Enbridge to Nowhere

How Fossil Fuel Interests Funded, Influenced, and Promoted the University of Minnesota Duluth’s Line 3 Pipeline Study

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About the Public Accountability Initiative

The Public Accountability Initiative (PAI) is a non-profit, non-partisan research and educational organization focused on corporate and government accountability. In addition to publishing research on critical public accountability issues, PAI maintains LittleSis.org, an involuntary facebook of powerful people and tool for power research that was used to compile data for this report. PAI’s work is funded by a variety of non-profit sources (all funding sources are listed at http://publicaccountability.org/about/funding).

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I. Introduction

A recent study released by the University of Minnesota Duluth (UMD) on the economic benefits of Enbridge’s controversial Line 3 replacement pipeline is deeply compromised by major conflicts of interest, many of which are undisclosed, as well as serious methodological problems. The Duluth News Tribune, the Duluth area’s leading newspaper, also has major undisclosed conflicts surrounding its coverage of the UMD study.

The UMD study is a prime example of a wider tactic used by the fossil fuel industry, which we’ve reported on before, whereby the industry and industry-backed groups fund studies that bear a legitimizing university imprimatur but are in fact deeply influenced and/or supported by the very oil and gas companies that have a vested interest in the results of the studies. The findings of these industry-financed studies are then spread by backers as fact in op-eds, editorials, letters to editors, public hearings, and other mediums, all while being referred to as a given university’s study -- with the authority and trust that confers -- rather than an industry study.

This report maps out the conflicts of interests and fossil fuel industry influence linked to the UMD study and highlights its flawed aspects. Key findings include:

- **Enbridge-funded business group paid UMD to produce study.** The study fails to disclose that UMD was paid a fee by an Enbridge-funded business group – the Area Partnership for Economic Expansion, or APEX – to produce the study in support of Enbridge. The UMD study also fails to disclose that Enbridge’s US director of public affairs sits on the board of APEX. All this comes after UMD accepted a previous, higher fee, which it also failed to disclose, to produce a similar report, for an Enbridge-hired consulting firm on behalf of Enbridge, of which the more recent study is an update.

- **UMD is a dues-paying member of Enbridge-backed group that paid UMD for study.** The study fails to disclose UMD’s close ties to APEX. UMD is a dues-paying “core member” of APEX along with Enbridge. UMD pays APEX $30,000 a year in dues. UMD Chancellor Lendley Black and UMD Natural Resources Research Institute Director Rolf Weberg sit on the APEX board alongside Enbridge.

- **Data inputs for study were provided by Enbridge.** The UMD study’s findings were based largely on data inputs provided by Enbridge that went into IMPLAN, a modeling program that can be easily manipulated to arrive at varied results. Indeed, the UMD study is contradicted by another IMPLAN-based study submitted to the Minnesota Public Utilities Commission in January 2017 on behalf of Enbridge by a celebrated UMD Professor Emeritus.

- **Enbridge-backed entities paid for use of the institutional legitimacy of UMD – a taxpayer-funded public university.** In funding a study based on Enbridge’s own data inputs but blazoned with the UMD name and brand, the Enbridge-funded APEX and
other Line 3 backers have been able to pass off the study as a UMD study in numerous media outlets and public hearings. UMD is a tax payer-funded public university.

- **Undisclosed conflicts in the Duluth News Tribune's coverage of UMD study.** In its coverage of Line 3 and the UMD study – including favorable editorials that use the UMD study’s results and op-eds by APEX leaders -- the Tribune fails to disclose that it is a dues-paying APEX member and that the paper’s publisher is a member of the APEX board alongside Enbridge and UMD.

II. Enbridge’s Line 3 Replacement Pipeline

Enbridge is Canada’s largest natural gas distribution corporation and it operates the world’s longest crude oil and liquids transportation system. Its Line 3 replacement project, which will build over 1,000 miles of new pipeline cutting through Canada and parts of the northern US, will be its most expensive project ever, at an estimated $7.5 billion. The US section of Line 3 will run 337 miles, primarily through Minnesota.

The pipeline will deliver crude oil from Canada to the midwestern US. Enbridge claims that in 2014, it “transported over 74 percent of the crude oil imported from Canada and consumed in the Midwest.” The Line 3 replacement would replace and expand Enbridge’s current Line 3 pipeline, which was built in the 1960s. The 36-inch diameter pipeline will deliver up to 760,000 barrels of crude oil per day, and it will also have eight new pump stations and twenty-seven valves along its route.

Enbridge’s application to the Minnesota Public Utilities Commission states that the pipeline is for “the transportation of crude oil from the U.S. and Canada to Enbridge’s Clearbrook Terminal near Clearbrook, Minnesota, and to the Superior Terminal Facility near Superior, Wisconsin.” Enbridge claims there will be a $2.1 billion investment for the Minnesota part of the pipeline.

The Line 3 replacement has raised intense opposition among environmentalists and Native American communities in Minnesota, who worry about oil spills, damage to water bodies, abuses of eminent domain, and treaty violations. The Minnesota Department of Commerce came out against the Line 3 replacement on September 11, 2017. It pointed out the “serious risks” to and “limited benefit” of Line 3 to Minnesotans, stating that “Minnesota would be better off if Enbridge proposed to cease operations of the existing Line 3, without any new pipeline being built.”

III. Business group that commissioned the study has extensive ties to fossil fuel industry and University of Minnesota Duluth

The UMD study was requested by the Area Partnership for Economic Expansion (APEX), a group that represents a coalition of business interests in northeastern Minnesota and the Duluth-Superior Twin Ports area, with close ties to the fossil fuel industry, including Enbridge and Minnesota Power, as well as to UMD.
APEX is funded by the annual dues of around 70 regional “investor-members” which include “the region’s leading companies, foundations and academic partners,” who also provide APEX its “primary operational” support. Enbridge is one of these APEX dues-paying members, as are UMD and the UMD Natural Resources Research Institute. The Duluth News Tribune is also an APEX investor-member.

APEX paid a fee of $3,000 to UMD to produce the study, according to invoices obtained by PAI through an information request. This payment was not disclosed by UMD in the study. The specific language of the study states that UMD’s Bureau of Business and Economic Research “was contacted by APEX as an unbiased research entity,” that it was “asked to supply an economic impact analysis only,” and that the study was “prepared for Area Partnership for Economic Expansion (APEX).” Nowhere does the study explicitly state that UMD accepted a fee to produce it.

APEX failed to disclose that it paid for the UMD study in its initial June 13, 2017 press release, though a second press release on June 29, 2017 said that APEX “commissioned” the study. Both press releases contained Enbridge’s logo.

Moreover, prior to the APEX study, UMD accepted a fee of $12,692 from another Enbridge-backed entity to produce a Line 3 study in 2015, which the APEX-commissioned study was updated from. UMD Marketing and Public Relations Director Lynne Williams told PAI that “the APEX contract was an update to an earlier report that was done for Weber Johnson Public Affairs. At the time, Weber Johnson was working for Enbridge on public relations for Sandpiper and Line 3. Enbridge has since stopped working with that company so APEX was the catalyst for the revised report, using the new numbers for Line 3 only. The cost for the revision was lower than the original price tag for the project with Weber Johnson, since it was just an update to a previous report.” The $12,692 fee that Enbridge’s former public relations firm paid UMD for the original report was not disclosed in the 2015 UMD study.

APEX board members with ties to the UMD study – through businesses that will profit from the construction of Line 3, connections to the UMD business school, or through media efforts to promote the pipeline – include:

- **Lorraine Little**, who has been the Director of Public Affairs of Enbridge’s US subsidiary for close to a decade. UMD did not disclose that a public relations official at Enbridge was on the board of the group that requested and paid for the study. Little also serves on the board of directors of the Duluth Chamber of Commerce, which has a number of interlocks with APEX.

- **Nancy Norr**, the immediate past board chair at APEX and director for regional development for Minnesota Power. Minnesota Power has profited directly from Enbridge pipelines in the past and Norr has been an industry spokesperson on behalf of the Line 3 project in particular. Documents from 2013 show that Minnesota Power and its parent
company Allete have an “Electric Service Agreement” whereby Minnesota Power provides “electric service requirements” for Enbridge’s “pipeline facilities.”

Norr is also the director and board chair of “Jobs for Minnesotans,” an astroturf group made up of representatives from the energy industry, chambers of commerces, and the building trades, which has promoted Line 3. Norr has cited the UMD study (with no mention that it was commissioned by an Enbridge-backed group and based on Enbridge inputs) in the media and at public hearings on Line 3 -- for example, on June 11 and September 22 of 2017.

- **Neal Ronquist**, publisher of the *Duluth News Tribune*, the Duluth area’s main daily newspaper. A September 16, 2017 *Tribune editorial* calls for the pipeline’s approval and cites -- as fact, not naming the source -- the UMD study’s numbers. The *Tribune* also cited the UMD study’s numbers in a July 9, 2017 editorial calling for “civility” in the discourse around the Line 3 debate. The *Tribune* has published op-eds by APEX members - including one by Minnesota Power director of regional development Nancy Norr - endorsing the pipeline.

  In its editorials and APEX member op-eds, the *Tribune* failed to disclose that its publisher sits with an Enbridge public affairs official on the board of the organization that worked with Enbridge to commission the UMD study, or that the paper is a dues-paying member of APEX. Ronquist is also the vice chair at-large of the Duluth Chamber of Commerce, and sits on that board alongside Enbridge’s Little.

- **Lendley Black**, chancellor of UMD. UMD is a dues-paying “core member” member of APEX.

- **Rolf Weberg**, director of the UMD Natural Resources Research Institute. The Institute is a dues-paying member of APEX, and Weberg sits on the APEX board’s Executive Committee.

- **Brian Hanson**, APEX President and CEO since June 2012 and point of contact for the UMD Line 3 study. Prior to heading up APEX, Hanson served as Director of Business and Community Development for Duluth, Manager of Business Development at Allete, and Director of Development Strategies for the State of Minnesota.

- **Amy Rutledge**, manager of corporate communications for Minnesota Power.

- **Pat Mullen**, senior vice president of Allete’s external affairs division who sits on UMD Chancellor Lendley Black’s advisory board.

- **Steve Burgess**, CEO of the National Bank of Commerce who sits on the Dean’s Business Advisory Council of the Labovitz School at UMD.
- **George G. Goldfarb**, an Allete board member and former member of the APEX board who sits on the the Chancellor's Advisory Board for UMD.

IV. UMD ties to group that commissioned the study and to Enbridge

UMD published the Line 3 study which APEX requested and paid for, but the study fails to disclose major conflicts of interest surrounding the relationship between UMD, APEX, and Enbridge.

- As mentioned above, UMD is listed on APEX’s site as a dues-paying member of APEX. Since at least 2014, UMD has paid APEX $30,000 per year to be a “core member” (the highest level of APEX membership).

- As mentioned above, both UMD Chancellor Lendley Black and UMD Natural Resources Research Institute director Rolf Weberg sit on the APEX board -- Weberg is even a member of its Executive Committee. The UMD Natural Resources Research Institute is also listed on APEX’s site as a dues-paying investor-member.

  In short, UMD is a dues-paying member and director, alongside Enbridge, of the same group that directly paid UMD to produce the Enbridge-backed study. The UMD study fails to disclose any of this.

- As mentioned above, former APEX board member **George G. Goldfarb** sits on the the UMD Chancellor’s Advisory Board. Goldfarb is President and CEO of Maurices, a retail clothing company founded by the Labovitz family, whom the UMD business school is named after. Goldfarb is also an Allete Board member.

- As mentioned above, APEX board member Steve Burgess sits on the Dean’s Business Advisory Council of the UMD Labovitz School. The UMD study fails to disclose that an APEX board member sits on an advisory council to the Dean of the business school within UMD that released the study.

Finally, **Richard Lichty**, a former Bureau of Business and Economic Research director (BBER, discussed more below, is the entity within the UMD Labovitz School that produced the Line 3 study) twice testified on behalf of Enbridge to the Minnesota Public Utilities Commission on pipeline projects, including Line 3, and submitted studies. Lichty retired as a Labovitz School faculty in 2007 and was granted Professor Emeritus status. The Labovitz School gives out a scholarship in his name.

- On January 31, 2017, Lichty testified on behalf of Enbridge about the “significant economic benefits” of the Line 3 replacement. Lichty worked with Navigant Consulting to produce a study entitled “Report on the Economic Impacts Analysis for the Line 3 Replacement Project.” Lichty testified that the study was “requested” by Enbridge.
Similarly, on August 8, 2014, Lichty testified to MPUC on behalf of the North Dakota Pipeline Company (NDPC) and its proposed Sandpiper Pipeline Project. He submitted a study entitled “Local Economic Impacts Analysis of the North Dakota Pipeline Company LLC Sandpiper Pipeline Project.” NDPC was owned and operated by Enbridge. Lichty testifies that NDPC (Enbridge) “asked” him to produce the study.

Furthermore, in his August 2014 testimony, Lichty also states that James Skurla assisted with preparation of the Sandpiper study. Like Lichty, Skurla, who retired in 2014 and passed away in 2015, was a Labovitz School professor and a former director of the BBER. Skurla was director of the BBER from 2003 to when he retired as director in June 2014. The Sandpiper study that he helped produce was submitted to MPUC by Lichty on August 8, 2014.

Along with the payment from APEX, the close ties between UMD and APEX help explain why, when it was “contacted by APEX as an unbiased research entity,” as it claims in its study, UMD could be expected to be willing to produce a study that agreed to use inputs provided by the fossil fuel company building the pipeline, and that was paid for by an organization whom both UMD and Enbridge fund and influence.

See our annotated slideshow map, “The Power Behind the UMD Study,” at LittleSis.org.
V. The UMD Study and its Flaws

The UMD study, entitled “Enbridge Pipeline Construction Economic Impact Study,” was produced by the Bureau of Business and Economic Research (BBER), which is located within the UMD Labovitz School of Business and Economics.

Finished in April 2017, the UMD study claims that construction of the pipeline is “estimated to support, directly and indirectly, approximately 8,600 jobs over the two-year period” and will produce “a total output impact of over $2.0 billion regionally in combined direct, indirect, and induced spending effects.” These numbers have been seized on by representatives of Duluth’s business leadership to make a media push for the pipeline’s approval and have been cited in public hearings on Line 3 held by the Minnesota Public Utilities Commission.

However, several aspects of the study lead one to question its results and use.

- The study’s findings are questionable due to research methodology that leaned heavily on data from interested parties. The results of the study are largely based on inputs provided by Enbridge, the very corporation behind the pipeline proposal. As mentioned above, Enbridge is also a member of and funds and directs the group that requested, paid for, and has promoted the study.

- The study relied on the economic modeling program IMPLAN. PAI has previously documented how IMPLAN can be easily manipulated to obtain desired results, and that it has been used by the oil and gas industry to arrive at dubiously optimistic numbers. For example, an industry-funded study at Penn State using IMPLAN estimated in 2011 that the oil and gas industry generated nearly 140,000 jobs, and that this would rise to 256,000 jobs by 2020. However, when the state of Pennsylvania did its own independent estimate of the same period of time (the third quarter of 2014) and also used IMPLAN, it arrived at an estimate of 90,000 jobs related to drilling.

- The unreliability of economic impact numbers generated by IMPLAN is further illustrated by the fact that another UMD affiliated figure -- Professor Emeritus Richard W. Lichty, the retired Labovitz School faculty member and past director of the BBER who is mentioned above -- submitted a “Report on the Economic Impacts Analysis for the Line 3 Replacement Project” to the Minnesota Public Utilities Commission that also used IMPLAN, but arrived at different (sometimes wildly different) numbers.

    For example, Lichty’s study said Line 3’s construction would create 13,604 jobs in 2018 and 2019 and $2,253,696,670 in total economic output. In contrast, the UMD study said the project would create 8,600 jobs over two years and $2,024.8 billion in new spending. Lichty’s study, which he produced with Navigant Consulting for Enbridge, was dated January 31, 2017, less than 3 months before the UMD study.
This illustrates the extent to which IMPLAN modeling provides superficial results that can be easily manipulated to arrive at different conclusions -- in this case, even when inputs for both studies were provided by Enbridge.

- The UMD Line 3 study openly states that it “does not consider the social or environmental impacts of the project.” This makes it unreliable as an economic impact study since it ignores likely expenses associated with environmental damage, declining property values near the pipeline’s route, damage to habitats and bodies of water, emissions of gas and toxins, and other possible costs.

- As discussed above, the organization tied to the UMD study, APEX, has deep ties to Enbridge and regional fossil fuel pro-pipeline interests. Enbridge is a dues-paying member of APEX, and the study was prepared “in cooperation with Enbridge,” according to the Executive Summary. Also mentioned above, UMD is a dues-paying member of APEX and its Chancellor sits on the APEX board.

- As mentioned above, a former director of the BBER and UMD Professor Emeritus has twice testified and submitted studies on behalf of Enbridge pipeline proposals -- including Line 3 -- to the Minnesota Public Utilities Commission.

VI. Enbridge-backed group’s paid-for use of UMD institutional legitimacy

Members of APEX and other Line 3 supporters have repeatedly referenced the UMD study in op-eds, letters to the editor, and in public hearings on Line 3 held by the Minnesota Public Utilities Commission. In doing so, they typically refer to it as a “study” or “analysis” from UMD, failing to explain that the study was commissioned by an Enbridge-funded group, and was in fact an update of a previous study commissioned by an Enbridge-hired consulting firm.

Some examples of this in the Minnesota press include:

- An October 31, 2017 op-ed in the Duluth News Tribune by an Enbridge manager in support of Line 3, which cites -- as fact, with no reference -- the UMD study’s claim that building the pipeline would support “8,600 construction, supplier, and service jobs.”

- An October 28, 2017 pro-Line 3 op-ed in the Saint Cloud Times by John Phelan of the Center of the American Experiment that cites the jobs and economic impacts numbers UMD Study (“According to an April 2017 study conducted by the University of Minnesota-Duluth’s Labovitz School of Business and Economics…”)

- An October 26, 2017, Duluth News Tribune story on the Line 3 hearings at Crosslake, Minnesota, which reports: “[APEX Immediate Past Board Chair Nancy Norr] also cited a University of Minnesota Duluth analysis of the estimated economic impact of the project, which stated that it would be about $2 billion for the state with more than 86,000 jobs
created during the construction phase of the project.” (Note: the Tribune’s reporting of the “86,000 jobs” claim is likely an error that should have instead read “8,600 jobs”).

- An October 26, 2017, Aitkin Age story on the Line 3 hearings at McGregor, Minnesota, which reports on Jobs for Minnesotans’ comments: “The Line 3 Replacement Project will have a total economic impact of more than $2 billion, provide a payroll of $167 million for local workers and create 6,500 local jobs over two years, according to a recent study conducted by the University of Minnesota Duluth,” stated Jobs for Minnesotans.”

- A June 11, 2017, pro-Line 3 op-ed in the Duluth News Tribune co-authored by Nancy Norr that stated: “Not only is the Line 3 Replacement Project necessary to help meet the demands of our statewide needs, it has the potential to create approximately 2,100 local Minnesota jobs, according to a recent study by the University of Minnesota Duluth.”

In effect, Enbridge allies have been able to pass off an Enbridge-backed study based on Enbridge data as a UMD study, attaching the university’s institutional legitimacy to what is in fact a paid-for report by interested parties and based on inputs from a company with a vested stake in the report’s results.

It should also be noted that that the study was produced by a school within a taxpayer-funded public university system. UMD is part of the University of Minnesota system which receives hundreds of millions of dollars in public money annually. This clearly stands in conflict with UMD functioning as a for-hire producer of IMPLAN reports that accepts fees from organizations representing and funded by private, for-profit corporations in exchange for a report that carries the University of Minnesota name.

In the study, UMD issues these caveats: “The BBER relied upon the completeness, accuracy, and fair presentation of all data and information obtained from Enbridge and/or their agents. The report is conditional upon the completeness, accuracy, and fair presentation of that data and information. The BBER does not promise or guarantee the outcome of these results but rather is providing projections based upon inputs and outputs using IMPLAN software.”

While it is good the study acknowledges all this, UMD presumably knew -- or should have known -- that the results based on Enbridge’s own inputs would be used by Enbridge and the business community -- but now with UMD’s legitimizing imprimatur -- to promote the pipeline. UMD’s missteps are all the more troubling given its own undisclosed relationship to APEX and Enbridge. While the study doesn’t claim to endorse the Line 3 pipeline, it displays a lack of rigor, reliability, and transparency precisely when the public needs accurate and unconflicted information to form its opinion on a hotly-debated and consequential issue.

The decision to lend a public university’s name and legitimacy to a study that was requested by a group working with a private fossil fuel corporation, that was based on data provided by that corporation, that was subsequently used by corporate interests to gain public support for a
controversial pipeline project, that has been cited in public hearings, and that UMD itself is tied to in multiple conflicted ways it failed to disclose, raises serious ethical implications for UMD.

VII. *Duluth News Tribune* supports UMD study without disclosing conflicts of interest

The *Duluth News Tribune* (the “Tribune”) is the leading print media outlet in the Twins Ports region. Its coverage of Enbridge’s Line 3 pipeline and the UMD study has been notably uncritical and, at times, stridently favorable.

In a September 16 *editorial*, the *Tribune* directly calls for the pipeline’s approval while citing some of the UMD study’s numbers on jobs and economic impact. It treats these numbers as fact, failing to name their source, which, as mentioned, is an Enbridge-backed study that uses Enbridge inputs. The editorial also criticizes pipeline protesters while it extensively quotes Enbridge’s CEO in a positive light. The *Tribune* also cited the numbers generated by the UMD study in a July 9th *editorial* calling for “civility” in the discourse around the Line 3 debate.

The *Tribune* has also published at least three recent op-eds by APEX members -- two by APEX representatives, and one by an Enbridge manager -- in support of Line 3 that refer to the UMD study. These include an October 31, 2017 *op-ed* written by an Enbridge manager that cites the UMD study’s claim that pipeline construction would create “8,600 construction, supplier, and service jobs”; a June 11, 2017 *op-ed* published by APEX immediate past chair and Minnesota Power director of regional development Nancy Norr; and an October 16, 2017 *op-ed*, published just a few days before public hearings on Line 3 in Duluth, co-authored by Tamara Lowney, APEX senior business developer.

However, the *Tribune* never discloses in any of these pro-Line 3 editorials or op-eds a number of serious conflicts of interest with regards to the UMD study and to the groups and individuals promoting it through the *Tribune*’s pages:

- Neal Ronquist, publisher of the Tribune, sits on the board of APEX.
- The *Tribune* is listed as a dues-paying member of APEX.
- Ronquist’s fellow APEX board members include a representative from Enbridge as well as Nancy Norr, whose op-ed Ronquist published.
- Ronquist is also Vice Chair At-Large of the Duluth Chamber of Commerce. Enbridge’s Director of Public Affairs sits on that board with him.

In sum, Ronquist sits on the board of the same organization, APEX, that requested and paid for the UMD study; the *Tribune* is a dues-paying member of APEX; and Ronquist sits on two boards alongside an Enbridge representative, one of which includes APEX.
These are major conflicts of interest that Ronquist and the Tribune fail to disclose in their favorable coverage of the UMD Line 3 study, a study financed by an Enbridge-funded group whose backers seek to shape the public discussion in Enbridge’s favor and impact public hearings. At a time of heightened debate in Minnesota over the Line 3 pipeline replacement, this is a significant ethical and professional failure by Ronquist and the Tribune.

See our annotated map, “The Duluth News Tribune & the UMD Study,” at LittleSis.org.

**VIII. Recommendations**

Given the significant conflicts of interest surrounding the UMD economic impact study and the extent to which it was shaped by Enbridge and funded by Enbridge-financed entities, PAI makes the following recommendations for UMD and the Duluth News Tribune to regain public trust:

- UMD should retract the Enbridge Pipeline Construction Economic Impact Study with a public statement.
• UMD should publicly announce the establishment of a committee to explore and set and/or modify guidelines surrounding ethics and conflicts of interest pertaining to the research it publishes under its name.

• UMD Chancellor Lendley Black should write a letter to the Minnesota Public Utilities Commission, before the November 22, 2017 deadline for accepting public comments on the Line 3 replacement proposal, to clarify that the numbers cited before the Commission based on the UMD study are in fact largely based on data inputs provided by Enbridge and taken from a report financially supported by an Enbridge-funded group.

• The *Duluth News Tribune* should retract its September 16, 2017 and July 9, 2017 editorials and disclose its ties to the UMD study and to Enbridge in any coverage of the study and/or of Line 3. The *Tribune* should disclose its ties to APEX whenever an APEX member writes an op-ed for the *Tribune*.

• Both UMD and the *Tribune* should leave APEX and its board to avoid future conflicts of interests.