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From: Klevorick, Caitlin B
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To: Reines, Philippe I; Mills, Cheryl D; Macmanus, Joseph E; Adams, David S; Hammer, Michael A; Jones, Kerri-Ann; Benes, Keith J; Clune, Daniel A; Smith, Dana S (PA)
Subject: State Department Denies Conflict in Keystone XL Pipeline Review

State Department Denies Conflict in Keystone XL Pipeline Review

By David Lerman - Nov 1, 2011

The U.S. State Department denied it had a conflict in hiring a contractor paid by TransCanada Corp. (TRP) for an environmental study of the company's proposed pipeline that would carry oil from Canada to Texas.

The decision to use Cardno Entrix, a subsidiary of Cardno Limited of Brisbane, Australia, to conduct the environmental review "does not constitute a conflict of interest," David Adams, the State Department's assistant secretary for legislative affairs, said in an Oct. 31 letter to Senator Patrick Leahy, a Vermont Democrat.

Leahy and other lawmakers had raised concerns in recent weeks that a review by Cardno Entrix may be tainted because the environmental consulting firm described TransCanada as a "major client." TransCanada is seeking State Department approval to build a \$7 billion pipeline stretching 1,661 miles (2,673 kilometers) to deliver crude from the oil sands of Alberta to Texas refineries.

The State Department, which has jurisdiction because the project would cross an international boundary, has said it may make a decision this year.

"We find it inappropriate that a contractor with financial ties to TransCanada, which publicly promotes itself by identifying TransCanada as a 'major client,' was selected to conduct what is intended to be an objective government review," Leahy and two colleagues wrote in an Oct. 14 letter to Secretary of State Hillary Clinton.

Cardno Entrix identified TransCanada as a "major client" only because the U.S. government had previously selected the firm to review four TransCanada permit applications, Adams said in his letter. Cardno Entrix received about \$13 million in fees for its work on those four applications, amounting to about 2.7 percent of net revenue, he said.

Under the National Environmental Policy Act, which governs the review process, "this does not constitute a conflict," Adams wrote. "The federal government is the client -- the federal government is selecting and directing the work" done by Cardno Entrix, "not TransCanada," he said.

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