

Transmission Pipelines: Delivering Benefits to Canadians

*Presentation to the International Energy Agency
April 24, 2009*



Canadian Energy
Pipeline Association

Association canadienne
de pipelines d'énergie

Outline

- About CEPA
- Energy and pipeline infrastructure in North America
- Enable and Protect the Interests of Canadians
- Public Policy and Regulatory Implications

Member Facts

- Transport 97% of Canadian oil and gas production
- Carry two-thirds of all energy used by Canadians
- Collective assets must double in next 15 years



Meeting Needs of Today and Tomorrow

- Central to meeting needs for mobility, heat, electricity and virtually all industries
- CEPA members expect to invest more than \$40 Billion (Cdn) in expansion in the next 15 years.
 - \$5.5 billion in 2009, \$3 billion in 2010
 - Represents a doubling of collective assets
 - Total invest grows to \$80 Billion adding Mackenzie and Alaska
- Operate over 100,000 kilometres of pipeline in Canada and the United States
- Pipelines are the safest and most environmentally sound way to transport oil and gas; we have a world class industry in Canada

CEPA Members – Full

- Alliance Pipeline Ltd.
- ATCO Pipelines
- Enbridge Pipelines Inc.
- Foothills Pipe Lines Ltd.
- Portland-Montreal Pipe Line
- Kinder Morgan Canada
- Spectra Energy Transmission West
- TransCanada PipeLines Limited
- TransGas Limited
- Trans-Northern Pipelines Inc.
- Trans Québec & Maritimes Pipeline Inc.

CEPA Members – Technical & Associate

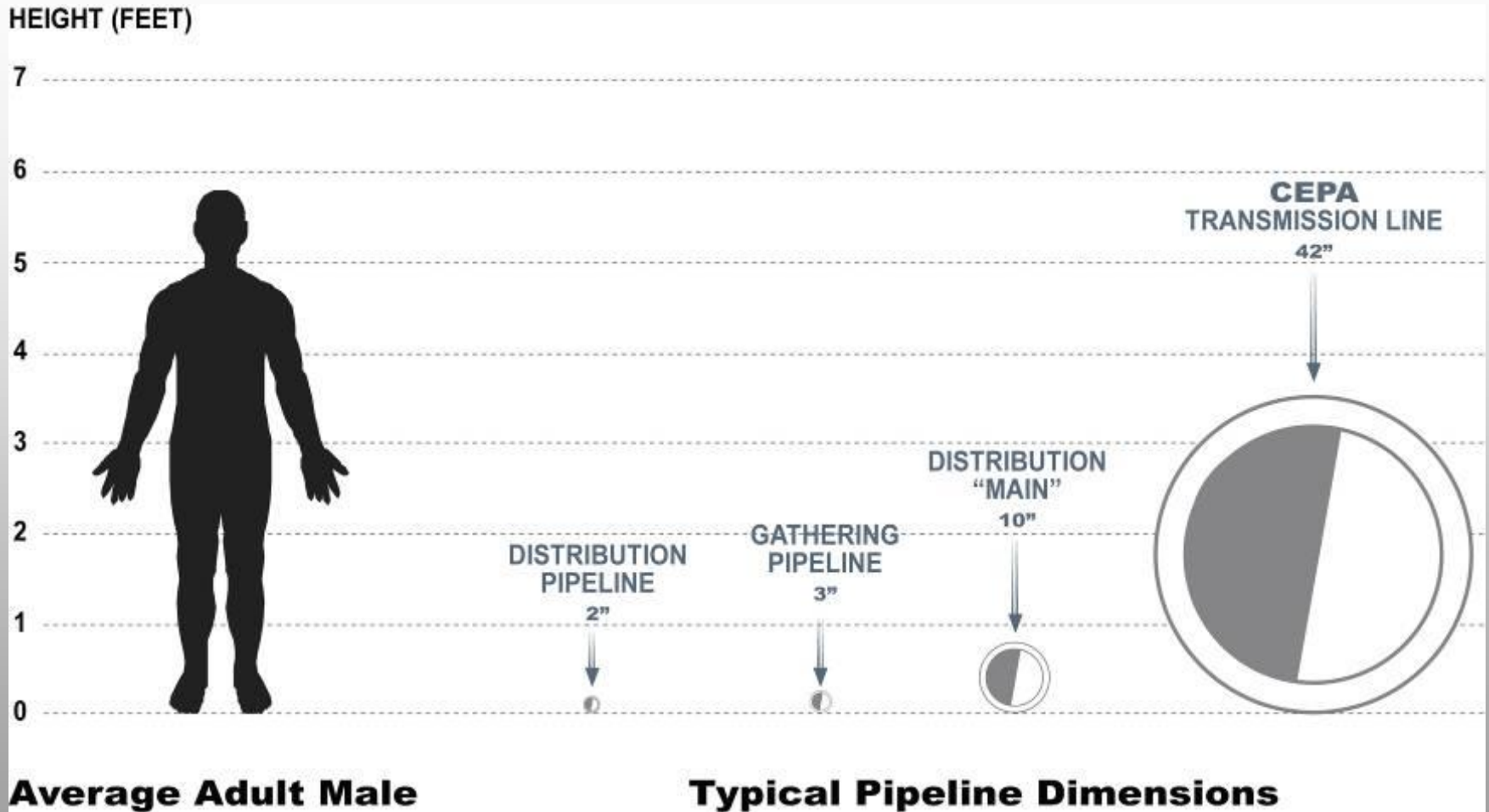
Technical

- Access Pipeline
- BP Canada Energy Company
- Inter Pipeline Fund
- Maritimes & Northeast Pipeline
- Pembina Pipelines Corporation
- Terasen Gas Inc.

Associate

- BJ Pipeline Inspection Services
- CDI Professional Services Ltd
- Deloitte & Touche LLP
- Fraser Milner Casgrain
- GAZ Metropolitan
- Evraz Inc. NA Canada
- OSM Tubular Camrose
- Pipe Line Contractors Association of Canada
- TD Williamson Canada ULC
- Toronto Dominion Bank
- ROSEN Canada Ltd.
- Shaw Pipe Protection Limited
- Stikeman Elliott LLP

Transmission Pipelines



Canadian Natural Gas Facts – 2007

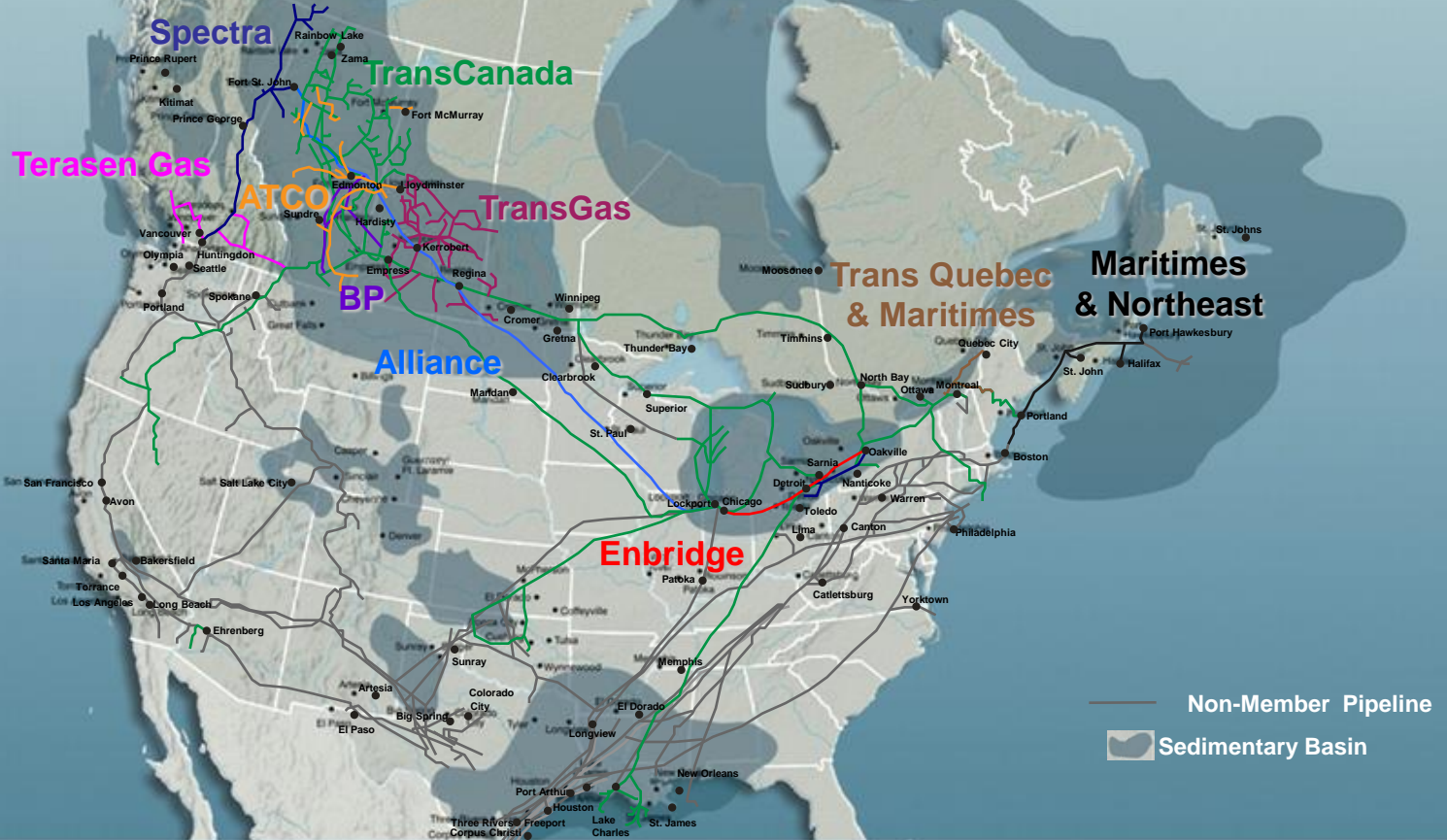
16.8 billion cubic feet/day – total production

9.0 billion cubic feet/day – total exports

\$24.3 billion (CDN) – value of net exports

58.1 trillion cubic feet – total reserves

(Source: NEB)



August 2008



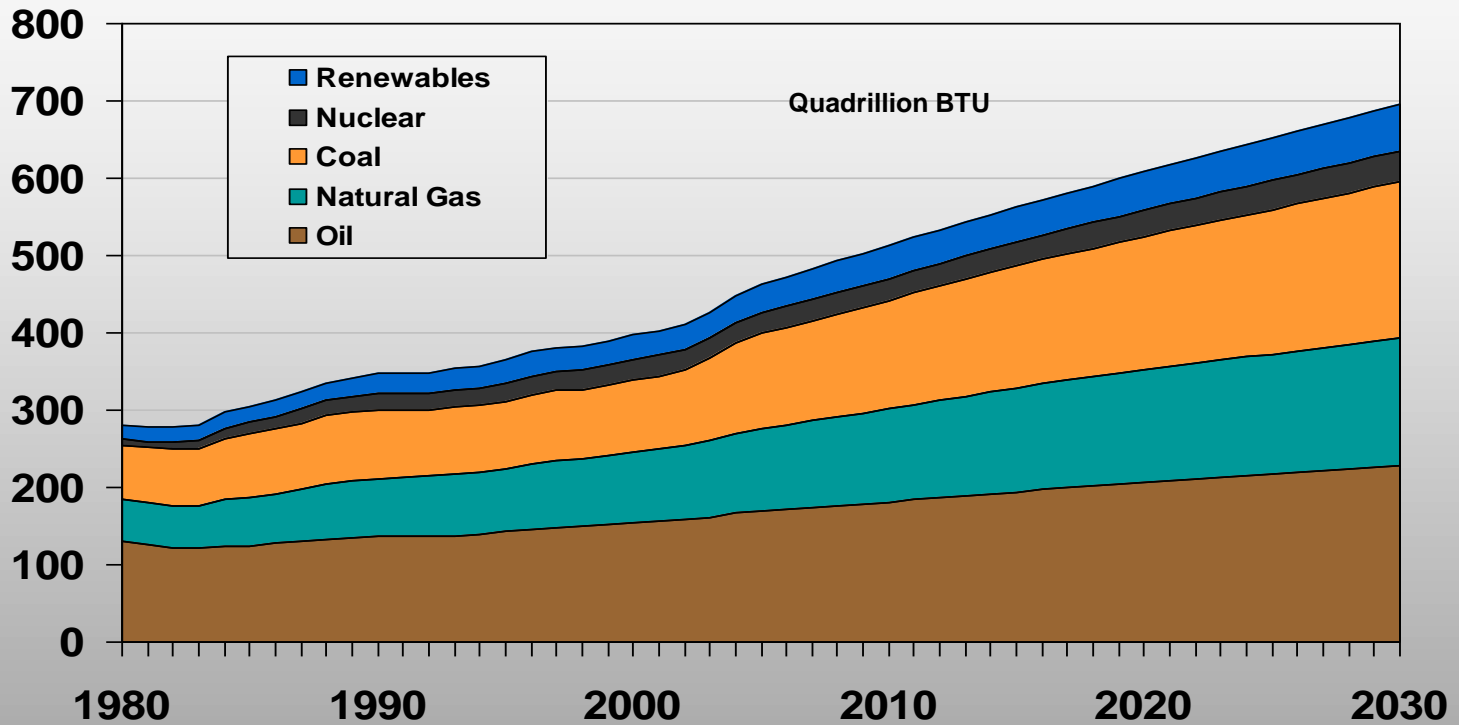
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CEPA Members - Natural Gas Pipelines

Pipeline Development Issues

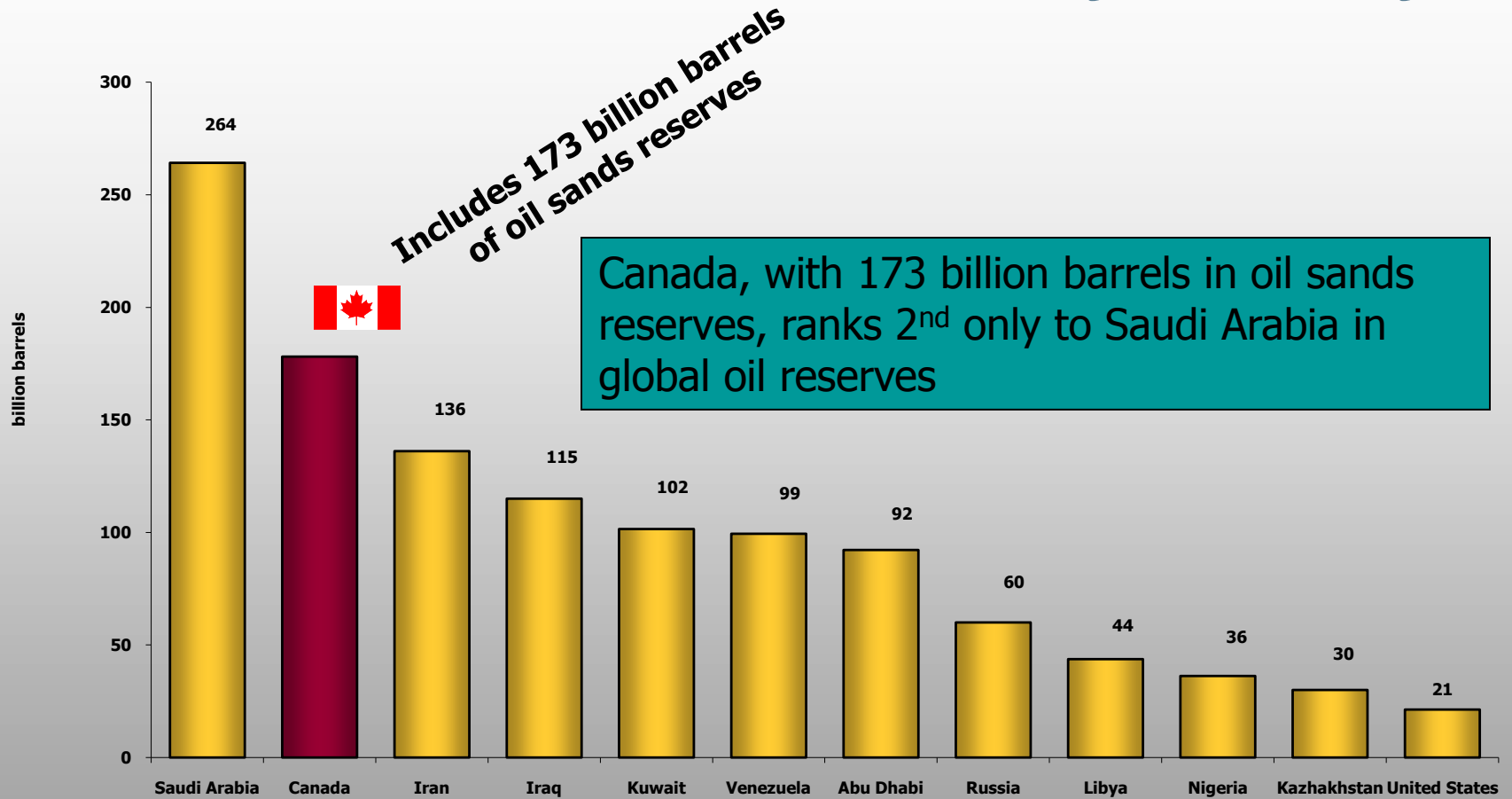
- Oil pipeline system near capacity
- New natural gas supply needs to be connected to existing pipeline systems
- Infrastructure deficit requires significant investment and timely decisions
- Infrastructure = choice and responsiveness = energy security

Where do non-renewables fit in the future energy mix?



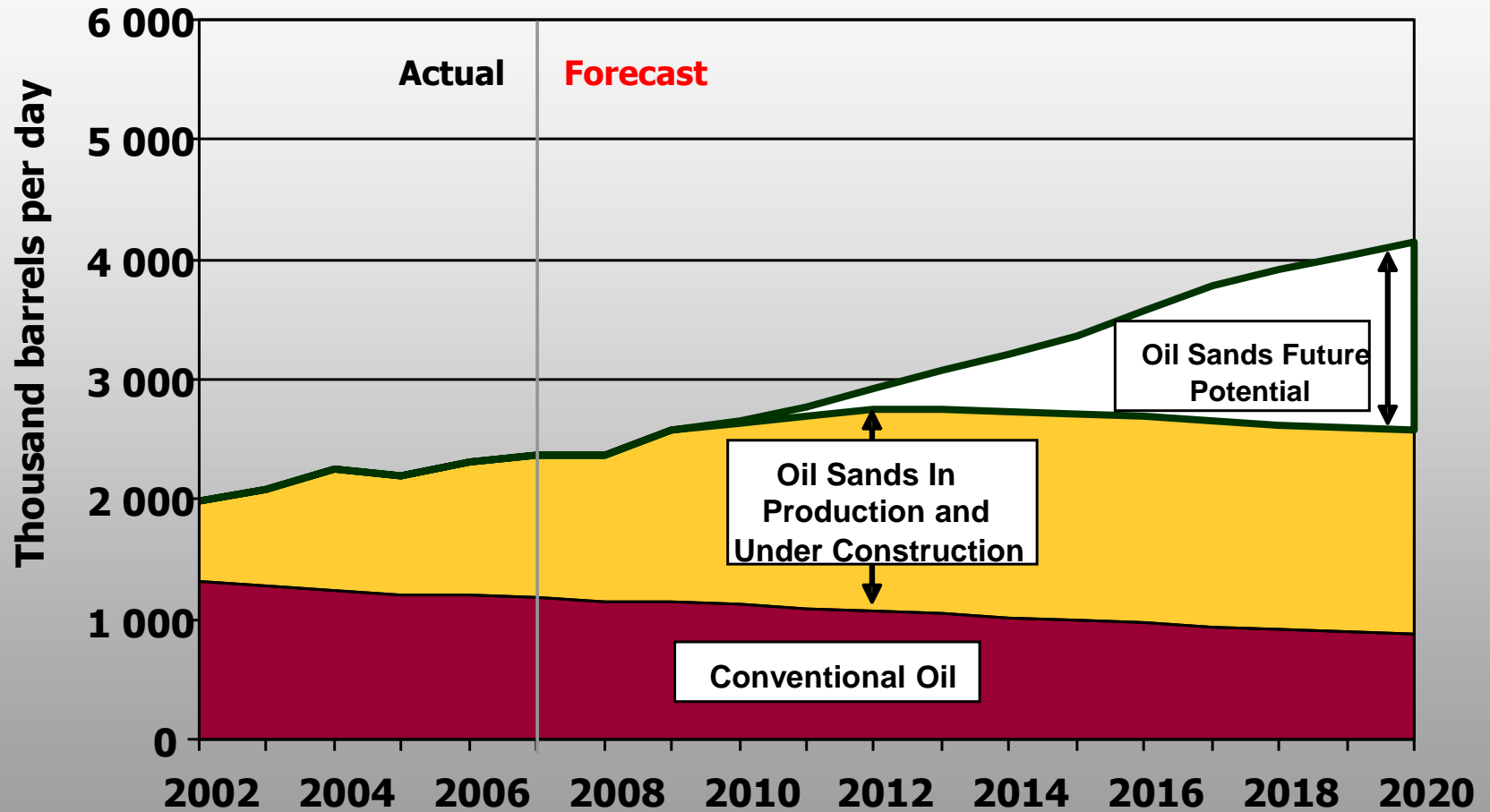
World Energy Demand 1980 - 2030
EIA – International Energy Outlook 2008

Global Crude Oil Reserves by Country



Source: Oil & Gas Journal Dec. 2008

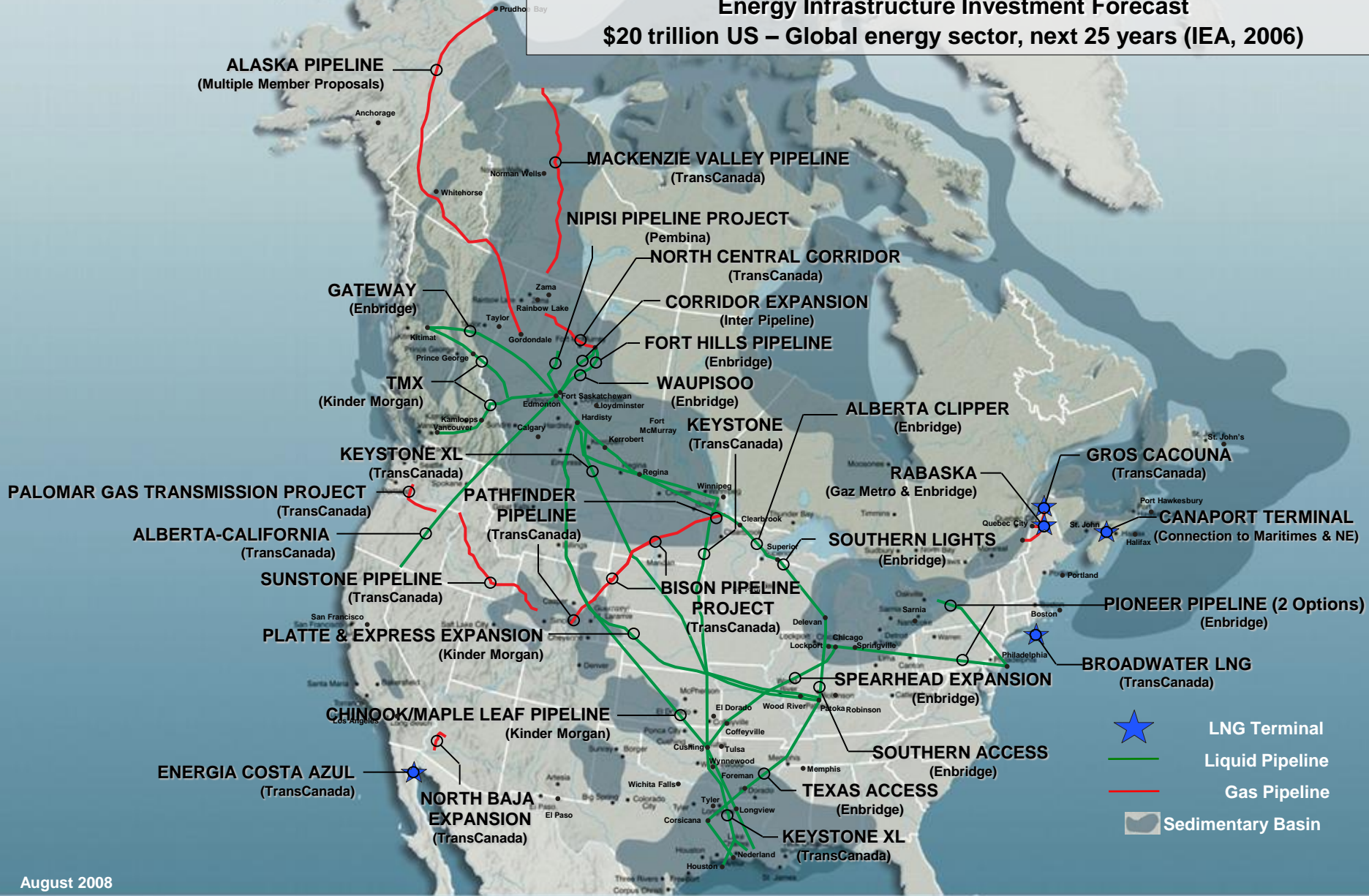
W. Canadian Oil Sands and Conventional Production



December 2008 Update

Energy Infrastructure Investment Forecast

\$20 trillion US – Global energy sector, next 25 years (IEA, 2006)



August 2008



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CEPA Members – Proposed Crude Oil and Natural Gas Pipeline Expansions

Critical issues for pipelines and Canadians

- Canada is facing a once in a lifetime opportunity to build essential pipeline infrastructure
 - Similar to the building of the CPR in 1880s
- Government decision-making requires better coordination
 - In uncertain financial times, government needs to provide process and time certainty on projects



Effective and Efficient Outcomes for Canadians

- ❑ CEPA supports the changes the government has made to enable stimulus projects
- ❑ We support MPMO coordination
 - Focus on horizontal coordination of federal departments in the review of a major project
 - Identify roles of departments, timelines and work-plans as tools for monitoring progress on a project
 - “Whole of government” approach to Crown consultation
 - DM Committee to address cross-cutting issues as they arise by timely intervention
- ❑ We also support the legislative change mandate of MPMO as a next step

Effective Decision-Making is a Partnership



DISCUSS

- Commitment to a successful long-term partnership
- Open dialogue on key issues
- Ability to influence design

DECIDE

- Resolve issues in advance
- Adjudication of unresolved issues in a fair public process
- Clear commitments

DELIVER

- Safe pipelines
- Environmental protection
- Minimal interference with landowners
- Fair compensation

Roadmap

- Consider regulatory changes that support private sector investment – appropriate and timely right now in the present economic climate

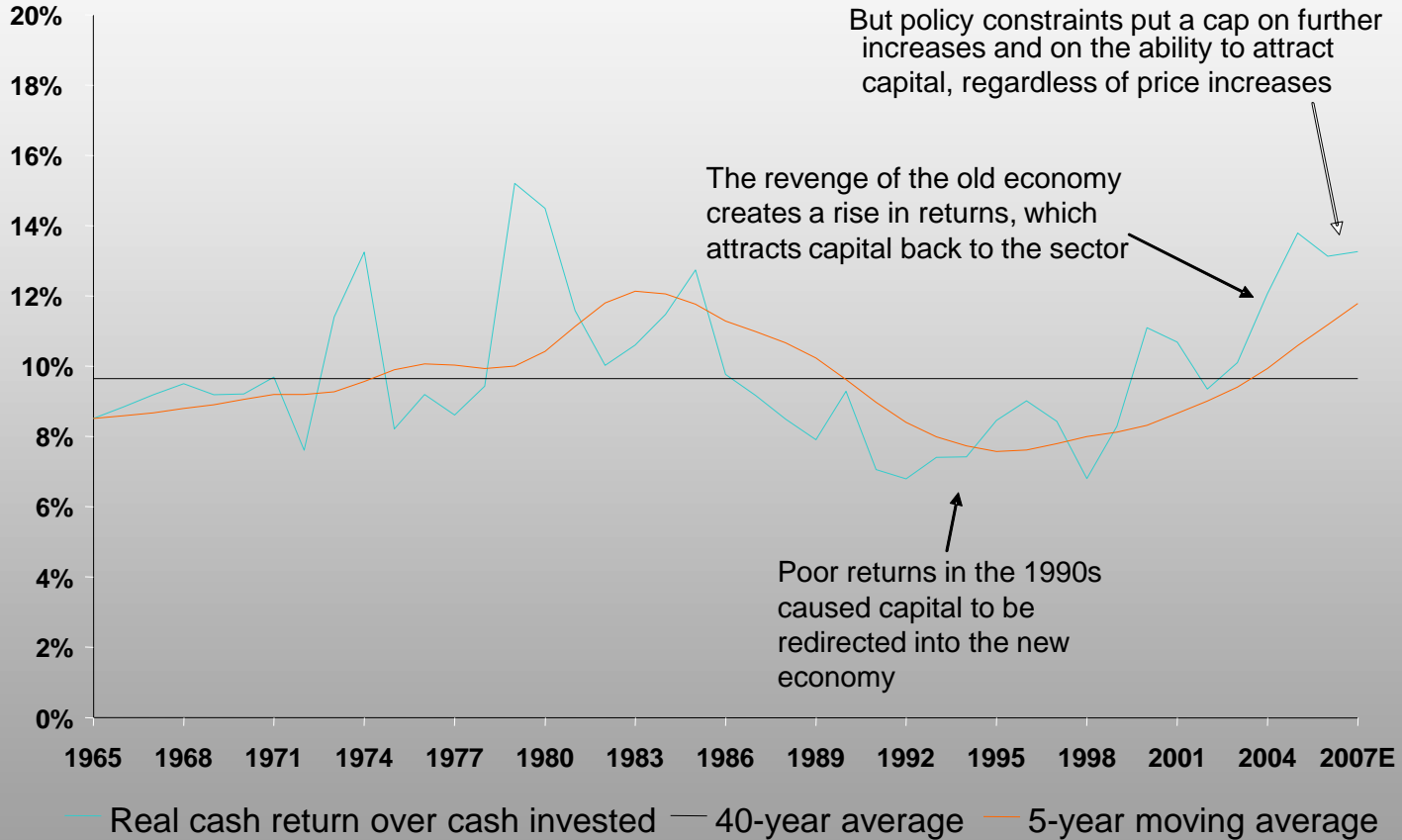
Legislation	CEAA, Regulatory Framework, set course for effective, efficient decision making and oversight	2010 and beyond
Regulation	As done for government stimulus, simple changes have immediate results	2009
Administration	Use existing tools like target timelines, substitution, and full life-cycle regulation	Immediate

The Opportunity

- ❑ Financial crisis requires deliberate positioning for Canada to anticipate and take advantage of economic improvement when it occurs
- ❑ Canada's natural resources are a key element in the world recovery
- ❑ Short term reprieve: lower costs for big projects; spending supports key industries – steel, manufacturing
- ❑ Private sector projects bring an enhanced multiplier effect

Average Cash Returns For Integrated Oil Companies:

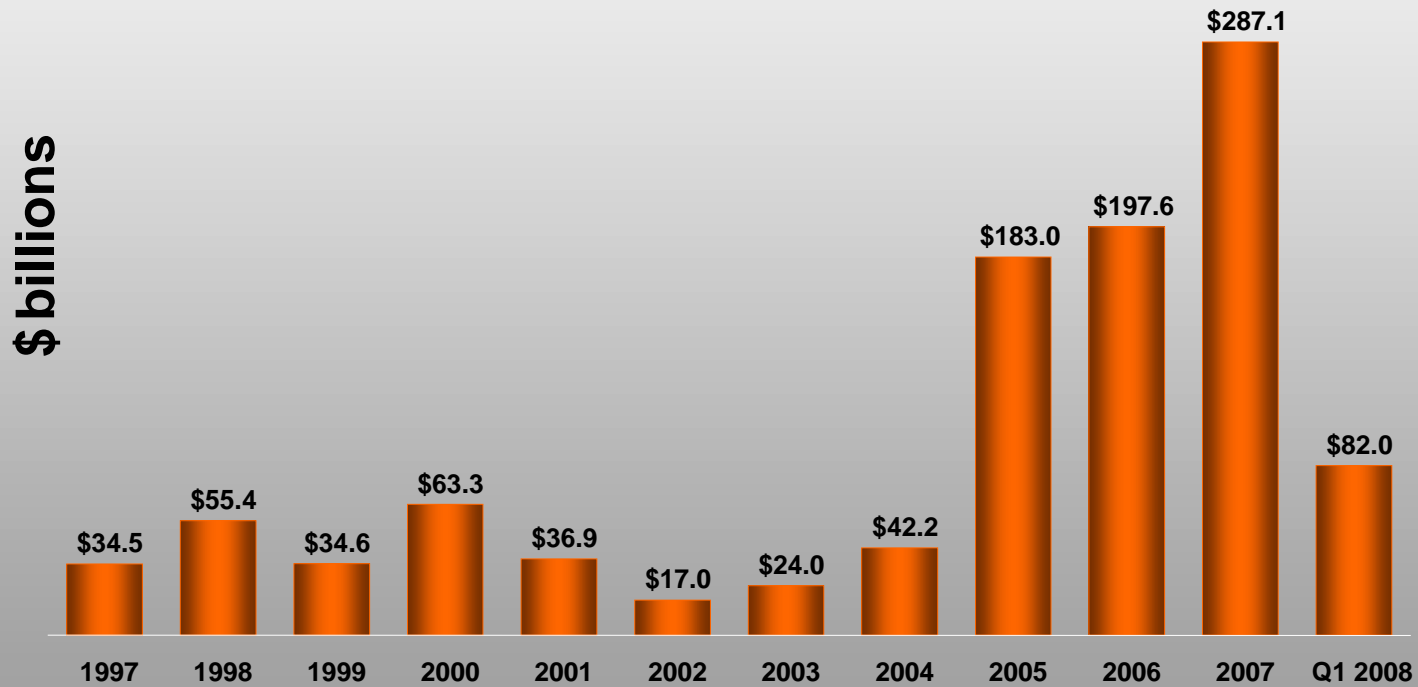
Prices better, but cost increases have moderated returns



Source: Goldman Sachs

Capital Raised by US Private Equity Firms:

But the growth trend has reversed in 2008



Source: Goldman Sachs

Landowners Feel Safe

Two Generations of Results

- 83% – Have a favorable opinion of the energy pipeline industry
- 83% – Have a favorable opinion of the energy pipeline company(s) passing through/on their land
- 94% - State that the pipeline industry is very important to the Canadian economy
- Environment: Nearly $\frac{3}{4}$ report that pipelines do a good job protecting the environment

Climate Change and the Environment

- CEPA supports government's efforts to reduce air pollutants and greenhouse gas emissions. This will require innovation and technology development
- One key part of the solution is CCS, CEPA members are ready to develop CO₂ pipelines
- Policy certainty is necessary to promote a positive investment environment (Capital is costing more)
- Efforts to manage air pollution and climate change issues must be harmonized among jurisdictions
- Compliance mechanisms are needed to enable delivery of clean fuels and pragmatic solutions to climate change challenges

TMX Anchor Loop Project

- 160 km of pipeline construction to loop an existing oil pipeline
- Sensitive area: Jasper National Park, Mount Robson National Park
- Proponent undertook extensive early engagement with a wide range of stakeholders: federal departments (DFO, PC), ENGOs, FN
- Identified key issues and worked to resolve them in early project design stages

TMX Anchor Loop: Results

- Good relationship building with stakeholders = trust
- Environmental assessment focused on key issues
- Creative mitigation enhanced habitat and protected key resources
- Objectives of EA were achieved before the public hearing started
- NEB hearing was 2 days in length with no environmental issues raised

Opportunity Today

- Financial crisis requires deliberate positioning for Canada to excel as a nation
- Short term reprieve from hectic pace and loss of experience through retirements
- Act now to redirect focus and set a course for:
 - Real environmental results
 - Focus on things that matter
 - Robust, transparent and adaptable risk management
 - Full life-cycle oversight (rather than primary focus on detailed checks and process)

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