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From: Abedin, Huma <AbedinH@state.gov>
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Subject: Iran threat should prompt Keystone rethink- PM Harper (Reuters)

OTTAWA, Jan 16 (Reuters) - Iran's threat to block the main oil shipping route out of the Gulf points to why the United States should approve the Keystone XL pipeline from Canada to Texas, Canadian Prime Minister Stephen Harper said on Monday.

"I think it's pretty obvious what the right decision is ... not just from an economic and environmental standpoint, but from an energy security standpoint," Harper told CBC television.

"When you look at the Iranians threatening to block the Strait of Hormuz, I think that just illustrates how critical it is that supply for the United States be North American," he said.

Iran has threatened to block the Strait, at the mouth of the Gulf, should the West impose tougher sanctions on its oil industry as part of a standoff over Tehran's nuclear program.

In November, U.S. President Barack Obama delayed a decision on approving TransCanada's \$7 billion oil pipeline until after the 2012 election, but he now faces a Feb. 21 deadline set by Congress either to allow it to be built or determine it not to be in the U.S. national interest.

Most U.S. labor unions support the project but environmentalists have made defeating it a top priority because the crude will come from Canadian oil sands, which involves producing carbon emissions.

Obama's decision to delay the project was a wake-up call that showed Canada how important it was to diversify its energy markets, Harper said. That is one reason why the government has touted a second pipeline, Enbridge Inc's proposed Northern Gateway pipe to Canada's Pacific coast, which would open up Asian markets.

Environmental hearings by a government-appointed panel into the C\$5.5 billion (\$5.4 billion) project began last week, which is slated to issue a report in the autumn of 2013.

Harper declined in the interview on Monday to commit to abiding by whatever the panel decided, although he pledged to consider it carefully.

"Obviously we'll always take a look at the recommendation. We take the recommendations of environmental reviews very seriously, and this government has in the past changed projects or even stopped projects if reviews were not favorable or indicated that changes had to be made," he said.

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