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Independent Assessment: Kinder Morgan Inflated Pipeline's Job Numbers by Factor of 3 while Dramatically Underestimating Spill Costs

Simon Fraser University's Centre for Public Policy Research, has released a report, produced in collaboration with The Goodman Group, Ltd. that refutes Kinder Morgan's claims regarding the positive economic benefits of its controversial pipeline project. The report, entitled [*Economic Costs and Benefits of the Trans Mountain Expansion Project \(TMX\) for BC and Metro Vancouver*](#), demonstrates that the benefits of the pipeline are very small and have been significantly overstated by Kinder Morgan, whereas the worst-case costs of a catastrophic spill are very large and have been vastly understated.

"We correctly anticipated that the benefits from the pipeline would be small in the context of the overall BC economy and mostly short-term," said Ian Goodman, President of the Goodman Group, Ltd. and co-author of the report. "But we were very surprised that the Company has exaggerated the short-term jobs associated with building the pipeline by a factor of three."

Kinder Morgan maintains that building TMX will create 36,000 person-years of employment in BC (including a wide range of spin-offs). But the report has determined that TMX will only create 12,000 person-years or less over the 3-year period for construction and related activity - equivalent to 4000 jobs/year (or less). This is less than 0.2% of the total provincial employment.

Similarly, for Metro Vancouver, the area most at risk for a catastrophic worst-case spill, the report has determined that building TMX will only create 6,000 person-years or less over this period - equivalent to 2000 jobs/year (or less). This is substantially less than 0.2% of the total regional employment.

In terms of long-term jobs, Kinder Morgan estimates that operating TMX will create only 50 direct full-time jobs in BC, but also claims that a wide range of spin-offs could push the total up to almost 2000 jobs. Once again, these claims are exaggerated: even with a wide range of spin-offs TMX will only create 800 long-term jobs. This is substantially less than 0.1% of total BC employment.

A review of the fiscal benefits also demonstrates the tiny returns to BC from TMX. Kinder Morgan's flawed analysis, which overstates jobs also overstates tax benefits from building and operating TMX. Based on the Company's own estimates regarding the increased revenues to tar sand producers from TMX, BC gets less than 2% of these revenues; tar sands producers retain 68%, and 31% goes to Alberta and other provinces in royalties and corporate income taxes (paid directly to the provinces, or paid to the federal government and then flowed back to the provinces). TMX would provide only small property tax benefits for BC communities along its route. And these benefits (averaging less than 1% of current total municipal revenues) will be even smaller in the context of projected growth for these communities.

On the cost side, Kinder Morgan's miscalculations are even more dramatic. KM has estimated that the worst-case scenario for spill damage would cost only C\$100-\$300 million with the most expensive spill scenario projected in a non-urban, non-sensitive area.

"KM has vastly underestimated the worst-case costs for a catastrophic pipeline rupture. Contrary to KM's findings, damage and cleanup costs for major accidents are highly correlated with population density. So a worst-case scenario for TMX would involve a major accident in a more densely populated area (such as Metro Vancouver) damaging and disrupting key infrastructure, and possibly resulting in a spill to water and losses of human life. Costs for such a catastrophe could escalate to the multi-billion dollar range - more than 10 times higher than the KM estimates," says Brigid Rowan, Senior Energy Economist at The Goodman Group, Ltd and co-author of the report.

Under a bad-case scenario, the potential costs for a major rupture in a sensitive area but non-urban setting (similar to Marshall, MI site of the Enbridge spill to the Kalamazoo River) could start at US\$1 billion. Under a worst-case scenario involving a catastrophic rupture in an urban setting, costs could escalate to US\$2-5 billion.

Doug McArthur, Director of the Graduate School of Public Policy at SFU noted that in this study only economic costs that can be readily quantified are counted. If other environmental impacts, such as upstream GHGs, compromised ecosystem services, harm to plant and animal species, and broader human health impacts beyond injuries and death related to an accident, are included, the project becomes very hard to justify -- especially since the report already concludes that under a range of bad to worst-case scenarios, the costs of TMX will exceed, or greatly exceed, the benefits for both BC and Metro Vancouver.

"The jobs created are nowhere near the number claimed by Kinder Morgan and the costs are grossly underestimated when the risks of a major spill, particularly one occurring in the Vancouver area, are factored in, using standard economic costs -- the whole project is highly questionable from a public policy point of view," he said. "These findings, along with the increasing evidence from intervenors in the NEB pipeline hearings that Kinder Morgan is not providing accurate and complete data and information about the pipeline, make it difficult to see how the NEB can approve this pipeline while fulfilling its obligation to uphold the public interest."

About [The Goodman Group, Ltd. \(TGG\)](#)

The Goodman Group, Ltd. is a consulting firm specializing in energy and regulatory economics. Since 1989, TGG has consulted and conducted economic research across a broad range of issues. Their North American-wide client base includes energy sector companies, regulators, government, customer groups, and environmental and indigenous groups. One of TGG's key areas of expertise is economic development analysis (including employment impacts) of energy projects. In recent years, TGG has published several influential and widely publicized studies on the economic costs and benefits of various crude oil pipelines in North America. California-based Ian Goodman,

the President and founder of The Goodman Group Ltd., and Ottawa-based Brigid Rowan have over 55 years of experience in the areas of energy and regulatory economics.

About Simon Fraser University, Centre for Public Policy Research ([CPPR](#))

The Centre for Public Policy Research (CPPR) is the research arm of the Simon Fraser University School of Public Policy. The CPPR promotes interdisciplinary research, education, and dialogue on a broad range of public policy issues in Canada.

Doug McArthur is Professor and Director of Graduate School of Public Policy at Simon Fraser University. Prior to joining SFU's Public Policy Program in 2003, McArthur was Senior Fellow in Public Policy at the University of British Columbia. His public service career has included senior roles with the British Columbia, Saskatchewan and Yukon Governments. Doug has served as Deputy Minister to the Premier and Cabinet Secretary in BC, Deputy Minister of Aboriginal Affairs in BC, Chief Land Claims Negotiator in the Yukon, as well as two posts in Saskatchewan as Deputy Minister of Agriculture and Deputy Minister of Northern Saskatchewan. He was Minister of Education in Saskatchewan from 1978 to 1982 and Chair of the Canadian Council of Ministers of Education.

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