

29-Jul-2022

Enbridge, Inc. (ENB)

Q2 2022 Earnings Call

CORPORATE PARTICIPANTS

Jonathan Morgan

Senior Vice-President, Capital Markets, Enbridge, Inc.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

Vern D. Yu

Executive Vice President-Corporate Development & Chief Financial Officer, Enbridge, Inc.

Colin K. Gruending

Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.

Cynthia L. Hansen

Executive Vice President & President-Gas Transmission and Midstream, Enbridge, Inc.

Matthew A. Akman

Senior Vice President-Strategy, Power & New Energy Technologies, Enbridge, Inc.

OTHER PARTICIPANTS

Robert Hope

Analyst, Scotia Capital, Inc.

Jeremy Tonet

Analyst, JPMorgan Securities LLC

Ben Pham

Analyst, BMO Capital Markets Corp. (Canada)

Matthew Taylor

Director of Midstream Research, Tudor Pickering Holt & Co. Securities-Canada ULC

Robert Kwan

Analyst, RBC Dominion Securities, Inc.

Linda Ezerailis

Analyst, TD Securities, Inc.

Robert A. Catellier

Analyst, CIBC World Markets, Inc.

Andrew M. Kuske

Analyst, Credit Suisse Securities (Canada), Inc

Patrick Kenny

Analyst, National Bank Financial, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Enbridge, Inc. Second Quarter 2022 Financial Results Conference Call. My name is Sylvie, and I will be your conference operator for today's call. At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session for the investment community. [Operator Instructions] Please note that this conference is being recorded.

And I would like to turn the call over to Jonathan Morgan, Senior Vice President, Capital Markets. Jonathan, you may begin.

Jonathan Morgan

Senior Vice-President, Capital Markets, Enbridge, Inc.

Thank you. Good morning, and welcome to the Enbridge, Inc. second quarter 2022 earnings call. Joining me this morning are Al Monaco, President and CEO; Vern Yu, Chief Financial Officer, and the heads of each of our business units, Colin Gruending, Liquids Pipelines; Cynthia Hansen, Gas Transmission and Midstream; Michele Harradence, Gas Distribution and Storage; and Matthew Akman, Renewable Power and New Energy Technologies.

As per usual, this call is being webcast, and I encourage those listening on the phone to follow along the supporting slides. We'll try to keep the call to roughly one hour. And in order to answer as many questions as possible, we'd appreciate you limiting your questions to one plus a single follow-up, as necessary. We'll be prioritizing questions from the investment community. So if you are a member of the media, please direct your inquiries to our Communications team who will be happy to respond. As always, our Investor Relations team will be available following the call for any additional questions.

On to slide 2, where I will remind you that we'll be referring to forward-looking information on today's presentation and in the Q&A. By its nature, this information contains forecasts, assumptions and expectations about future outcomes, which are subject to the risks and uncertainties outlined here and discussed fully in our public disclosure filings.

We'll also be referring to non-GAAP measures as summarized below.

With that, I'll turn it over to Al Monaco.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

Thanks, Jonathan. Hello, everyone. I'll start off this morning with how we're doing on our key priorities midyear. I'll then cover our business update including the new investments announced today that further accelerate our natural gas strategy. Vern will recap our capital allocation framework and review our financial results, the future outlook, and ESG performance.

Before we do that, let me begin with the bigger picture and the two-pronged strategy we laid out at Enbridge Day. It's pretty clear we're in a global energy crisis and that we'll need all sources and supply to meet demand with affordable, sustainable, and secure energy. And as we've said before, North America is extremely well-positioned with globally competitive, reliable, and sustainable supply. Given the inflection point in energy markets we've

experienced, our two-pronged strategy is proving to be the right one. That is, to continue investing in the best conventional opportunities while ramping up in franchise low-carbon infrastructure over time.

Our focus in the last few years is to build out our export infrastructure, and that's even more relevant today. Acquiring the Ingleside export facility filled out our Gulf Coast liquids strategy and is already opening up low-carbon export opportunities. And with our natural gas systems along the Gulf Coast and in B.C., we're capitalizing on global LNG demand growth. We've got a plethora of low-carbon development opportunities in flight that nicely leverage our existing assets and fit our low-risk model. And we see renewables, RNG, hydrogen and carbon capture picking up steam and bolstering growth.

With that context, here's the mid-year check against our priorities. Our number one priority will always be safety and we're tracking well this year. Operationally, we performed well in Q2, strong utilization, record Gas Transmission delivery days and good wind resources. Results-wise, we had a solid quarter and we're on track to achieve our full year EBIDTA and DCF per share guidance. And that puts us in good shape on our three-year, 5% to 7% DCF per share CAGR target through 2024 off of 2021.

The balance sheet is strong and we're on track to exit 2022 at the low-end of our leverage range. So far this year, we've secured CAD 4.5 billion of new investments that are right down the middle of the Enbridge fairway. That includes expansion of our B.C. system and a 30% stake in Woodfibre LNG. So our post 2024 secured growth hopper is filling up nicely.

On capital allocation, we'll continue to be disciplined by optimally deploying growing free cash flow. Part of that is returning capital to a steadily growing dividend and we've initiated share buybacks as you've seen.

On to the business update beginning with liquids. After an extended upstream and downstream turnaround season, Mainline volumes are ramping up and we expect to get to the full year average [ph] volume (00:05:39) of 2.95 million barrels per day.

In Gas Transmission, we had four of the top five power plant peak delivery days in the last five years, and we had record LNG and Mexico export deliveries at 3 Bcf a day in April. A couple of weeks ago, we also reached an agreement in principle on a Texas Eastern rate case, so very good news there. And we're moving along well on CAD 7 billion capital in execution. In utility, there's another CAD 3 billion underway, including 40,000 customer ads this year, and three more RNG projects. And finally, in renewables, we're in heavy construction mode with 4 offshore wind projects and 10 solar self-power projects totaling almost CAD 3 billion. And again, part of that is offshore France, Saint-Nazaire is going well and on schedule to start generating cash flow later this year.

Now, a brief update on liquids fundamentals and Mainline toll. The global energy inflection point I referenced earlier is driving improving North American oil fundamentals. And this is Colin's John Madden-type graphic that explains why. First, the historically long turnaround season has wind down. WCSB production is ramping back up as the Mainline was apportioned for August delivery, so basically, we're at capacity. And Permian supply is strong with growth this year expected around 500,000 barrels a day.

Given OPEC constraints, embargoed barrels and a return of Asian economic growth, the natural outlet for light barrels is exports to Europe. Over time, we'll see inventories building back up, including the US Strategic Petroleum Reserves. And you recall inventories are extremely low levels right now. These shifting fundamentals are positive as we're well-positioned on both light and heavy barrels. [indiscernible] (00:07:44) discussions with our customers continue. We've spent quality time exchanging information upfront and we're now in negotiations. So overall, the process, I would say, and our discussions with our customers have been construct.

As you know, there's a preference for an incentive based model which has worked well for our customers and us over the last 25 years. We're pursuing that option, but we're prepared to shift the cost of service if needed, and either option is acceptable to us as we've said in the past. And to keep that latter part moving loan, you'll likely see some required pre-filing CER notices in the next month or so. We're motivated to land something that works for our customers and a reasonable risk return profile for us. Timing wise, we'll likely decide which of the two paths we'll be on by the end of the summer.

Let's shift now to our LNG strategy, starting with the fundamentals and how we're positioned. And right off the bat, it's clear that natural gas is an increasingly exciting story and will be a growth driver for us in the long term. First, North American LNG exports are expected to increase to 30 Bcf per day, and everyone knows the reasons behind that. Our assets are critical to making that happen with last mile connectivity.

You can think of our US Gulf Coast and B.C. Mainline systems as headers, connecting growing low-cost supplies in Appalachia, the Permian, the Haynesville, the Montney with export market demand pull. We supply four operating LNG plants in the Gulf, soon to be five actually. And today, we make up roughly 20% of North American exports, and those connections are supported by long-term take-or-pay contracts.

But as you can see here with the bar chart, the precedent agreements we signed on two more LNG facilities that are pending FID, we could see our market share increase to 30% of exports. While our focus is on pipeline connections, we've been open to the liquefaction investments, which we talked about before, providing they meet our investment criteria. Namely, it needs to be a value chain extension of our existing pipelines that anchor expansions or new lines. So that means pretty much directly connected to liquefaction. It needs to be aligned with our low-risk commercial model, so highly predictable cash flows and accretive to future growth, so with expansion potential.

So here's how our LNG strategy is unfolding beginning with the Gulf Coast. With Venture Global sanctioning of Plaquemines, we're now underway with the Venice Extension, that's a solid US\$400 million investment with a 20-year contract. We've secured now another US\$1.6 billion with the Rio Bravo [indiscernible] (00:10:44) and the Valley Crossing expansion. Both of the associated LNG plants there are pending FID by next decade and Texas LNG. And of course, we're now also in discussion with LNG proponents other than those to see what other opportunities are there.

Related to the LNG connections themselves, a recent open season revealed very strong customer interest in upstream access to our headers to connect growing Haynesville supply to LNG. So we're now designing potential options to expand Texas Eastern and Valley Crossing, so stay tuned on that over the next few months.

Moving north to B.C. and our T-North system. The fundamentals here point to strong WCSB supply growth over the next several years. We've seen a lot of positivity from our customers recently which also came through on alliances' contract extensions. This is all being driven by very low cost in the liquids-rich resource base that rivals US [ph] share. (00:11:52) And the basin presents a great opportunity to feed growing regional and global demand with natural gas.

Our B.C. Mainline would be a critical part of getting gas to market, particularly to support LNG pulp. To that point, we've completed a very successful open season and now sanctioned a 535 million cubic feet a day expansion at T-North, and that's larger than we originally thought. This CAD 1.2 billion expansion is mostly compression and commercially, it's under cost of service. The next step is to engage stakeholders and file the regulatory application and the targeted ISD here is late 2026.

Today, we saw we also launched a binding open season to expand T-South, which is driven by the recent FID of Woodfibre LNG. That expansion would replace capacity currently moving volume to the Pacific Northwest, which will be utilized to feed Woodfibre LNG on the West Coast when it's completed. Our preliminary estimate is CAD 2.5 billion also told under cost of service with a projected ISD of 2028. Now, if T-South does move ahead, we could see a further expansion of T-North. So that's another opportunity. T-North and T-South, I think really illustrate well the power of our strategically positioned system for low-cost access to growing markets.

Now, that system also allows us now to extend our value chain to LNG liquefaction. This morning, we announced a 30% equity investment in Woodfibre, which will be the second LNG facility on the West Coast. This is a really exciting ground floor opportunity for us, so let me provide some context on what's behind the investment. Our partner, Pacific Energy, developed the project and established excellent community relationships. Woodfibre is integrated with Pacific's upstream reserves, a 2.8 Tcf in the Montney which is currently producing around 300 million cubic feet a day with contracted transportation capacity on our system, as I mentioned.

Our 30% ownership in Woodfibre is structured as a preferred interest which provides us with a predictable stream of cash flow and a solid return. Our share of the expected cost is US\$1.5 billion with about 70% of the liquefaction facilities project financed. So our equity investment is approximately CAD 900 million through 2027 which will be easily funded with an existing investment capacity. In fact, Vern will discuss the ample room we have to deploy free cash flow going forward beyond.

We've evaluated a number of LNG projects in the past, and this one fits the investment criteria box as I mentioned earlier and more. It strategically aligns with our very positive view of natural gas today and well into the future, particularly global LNG growth. It extends our value chain as Woodfibre connects to our upstream pipes as you see on the map here and anchors their expansion. Its size and use of existing infrastructure and routing make it highly executable, and we're very pleased with First Nations' support of the project. And I'll come back to this in a minute.

It also fits squarely with our pipeline utility model, supports medium- and long-term growth, and it generates a strong equity return. So it clears the capital allocation hurdles we set for organic projects within the framework.

And finally, what we really like is that'll be among the lowest emission facilities in the world at less than 0.4 tonnes of CO2 equivalent per tonne of LNG delivery. So all-in, it clearly is [ph] smart for us (00:16:05) strategically, financially, and it aligns with our emissions objectives.

Woodfibre is located near Squamish, sited on industrial land that previously housed a pulp and paper mill. The plant will produce 2.1 million tonnes annually, that's around 300 million cubic feet a day with 250,000 cubic meters of storage. There's very good access to the site by [ph] a South Sound, (00:16:32) which is well-traveled, and we expect loadings of two to three ships a month.

Importantly, the Squamish Nation itself approved the project, which includes a long-term benefits agreement. And the LNG plant and upstream infrastructure has received local, provincial and federal approval. 70% of the capacity of the plant is under long-term contracted offtake with BP and more capacity is likely to be locked up. Fortis will expand their system, which connects T-South with the plant itself.

Woodfibre is ideally positioned to meet growing Asian demand, and here's how we see that picture. First, Asian LNG demand is forecast to more than double, and Woodfibre is among the lowest cost supply sources because of

a globally competitive Montney supply. There's roughly 150 Tcf of reserves at a cost of less than CAD 2 mmbtu, which means Canadian LNG is very high in the global LNG dispatch order.

Another part of the value equation here is proximity to markets which shaves two to four weeks our shipping times, so lower transportation costs and emissions. Combined, these factors make Woodfibre LNG breakevens on par or better than US Gulf Coast alternatives. So, even put aside the today's frothy global LNG market, the West Coast is highly competitive in any future energy scenario that we see. More broadly here as a side note, we see a huge opportunity here for Canada to maturely ramp up LNG exports.

The economic benefits are obvious, but also for Canada to play a leading role in improving global energy security and reducing GHG emissions beyond our own borders. Finally an execution of the plant will be modular design, which is ideally suited for this location under a lumpsum turnkey EPFC contract. The final capital cost will be determined next April, and that'll be the basis presenting our return and preferred distribution.

The Squamish Nation has completed an environmental assessment of the project, and actually it's the first one to be approved under the Government of Canada's Five Principles Framework. With environmental approvals on hand, the team is now focused on securing construction permits. We've laid out the timeline here with an expected ISD of 2027 and the spend spread out over the next five years.

Before I turn to Vern, a quick recap on our low carbon strategy. As you know, our approach is to capitalize on existing infrastructure, to extend growth, with the same business model and returns as the rest of the business. All-in, we've got close to CAD 4 billion in development with more on the way.

On renewables, our development pipeline at France is about 2 gigawatts, providing good growth visibility there. 10 solar self-power projects are underway on our own systems with another 300 megawatts in development. On RNG, we've 50 projects where producers have applied the clean fuel funding program, and the Gas Transmission team is also developing eight projects.

On our Wabamun Carbon Hub in Alberta, we're planning well test to confirm geology and finalizing commercial discussions with Capital Power, and Lehigh Cement. I recall here, we have 4 megatons of CO2 annually signed up and we're in discussions with other potential partners. The project is also supported by five indigenous groups who can become equity owners in the projects, and we're looking forward to that.

Finally in the Gulf Coast, we're in discussions with off-takers for a proposed hydrogen and ammonia production facility at Ingleside.

So with that, I'll turn it over to Vern.

Vern D. Yu

Executive Vice President-Corporate Development & Chief Financial Officer, Enbridge, Inc.

Thanks, AI, and good morning, everyone. Before I review this quarter's results, I want to step back and remind you on how we're thinking about our low-risk business model. We've designed our business to be resilient through all market cycles, and it's proven itself out over and over again. The most powerful example of this was during 2020 where we were able to meet our financial guidance despite the significant impact that COVID had on global energy demand. That's because our business is built on serving demand for the market with strong long-term contracts, and we have conservative financial policies.

Our contracts of commercial protections for rising inflation, where about 80% of our EBITDA has built-in toll escalators, [ph] are way across the (00:21:40) service recovery mechanisms. The majority of our debt portfolio is fixed rate which limits the impact of higher interest rates. Our cash flow stability allows us to be confident in our financial results and provides us with a lot of financial flexibility.

We expect to generate growing cash flows this year, 9% over 2021, and this drives out our CAD 5 billion to CAD 6 billion of annual investment capacity. Our balance sheet is in great shape, and we expect to be at the lower end of our debt-to-EBITDA range by the end of the year. All four credit rating agencies have reaffirmed our BBB+ stable credit ratings this year.

We've continued to grow the dividend ratably with another 3% increase this year, [ph] already (00:22:35) supplementing that with the opportunistic share buybacks. We've added CAD 4.5 billion of new growth projects so far in 2022 which provides great visibility to our post-2024 cash flow growth. All of these projects come with the same low-risk model I just walked through and generate attractive returns.

And let's remember, all of these opportunities that competed against all of our other capital allocation alternatives including share buybacks.

Let's move to our financial performance. Our second quarter results were up significantly over 2021 on strong operational performance across all of our businesses, and we're seeing the benefit of the CAD 14 billion of capital we put to work last year. We're tracking to our plan with some puts and takes across the businesses.

In liquid, the Mainline moved just under 2.8 million barrels a day in the second quarter, which was in line with our expectations given upstream and downstream customer maintenance activities. As a reminder, results and full-year guidance include a provision for the ongoing Mainline tolling negotiations.

Gas Transmission utilization was solid, and last year's CAD 1.4 billion expansion to our B.C. Pipeline System is driving growth. In Q2, we saw good contributions from BCP and are stable on the back of strong commodity prices. But these assets represent less than 2% of our EBITDA, so it's not a big driver overall.

It's business as usual at the utility, with a small impact from the sale of our Noverco assets at the end of last year. Our renewables business continues to benefit from strong wind resources. Energy Services remains below expectations due to tight basis differentials and backwardation in commodity prices. Results in this business are expected to return to a positive contribution next year, with the expiry of certain contracts that are negatively impacted by current market conditions. Finally, rising interest rates have had a slightly negative financing cost for us. So, a very solid quarter.

Let's move to our full-year outlook. We expect our systems to be highly utilized for the rest of the year. Mainline volumes are rebounding after Q2 customer maintenance, and we'll go back into a portion then in August. In Gas Transmission, strong commodity prices are generating a slight tailwind for our Aux Sable and DCP investments, while the utility and renewables are tracking the guidance. Energy Services is expected to remain a headwind for the balance of the year.

In terms of DCF per share, maintenance spending is expected to pick up in the second half, which is aligned with our full-year guidance and the interest expense will be slightly higher than we expected given higher interest rates. Again, this clearly demonstrates the predictability of our business.

I'll now move to our secured capital program. Today, our secured capital program is just over CAD 15 billion. Execution is progressing well with CAD 4 billion of capital entering the service this year, driving cash flow growth in 2023. This capital spend is largely locked in under fixed price contracts, providing good inflation protection. And we've added a number of new secured projects to our backlog this quarter. These new capital requirements are easily absorbed within our CAD 5 billion to CAD 6 billion of annual investment capacity, and there's no change to our equity self-funding model, as most of the capital that we've announced today will be spent beyond 2024.

Now, let's talk about how this capital program feeds our growth story. Through 2024, our secured capital program drives a highly visible 5% to 7% DCF per share CAGR. This growth builds off a solid base in 2021 and we expect to continue to deliver 1% to 2% per year of growth from contractual revenue escalators and productivity enhancements.

Our secured capital program will deliver another 4% to 6%, and all of this cash flow will be under our low-risk commercial framework. So we have excellent visibility in achieving our three-year plan [ph] by the end in (00:27:50) 2024. With these recent additions to our secured capital and the additional opportunities we're advancing, our capital program provides good visibility for longer-term growth.

As we look forward, we continue to see a robust opportunity set to fill in longer-term growth across all of our businesses. And we're seeing an uptick in development activity across both our conventional and low carbon platforms.

As I mentioned previously, we have CAD 5 billion to CAD 6 billion of annual investment capacity driven by our growing free cash flow growth and our balance sheet capacity. Investment-wise, we'll continue to prioritize rate-based growth in our gas businesses, along with low-capital intensity, optimizations, and expansions across our footprint. The low-risk investments are highly executable with attractive returns and should drive a base capital program of about CAD 3 billion per year. That leaves roughly CAD 2 billion per year of excess investment capacity that will go to the next best alternative, either more organic growth, share buybacks, tuck-in M&A, or debt repayments.

Even with the capital we've announced today, which is spread out over several years, we have meaningful investment capacity deployed through our current three-year plan. We'll continue to be disciplined benchmarking all of our new investment opportunities against all of our capital allocation alternatives.

Before I turn it back to AI, let me update you on our ESG priorities and the great progress we are making now. At the end of June, we released our 21st Annual Sustainability Report. We believe that ESG is foundational to our business, and we are proud of our performance. You can see here in 2020, we set new ambitious goals across all aspects of E, S, and G with clear pathways to achieving them.

In 2021, we put in place the organizational building blocks to make it happen, establishing specific plans across businesses and aligning our conversation and financing costs to ESG performance. Our focus now turns to executing those strategies to achieving our goals, and we're making good progress there.

On safety, we've reduced our trip rate over 29%, and we heavily invested in pipeline integrity over CAD 6 billion in the last three years. This underlines our commitment to driving industry-leading safety and reliability. Our mission performance remains on track as we have achieved a 27% reduction in emissions intensity since 2018 and a 20% reduction in methane emissions in our Gas Transmission business.

On diversity, we are on our way to meeting our diversity and inclusion goals. Internally, that means enhancements to our recruiting process and mandatory training to reduce bias, combat racism, and increase cultural awareness. And that's translating into real improvement across all levels of the company, including our Board of Directors.

Ultimately, we believe our approach to ESG aligns us with our stakeholders, customers, investors, our right-of-way communities. And this provides us long-term strategic advantage.

With that, I'll turn it back to AI to wrap up.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

Thanks, Vern. To summarize, the business is running well and we're on track to meet our financial targets. Along with the global focus on reducing emissions, the importance of energy security and affordability has validated our two-pronged strategy of investing in both conventional and low-carbon infrastructure. We're executing our capital program, advancing our export strategy on both gas and liquids, and securing new investments to support post-2024 growth. And we'll continue to be disciplined capital allocators, protect the balance sheet and advance our ESG commitments.

And with that, we'll open it up to questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] And your first question is from the line of Rob Hope at Scotiabank.

Robert Hope

Analyst, Scotia Capital, Inc.

Q

Good morning, everyone. The first questions on the Woodfibre project and the investment in LNG liquefaction facility. This looks like a bit of a unique situation where you have a preferred interest, limited commodity risk. Can you speak to, moving forward, if you do get comfortable in investment in LNG liquefaction facilities, would you be willing to take a little bit of commodity exposure if it does yield additional upstream opportunities? And then I guess the follow-up question there would be, in the past or in the future, are you having discussions with proponents about other facility investments?

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Okay. Thanks, Robert. I'll start off. With respect to the first part of your question around, would be – would we be willing to take additional risk? I think the short answer is that probably not. We searched far and wide for this opportunity. We looked at a lot of others actually, and we landed on this one because, as I said in my remarks, it ticked all the boxes for us. And one of the important boxes is ensuring predictability of cash flows, so we won't stray too far from that going forward, and we'll continue to look for the commercial models that support the rest of our value proposition, which you know well.

Yeah. The short answer on the second one, are we talking to others, yes. As you know, there's a lot of opportunities, particularly in the Gulf Coast. And as I mentioned earlier, we're really well-connected there and lots

of development going on. So, sure, there's opportunities. But the investment criteria will stand, and we'll continue to be very disciplined on this going forward.

Robert Hope

Analyst, Scotia Capital, Inc.

Q

All right. Thank you for that. And then just a follow-up or I guess another question on the Mainline re-contracting efforts. It's been relatively quiet from the producer community on this one right now. Can you maybe speak to what's the main sticking points in terms of negotiations have been? And from the outside, I believe the investment community is taking the fact that it's been quiet from producers as they've seen, we'll call it, relatively aligned and the expectation is that a negotiated settlement will be reached.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Well, I'll turn it over to Colin here. But generally speaking, Rob, like I said earlier, it's going pretty well in terms of our discussions. But as you can imagine, there's all kinds of different interests at play here. Overall, there's 38 potential shippers involved in this discussion and who will have to approve any kind of settlement. So, there's lots of different views on it. And I'm not surprised that it's relatively quiet as you're putting it in terms of the public picture. But I can tell you, there's lots going on behind the scenes in terms of the discussions with our customers.

And as I said earlier, a lot of information being shared to make sure that we have the transparency, not just into what we think the future holds, but how we've performed under this Mainline point over the last 10 years. And a big part of that, Robert, is the service we provided, and I think real good value for customers out of the basin and our refineries downstream. So, I think we're going to continue to work on a it. But Colin, you may want to add something to that.

Colin K. Gruending

Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.

A

I think you had it. Just briefly, I think, Robert, the – I think the historic order in Mainline contracting proposal that there was disagreement amongst industry as you recall. That was around contracting the line. We've taken that off the table, to be clear. And so, once we removed that, it's removed that point of difference.

So industry is now, in our view, relatively aligned on what they want from us as AI said which is alignment to hustle towards their interests, which were – we've now contained in our tolling proposals, but we're not there. We cannot assure we're going to get to a negotiation here. We've got alternatives that are equally attractive to us. So anyway, a little more color there, Robert.

Robert Hope

Analyst, Scotia Capital, Inc.

Q

All right. Thank you for the answers. That's it for me.

[indiscernible] (00:38:02)

Operator: Jeremy Tonet – my apologies. Jeremy Tonet from JPMorgan is on the line with a question.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

That's all right.

Jeremy Tonet

Analyst, JPMorgan Securities LLC

Q

Hi. Good morning.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Good morning.

Jeremy Tonet

Analyst, JPMorgan Securities LLC

Q

I just want to comment a little bit more on Woodfibre and the preferred structure that you set up. Just wondering if you could touch a little bit more about specific, I guess, risk versus reward parameters or hurdles you're looking for here. Were you always seeking a preferred equity structure? And could this preferred equity convert into common or have any other upside levers down the road? Just trying to get a better feel for this.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

The short answer on the second part is no, it's not convertible to anything under this arrangement. And I think that probably the biggest upside lever to think about here is the integration we have upstream. Jeremy, as you see, it's anchoring a lot of opportunity. And the investment itself is really, as we said earlier, kind of an extension of the value chain that we've got in B.C. We're a big player there operationally. We've got – we've done a lot of project execution in that region. So, I think we're bringing that to the table.

In terms of the structure itself, we always intended to essentially eliminate as much commodity exposure here as we could, and I think we're achieved that with this structure. The simple way to think of it is we'll have an investment here with a certain level of equity and we'll earn pretty much a return in that business that is, again, pretty much fixed and very consistent with the rest of Cynthia's GTM business. So that's at a high level of how we're looking at it. I don't know, Cynthia, if you want to add anything to that.

Cynthia L. Hansen

Executive Vice President & President-Gas Transmission and Midstream, Enbridge, Inc.

A

Thanks, Al. I would just add, as you said earlier in your comments, that it is – that opportunity for us to have very assured cash flows. So we're working with the partner, we're going to have an opportunity to continue to build on the existing relationships we have in B.C. And it's a great opportunity for us.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

And just maybe a little bit more color, Jeremy. What we really like about this is, aside from what I mentioned earlier about very low rate of emissions, really world-class on that front. But this is an integrated project, which means that the supply costs and tolls are essentially locked in. If you look at the partnership level structure here and then, of course, there's a commitment by BP to take 70%, which is really the driver here.

So it's pretty much locked down from our point of view. And as we alluded to earlier, that's sort of what we're looking for with this investment. And it's a smallish investment for us to start out in liquefaction and we'll develop more capabilities to go forward. But this one really fits the bill for us, I think, at this point.

Jeremy Tonet

Analyst, JPMorgan Securities LLC

Q

Got it. Thank you for the details. Yeah, that makes sense. A lot of pull across the portfolio, so obviously, a lot of leverage in that sense.

And next question I had, just really want to talk about there's a lot of natural gas logistics growth that you've talked about here, but the Haynesville specifically seems like there's a good amount of growth there. I think you had talked about kind of initiatives there in the past. I was just wondering how you think Haynesville growth might play into Enbridge's future.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Well, again, let's speak to the details here. But essentially, we carried out an open season a little while ago here, and we were quite impressed, I guess, with the level of interest in order to get onto our system. So, we heard from a lot of customers, and we're really in the process now just designing options for them. And I alluded to, we'd probably see some activity here later in the year. But again, big header system, very cost-effective, and the natural lead into the Gulf Coast LNG projects from the Haynesville directly. So that's the big picture. Cynthia, maybe you want to speak to some of the other aspects of this.

Cynthia L. Hansen

Executive Vice President & President-Gas Transmission and Midstream, Enbridge, Inc.

A

Yeah. Thanks. So, as Al said, with the results of that open season being so positive, we are just sort of detailed now with our customers. So both demand pull from the LNG exports and some of the industrial [ph] uses (00:42:53) in that space and then the supply push from Haynesville. And as we're working through those project details, of course, our connectivity with that header system, the ability to tie into some other existing infrastructure really is where we're looking to add value with our customers. So we are working through those details now. It is an exciting time, but it is up to us to work with our customers and come up with those competitive solutions. So, more to come in the future.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

That's exactly right, Jeremy. When you think about it, this is a competitive space, right? And other players have desires to add more capacity in this region. But the advantage we have is we're in the right spot and the expandability of the system is there. And this is all about costs, ensuring that you've got the lowest cost solution right from the supply source into the LNG facility. So, we have a good carve-out of advantage here if I can put it that way.

Jeremy Tonet

Analyst, JPMorgan Securities LLC

Q

Got it. That's very helpful. Thank you.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah. Thanks, Jeremy.

Operator: Ben Pham from BMO is online with a question.

Ben Pham

Analyst, BMO Capital Markets Corp. (Canada)

Q

Hi. Thanks. Good morning. I appreciate the disclosure on inflation protection on existing assets, but I'm wondering if you sanction new projects and we're seeing cost creep on some of the bigger infrastructure projects out there? I'm thinking specifically Woodfibre that you go through cost estimates. Like how do you balance that inflationary risk against achieving growth targets and other ways there to achieve returns like share buybacks?

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah. This is a great question, very topical, Ben. And so, maybe what I'll do is I'm going to have Vern talk to the protections you referred to in the business. Maybe I'll just touch a little bit on the broader issue around investment and how we look at that, given the pressures.

First of all, I think generally, if you look at our capital spend profile here in the last two years and then going forward, we've really completed a very large chunk of the secured program. And of course, that includes Line 3. If you look at the program size that Vern referred to at CAD 13 billion, about CAD 3 billion of that has been spent, so we got another CAD 10 billion to go. And as you look at the list of projects, certainly smaller. There isn't the sort of the mega scale Line 3 projects in there. They're diversified across the business and in geographic areas.

And if you look at the projects right now, the way we're situated, we're pretty much on time and on budget. There's a few things here and there, but that's the bigger picture. What really gives us some comfort though is around our major projects execution process. I think we've had a pretty good track record here. We try and lock down as much of the cost as we can and fixed price, a lot of it.

The scale of Enbridge helps here in terms of supply chain and what we can command in the marketplace. And of course, in some cases, we have recovery mechanisms to make sure that we're getting our return on enough capital. So, that's the big picture.

We got comfortable on Woodfibre after a lot of diligence around the capital cost estimate at this point. And then, as I said earlier, the final cost estimate for purposes of our distributions and preferred return here will be set sometime next April or thereabout. So that's sort of the big picture on how we're thinking about the pressures we're seeing in inflation and so forth. But maybe Vern, you can cover off how the rest of the business is protected.

Vern D. Yu

Executive Vice President-Corporate Development & Chief Financial Officer, Enbridge, Inc.

A

Okay. Thanks, Al. So on the capital side, obviously, we try to lock in all of our costs as we sanction projects, employ fixed price EPC contracts where we're able to. Our large scale obviously allows us very competitive supply chain. And so most of the new contracts and commercial agreements that we have announced have cost recovery mechanisms should the capital go up.

If we move to the OpEx side, I think I mentioned in my prepared remarks that 80% of our EBITDA has protection against inflation. And really, we're seeing that through fixed revenue escalators or the ability to come back for cost of service rate filings, although there is a little bit of a delay there.

And finally, I think it's important to point out that most of our costs are fixed. We're a large capital user, so it's not the O&M that's really at risk. We do have some exposure to power prices and labor. On the power price side of things, we have in certain instances the ability to flow those costs back directly to customers. And then our solar self-power program on the – in the long term provides us a hedge against rising power prices. So I think that covers it all.

Ben Pham

Analyst, BMO Capital Markets Corp. (Canada)

Q

Thanks for the fulsome answer. And maybe my second question, going back to LNG. And as you think about capital deployment for LNG exports, is it more of a learning process for you now with Woodfibre and then execute it and construct it with Pacific and then you'll look at potential in other investments, or you have appetite for maybe doing something else that?

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah. I think we have appetite. But on the one hand, sure, it's a new area for us. But on the other hand, Ben, we – if you look at the execution we've had in large infrastructure, it's been roughly CAD 100 billion over the last decade. So, we've put a lot of projects into the ground. This, of course, is infrastructure and it's similar to what we do. So, sure, we're going to learn something to the process here, but we've also looked for other opportunities and see if there's something that could fit commercially that again addresses the investment criteria that we go after, which is high degree of predictability.

And back to the cost question, we've got enough surety here that we're comfortable that the project will be strong and there's a lot of built-in mitigations to how the developer to this point has constructed and designed the commercial arrangements here. So, we're happy with that.

Ben Pham

Analyst, BMO Capital Markets Corp. (Canada)

Q

Okay. Great. Thanks. And have a good long weekend.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Thanks, Ben, yeah.

Operator: Matt Taylor from Tudor, Pickering is online with a question.

Matthew Taylor

Director of Midstream Research, Tudor Pickering Holt & Co. Securities- Canada ULC

Q

Hey. Thanks for taking my question. Yeah. Just first off, congrats on the massive success of that recent ride for cancer in Alberta. So, yeah, well done there, seems almost all of us who we've met have been impacted by cancer in some way, so it was close to home there. Nice to see you back in person.

Just one question for me, maybe a question for you, Al, is there a role for Enbridge to play in owning pipeline infrastructure in Europe as the continent gets retooled away from Russian gas?

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah, well, first of all, Matt, thanks for mentioning the ride. I mean, I think it's pretty clear this is a very center piece of our community initiatives which we have many. But this really stands out. And some of the people around the table here today have been involved for a long time. And it really is a premiere event. So, thanks for mentioning it.

The short answer is sure. If you look at the fundamentals around how gas is going to have to be diversified in terms of source of supply for Europe. It's an opportunity for us. It always comes down, of course, to whether we can get the right risk reward profile just like any other project.

The good news is that with our renewables, renewables business that we've established there, we have some good experience in Europe. We've got some good partners. We've also been, of course, in Europe before when we had a large investment in Spain. So, we're familiar with the neighborhood if you will. And it will depend on whether we can find something that fits the commercial model we like and return.

Matthew Taylor

Director of Midstream Research, Tudor Pickering Holt & Co. Securities- Canada ULC

Q

Great. Thanks, Al. I'll leave it there.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Okay. Thanks, Matt.

Operator: Robert Kwan from RBC Capital is online with a question.

Robert Kwan

Analyst, RBC Dominion Securities, Inc.

Q

Great. Good morning. Just thinking about your two-pronged strategy in capital allocation, you've got growing gas opportunities. That's evidenced by the numerous secured projects. And you're also targeting the low carbon strategies. It's picking up steam. So if you think about those opportunities but your capital discipline and the equity self-funding model that effectively is capital constraining you, today you've talked about cherry picking the projects with the highest risk return profiles, but if the portfolio of opportunities within your core footprint and strategy are growing, can you just talk about how you might or might not change or your capital allocation priorities?

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Okay. Well, I'll start off and Vern can chime in. Well, in a nutshell, Robert, we're not changing the capital allocation framework that I think we're pretty happy with the opportunity it provides. But not only that, it's just the ranking process that we go through to assure that we're generating good value. So as you know, we've got CAD 5 billion to CAD 6 billion that we have available to invest. And we said that roughly CAD 3 billion of that is, let's call it, ratable growth, if you want to refer to it that way. So Michele's utility business, Cynthia's Gas Transmission business and, of course, maybe lower carbon intensity projects from the liquids pipeline area.

So we've got a lot of capacity aside from that CAD 3 billion to deploy and have options to deploy either in new organic projects like the ones we're just talking about today; opportunities for tuck-in M&A. Obviously, share buybacks is on that list. And as you know, Robert, it sort of went up in the order given the current book valuation, which we see as attractive for buybacks or, of course, you could retain that capacity and pay down debt temporarily.

So as you look at the numbers today, for example, on newly secured projects, it really eats into that CAD 2 billion but really not that much annually. So we've got a lot of flexibility still to deploy, and we'll continue to be very careful to put that CAD 2 billion to the best opportunities that we see based on that list of options that I mentioned.

Vern, do you want to add anything to Robert's question?

Vern D. Yu

Executive Vice President-Corporate Development & Chief Financial Officer, Enbridge, Inc.

A

Well, I think you hit it on the main point, Al, that the balance sheet has lots of capacity. That CAD 5 billion to CAD 6 billion per year is very ample, and that goes out over many years. The projects that we've recently announced all have [ph] spends (00:54:56) that are relatively elongated, so in each – in any individual year, it's not a lot of capital. And then I think as you see us pursue more low-carbon opportunities, generally, the capital associated with those are a little bit lower. We'll have partners with emitters and other indigenous groups and things like that. So I'm not too worried about running out of balance sheet capacity any time soon here.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah, and that – that's a good point. Actually, if you look at the two-pronged strategy, I think there's a very visible runway here, obviously, with let's call them the conventional projects that that we've been used to. But you're going to see the ramp-up in lower carbon, probably a little bit further down the road. And then it'll start ramping up significantly. That's how we see it in carbon capture, whether it's hydrogen opportunities. Of course, the renewables business itself has some good legs, but that'll ramp up. So in the near term here, combined with that longer term ramp-up, I think we're well situated with that investment capacity.

Robert Kwan

Analyst, RBC Dominion Securities, Inc.

Q

That's great. And that's actually a good segue into the second question I've got on the low-carbon strategy. And historically, you were big in North American onshore wind when the opportunities were pretty plentiful and you can easily get double-digit returns, but you've slowed that down. When the returns were ground down, you actually exited some of those assets. So how do you think about what you did then and where are we right now with the European offshore wind cycle? And can you maybe just frame where we are with that offshore side against some of those other low-carbon platforms that you've – you just highlighted?

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah. That's a very good observation. These things go in cycles, and I think we were in very high development mode on the offshore side. I think what you're seeing is – and now, a switch over to the point where onshore wind and solar in North America is really perking up, if you want to put it that way, just based on a lot of demand for PPA's – corporate type PPAs that we're pursuing. And yeah, so the good news here is we're well-situated with our own solar self-power business, as well as opportunities that we see to utilize our land positions. For example, you

saw that happen in Ingleside where we're putting in the solar self-power there. So I think that's a broad brush at it. But I'm going to let Matthew chime in here for some more thoughts on it.

Matthew A. Akman

Senior Vice President-Strategy, Power & New Energy Technologies, Enbridge, Inc.

A

Thanks, Al, I think you hit it. And thanks, Rob. Good observation. So I think the big message is a disciplined approach in renewable given we recognize there's a lot of capital flows and it can get pretty frothy. So, you're right about offshore. We're really fortunate to have a great pipeline of good construction projects, great contracts, leases, and we'll build off that. But we're going to be disciplined.

On the onshore side, like Al said, the discipline there is development using our advantages, which is we have [ph] lands, (00:58:23) we have load. And as we talked about at Enbridge Day, we have over a 1 gigawatt of greenfield projects. So we're going to focus on the development there. There's lots of demand, I think are 17 gigawatts of onshore PPAs – corporate PPAs signed last year in the US, so that one's probably trending a little bit better in terms of opportunity. But again, we've got to maintain the commercial framework and discipline on both areas.

Robert Kwan

Analyst, RBC Dominion Securities, Inc.

Q

That's great. Appreciate the color.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Okay. Thanks, Robert.

Operator: Thank you. We have reached our time limit and are not able to take any further questions at this time. I will turn the call over to Jonathan Morgan for final remarks.

Jonathan Morgan

Senior Vice-President, Capital Markets, Enbridge, Inc.

A

Sorry, operator. I think we'd like to take a few more calls, so let's continue. Operator let's continue the call, please.

Operator: I'm sorry. Linda Ezergailis from TD Securities.

Linda Ezergailis

Analyst, TD Securities, Inc.

Q

Thank you. Just wanted to get a bit more context on the outlook for potential extensions and expansions of your Mainline, given that you are going into apportionment in August, but there is a competing pipeline potentially coming into service in 2024, which might provide some egress [ph] really (00:59:56) for Western Canada. Can you comment on what factors need to be in place to proceed with any sort of initiatives and provide a color of what the timing and scale could be to help industry?

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Okay. Colin?

Colin K. Gruending

Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.

A

Yeah. Thanks, Al. Thanks, Linda. That is a timely question. I think the conditions – it's a good way to put it – the first is a commercial foundation on the Mainline itself to provide that clarity and commercial framework to take care of return and return of capital and return on capital. I think your lay of the land is right. We do expect production over time to fill the Mainline back up. That's depending on a variety of factors, including policy and producer capital allocation, but we do expect that to occur. And the basin has been egress constrained for a couple of decades here. So I think even beyond the need for physical capacity and the – moreover, the associated net back that goes with every barrel, not just the incremental barrel. I think industry will also be looking to Enbridge for optionality and insurance capacity to get to the best market.

So I'd say also we're keeping those expansion of the Mainline and downstream market access pipes warm. We've mobilized some early long lead supply chain things and permitting parameters to enable that for when it's triggered. So I think there is a continuing joint alignment to make that happen, but there will be some lead time. And we think, we'll – it'll feather in nicely to the disposition profile.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah. And, Linda, I think Colin's covered it really well. Bigger picture, if you look at the basin in Western Canada and what's been done on emissions and lowering of breakevens, and really sort of setting themselves up for the long term, this bid opportunity, at least in our view here, obviously, it's up to the customers to move volumes up, especially on incremental basis going forward. We know the Permian is really well set up. And that's all driven by exports, particularly for light barrels and products exports. So we're setting up well here for an export-driven environment, especially given what's happened with what we call the inflection point around energy security. So it's setting up well, and it sort of flows into what we'd like to see with respect to the commercial arrangement that we're just negotiating here. And certainly, we could take our time. But there is some – there's some level of urgency to make sure that we're providing the service that our customers are going to want. So that's what we're trying to do with the Mainline arrangement.

Linda Ezergailis

Analyst, TD Securities, Inc.

Q

Got it. Thank you. And just as a quick follow-up, your company has been one of the earlier pipeline companies to pivot to an export orientation. But my sense is your commitment to extension upstream and to gathering and processing has been – come and gone a few times. Just wondering updated appetite for providing fuller path upstream into gathering and processing, I guess more on the natural gas side. Are there situations where from a strategic servicing perspective, that might be of interest to Enbridge?

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah. I'll go and then we'll get Cynthia's comment, too. The short answer is we've kind of been there, done that. I mean, there's always, I think, some level of strategic rationale you could use to, say, underpin projects with gathering and processing volumes. Our experience on the gas side is it's probably a supply risk profile that we're not excited about taking on again. So I think that's the – that's kind of where we are. It makes sense, don't get me wrong, for a lot of companies but the business model we have really doesn't call for a lot of GMP type in that portfolio. Do you want to say anything else on that, Cynthia?

Cynthia L. Hansen

Executive Vice President & President-Gas Transmission and Midstream, Enbridge, Inc.

A

Yeah, I can just add that we are focused with working with our customers to find those solutions, but it is largely on the transportation side. So that will continue to be our primary focus.

Linda Ezergailis

Analyst, TD Securities, Inc.

Q

Thank you.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Okay. Thanks, Linda.

Operator: Robert Catellier from CIBC Capital Markets is online with a question.

Robert A. Catellier

Analyst, CIBC World Markets, Inc.

Q

Yeah. It's kind of just a follow-up question on Woodfibre on the risk return profile. I want to make sure I understand it here. Just with respect to construction, just notwithstanding the fact that you've done a lot of due diligence and it looks like there's a sound contracting strategy in place. Does Enbridge have any exposure to cost overruns on the project? And if you do need to make an additional contribution? And is there mechanism in place where we can earn a return on the noncapital for that?

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah. Well, maybe should just start with what the mitigation on the capital cost is in the first place. So at the project – there's two things, at the project level, you've got a fully permitted FID project here. The design and cost estimates are pretty well advanced and you're dealing with the brownfield site. And of course, as we mentioned earlier, it'll be a lumpsum EPFC contract. So that actually gets triggered in April when we've got, let's call it, a substantial amount of engineering design to lockdown what we'll call the final estimate.

Don't forget here we've got a modular design and floating storage so that helps mitigate risk as well, and of course, pretty much existing pipeline route through the Fortis right of way. So, that's the project level mitigation then in terms of the structure this thing as we mentioned it's an equity – preferred equity structure. So, we're not really susceptible to call it LNG merchant exposure here.

Now, yes, beyond, let's call it the final cost estimate sometime in Q2, let's say, next year, there's always execution risk. But remember, by that time, you've pretty much locked everything down to what would be our satisfaction as part of the project execution here with the EPFC contract. So, we think that's low. But ultimately, I suppose there could be changes to costs after that point in time.

Robert A. Catellier

Analyst, CIBC World Markets, Inc.

Q

Great. And then how would the investment respond, and would you get additional return then on the – any additional funds as they're contemplated in the agreement?

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

No. The return that we earned on the project and the distribution is going to be set, as I said, in Q2. So from there, the return will float. But based on the sensitivities we've done; we don't see a significant variation to the return after that second quarter when all the costs are in.

Robert A. Catellier

Analyst, CIBC World Markets, Inc.

Q

Okay. Thank you.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Okay.

Operator: Andrew Kuske with Credit Suisse is online with a question.

Andrew M. Kuske

Analyst, Credit Suisse Securities (Canada), Inc

Q

Thanks. Good morning. You have a number of irons in the fire on the low carbon side, but I want to specifically focus on CCS. And just how big of an opportunity set do you think you're competing for in both Canada and the US on the CCS front?

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Well, that's a broad question, Andrew. It's a good one. I'm not sure we have a great answer in terms of the ultimate size. I do know that we're pretty well-positioned. And basically, if you look at where the high intensity areas for carbon capture will be, it's basically where we are, number one, obviously in Alberta, we're advancing a project there. As we mentioned earlier, in terms of export capabilities in the Gulf Coast, that's another area of opportunity. We've got obviously a big position in Eastern Canada, in the Sarnia area. So, I think at this point, we're sort of developing options and opportunities there, but we haven't put a figure on that potential. I think the main thing is, we've got a natural advantage because we're in those areas and we'll just have to see what projects pop out of it.

Andrew M. Kuske

Analyst, Credit Suisse Securities (Canada), Inc

Q

Okay. Appreciate that. I'm going to take it from the really broad to maybe a little bit more narrow, but not too narrow. Just on the tax support side in both Canada and the US with emerging credits into the future, whether it be in the Canadian regime or the most recent Inflation Reduction Act proposal earlier in this week. How do you think about the tax credit environment and what do you really need to see the industry [ph] be spread (01:10:22) along?

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Well, certainly on both sides of the border, we're much happier with what's happened, certainly in Canada with the investment tax credit. I think that's going to be very helpful to get these projects moving. And as you know, we

need to see action on carbon capture right away and so that will help. Remember though in Canada, it's also about ensuring that there's a price of carbon that producers can have clarity on. So, we'll have to make sure – they'll have to make sure that they're getting the right revenue profile related to carbon. In the US, certainly yesterday's announcement, if all things go through as was announced, moving that [ph] CAD 45 queue (01:11:14) number up to sort of that CAD 85 mark and improving both blue and green hydrogen as part of that, I think that's very positive. So, the bottom line is, in order to achieve the emissions targets that we have, both societally, globally, and as well in North America, we need to have carbon capture. So, I think that's now being recognized and this will help get investments off the ground for sure.

Andrew M. Kuske

Analyst, Credit Suisse Securities (Canada), Inc

Q

Appreciate it, Al. Thanks.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Okay. Thanks, Andrew.

Operator: Patrick Kenny from National Bank is online with a question.

Patrick Kenny

Analyst, National Bank Financial, Inc.

Q

Yeah. Good morning. Lots of discussion on inflation already, but just on the potential T-South expansion, given the CAD 2.5 billion price tag has been out there for a while. Obviously, a lot has changed on the construction front here since Enbridge Day. And I appreciate there's now a plus sign added to the CAD 2.5 billion estimate. But perhaps, at a high level, you could comment on what gives you confidence that the budget on your T-South expansion or even the T-North expansion won't spiral out of control like we've seen from some of the other larger scale developments in B.C.?

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Okay, we're going to give that to Cynthia.

Cynthia L. Hansen

Executive Vice President & President-Gas Transmission and Midstream, Enbridge, Inc.

A

Yeah. Thanks, Patrick. I think Al kind of touched on this earlier in his comments. We do have obviously some pretty extensive experience in managing capital projects of this size. And you heard Vern go through all of the things that we do when we get into project development to lock in our cost as soon as we can.

I would say, the other thing just to note though on the T-North and T-South system in particular is that those are cost to serve as a regulatory regime. So, we're going to do everything that is prudent to control costs. But at the end of the day, our exposure is [ph] pretty abundant (01:13:19) when it comes to our total capital spend.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

And I think that's right, Patrick. The only thing I'll add on that is, going back to what we have in the ground here and, these days, it is about piping the ground. So to the extent we can add compression or do some minor

looping, and you're doing that in your right of way and where you have existing relationships with indigenous groups, that's part of the equation here to try and manage costs as best we can. Of course, there's inflation pressures, but I think we're in decent shape with all that Cynthia said and then the fact that we're in the existing right of way helps.

Patrick Kenny

Analyst, National Bank Financial, Inc.

Q

Great. I appreciate that color. And then just as a follow-up on the CCS hub, any update on potentially coming in to invest alongside your customers there on the capture infrastructure part of the value chain? And I can't recall if whether or not the Select Svante's technology plays any factor in your interest level to invest upstream on CCS?

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah, that's a good question. Colin, do you want to...

Colin K. Gruending

Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.

A

Yeah, Patrick. I think the answer is yes with a comment, and then like we've been saying all morning, subject to the right commercial model. So, the full value chain does interest us strategically. Our focus is primarily on the pipe and storage at this point, but we remain open to the upstream element you talked about subject to the right conditions.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

You know, it's a little bit like what we said before. It's still infrastructure, so that interests us. And as we've indicated, this is all about costs and so to the extent we can bring our expertise, to the extent we can bring, let's call it, a utility-like model to infrastructure, including, I guess, capture, it could make sense. But that'll have to depend on how our partners feel about it, too.

Patrick Kenny

Analyst, National Bank Financial, Inc.

Q

Got it. Thanks, guys. Much appreciate it.

Albert Monaco

President, Chief Executive Officer & Director, Enbridge, Inc.

A

Okay. Thanks, Pat.

Operator: We have reached our time limit. We are unable to take any further questions at this time. I will now turn the call over to Jonathan Morgan for final remarks.

Jonathan Morgan

Senior Vice-President, Capital Markets, Enbridge, Inc.

Great. Thank you, and we appreciate your ongoing interest in Enbridge. As always, our Investor Relations team is available following the call for any additional questions you may have. And once again, thank you and have a great day.

Operator: Thank you. Ladies and gentlemen, this does conclude your conference call for today. Once again, thank you for attending. And at this time, we ask that you please disconnect your lines. Have a good weekend.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2022 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.