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Republicans tie Keystone pipe to tax cut bill

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By Timothy Gardner and Roberta Rampton

WASHINGTON (Reuters) - House of Representatives will include approval of a Canada-to-Texas oil pipeline in a payroll tax cut bill, House Speaker John Boehner said on Thursday, raising the political stakes on the issue.

The move by House Republicans marked a challenge to President Barack Obama, who has warned he would veto any bill that linked quick approval of TransCanada Corp's Keystone XL pipeline to extending a tax cut for American workers that is due to expire on December 31.

"The Keystone pipeline would put tens of thousands of Americans to work immediately," Boehner told reporters after meeting with House Republicans on Thursday.

Both Republicans and Democrats want to pass an extension of the payroll tax cut in the next two weeks, but they are divided on how best to do it.

"Here's what I know: however many jobs might be generated by a Keystone pipeline, they're going to be a lot fewer than the jobs that are created by extending the payroll tax cut and extending unemployment insurance," Obama told reporters at the White House on Thursday.

Republican Lee Terry, who sponsored the Keystone measure, said he thinks it makes more sense to put people to work than keep them on unemployment benefits.

"I don't know why you would snub your nose at creating 20,000 jobs next year," the Nebraska Republican told Reuters.

WILL IT CLEAR SENATE?

The Keystone measure helped Republican leaders secure support for their bill, but it still needs to pass the Democratic-led Senate, where some lawmakers have already urged Majority Leader Harry Reid to reject it.

Reid on Thursday called the House bill "a partisan joke that has no chance of passing the Senate," and criticized it for including "a laundry list of policies whose sole purpose are scoring points against President Obama."

Lee said he is not optimistic the measure will clear the hurdle. "The problem is that Harry Reid has become the president's best offensive lineman, blocking anything from getting to the president's desk," Lee said in an interview.

Approval of the pipeline, which would carry 700,000 barrels per day of crude oil from Canada's tar sands, currently rests with the State Department. The Republican measure would take the decision out of the hands of Obama and give it to an energy regulator.

Obama directed the State Department last month to conduct an additional environmental review of the \$7 billion pipeline. That would punt the decision on whether to approve the project until after next year's presidential election.

Environmentalists say the pipeline would threaten Nebraska's Sand Hills region and lead to higher greenhouse gas emissions, and had threatened to hold back on campaigning for Obama

in the election.

But some union leaders have decried the delay, saying the pipeline would create jobs for their members.

A coalition of more than 30 green groups, including the Natural Resources Defense Council and League of Conservation Voters, wrote to congressional leaders this week urging them to keep so-called "policy riders" out of the tax cut bill.

Another rider in the House bill would block the Environmental Protection Agency's limits on pollution from power plants and boilers.

"Trying to add unrelated, anti-environmental riders to last-minute bills is nothing more than hostage-taking," the groups said.

(Additional reporting by Jeff Mason and Donna Smith; Editing by Mohammad Zargham)