



Senate of Pennsylvania
Senate Transportation and Senate Environmental Resources & Energy Committees
Joint Hearing
“Safe Transportation of Crude Oil (and Other Energy Products) by Rail in Pennsylvania”
Testimony of Elisabeth V. Treseder
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Good morning, Chairman Rafferty, Chairman Yaw, Chairman Wozniak , Chairman Yudichak and members of the Senate Transportation and Environmental Resources and Energy Committees. My name is Beth Treseder, Policy Advisor at the American Petroleum Institute.

API has more than 625 member companies and represents all sectors of America’s oil and natural gas industry. Our industry supports 9.8 million American jobs and 8.0 percent of the U.S. economy. It also provides most of the energy we need to power our economy and way of life.

Today, I’d like to speak of the midstream segment of the industry – the portion of the industry responsible for safely and efficiently transporting millions of barrels of oil and billions of cubic feet of natural gas every day from the oil and gas fields across the country to our refineries and processing plants by means of pipelines, vessels, and rail lines. Because of their ingenuity and engineering prowess in overcoming the bottlenecks in the existing infrastructure system, the U.S. is now firmly established as a global energy superpower.

More specifically, EIA data shows that tight oil production went from less than half a million barrels per day in 2007 to 3.9 million barrels per day in 2014. That's an 8-fold increase in only 7 years! And with that increase in production came employment for hundreds of thousands of people. IHS has estimated that in 2012, over 800,000 people owed their job to unconventional oil activity. This is production from places such as the Niobrara in Colorado, the Permian and Eagle Ford in Texas, and the Bakken in North Dakota.

Much of the rapid rise in production comes from regions of the country without a history of oil production and they therefore have limited infrastructure development, such as pipelines, to move and deliver crude oil. As a result, the industry has turned to railroads to move this new production to refining centers on the coasts that were not connected to the production fields. According to EIA, almost 70% of Bakken production now moves by rail.

For East Coast refiners, domestic and Canadian production – delivered by rail - has constituted a new and competitive alternative to waterborne oil from overseas. EIA data shows that in January of 2012 crude deliveries by rail constituted less than 5% of East Coast refiner receipts of crude oil. In January 2014, crude deliveries by rail had risen to account for 40% of all East Coast refinery crude oil receipts. This February, receipts of crude oil by rail accounted for more than half (52%) of the crude oil supply to East Coast refineries.

This was made possible by the expansion of crude by rail terminals to load crude at the production site as well as terminals to offload rail cars at or near refineries. A few years ago, U.S. rail loading capacity for crude oil was almost entirely for manifest trains, trains carrying a small number of tank cars with crude oil. Now, there are more than 30 loading terminals throughout the United States that can

accommodate unit trains, trains consisting 80 to 120 rail cars carrying exclusively crude oil. On the East Coast alone, there are now 10 terminals that can unload crude oil unit trains. As these facilities have been built, some of the crude oil that was previously transferred to vessels in Albany before moving on to refineries in New York Harbor and the Philadelphia area is now being moved directly by rail closer to its ultimate destination.

The growth in production that provided the impetus to expand this infrastructure continues. In March, the latest month for which EIA has data, oil production was at 9.5 million barrels per day, a level not seen in the U.S. since the early 1970's. Moreover, EIA's Annual Energy Outlook forecast, which was just released in April, shows U.S. crude production continuing to grow over the next several years. This growth in production, coupled with the growing infrastructure in the Northeast and the growing share of refinery crude receipts arriving via rail suggests that crude by rail will continue to be a critical part of the Northeast's robust energy future.

All of this is quite a change from where things stood just a few years ago. In 2010, reliance on high cost crude oil from abroad had forced several East Coast refineries to close or become idle as they were put up for sale. In 2012, it took two last ditch sales to prevent 40% of the US East Coast's refining capacity from being shut down. The jobs and tax revenue that East Coast refineries provide should not be taken for granted nor should the role rail plays in the economic viability of these refineries.

With regard to rail safety, API believes that a comprehensive approach that addresses prevention, mitigation and response will yield the most progress in achieving our ultimate goal of zero incidents. First and foremost, accident investigations consistently show that more must also be done to prevent trains from derailing in the first place by enhancing the inspection and maintenance of train tracks, axles

and other railroad equipment. With regard to mitigation, API supports upgrades to the tank car fleet and wants them completed as soon as realistically possible, and we worked with the railroads to create a new educational course to complement the training of first responders.

According to the Association of American Railroads, North America's rail network moves 99.997 percent of hazardous material shipments to their destination without incident. In the oil and natural gas industry, our goal for safety is always zero incidents. Eliminating the last elements of risk and getting to zero incidents for rail shipments requires a thoughtful, comprehensive and data-driven safety approach. Elements of a comprehensive approach include doing more to prevent train derailments, retrofitting the existing fleet of tank cars, and giving first responders the knowledge and tools they need.

Over the past 6 years, we have seen increasing U.S. oil and natural gas production drive economic growth and global energy security. We now need policy decisions to secure this path for the decades ahead. This hearing and many of the proposed bills are constructive steps forward. Thank you for providing me with the opportunity to speak with you today. I look forward to answering any questions that you may have.