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**- Please check against delivery -**

Good afternoon.

There's a common thread that runs through this audience . . . between the people that find and produce oil and gas, the companies that process and move it, and those that provide the capital to make it happen. That thread is that we've been part of an industry that has changed so much over the years.

While you're in the midst of these changes, it's difficult to pick out the truly defining moments. But, I believe we're at one of those defining moments right now; in fact my view is that we're at a crossroad today in the Canadian energy industry.

That cross road is defined by 3 challenges:

The significant price discounting of Canadian production and lost revenue due to insufficient access to key markets; escalating and unrelenting opposition to energy projects; and..... the concerns being raised about the safety and reliability of energy infrastructure.

I'll focus my remarks today on those 3 challenges; the opportunities spawned by these challenges and how we at Enbridge are approaching them.

One thing to reflect on as we're discussing these challenges is the complexity and interrelationships between them. And the fact that we need to think about energy not just from a Canadian context, but also from a North American and global perspective.

This map captures why we have a view on these issues.

Enbridge is one of the largest infrastructure players in North America. We move 2.3 million bpd of crude to eastern Canada, the U.S. Midwest, Midcontinent and Gulf Coast markets. That represents 60% of U.S.-bound oil exports from Canada. And Canada is the largest supplier of oil to the U.S., accounting for 21% of their imports.

We own a host of natural gas pipelines and gas processing facilities. We're the largest natural gas distributor in Canada with 2 million customers. And we own a growing portfolio of renewable power generation facilities.

So on to the first challenge we face as an industry, and as Canadians, which is the massive loss of revenue from the price dislocation we're experiencing for crude oil, natural gas and NGL.

Let me outline the root causes that are driving that reality.

Over the foreseeable future, global oil consumption *will not be driven by North America and not by Europe*, as has been the case for decades. Even with the recent economic slowdown, demand growth will be driven by emerging markets, namely Asia, India and the Middle East. By the way, some slowdown; China's GDP growth is forecast at 7-8% compared with modest growth of 2% in North America and Europe; and that might be a stretch.

On the other hand, oil consumption in the United States is likely to be declining, or flat at best, due to: fuel efficiency, an increase in biofuels, and changing demographics, which is leading to fewer vehicles and miles driven.

In light of the profile you see here, emerging market growth is critical for a resource-based economy like Canada's.

Despite the dim view towards natural gas these days, I'm a big believer in its significant long-term potential.

Natural gas is not simply a medium term transition fuel to hold us over until renewables kick in...it's critical to meeting global energy demand growth.

It's abundant and competitive to other fuels, highly responsive to demand (by turning on the drilling tap), relatively low in emissions, and it's cost effective to site for power generation in that it can be located close to load centers.

Global gas demand is expected to increase by 130 to 460 Bcf/d over the next two decades.

Once again, this is driven primarily by emerging markets, loosely represented by the green non-OECD bars you see here.

The main source of growth will be, you guessed it, Asia; where there's a growing gap between demand and contracted LNG supply.

Japan is clamoring for gas today, particularly since their nuclear fleet is currently shut down for assessment.

On the supply side, the shale gas revolution is well understood – there's no news there. Shale growth more than offsets conventional declines and outpaces demand growth. That will keep gas prices in check for some time, which will solidify gas as a fuel for the future.

With shale gas comes significant NGL production, which is forecast to grow from 3 to 4.3 million bpd by the end of the decade.

The robust NGL outlook is less driven by North American demand than it is by growth in exports.

This is particularly true for ethane, which we don't generally think of as an export fuel, but it's a key element used in many producer goods that will grow in emerging markets.

As you can see ethane is competitively priced and well positioned against its oil based competitor – Naphtha.

Canadian and U.S. feed-stocks now rank 2<sup>nd</sup> and 3<sup>rd</sup> lowest worldwide.

But the real game changer is growing North American oil production. Just a couple of years ago North America was facing declining production, a fear of peak oil and the need for ever-growing imports – imports that come with significant geo-political risks.

There are many contributing factors to this sea change, but it really boils down to one thing: the application of new technology.

This technology has unlocked massive unconventional reserves across North America. We've always known that these large unconventional reserves existed.

But the key to unlocking that potential is the combination of horizontal drilling, reservoir stimulation methods and economies of scale.

The result, today's energy business is more akin to a manufacturing process than it is about wildcat drilling.

Industry's recent forecast indicates that Canadian oil production will double to about 6 million bpd by 2030, so another 3 million bpd of growth. This would put Canada in the top four world oil producing nations.

This outlook, and the oil sands reserves that support it, represent a huge strategic advantage for Canada.

Why, because almost 80% of the world's oil reserves are controlled by national oil companies. In fact, Canada holds over half of the remaining "free-market" oil reserves.

Tight oil production is expected to grow by roughly the same amount - another 3 million+ bpd; and the vast majority of that is high quality light crude oil.

That's important in that some upper mid-west U.S. refineries recently reconfigured themselves, at great capital investment, to take heavy oil feedstock.

Those decisions were taken before the tight oil phenomenon was understood.

That presents a bit of a conundrum in that these new high quality light barrels need to find a new home. I will get to that picture in a minute.

So where does that put North America in terms of the crude oil supply picture?

Based on the forecast pace of growth for both Canadian and U.S. crude oil that I just talked about, North America will be able to substantially reduce, or possibly even eliminate, dependence on overseas oil imports.

Now, I'm not convinced we'd ever actually see 100% backing out of foreign imports.

But this picture drives home the truly game changing events we've seen in North America crude supply over the last 2-3 years.

So, to recap so far.... the lion's share of crude oil, NGL, and natural gas demand growth will be driven by emerging markets, while U.S. consumption grows slowly at best.

On the supply side, the industry has unleashed massive North American supply growth potential for all of these commodities.

At the same time, the industry is facing transportation bottlenecks between growing supply and both continental and global consuming markets.

Don't misunderstand, we have well developed infrastructure, there's just not enough to meet growing supply and it's not in the right places.

And most important, because Canada's resources are landlocked with access to only one market, our oil and gas exports are being heavily discounted relative to world prices.

We're isolated from the world market, and that makes us a captive supplier. Effectively, Canada is a price taker, and that should concern all Canadians.

Exacerbating that, our single market – the United States – has access to multiple sources of oil supply from around the world. It's these fundamentals that are driving the price dislocations illustrated by this next chart.

This is a snap-shot of current prices for various crude grades at different pricing points.

If you focus on the green circles, you can see that Canadian light oil is selling for \$14 off of WTI and \$27 off Brent, so you've got a double whammy effect from the Cushing bottleneck and lack of access to global markets for Canadian crude.

Similarly, WCS (our heavy marker) is trading \$33 under Maya.

If you do the math on these discounts, it translates to lost value of roughly \$20 billion a year - a huge loss for Canadian producers and our economy.

These discounts move around, but the basis between these markets is well in excess of physical transportation costs of about \$7/bbl to the U.S. Gulf Coast.... as an example.

We all know that supply, demand and pipeline capacity seldom line up perfectly, but we'd all agree that what you see here is not a tenable situation.

This is not just a Canadian issue. You can see that Bakken light barrels also trade well off WTI and Brent.

To provide some relief for Bakken light barrels, we've seen the emergence of rail, where some 300 kbpd of rail capacity is being utilized.

Although rail is higher cost than pipe, it can be timely and effective in accessing markets.

We ourselves are building a rail loading terminal to support pipeline gathering and long-haul projects.

It's the same story for Canadian natural gas where there's currently no export capability to world markets.

That's more concerning when you think about the locational disadvantage that NEBC production faces relative to U.S. shale gas located relatively close to market.

On the other hand, NEBC reserves are world-class, producers have reduced drilling costs through economies of scale, and they have as supportive BC fiscal environment.

The disconnect also holds for NGL prices. As you can see there's a \$0.23/gallon differential between Conway and MB, whereas the cost of transportation is about \$0.06. That's simply because there's weak connectivity to Mont Belvieu, which houses 80% of North America's petchem capability.

If this sounds familiar it should since it's the same dynamic as the Cushing-Gulf Coast disconnect for oil.

You don't have to be an economist to know that transportation constraints or dependence on one market is bad for producers, and our economy, whether we're exporting commodities or widgets.

So the question is how does industry resolve this issue. Since that's a day-long discussion, I'll focus on the North American oil market.

In a nutshell, we need to first connect growing supply to existing Canadian and U.S. demand centers; and then ultimately establish a path to the global economic engine – Asia.

I'll illustrate this by highlighting the market access initiatives we have underway.

Firstly, our Gulf Coast access program connects Canadian oil supply to the mammoth U.S. Gulf Coast refining center, which has some 8 million bpd of processing capacity . . . . and roughly ½ of that is configured to run Canadian heavy.

Because of that, and declines in Venezuelan and Mexican crude, PADD III refiners have been anxious to source Canadian supply for some time.

Importantly, our Gulf Coast Access strategy utilizes existing energy corridors and pipelines so we will minimize disruption to the environment and lessen the industry's footprint.

This \$5 billion project creates thousands of jobs and millions in tax revenue.

Secondly, we've established a route for Canadian and U.S. crude to access eastern Canada and better penetrate PADD II.

In expanding Line 6B and reversing Line 9, Ontario and Quebec refineries will have access to Canadian and U.S. based light barrels I touched on earlier.

These refiners are currently fed by higher cost foreign light imports, . . . . so access to North American barrels will support their longevity.

Reversal of Line 9 requires no new pipeline construction, so it's a benign and economical way to address the changing needs of the market.

We haven't yet solved the challenge of getting supply to the PADD I refiners, but we're working on that.

To support those initiatives, we're undertaking; a major regional expansion program in the Alberta oil sands corridor to move volumes to our mainline, totaling some \$4 Billion; increasing regional capacity in the Bakken; and expanding mainline access to feed the heavy oil refinery conversions in upper PADD II.

While these projects are essential to expand access to the U.S. and Eastern Canadian demand centers, it's clear that Canada needs to diversify its energy markets.

We're about mid-way through regulatory process to build Northern Gateway.

If you think about Gateway at 50,000', it capitalizes on several of Canada's inherent advantages.

We have huge energy resources; we have the technology and skills to develop those resources; and we have the Pacific coast advantage that provides access to ½ of the World's population.

Just a couple of years ago, the producing community thought Gateway was a good option to hold.

Over the last two years though, I've seen a marked change – producers are pushing hard to move forward to realize the benefits of accessing a large and growing market.

Let me emphasize that although Gateway is an important project, you can see we have a lot going on. In fact, we have \$17 Billion of secured projects in design or construction with more to come.

As a result we feel very confident in generating 10+% EPS growth over the next five years. With that comes significant potential dividend growth as well.

One last item before I leave this map:

It used to be that producers and pipeline companies wanted to see a very close match between throughput and pipe capacity.

But, with the explosive growth in volumes, it's clear that market access is now the main priority.

The fact is that the cost of pipeline capacity is small relative to discounted production; witness the current price dislocations we discussed.

That brings me to the second challenge.

The deep discounting of Canadian resources can be solved by expediting new infrastructure – pretty straight forward right?

But the challenge is that this need for infrastructure comes at a time of never-ending opposition to energy development.

It seems this is the case with every type of energy project; nuclear, coal, oil, natural gas or even wind and solar attract well-funded opposition.

We all recognize the world runs on energy so it's not helpful when environmental groups promote the notion that we can get off of traditional forms of energy tomorrow.

In fact, we'll need to grow traditional forms of energy to meet global demand. That's the reality!

Not to mention the fact that energy investment drives economic growth and supports our social structure – whether it's hospitals, schools or roads. I think most people get that.

But, I think as an industry we need to recognize that there's another reality.... and that is we all want resource develop to happen in a sustainable way.

As we're increasingly engaged in large scale linear projects, it's important that we listen to concerns, be flexible with design, and explain the benefits that flow to communities.

Canadian resource developers are making progress. Oil sands emissions have been reduced; water and energy use is declining, and good progress is being made on reclamation.

What I find most encouraging though is how producers are approaching this issue today.

For example, the largest oil sands players recently agreed to share research in areas of water use, land, greenhouse gases and tailings.

It's a big and progressive step for an industry that is highly competitive, to say the least, and not used to sharing information, much less research into new technology.

Another example is how producers are minimizing their energy footprint. Our Cabin gas plant is a case in point.

In that case, Producers agreed that one central facility would minimize the environmental footprint and new producers have rights to access that facility.

Producers are also more transparent about chemicals and processes used in fracturing technology.

My point is that these developments show us that the industry understands that the economic benefits of energy projects alone are not enough to make the case for development.

As an industry, we need to engage communities early and often.

And we need to do a better job of discussing our projects in community halls, college classrooms, coffee shops and farmers' fields.

One issue being raised is whether the pace of development is too fast and whether our regulatory process can keep up.

From my experience, we have a robust and thorough regulatory process at both the Federal and Provincial levels. Even so, both the regulators and industry are focusing more effort on sustainable development.

I'm going to illustrate that by using Gateway as an example again and address some myths about this project.

Gateway will be a world class project in every respect; from community and First Nations consultation, to environmental protection, to safety.

Through our outreach we've met with 17,000 people. Just three weeks ago I attended a meeting of 5 regional community advisory boards.

The objective of these boards is to hear community concerns and capitalize on local knowledge.

The project brings significant benefits to British Columbians and Aboriginal groups; in fact, we'll be co-owners of the project with First Nations and Metis.

On the regulatory side, Gateway is undergoing the most rigorous regulatory assessment of any we've encountered.

And finally, we're making this a world class project from an environmental and safety perspective.

From routing, to water crossing methods, to marine safety enhancements, pipeline monitoring and emergency response.

The industry is elevating it's game even further in recognition of the need for social license for resource development.

What does "Social License" mean?

It means we need public trust and confidence that we can operate safely and bring benefits to communities that we operate in.

And this fits well with our desire to make projects better and safer through more input.

In fact, I would encourage environmental groups to engage with us to make our projects better.

One last point on this challenge; while fossil fuels will be with us for a long time, we need to look to the future and develop all sources of energy to meet demand.

We don't have the luxury—not yet, at least—of picking and choosing.

Yes, renewables are partially subsidized but we don't expect to need subsidies forever.



In fact, the cost of renewables has declined considerably, given improvements in technology and I think project development costs can come down.

We've invested \$2.5 billion primarily in wind and solar projects, which generate nearly 1,000 megawatts of emissions-free energy.

I want to emphasize, and especially with this audience, our renewables projects meet the same stringent investment criteria as the liquids and gas parts of our business.

Yes there are environmental benefits in investing in renewable projects but they also need to generate stable and reliable cash flows for us to invest.

The third challenge facing our industry is ensuring the operational reliability of our pipelines and facilities.

Over the last two years, our industry has experienced operational upsets with some having significant impacts to the public, customers and the environment.

Suffice to say that as an industry we're not happy about it. For our part, we have been focusing hard on enhancements for two years.

Even though we think of ourselves as pipeline experts, you simply can't go through these events and not be focused on improvements, regardless of the circumstances of how they came about.

This is not only critical to minimizing service disruptions to customers, but also to enhance public confidence in energy infrastructure.

Operational safety and reliability are our highest priorities; and it's an issue that keeps us up at night.

Our own objective is to be the industry leader in key operational areas including integrity management, leak detection and public safety. Over the last two years alone:

We've conducted over 200 in-line inspections of our pipeline systems;

We've investigated over 2,500 sites along our pipeline as part of our maintenance program;

And, we've installed a new crossing at the St. Clair River at the border near Sarnia; and

We replaced 75 miles of pipe this year; and we've recently completed a new control center.

Before I conclude, let me touch on two additional observations:

On the topic of LNG, I believe West Coast exports will happen; the price signal is too large to ignore.

But, it will be a greater challenge than many think.

I say that because the demand-supply gap for Asian LNG is there now, but will eventually close; so we need to seize the opportunity before the gap gets filled by others.

LNG buyers are also positioning for NA index-based pricing, which will weigh on west coast LNG export economics.

Another issue I didn't get to, but is related to LNG, is industry cost escalation.

There are experts here from the producing community that will have views on the upstream side of things.

From the pipeline perspective, we're in good shape in that there's excess capacity at the moment for both steel and construction, which account for about 2/3 of our cost structure.

The other third includes labor, which is tight and needs careful planning.

As far as our \$17 B of secured projects currently in design and execution, we're right on track at this point with respect to cost and schedule.

I do have a longer term concern regarding the confluence of oil sands, pipeline and LNG megaprojects.

There could be a looming crunch in the 2015 - 2020 timeframe.

On the oil side of things you've got oil sands projects, Gateway and TMX.

And then add on possibly 1 – 3 large scale LNG developments, which will require upstream, midstream and liquefaction infrastructure.

Let me wrap up by circling back to the three key challenges.

In terms of the discounting of Canadian resources, particularly crude oil, Enbridge is delivering on new market access initiatives.

We've seen a clear change in how industry participants are approaching pipeline capacity.

Producers want us to accelerate infrastructure. They want access to new markets and so do Canadians.

Our job as "pipeliners" is to address the industry imperative by delivering cost effective solutions.

At the same time, it's clear that we need develop energy resources and projects in a sustainable way.

We need to ensure the safety, reliability and environmental protection through good infrastructure.

Let me close by restating that we are at a critical time in our industry, but one that should be viewed as a time of opportunity.

One thing about our industry, we always seem to navigate these challenges and I'm confident we can do it again this time.