State of the Canadian Transmission Pipeline Industry

June 20, 2011

CEPA

Canadian Energy Pipeline Association

Association canadienne de pipelines d'énergie

Outline

- About CEPA
- Pipeline infrastructure in North America
- Our key issues and priorities
  - Pipeline safety
  - Damage prevention
  - Market access
  - National energy strategy

About CEPA

- Transport 97% of the crude oil and natural gas produced in Canada to markets across North America
- Operate over 100,000 kilometres of pipeline in Canada and the United States
- CEPA members expect to invest in multi-billion dollar expansion projects in the next 15 years

CEPA Members

Alliance pipeline

ATCO Pipelines

Kinder Morgan Canada Inc.

TransGas

Enbridge

Trans-Northern Pipelines Inc.

Spectra Energy

TransCanada

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CEPA MEMBERS – LIQUID PIPELINES

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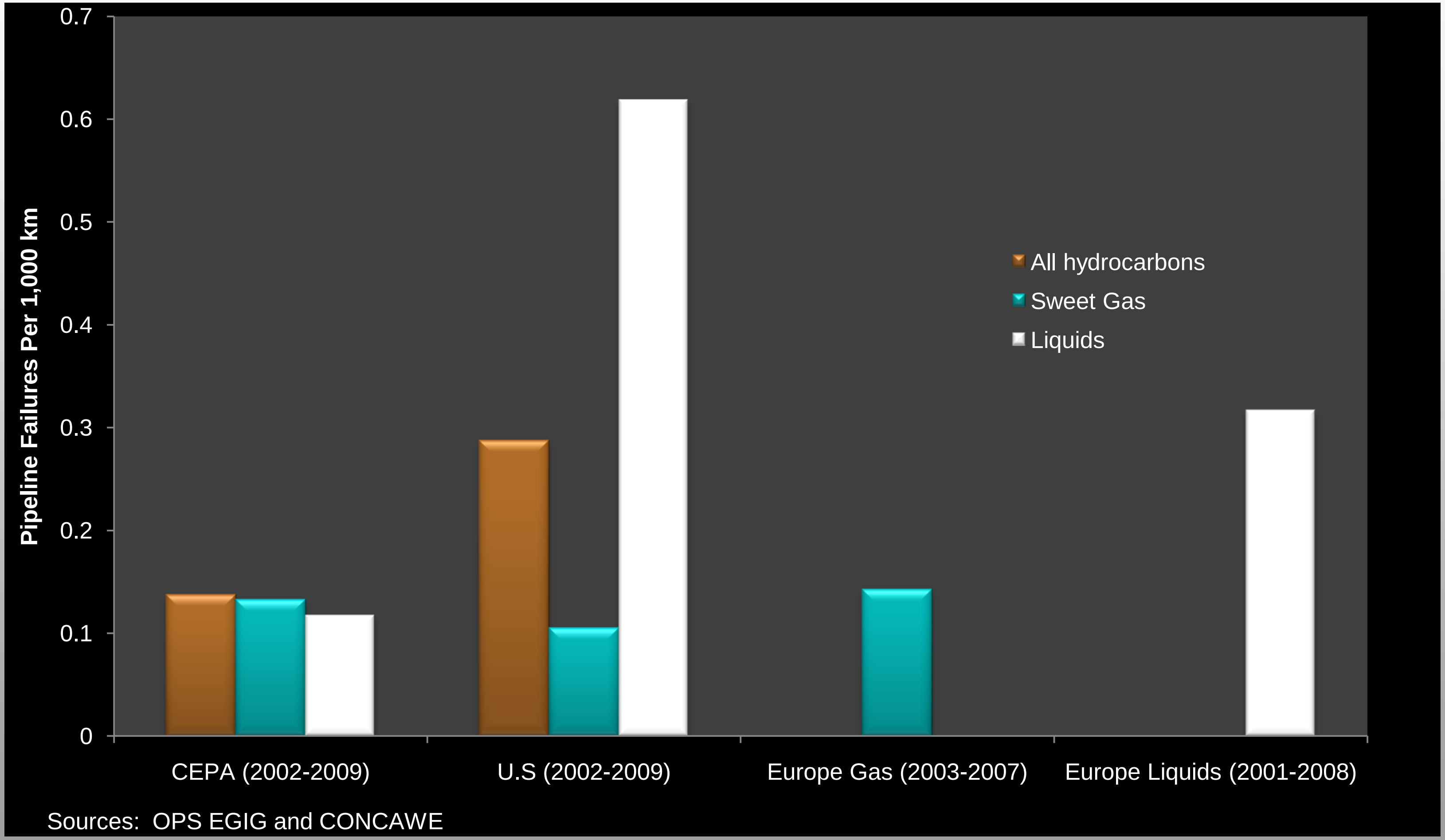
CEPA MEMBERS – NATURAL GAS PIPELINES

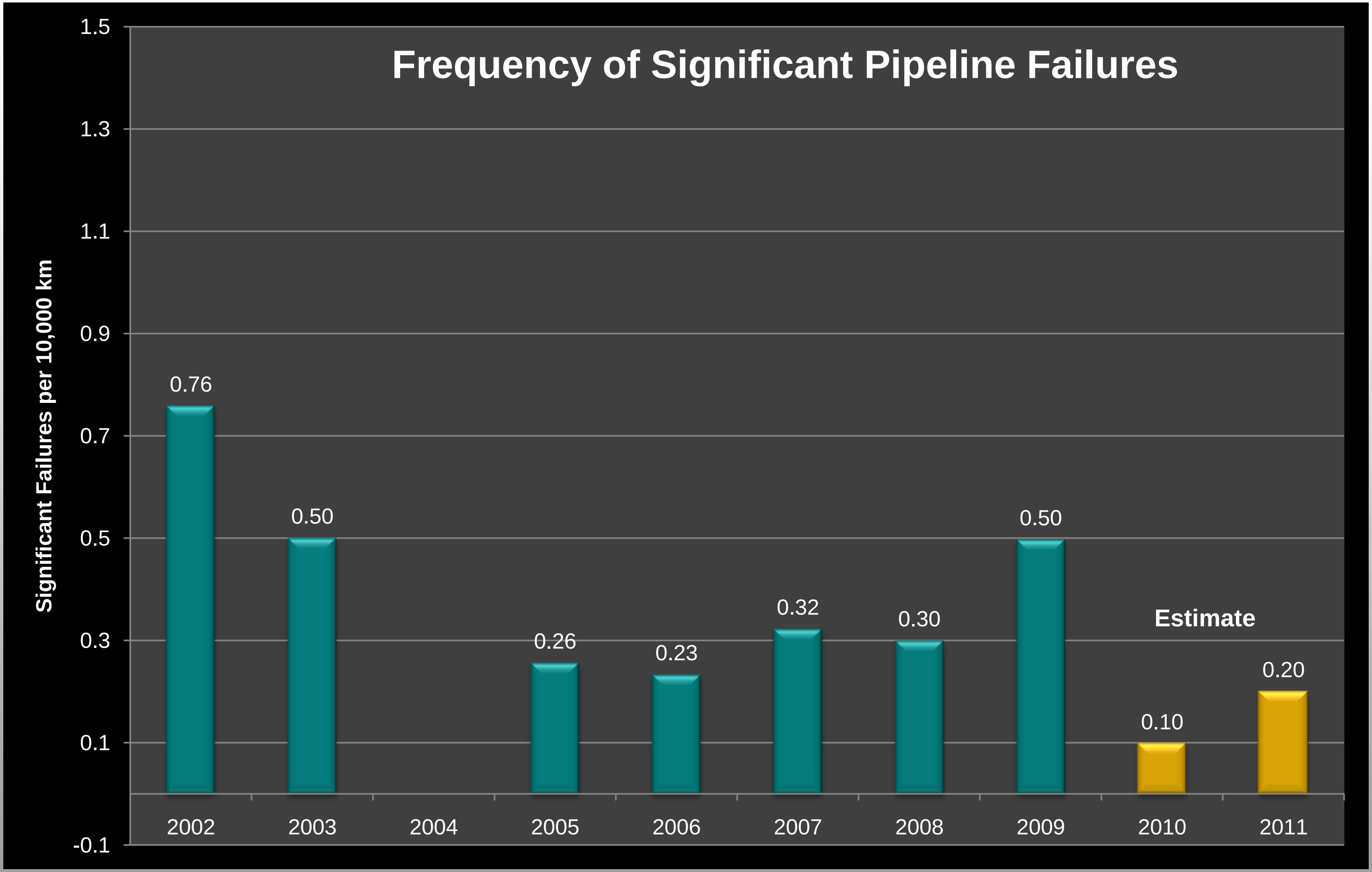
Safe and Efficient Energy Highways

- Move 1.2 billion barrels of crude and refined products and 5.5 trillion cubic feet of natural gas each year
- Pipeline are underground and safe
- Ruptures on pipelines are rare
  - Between 2002 and 2009
    - Ruptures on federally regulated pipelines averaged slightly more than one per year; a **decline of 55%** from the previous eight years
    - Average annual volume released from liquids pipelines was just two litres for every million litres transported … ***99.9998%*** of the product was transported safely

Canadian Industry World-Class Safety Record



Significant Failures Remain Low



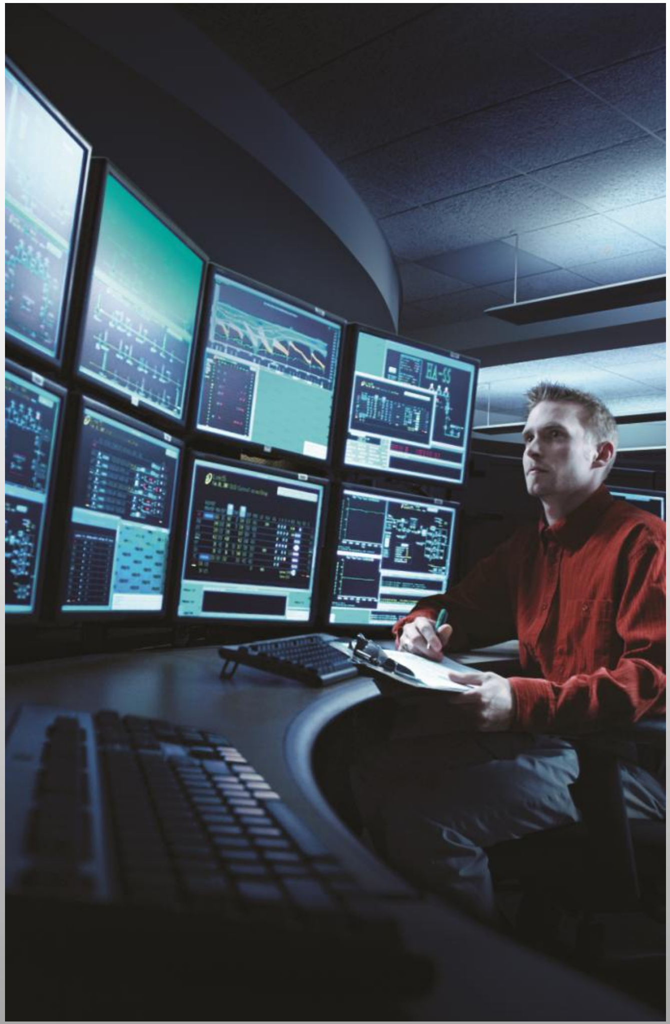
Pipeline Monitoring and Maintenance

- Monitoring
  - 24/7 monitoring at remote control centres using sophisticated computerized sensing and control systems
  - Equipped with automated leak detection alarms and shut-down devices
  - Regular visual surveys of pipelines by aerial and ground patrols
  - Sophisticated “in-line” inspection tools (pigs) inspect the inside of pipes to identify changes
- Maintenance
  - Preventative maintenance programs including constant pipeline excavations and repairs

Video of Inspection Tool

Key industry initiatives to ensure safety

- Committed to a safety culture
- Development of Integrity First program
- Apply effective management systems
- Damage prevention advocacy
- Converge on industry leading practices
- Develop and deploy appropriate advanced technology
- Advance national standards



External Damage: Growing Safety Risk

- Activity within close proximity to pipeline poses greatest risk to public safety
  - External interference was the cause of six failure incidents and 40 damage incidents (no release of service fluid) on CEPA pipelines during the period 2002-2009
  - External interference was the fourth most common cause of failures
  - All CEPA external interference failures during the period 2002-2009 were caused by third parties
- Increased public education is essential
- In spite of regular surveillance, not all activities on the ground can be controlled by pipeline operators

Damage Prevention

- Three key advocacy areas:
  - Establishment of a 3 digit call number across Canada
  - Introduce mandatory one-call across Canada
  - Introduce financial penalties for parties undertaking un-authorized digging on or near pipelines

Market Access

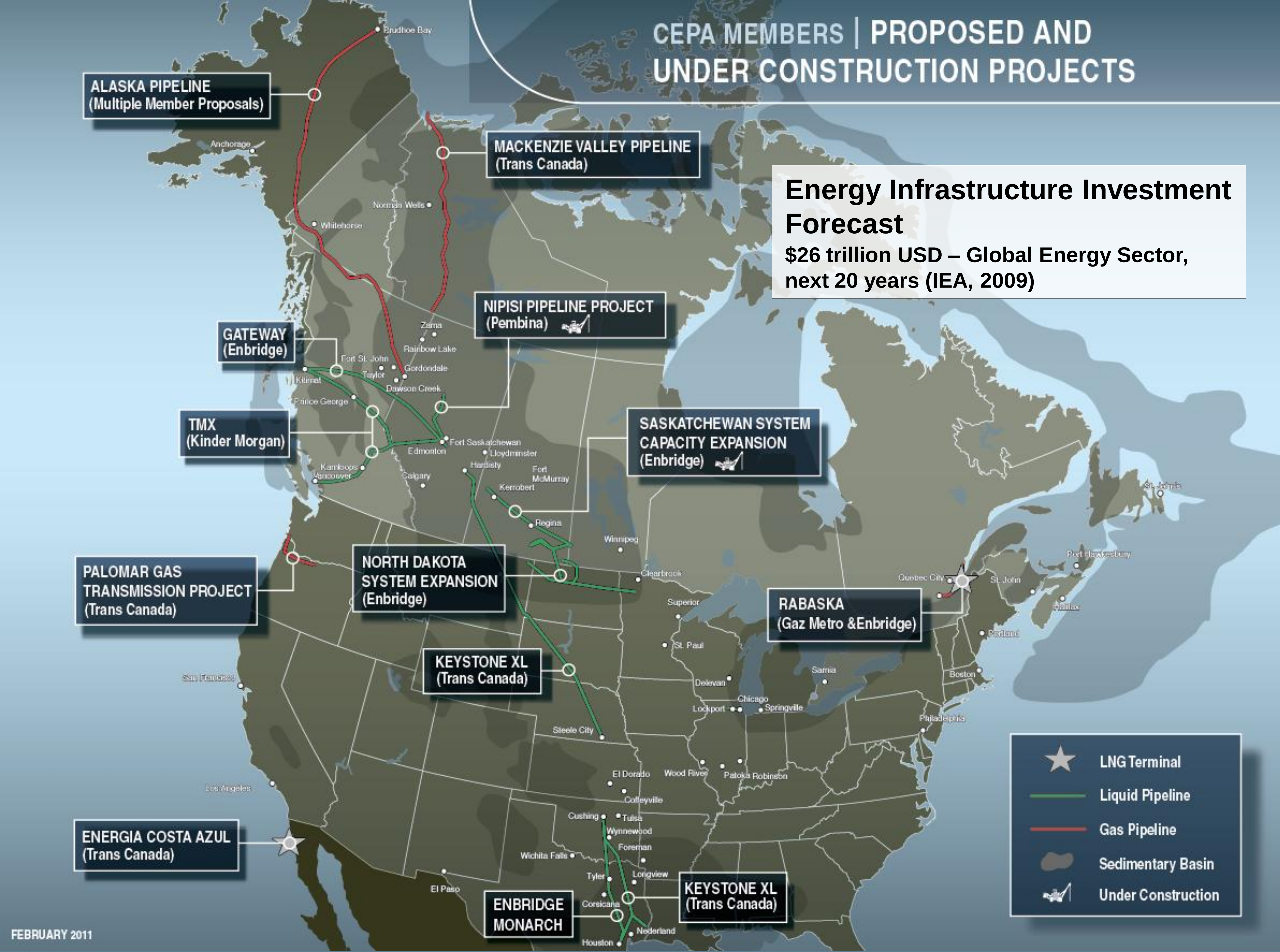
Pipeline Development Issues

- Development of new pipeline assets is critical to open new markets for Canadian oil and gas
- New natural gas supply needs to be connected to existing pipeline systems
- The industry makes, and must continue to make, huge investments in pipelines to provide cost competitive infrastructure

Infrastructure = Choice & Responsiveness = Energy Security

Market Access

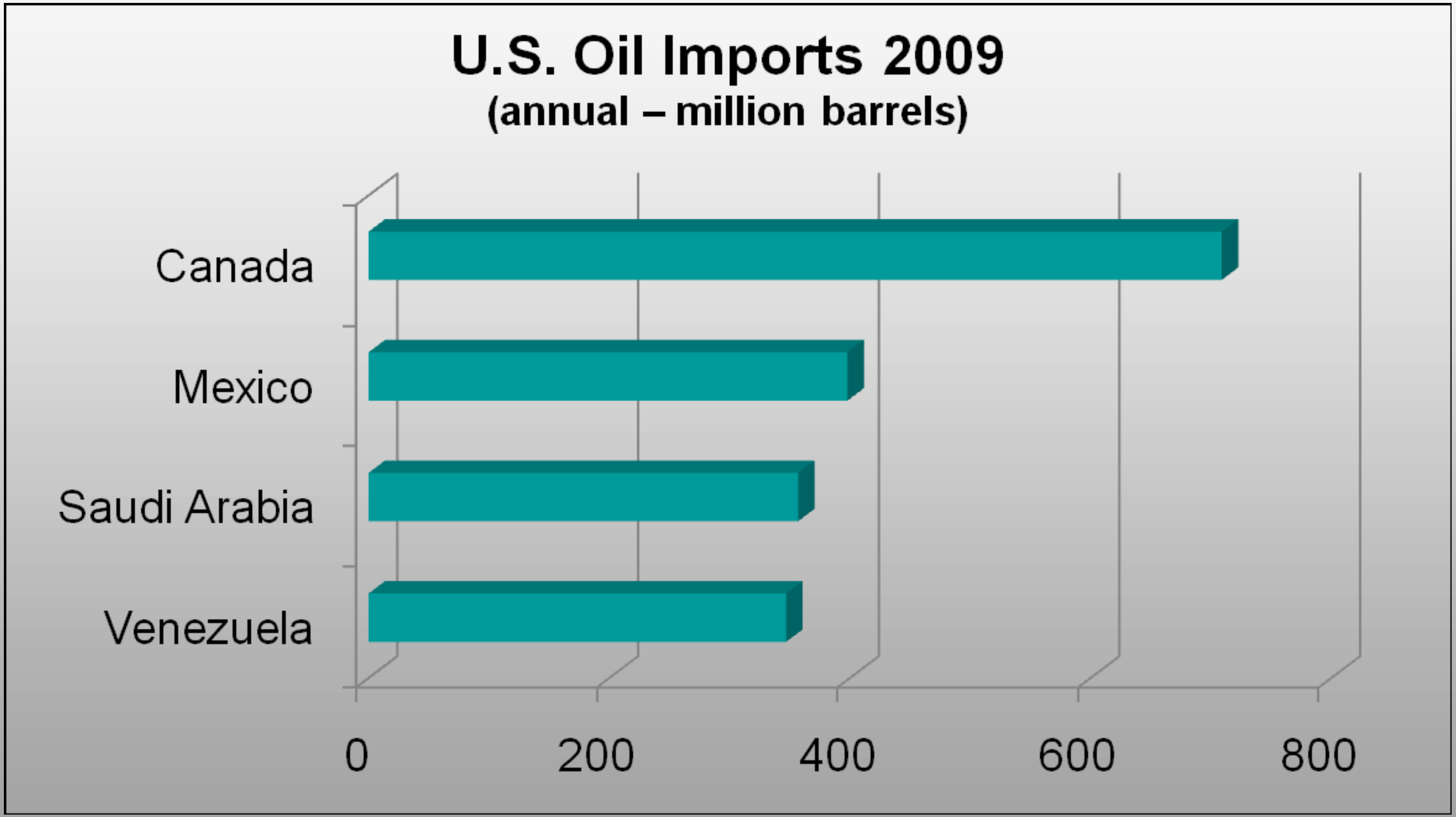
- For the Canadian pipeline industry to continue to strive, it needs access to existing and new markets
  - Canada is the number one supplier of oil and natural gas to the U.S. and must remain so
  - Canada is the ideal energy partner for the US:
    - business friendly, politically stable and has abundant source of energy
    - strong, transparent regulation
    - CEPA member safety track record is second to none
  - Access to the Asian Pacific market is a key strategic outlet



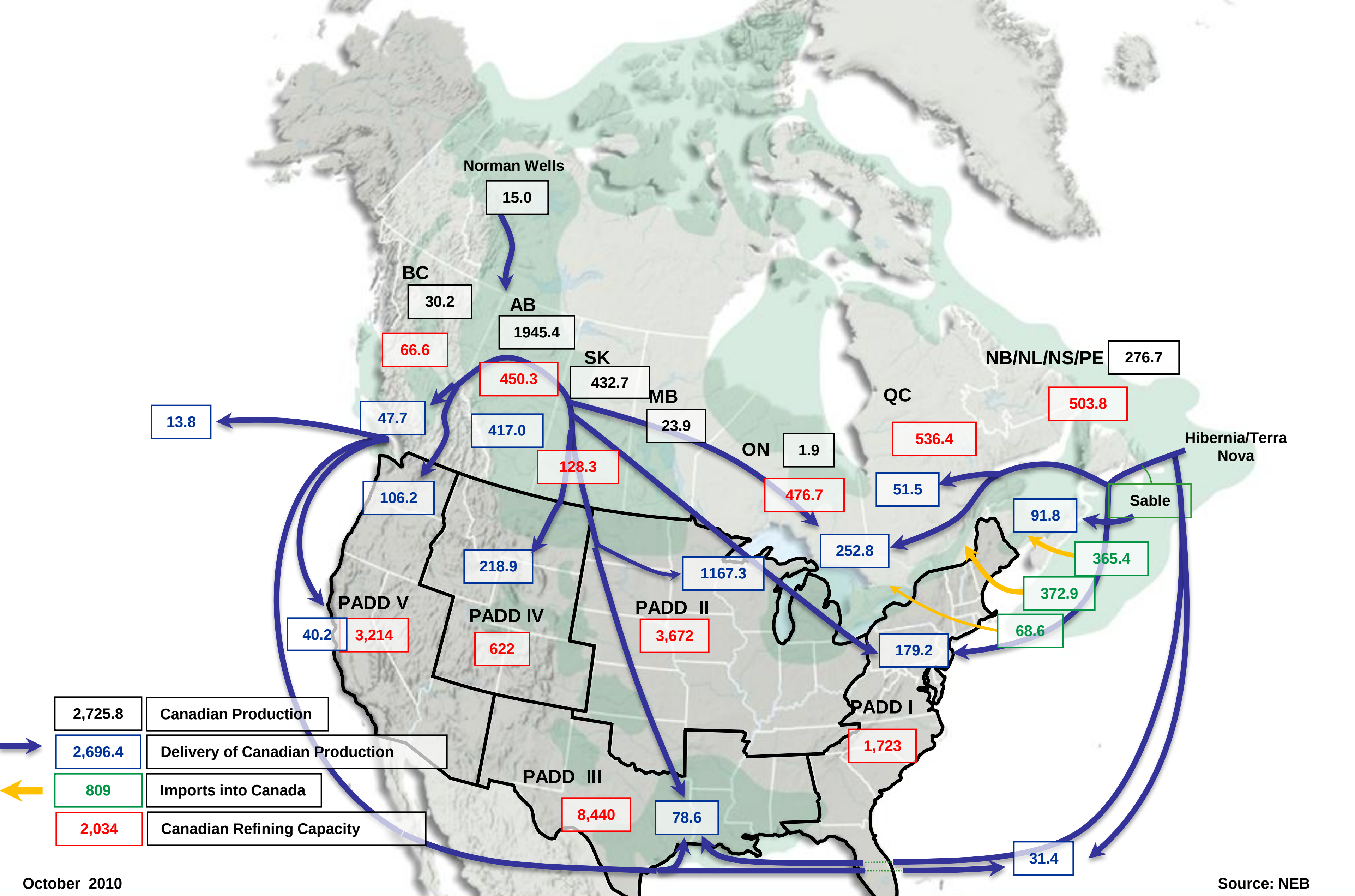
Energy Infrastructure Investment Forecast

$26 trillion USD – Global Energy Sector, next 20 years (IEA, 2009)

Pipelines: Delivering a Safe Source of Energy to the United States



Source US Dept of Energy



October 2010

Source: NEB

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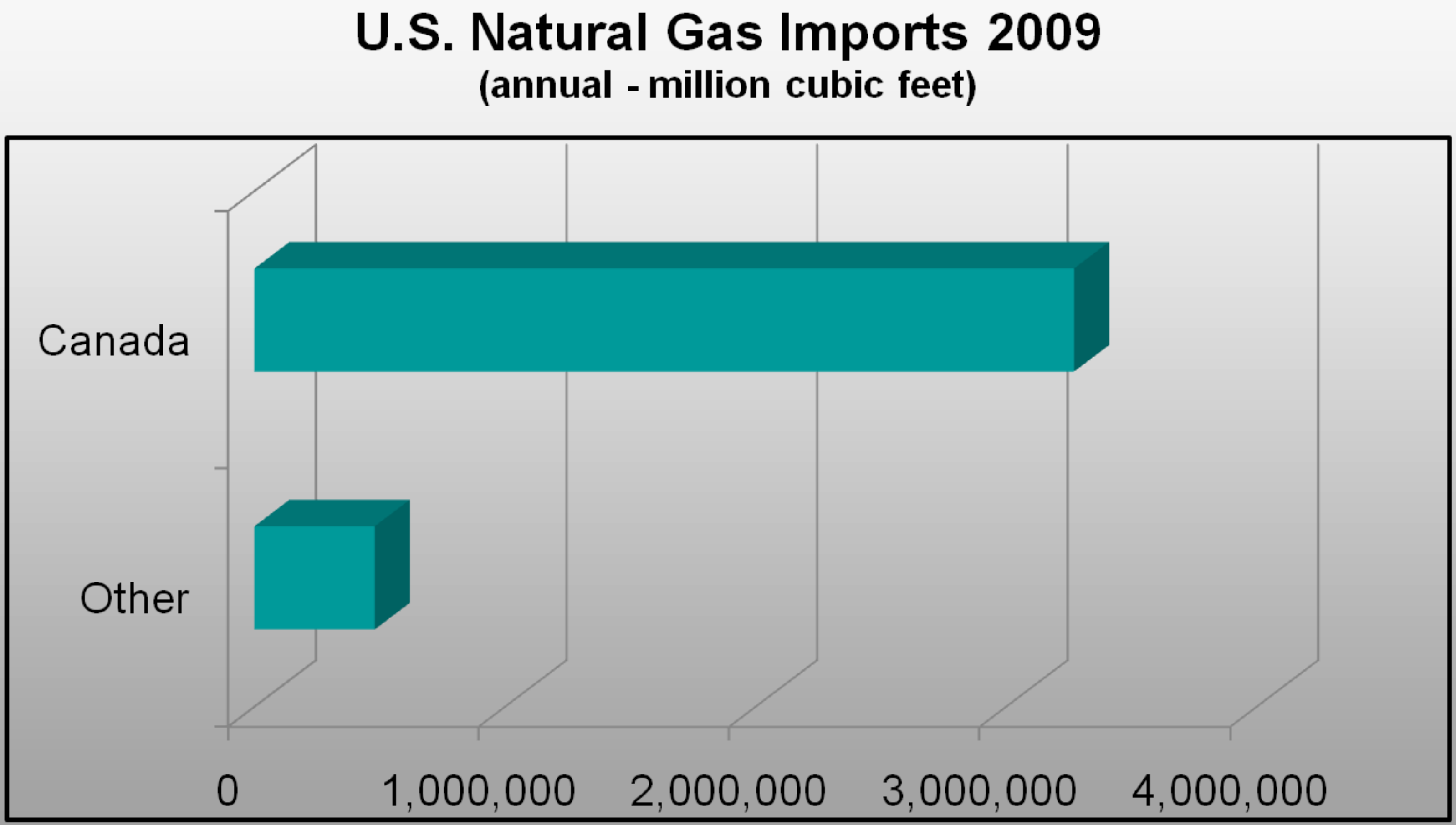
2009 Canadian Crude Oil and Equivalent Supply and Disposition

(Thousand Barrels/Day)

Pipelines: Delivering a Safe Source of Energy to the United States



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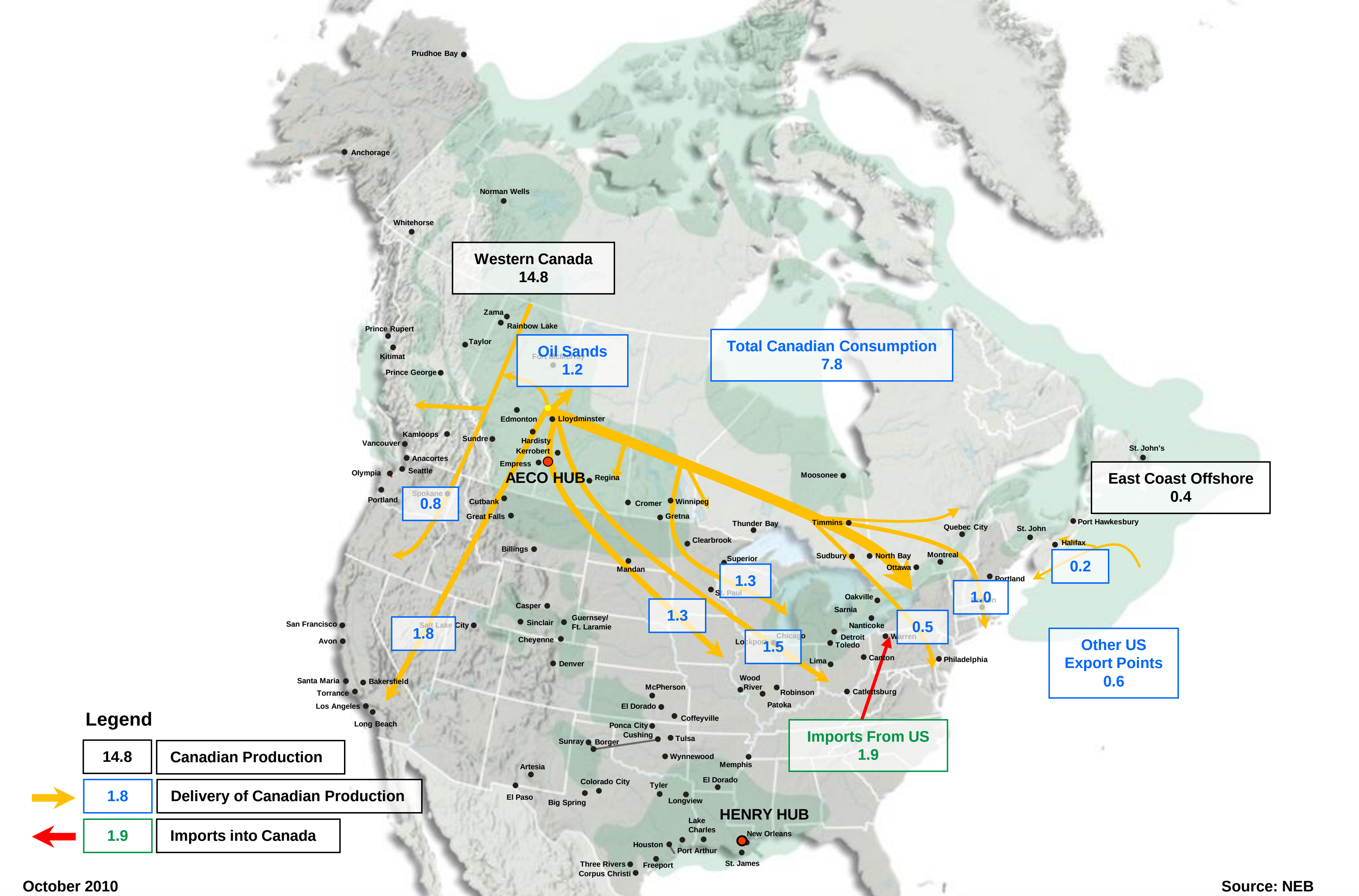

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2009 Canadian Natural Gas Disposition – Distribution by Market (Billion Cubic Feet/Day)

The Opportunity

- Canada's pipeline industry can be a key element in employment and GDP recovery
- Bringing new projects online near term =
  - Lower costs for big projects
  - Support for key industries
- Private sector projects bring a multiplier effect throughout the economy
- Investments made now ensure infrastructure is in place when investment reoccurs

The Regulatory Imperative

Regulatory framework must deliver:

- Coordination between and within governments, including
  - One project, one assessment consolidation for new projects
  - Coordination of agencies and departments to eliminate duplication, streamline requirements, and share knowledge and expertise
- Timely and effective processes
- Balanced decision making, integrating environment and economy
  - Using facts and expert decision making throughout the life of federally regulated facilities
- Clear accountability and transparency of government
- Effective Crown Consultation
  - Fully addressed across departments and jurisdictions
  - Separates assessment from economic negotiations

Our Asks

- Projects that are determined to be in the public interest must proceed responsibly
  - Focus on outcomes
- Cost of those projects is managed so as not to burden Canadian consumers and investors with unnecessary cost
  - Balance is needed to both protect the Environment and the Economy while meeting Energy needs (EEE)
- Development timelines are predictable and review processes are effective and efficient
  - Invest in things that matter, not in things that don't, and know the difference

National Energy Strategy

National Energy Strategy

- CEPA fully supports the development of a national energy strategy for the following reasons:
  - Energy is a strategic asset
  - Our energy sources need to receive the best value possible in an increasingly competitive global energy market
  - The strategy needs to support the underlying attribute of the Canadian economy that we are a trading nation
  - Need to balance economic, environmental and social expectations of Canadians
  - Innovation, regulation, GHG emission reduction strategies and energy efficiency are key components to Canadian know-how

Other Key Issues

- Aging infrastructure
  - Pipeline abandonment
- Project development costs
- Technological advances
- Rail vs. pipeline

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