

For immediate release

Oct. 1, 2014

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Great Lakes Commission report: Dramatic increases in crude oil production and transportation via rail

Ann Arbor, Mich. – The Great Lakes Commission is inviting comments on a draft report that evaluates the potential benefits and risks surrounding the transport of crude oil in the Great Lakes-St. Lawrence River region.

The report consists of a summary and four issue briefs, which provide in-depth analysis and background on the following topics:

- Developments in crude oil extraction and movement
- Advantages, disadvantages and economic benefits associated with crude oil transportation
- Risks and impacts of crude oil transport
- Regulations, policies and programs governing the transport of crude oil

“The region’s economy is heavily dependent on oil and petroleum products and the increase in production has benefits for the Great Lakes economy and our nation as a whole,” said GLC Chairman Kelly Burch of Pennsylvania, who welcomed comments on the draft report. “At the same time, our region’s economy is also directly tied to the health of our water. We need to manage the risks of transportation into and through the region so we can balance the benefits of both.”

Key findings revealed in the report:

- **A dramatic increase has occurred in both oil production and transportation.** There has been an increase of over 38 percent in overall domestic crude production since 2009. Forecasted output for 2015 (9.3 million barrels per day) will be the highest since 1972. Most of the transportation increase has occurred via railroad. In the United States 9,500 carloads of oil were carried by train in 2008. By 2014, 650,000 carloads are forecasted, representing a 68 fold increase.
- **All transportation modes have advantages, disadvantages and safety concerns.** Pipelines are the preferred mode of transport for movement of domestic oil. About 70 percent of the oil sands extracted in Alberta are shipped to U.S. refineries via pipeline. Pipelines are considered reliable and cost-effective; often \$5-\$10 per barrel cheaper than rail. Since the Lac-Mégantic incident in Québec in July 2013, at least 19 other transportation-related crude oil spills have been reported in the region involving all modes of transportation, including eight rail incidents, eight pipeline incidents, two vessel/barge-related incidents

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Great Lakes Commission

Kelvin Burch (PA), Acting Chair; Tim A. Eder, Executive Director

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and one truck incident. At least four of these spills occurred in a Great Lakes state or province.

- **The increase in oil transportation (particularly by rail) is outpacing the development and implementation of regulatory, enforcement and inspection programs.** The rapid increase in the volume of crude oil transported by rail has created challenges to strengthen existing or develop new federal regulatory, inspection and enforcement programs in the United States and Canada. Rulemaking, staff recruitment and staff training processes can take months or even years to complete. This is important because the lack of a mature regulatory regime places an initial and disproportionate burden on states, provinces and local governments regarding emergency preparedness and response in the event of a spill.

GLC Executive Director Tim Eder noted that the Lac-Mégantic train derailment, which resulted in a devastating explosion causing the loss of 47 lives and billions of dollars in damages, was a wake-up call.

“We have to balance the economic benefits with the risks and negative consequences of increased crude oil transport through the Great Lakes region,” Eder said. “The Great Lakes Commission report should open the door to more conversations on these topics so we can make the best decisions to protect our citizens, communities and the environment as crude oil transportation volumes continue to increase.”

Other findings:

- **Risks are complex and difficult to quantify.** All the modes of crude oil transport through the Great Lakes-St. Lawrence River region pose certain risks that depend on a number of factors: the type of crude oil being transported, the route and destination of transport, population density of areas where oil is being transported to and through, environmental protection concerns, ecological variability and vulnerability, state of emergency preparedness and response capabilities, and climate and weather conditions, among others. There is a need to better assess and understand relative risks and may be value in doing a complete study of risks and impacts that systematically considers all the factors for each mode of transport.
- **Mechanisms for communication, coordination and spill notification between jurisdictions exist but may be expanded to further enhance preparedness and response in the region.** Communication, including spill notification and coordination of response activities between jurisdictions and different levels of government, is extremely important to ensure a timely response in the event of a spill. In its 2012 report to the Great Lakes Commission, the Emergency Preparedness Task Force identified the need to improve communications between jurisdictions and all levels of government especially focusing on (and involving) the federal agencies responsible for pipeline permitting and regulations.

Currently, no crude oil is being transported by vessel on the Great Lakes, however, transport of Canadian oil sands by tanker vessel on the St. Lawrence began in September 2014. According to the U.S. Coast Guard, adequate response methods and techniques do not currently exist for spills of heavy crude oils on open bodies of freshwater such as the Great Lakes. This has implications for shipping of crude oil by vessel on the Great Lakes. Until adequate methods and techniques for heavy oil spill response can be developed, current Vessel Response

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Plan requirements (under the Oil Pollution Act) would likely preclude the approval of heavy crude oil being shipped by tanker vessel on the Great Lakes.

The GLC passed an action item at its annual meeting, which concluded yesterday in Buffalo, N.Y., directing the staff to publicize and solicit input on the draft report, which is available at <https://www.glc.org/oiltransport/comments.php>. The deadline for submitting comments is Dec. 1, 2014.

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*The **Great Lakes Commission** is an interstate compact agency established under state and U.S. federal law and dedicated to promoting a strong economy, healthy environment and high quality of life for the Great Lakes-St. Lawrence region and its residents. The Commission consists of governors' appointees, state legislators, and agency officials from its eight member states. Associate membership for Ontario and Québec was established through the signing of a "Declaration of Partnership." The Commission maintains a formal Observer program involving U.S. and Canadian federal agencies, tribal authorities, binational agencies and other regional interests. The Commission offices are located in Ann Arbor, Michigan. Learn more at www.glc.org.*