would force more crude oil to be transported via other modes of transportation, such as rail, which would probably (but not certainly) be more expensive," the State Department said.

But one of the sources for the 200,000 barrels per day estimate, Calgary investment bank Peters & Co, says its forecast was misunderstood as being for just Gulf Coast-bound oil when it included shipments to Eastern Canada and other refiners.

The latest figures from the U.S. Energy Information Administration show heavy crude shipments to the Gulf Coast from Canada by rail have a long way to go to meet the 200,000 figure. They have not exceeded 30,000 barrels per day in any of the past 12 months, though they did rise by two thirds to 25,000 barrels per day in January, the last month for which there are figures, from 15,000 in January 2012.

In fact, EIA data shows that little heavy crude from Canada is reaching the Gulf Coast via any route, with about 75 percent of 33 million barrels of heavy Canadian crude being processed in the Midwest in January and only 7 percent of it being processed further south. Other destinations account for the remainder.

"We just are not seeing those kinds of big deliveries to the Gulf Coast," said Michael Wojciechowski, head of downstream Americas research at Wood Mackenzie, an energy research and consulting firm.