

**Testimony of Andrew J. Black**  
**Association of Oil Pipe Lines, President & CEO**  
**before the**  
**U.S. House Committee on Transportation & Infrastructure**  
**Subcommittee on Railroads, Pipelines, and Hazardous Materials**  
**Hearing on “How Changing Energy Markets Will Affect U.S. Transportation”**

February 3, 2015

Thank you, Subcommittee Chairman Denham, Ranking Member Capuano, and Members of the Subcommittee, for asking me to testify before you today. I am Andrew Black, President and CEO of the Association of Oil Pipe Lines (AOPL). We represent transmission pipeline operators who deliver crude oil, refined products like gasoline, diesel fuel and jet fuel, and natural gas liquids such as propane and ethane. Our pipelines extend 192,396 miles across the United States, safely, efficiently, and reliably delivering approximately 14.9 billion barrels<sup>1</sup> of crude oil and petroleum product each year.

American consumers benefit when our pipelines deliver the gasoline they need to drive their cars and commute to work. American consumers and businesses benefit when diesel fuel is used to power trucks and trains to deliver commercial goods. American homeowners benefit with propane for their gas grills and rural heating. American farmers benefit with propane to dry their crops and keep their livestock warm in winter. American manufacturers benefit from plentiful, affordable raw materials like ethane. All of these products are delivered by pipeline safely, reliably, and cost effectively, day in and day out.

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<sup>1</sup> Association of Oil Pipe Lines, *U.S. Liquids Pipeline Usage & Mileage Report*, Oct. 2014, p. 5.

AOPL members have also done a remarkable job delivering the North American energy renaissance to American consumers and workers. Domestic oil production has grown by 3 million barrels per day since January 2011.<sup>2</sup> American pipelines have responded by delivering 1.35 billion additional barrels of crude oil per year over the last 5 years.<sup>3</sup> Pipeline operators have added 10,000 miles of new pipe into service in just the last four years, and 25,000 miles of pipe in the last ten years.

Still more pipeline capacity is needed in order to bring the full benefits from increased North American production of crude oil to American workers and consumers. In many cases, our existing pipeline network does not have sufficient capacity to move crude oil from producing regions to where it can be manufactured into refined products such as gasoline and sent to communities that would benefit from new supply options. Also, our existing pipeline network does not have sufficient capacity to move increasing amounts of natural gas liquids such as ethane to petrochemical plants where good-paying manufacturing jobs produce plastics, chemicals, paints, containers and host of other consumer products.

### **Challenges to New Pipeline Construction**

While our nation needs additional pipeline capacity more than ever before, this may be the most difficult time ever to expand pipeline capacity. *First*, pipelines must secure long-term agreements with shippers to provide financial support for expansion projects, which are very capital intensive. At a time when pipelines are competing heavily with other pipelines and other

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<sup>2</sup> Today In Energy, *U.S. Liquid Fuels Production Growth More than Offsets Unplanned Supply Disruptions*, U.S. Energy Information Administration, Aug. 27, 2014.

<sup>3</sup> *Supra* note 1.

modes of transportation, pipeline operators often have difficulty attracting customers willing to make long-term financial commitments necessary to support a project. Pipeline operators need continued stability and certainty on long-term contracts and economic regulatory oversight from the Federal Energy Regulatory Commission (FERC), which regulates the rates and conditions of service for crude oil and petroleum product pipelines.

*Second*, pipeline operators need prompt decisions from government agencies for environmental permits and approvals needed for pipeline routes and border crossing. While the multi-year delays imposed on the Keystone XL project are well known, some states are slowing down their consideration of pipeline route issues. This is important because, unlike natural gas pipelines, oil and petroleum product pipelines do not have the opportunity for federal eminent domain; the states control oil pipeline siting. At a time when we need more energy transportation infrastructure to take away growing energy production, federal permitting decisions are also taking longer, growing more complicated, and resulting in more unnecessary delays. These delays have caused companies to abandon some projects and could cause other projects to fail on the drawing board. To improve federal infrastructure permitting, AOPL encourages additional resources for federal permit review, common-sense decision-making, and more regulatory certainty.

As pipeline operators, we know that there is and will always be a role for rail delivery of crude. Indeed, some AOPL members as midstream infrastructure companies operate both pipelines and rail terminals to facilitate crude-by-rail deliveries. Rail offers geographic flexibility delivering to and from new production locations across the country. Because of our national rail

network and the relative ease of expanding it, rail can enter new markets quickly. Thus, rail can transport crude along routes where there are no pipelines and is doing so today from North Dakota to the American Northwest and Northeast, as examples.

That said, pipelines are the best way to transport large volumes of petroleum product. A single pipeline can deliver 800,000 barrels per day, all day, every day. As much as crude-by-rail has increased over the last few years, the 14.9 billion barrels of crude oil and petroleum products that pipelines transported in 2014 were more than 10 times the volumes delivered by rail. Pipelines are also the lowest cost way to transport petroleum products with rates only a fraction of other modes of transportation.<sup>4</sup> As a result, they are generally the preferred option for shippers when available. When pipelines are able to compete head-to-head with rail, as the lower cost service provider, pipelines typically win.

Pipeline transportation efficiency also translates into environmental benefits. The environmental impact analysis for Keystone XL found transport by pipelines is the safest and most environmentally favorable way to transport crude oil and other energy products. A barrel of crude oil has a better than 99.999 percent chance of reaching its destination safely by pipeline<sup>5</sup>, safer than any competing transportation mode.

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<sup>4</sup> *Petroleum Transportation North America*, Argus, Jan. 2015. (See e.g. Edmonton to Houston Canadian heavy crude rail unit rate of \$16.20/bbl and Hardisty to Cushing heavy crude pipeline tariff of \$6.82/bbl).

<sup>5</sup> AOPL Comparison of PHMSA Incident Data and FERC Transmission Data.

## **Working to Make Pipelines Even Safer**

Not only are pipelines safe, they are getting safer. Since 1999, the number of releases from liquids pipelines is down 50%.<sup>6</sup> Incidents due to corrosion are down 76% since 1999, and third party excavation damage is down 78% since 1999.<sup>7</sup>

These pipeline safety improvements are the result of a lot of hard work and resources spent by pipeline operators. In 2013, pipeline operators spent over \$2.1 billion dollars evaluating, inspecting and maintaining their pipeline infrastructure.<sup>8</sup> This included \$1.7 billion managing the integrity of pipelines and related facilities and \$400 million on storage tanks and facilities. Pipeline operators also conducted 1,455 in-line inspections with so-called “smart pigs” to scan and survey their pipelines from the inside.<sup>9</sup> Pipeline smart pigs can use magnetic resonance and ultrasonic wave technologies to detect pipe corrosion and cracking. The 2013 smart pig runs covered over 47,000 miles of pipeline.<sup>10</sup>

The basic strategy of the integrity management program is to evaluate pipe segments, inspect them, and then perform maintenance on any detected issues. To that end, on top of the number of tool runs conducted and miles of pipeline inspected, pipeline operators conducted 12,734 excavations of pipeline segments for further inspection or maintenance.<sup>11</sup>

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<sup>6</sup> Pipeline Right of Way Incidents, API Pipeline Performance Tracking System.

<sup>7</sup> Id.

<sup>8</sup> AOPL Survey of Member Companies, Sep. 2014.

<sup>9</sup> Id.

<sup>10</sup> Id.

<sup>11</sup> Id.

Pipeline operators share an industry-wide goal of zero pipeline incidents. This may be aspirational, but it drives us to constantly examine our performance results and continue to improve overall pipeline safety. Analysis of this sort guides the pipeline industry and the industry-wide safety improvement efforts we undertake each year. Our industry-wide safety improvement efforts are embodied in the *Pipeline Safety Excellence*<sup>™</sup> initiative. Launched in 2014, to further the industry's previous success in improving pipeline safety, the *Pipeline Safety Excellence*<sup>™</sup> initiative reflects the shared values and commitment of pipeline operators to building and operating safe pipelines. PSE includes: 1) shared pipeline safety principles, 2) continuous industry-wide safety efforts, 3) annual pipeline safety performance reporting, and 4) annual pipeline safety strategic planning.

Industry-wide pipeline safety principles cover values such as: zero incidents, organization-wide commitment, safety culture, continuous improvement, learning from experience, safety systems, using technology and communicating with stakeholders. The values reflect our drive to always look for ways to improve our safety performance, learn from experience and listen to our stakeholders.

Pipeline operators also have a long history of working together on industry-wide efforts to improve safety. Our members may be commercial competitors, but they work together to improve industry-wide pipeline safety. The Pipeline Safety Excellence Steering Committee is a group of pipeline operator executives guiding and ensuring pipeline safety performance achievement. Our Performance Excellence Team is composed of senior managers sharing safety improvement techniques and advancing data management, safety culture and damage prevention

initiatives. The Operations & Technical Group is composed of pipeline operations and engineering managers overseeing industry-wide pipeline recommended practices and coordination of research and development. In addition, we have groups on pipeline integrity management, control systems, public awareness, operator qualifications, research and development, and emergency planning and response.

As you can see, we have many different groups working to improve different aspects of pipeline performance. Many are undertaking specific projects to develop new inspection technologies, establish new recommended operating practices, or reach out to the public and our partners. While each of these initiatives is important, the top strategic initiatives we are undertaking are embodied in an annual strategic plan of pipeline safety improvements.

The *2015 API-AOPL Annual Liquids Pipeline Safety Strategic Plan* represents those top initiatives approved by the leadership of the pipeline industry for executive-level attention, support and resources. This year's plan has industry-wide goals to 1) improve inspection technology capabilities, 2) enhance safety threat identification and response, 3) expand safety culture & management practices, and 4) boost response capabilities.

Industry-wide strategic initiatives under these goals include: improved pipeline inspection technology capabilities to detect pipeline cracking, implementation of a new industry-wide recommended practices on crack detection, analysis and response, pipeline safety management systems, leak detection program management, and emergency planning and response. Implementation is a big theme for 2015. Pipeline operators developed in 2014, or will

soon complete, industry-wide recommended practices in these areas. Strategic initiatives in 2015 will educate, encourage and assist pipeline operator adoption of each of these efforts. New in 2015 are strategic initiatives to develop industry-wide guidance on the appropriate use of hydro-testing and construction quality management systems for pipelines.

Finally, the liquids pipeline industry is publicly reporting its pipeline safety performance for the second year in a row. The numbers included in today's testimony come from our 2015 performance report. We embraced public reporting as a component of the *Pipeline Safety Excellence*<sup>™</sup> initiative as a way to share with the public both where we are doing well and where we need to improve. We recognize we are members of the community in which we operate. Publicly sharing performance results holds us accountable to our core values of communicating with stakeholders, continuous improvement and zero incidents.

Our performance results also help form our strategic improvement plans. By measuring our performance, we know we are reducing overall incident numbers, corrosion incidents and third party damage. We also know that we need to do better in other incident cause areas such as materials, seam and weld failure. Thus, we include in the strategic plan initiatives to improve cracking inspection technology and a new industry-wide recommended practice for finding and managing pipeline cracking. This week we are releasing our *2015 API-AOPL Annual Liquids Pipeline Safety Performance Report & Strategic Plan*. We look forward to your review of the performance results and strategic plans we will undertake in 2015. We would be happy to meet with any of the members of the committee or their staffs in the coming weeks and months to review our efforts.



The ongoing North American energy production renaissance is bringing tremendous benefits to the American public. Gas prices approaching \$2.00 per gallon is a testament to the benefits of this bounty. Liquids pipelines are playing a crucial role in delivering these new energy supplies from production areas, to refineries and on to the American public. Pipelines are the safest way to transport liquid energy and we will continue working hard to make them even safer. Thank you.

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