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Enbridge, Inc. (ENB)

Investor Day

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MANAGEMENT DISCUSSION SECTION

Rebecca Morley

Vice President-Investor Relations, Enbridge, Inc.

Okay. Well, good morning, everyone, and welcome to the 2024 Enbridge Investor Day. My name is Rebecca Morley, and I'm the Vice President of Investor Relations. First off, thanks to everyone for joining us here today in person. We're thrilled to be back in New York City. And thanks to those of you who are joining us from the webcast. Today, we'll be giving you an update on our strategic plan and our priorities for managing and growing our business. Please note that this webcast is being recorded. And at this time, I'd like to ask that you please ensure your devices have been set to silent mode.

Before we begin, at Enbridge, it's important that we acknowledge indigenous lands where we conduct our business, and we have a strong commitment to supporting reconciliation with the indigenous nations and peoples. We honor and respect the traditional homeland of the Lenape peoples on which we meet. We also recognize that New York City is home to one of the largest urban Native American populations in the United States.

I would like to remind you that we'll be referring to forward-looking information in today's presentations and Q&A. By its nature, this information contains forecast assumptions and expectations about future outcomes, which are subject to the risks and uncertainties outlined here and discussed more fully in our public filings. We'll also be referring to non-GAAP measures. In the case of an emergency, please note that we have an exit on the side and at the back of the room. And in the event of a fire alarm, the New York Stock Exchange security staff will help us with the safe evacuation.

Now, on to the agenda, we've changed our format for the day, and Greg will walk you through the specifics. But we expect to wrap up around noon after which we'll host a networking lunch. We hope that you can stay and engage with members of our executive team who are here with us today.

For the Q&A, we'll have a microphone circulating after each presentation. [Operator Instructions] So with that, let's get started. Before I welcome President and CEO, Greg Ebel, to the stage, we'll share a quick video.

[Video Presentation] (00:02:27-00:04:37)

Gregory Lorne Ebel

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

All right. Well, good morning, everybody. Thanks very much for being here. And it's a pleasure to have everybody here for our 2024 Investor Day. As that video just showed, 2023 was really a pretty incredible year for the company. We were able to deliver on the commitments that we laid out to all of you just a year ago at our Investor Day and extended our long track record of delivering value for shareholders while setting us up for, I think, continued growth and continued value creation.

Today's format is going to be, as Rebecca said – we talked to a lot of you during the year and heard what you said, how can you make this a little bit more informative? How can we make this a little bit more engaging for you? So we heard that and we decided to change things up. So many of the analysts in the room, you use fireside chats during your conferences, so we planned to use a version of that today.

And we'll start by providing a bit of a brief overview and then have the leaders from each one of our businesses come forward on stage, and we'll have a little discussion about their business. And then we'll wrap up with Pat providing an overview on our capital allocation priorities and how we plan to fund all the growth that we see going forward. Now, following each one of the segments, have your questions ready because we'll take some questions from the audience to give you a chance to dig in a little bit more on each one of the business units right after that.

So with that, let's start with how we see the fundamentals continuing to support all of our businesses on a go-forward basis. And then I'll highlight how the synergistic and nature of the business and its resilience of the assets really does allow us to have strong competitive advantages. I'll conclude by continuing to outline that disciplined capital allocation approach that we have that really underpins that attractive growth outlook and supports our first-choice investment thesis. And then I'll look forward to taking a few questions from all of you before I invite Colin up on the stage and start our business discussions.

So let me start with fundamentals. Strong fundamentals continue to support our business model. I think there is a growing realization that all sources of energy will be needed to meet both the growing energy demand, as well as economic expansion, which is expected actually to rise for decades to come. And this increase in demand for energy is fueled by population growth, by economic growth, and that requires energy that is reliable and, of course, that's affordable.

Natural gas, I don't think there's much doubt, is going to continue to be essential in meeting this demand for building the middle class globally. And the importance of natural gas in itself cannot be overstated. It heats our homes, it keeps the lights going, and it's really hard to see a future from our perspective, at least one that's positive for humans, where the foundational fuel going forward is not natural gas.

Of course, oil is going to continue to play a really big role here, both in terms of fueling conventional and commercial transportation and, of course, as a feedstock for the petrochemical industry. Sometimes we, as North Americans, I think we often forget for a lot of global markets that are out there, oil is, in fact, part of their own energy transition goals as they work to get off less sustainable and less efficient fuel sources.

Now, all that said, renewables is going to continue to have a really key role and be a key driver in meeting the emission reduction targets that are out there. Investments in new energies, I think, are also going to grow as technology matures and becomes more commercially viable. And as those projects materialize, we are particularly excited about their role in potentially extending the useful lives of our conventional assets. In fact, people forget for some policymakers, investments in pipelines and conventional fuel infrastructure today is actually seen as investment in the pre-build for what might be one day a hydrogen-fueled economy.

Now, North America is ideally positioned to meet the growing energy demands. We have some of the most competitive and obviously sustainable energy in the world. That's going to play an important element in helping countries and communities actually realize their emission targets as well. I think it's important to note that Enbridge itself, and our view of the pace of energy transition, has been really consistent for many, many years. And it seems that the consensus is increasingly coming towards and being aligned with our view that we've held for a long time. I think it turns out that following the fundamentals over the long term is probably better for investors than following the bandwagon in the short term.

Our footprint really makes us North America's first-choice energy provider. We don't just have assets. We actually have franchises in each of the businesses where we're involved. And these franchises meet the energy needs of hundreds of millions of people and communities right across North America and increasingly beyond North America.

Just look at this map. That position cannot be replicated over any amount of time and probably just about for any amount of money. We don't take that for granted at Enbridge, but we do use it as a competitive advantage each and every day as we deal with our customers and obviously against our competitors. These franchises, indeed, they're irreplaceable. But equally important, each one of these franchises provides steady growth and has a robust set of growth opportunities. And in the years to come, I expect you will start to see us use and increasingly realize both operational and commercial leveraging opportunities right across and between these franchises.

This scale and diversification appropriately commands a premium valuation. Our portfolio, after all, generates highly predictable cash flows that allow us to have a business composition that mirrors the global energy mix today, and it's structured to adapt alongside energy transition tomorrow. Not well ahead of it, not behind it, but right in line with our energy transition where it's going, and it's our belief that's where real value creation is actually made.

So we remain committed to this diversified portfolio and post the gas acquisitions, our business mix will be balanced between the liquids and the gas, with a growing renewables energy kicker. The scale provides a series of irrefutable advantages. From a customer perspective, we have deep relationships and expansive, full path market access, that really allows us to offer a differentiated approach to our customer engagement.

And from a competitive perspective, our cross-business franchises allow us to execute both conventional and lower carbon projects with a lower cost of capital. The proof points on this point, on this slide, I think really speak to these issues, whether it's our strategic utility acquisitions, whether it's self-powering on our Liquids Pipelines or it's the development of our Western Canadian natural gas super system, or in fact, the blue ammonia project at Ingleside down in Corpus. They would not be possible without an integrated or benefit from a large portfolio that's diversified that we have. All of this creates optionality for our customers to meet their energy and growth needs through an Enbridge franchise.

Let me say this maybe a little bit different way. If you think about interconnectivity and that interconnectivity between our businesses and how it's a key competitive differentiator that will allow us to maintain a leading position as North America's first-choice energy provider. I think this example and these examples will show you that.

Take three of the key North America energy regions. So, you take Texas, take Ontario, take Ohio. We have an extensive asset footprint in each one of these jurisdictions. We own pipelines in each one of these, in two out of three of them. We own utilities. And in all three, we have renewable power facilities that really gives us a unique local market expertise and the ability to cross-sell services to our customers.

This, coupled with our strong stakeholder relations, really helps us, I think, to better understand how to generate and deliver value for our customers and of course for our investors as well. So the asset base overlap and the deep understanding of our customers is going to continue to allow us to generate growth opportunities at attractive returns that blend and extend our growth right through the end of the decade.

Now, even with that exciting opportunity set, I think it's important to state that our capital allocation priorities remain unchanged. We will maintain that financial flexibility to grow the business and, of course, return capital to our shareholders. The balance sheet is going to remain a top priority, as is our commitment to invest within our targeted leverage range. And investors can see that through already – we've been doing that – through our significant progress on financing the US gas utility acquisitions that we picked up last September.

Of course, we're going to continue to return capital to shareholders, in line with our low-risk cash flow profile and that disciplined DCF payout range of 60% to 70%. We've got a strong track record of returning capital to investors. In the last five years alone, we have returned CAD 34 billion to shareholders, and we're forecasted over the next five years to return an additional CAD 40 billion of dividends over that five-year period.

Lastly, we'll continue to blend and extend our utility-like growth by prioritizing capital-efficient expansions and highly selective tuck-in asset M&A, so a little bit of that this morning. And this allows us to confidently target an annual TSR of 10% to 12%, driven by our well-supported dividend and predictable growth outlook. That predictable growth outlook continues through a focus on surfacing shareholder value through deploying capital efficiently.

So over the near term, the priority is realizing attractive returns through efficient expansions and organic growth. Our vast energy delivery franchise provides us with opportunities to extend our offerings, increase utilization, and optimize the base. And then our $25 billion of secured capital program really provides a multiyear runway with build multiples that really drive value creation. Of course, we're going to maintain a keen watch on the market and opportunistically transact at the asset level when those transactions extend our value chain, extend the footprint, and enhance the shareholder growth metrics, and the balance sheet strength.

To sum it up, we cannot be more confident in our belief that Enbridge is truly a first-choice investment opportunity. Continuous execution of our strategic priorities, a prudent capital allocation philosophy, and an unparalleled low-risk cash flow profile has translated into industry-leading TSRs of a little bit over 11% over the last 20 years. And as you're going to hear today, our low-risk business model and discipline allows us to consistently achieve our financial guidance and deliver dividend growth while executing our highly visible growth pipeline.

And our growth contains low carbon optionality in each of the businesses. This enhances our outlook and can be geared to the differing pace of energy transition, not just globally, but in each of the jurisdictions of which we operate. So we're confident in this confluence of opportunity, our record of execution, and the highly reliable, low-risk cash flow setup as it continues, and we expect to continue double-digit shareholder returns right through the end of the decade and into the next. Again, I want to thank everybody for being here. And I expect that you're going to enjoy the next several hours.

QUESTION AND ANSWER SECTION

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

And before I ask Colin to come up on stage, let's take a few minutes to answer some questions. Yes, ma'am. We're going to get you a mic right there. Didn't expect that fast, did you?

Theresa Chen
Analyst, Barclays Capital, Inc.
Q

Hi, Greg.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Hi.

Theresa Chen
Analyst, Barclays Capital, Inc.
Q

Theresa Chen from Barclays. The bullet you had about the evolving business mix taking into account energy transition, as we think about the next medium term, let's call it the next five years for the company, can you talk about how you envision the segment to change? And when we think about organic versus inorganic dollars deployed towards growth, is 2023 a reasonable template for the path forward?

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Well, so that's probably the number one question I get from board members and investors. And so that pie chart, everybody wants to know what it's going to look like 10 years from now. I'm not convinced it's going to look dramatically different. And here's the reason.

First of all, the Liquids business is very large. It [indiscernible] (00:18:55) a little over $9 billion in EBITDA. Take the Renewables business, the smaller business today, which is growing rapidly. They basically have to have $15 of EBITDA just to stay flat with where they are in the entity. That's pretty tough to do. I know you'll hear Matthew. I know that he'll try to do that, but I don't see a dramatic change in that side. I do think like increased amount of organic growth is going to go into the Gas business. We've got some $18 billion of growth in that regard.

But then to your last part of the question, is last year typical? I don't think it's typical because we're not going to have $14 billion or CAD 19 billion, CAD 20 billion of acquisitions every year. I see us much more doing the kind of things we did today with small asset tuck-ins that already has a little bit of EBITDA in it that really extend our competitive business.

And then as you think about new energy technology stuff, really small, Theresa, like I think that's still a long ways to go, and it'll be embedded and part of the business. So Colin's got CCUS inside that business, and Cynthia could point to RNG and hydrogen. So I think those would be more part of the business.

But if you look out to 10 years, yes, liquids will be less than 50%, I think, of the overall pie, but I don't see that being dramatically different, right, just given its size and the inability to kind of have the other business grow at basically twice the rate to be able to overtake every dollar increase that's coming out of oil, which is a lot. I mean we're continuing to grow those earnings at very low multiple opportunities, and you can hear that from Colin.

Yes, sir.

Robert A. Catellier
Analyst, CIBC Capital Markets

Q

Hey. Good morning. Rob Catellier, CIBC. Two quick questions for you, Greg. If I have the numbers right, I think you've indicated $9 billion of investment capacity now, yet it seems like you're sticking to the $6 billion to $7 billion in terms of your planning what you might spend. So I got two related questions to that. One, how should we view the gap between your capacity and what you're planning to spend? Specifically, should we look at that gap as a bit of a war chest for M&A? And just how do you view larger-scale M&A going forward?

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Well, here's the way I think about that. I mean, I'd look at that gap as opportunity, but the opportunity has got to solve several issues, right? It's got to extend the footprint and the businesses that we're in now. It's got to be accretive to our shareholder metrics, and it's got to be neutral or accretive to the balance sheet.

So, yeah, is M&A is something we look at and both sides of that, right, both in buying and also in terms of selling. As you know, we've probably recycled $18 billion, $19 billion over the last several years. So yeah, M&A if necessary, but not necessarily M&A – if we don't need to use that balance sheet, we won't. I mean, we've purposely showed that on there. We've got more capacity than I think some people realize. But that doesn't mean that we're going to use it because the opportunity set – and I think you're going to hear from people today in our businesses – is really hard to beat. I mean, you've got to have really nice economics and strategic nature of that to use any of that balance sheet for anything other than organic growth.

Robert A. Catellier
Analyst, CIBC Capital Markets

Q

Second question for me just has to do with the payout ratio.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah.

Robert A. Catellier
Analyst, CIBC Capital Markets

Q

Now that you have a bigger proportion of your business will be on a pro forma basis coming from the utilities business and given the amortizing nature of that rate base, how have you changed your perspective on how you account for maintenance capital or how you treat the dividend payout ratio?

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yes. So we're still a mix, right? So I think if you think about us being utility-like, it's still only 25% utility. Robert, I would say we look at all of those measures. We look at it on a per share basis or an EPS basis. You got to look at it a cash basis. I mean, you think about the massive cash generation that's being achieved out of the Liquids business. I think sticking to one metric or another doesn't make a whole lot of sense, but we look at those.

Right now, I would say that DCF-type payout is exactly the right mix for where the business is. As I said, I don't expect the mix to change dramatically. And that 60% to 70% range, I think, is a sweet spot, much like the balance sheet. And again, I think you'll hear from Pat on that as well. I think we've got time for one more and then we're going to go to the business units. I promise you, there's going to be lots of time for questions.

Good. One more. Linda?

Linda Ezergailis
Analyst, TD Cowen
Q

Linda Ezergailis, TD Cowen. The way you lay out the future, it makes energy transition seem easy. But we all know that execution might bring its challenges.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Yeah.

Linda Ezergailis
Analyst, TD Cowen
Q

And when you layer on potential for disruption, whether it's geopolitical changes that you need to pivot to or disruptive technologies like AI, I do wonder if there's some execution risk related to having the right talent in the building. So can you comment on any sort of demographic age issues you might have within your organization, how you think of developing the right talent, hiring and retaining the right talent, and whether you think you have the talent that you need right now to face all that change?

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

It's a good question and we're constantly looking at that. The board's constantly looking at it, making sure – and not so much just at the CEO level and the executive level but several rows down. That is part of an ongoing approach by the board. Even I won't say mentoring, but actually even connecting board members with parts of our organization that we haven't done before. That's one.

Two, and this is an unfortunate but positive part, you know the old creative destruction thing. Look, we have done some layoffs, but we're also refocusing in hiring people inside the corporation as well. So I think we're trying to say, as I said not too far ahead, not too far behind with the energy transition and making sure we've got the right resources. But we have a great distribution. 30% of our people are actually new to the company in the last five years. I think that's incredibly positive.

Now, we have lots of folks that have been 20 or 30 years, and they bring the knowledge of those cycles not to get too worked up one way or another. Remember, everybody under the age of 40 really hasn't experienced a recession, definitely hasn't seen high interest rates. And having a management team with that skill set matched up with the folks that are thinking about the next generation of energy dynamics, I think is a perfect mix. So, yeah, always looking for good talent, but I think we have an unbelievably deep bench of talent inside Enbridge today. It's one of the benefits of that large portfolio [ph] pivot (00:25:59).

All right. Let's look at a video on oil while Colin comes up on stage and joins me.

[Video Presentation] (00:26:10-00:27:40)

Gregory Lorne Ebel

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

I love that video, Colin, and seeing people out there. And I know some of the analysts had an opportunity to come down to Ingleside, that last picture there in the ship. We didn't have any analysts driving the big ship, but I think some of them try to move that tug around a little bit.

So listen, for a long time, you guys have really done a great job of expanding the business and the opportunities through things like the Mainline Tolling Agreement and reducing that risk. So talk to us a little bit about how we're positioned today and how we think we're set up to keep finding ways to grow in the Liquids Pipelines.

Colin K. Gruending

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

Yeah. Thanks, Greg. Great to be here. Great to see so many familiar faces. Listen, our Liquids Pipelines system is set up really well. And maybe just to back up a second onto the fundamentals underpinning it, you talked about it. Tomorrow is on for oil, especially in North America. North America is now long oil. Like we can't say that in to many countries or in to many time periods.

And so our network here, you can see it on the map, is right on top of this, right? Like if you were starting this from scratch, you would build this.

Gregory Lorne Ebel

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

Okay.

Colin K. Gruending

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

Right? In North America, resilient demand, all the basins, 80 refineries pulling on this oil. It's something to behold. And I think we're going to have a lot of – we're going to surprise on the upside, I think. We're going to take the challenge on that 50% and tempt you with some great opportunities.

And you talked about franchises. I think if you – I see within Liquids itself five or six franchises, right? I don't know if you think about it the same way, but we've got an oil – heavy oil business out of Canada, a light oil business out of Canada, an NGL import business into Canada. We've got a light business out of the Bakken, a light business in the Permian, and an emerging low carbon footprint across the whole basin. So I think many franchises within one. And arguably I think together, this is the best midstream franchise in midstream.

Gregory Lorne Ebel

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

Yeah, without a doubt. So going forward with the utility acquisitions and stuff, LP is going to be about half our EBITDA, so call it CAD 9 billion. Although you guys constantly seem to surprise on the upside and challenge accepted, given let's do that again this year. I like that. But you've found ways to continue to build great value in cash flow. So remind us how that is and why that is, and how you're going to be able to keep that value creation going?

Colin K. Gruending

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

Sure. So I think about the value creation recipe, maybe not different from Enbridge's, but within Liquids, if I can double click on it. First of all, a deep appreciation and participation in the fundamentals of the business. And those of you who followed LP for a while, you'll remember Spearhead, Line 9, re-reversed, Clipper, upsizing Athabasca, twinning it like kind of before the [ph] herd (00:30:47) exports now. So all over the fundamentals, you talked about that. We follow that very closely.

Second, the way we've chosen to set up our relationship and business model with customers. Okay. We try to align ourselves with customers. The Mainline incentives have been going on for 28 years. I think that's unique. And we – also, maybe within the customer bucket, we don't tend to aggressively compete with our customer with an aggressive marketing affiliate. So I think that's unique in the value creation recipe.

Capital allocation discipline, tight commercial arrangements, contracts or we don't have contracts, the floor. You don't hear the word fee-based revenues around LP, which is important. And then, well, the people. We talked about people and question on people. We have the best team in Liquids. It's highly committed, many from multi-generations, a lot of passion for the business.

And then finally, socially. I think our interaction with communities, landowners, indigenous communities, I think we've improved that and are committed to that. So that's kind of the recipe as I see it and it's allowed us to create value, generate circa 11% ROCEs, which I think is pretty attractive within the Enbridge family. That translates to CAD 9 billion and change of EBITDA ratably per year, which in turn translates, call it, circa CAD 1 billion and change of investment. You got CAD 8 billion of free cash flow per year. That's a free cash flow machine.

Gregory Lorne Ebel

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

Yeah.

Colin K. Gruending

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

I know Pat's got lots of uses for that, but the first use of that will be conventional reinvestment in the business and in our low carbon footprint, and then pay substantially the dividend and average up the credit metrics. There's a lot of great uses for it and there'll be cash flow there for the rest of business to deploy as well. So, yeah.

Gregory Lorne Ebel

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

Yeah, absolutely. And as you said, it's really been intentional the way in which you guys have done this over the years. Probably nothing more intentional than the work over the last few years on getting the Mainline toll settlement, which I know we got approved earlier this week, and a lot of work in doing that to ensure we continue those earnings and cash flow.

But tell us about that strength and position now that we've got the Mainline Tolling Agreement in place and really the position going forward, not just for the Mainline, but for the Western Canadian sedimentary basin as well.

Colin K. Gruending
Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.

Yeah. I think, first of all, pleased to see the CER approve the deal. The teams have worked on that, collaborate with customers for many years, as you know. That sets a great foundation for the next number of years to continue this alignment model with customers.

Thinking about – maybe the next question embedded in that is around the utilization of the Mainline. And maybe the simplest way to put it is, and you can see on the graph here, we're pretty full. We've been full – the Mainline has been full for its whole life, basically. 75 years of being full. We've expanded it. I'm going to make this number up like 50 times, maybe 100. It's probably countless, all the optimizations and things.

So, we've got a lot of demand-pull on the system. As I mentioned, 2 million barrels per day of sole-sourced refiners, another 1 million downstream consciously. You can see the stickiness of that. We're reaffirming our 3 million barrels a day of 2024 throughput. That's just down a snick from 3.1 million last year.

So, I know people have been thinking about TMX and what's that going to do to the Mainline, and I think it's a kind of a stale concept that the Mainline is going to lose a ton of volume. It's not. And we have high conviction in that for a whole bunch of reasons, including the competitiveness of the system, the demand-pull, etcetera, etcetera.

So I guess the other element of this, too, is supply growth is surprised. I think you're asking about that.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Yeah.

Colin K. Gruending
Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.

The three years ended 2025, this is from S&P, they see 500,000 barrels per day of supply coming on and that should exceed the practical egress or use on Trans Mountain. So we should remain pretty full.

And I draw your attention to – like by 2026 here, we think the basin is going to need actually a little more egress, if not just insurance egress, right? The last barrel price is all 5 million barrels. So pretty potent insurance mechanism here. And so in that pink layer there, you can see where we're going to try and line up some expansions to create that egress...

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

And all that kind of leads to 2024...

Colin K. Gruending
Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.

Yeah.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

...EBITDA growth and continuing on from there, too. So let's talk quickly about that Mainline growth and EBITDA stuff.

Colin K. Gruending

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

EBITDA, yeah, how does that translate to EBITDA, right?

Gregory Lorne Ebel

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

Yeah.

Colin K. Gruending

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

Exactly. So certainly, the throughput we just talked about should help contribute a upward-sloping EBITDA profile on the Mainline, both the base expansion being full – or the base volume and then expansion volumes. And then you think about things like returns on capital on the Mainline. We've got that collar. We've got some headroom yet in the collar to earn, and I'm pretty confident our team is going to respond to the incentives before it and average up into the top end of the collar things like cost management, things like toll inflators that are embedded in the deal. And then rate base will also replenish here through the – we talked about that earlier, I think, right, the question around [ph] dividend (00:36:39) sustainability.

Gregory Lorne Ebel

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

Yeah.

Colin K. Gruending

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

The Mainline rate base is going to replenish as well. Integrity management, maintenance. Think about the Line 5 investments that we make, fully half of that will come into rate base as it's incurred, not when it goes into service.

And then I think the last element of this is the – I'll remind that the 30% of the volumes that move through the Mainline don't participate in the Mainline tolling contract. They're full-path tolls so they average up the average return as well. So EBITDA upward sloping looks good.

Gregory Lorne Ebel

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

Yeah. And I often think that your idea of stale concept about being full and then the rate base opportunities, and some people often forget that Line 5 piece as an important element of Mainline tolling.

But if you think about going kind of the interconnected nature of the Canadian and US systems both – and obviously much more with our assets on the Gulf now, that really provides some operating and commercial leverage for us. So give us your thoughts on what that means for growth opportunities as well.

Colin K. Gruending

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

Yeah. I think this – well, the network, it's incumbency, it's optionality. It continues to surprise. The scale is impressive here. And we've listed a number of low multiple expansions we can do on the system.

We're revisiting this all the time. We've been full, like I say, forever. So the team's constantly looking at ways to efficiently – like with efficient use of shareholder capital provide – egress for customers. And just north to south, we're seeing green shoots in the Oil Sands portfolio. Again, number of customers publicly disclosed their ambitions where we have operating leverage here to – through pumping our DRA pretty efficiently, add capacity, all the way through Mainline, Express, Flanagan South, you can see them all here. That's all very likely and attainable.

There's another bucket of growth we even like better than that, and that's the zero CapEx growth and we've done a lot of that over time. [ph] Think trying reducing (00:38:51) agent, basically OpEx, cost savings. So there's a number of ways to grow this business and we're going to try and tempt to grow it more than half the pie. So I think this all looks good. And then on top of that, the low-carbon stuff that – that'll probably be a little slower, but we've got some irons in the fire there, too.

Gregory Lorne Ebel

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

Yeah. Well, we can do all the 4 to 6 times EBITDA growth you want. So if can you bring those, brother, because that stuff's good.

So if we think about the Gulf Coast, we weren't really in the Permian or the Gulf Coast in a big way, at least on the export side just a few years ago, right? Now, we're building out that super system. So maybe let's finish up this section and really give us what are the latest opportunities there for business growth on a go-forward basis out of the Gulf?

Colin K. Gruending

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

Yeah, we're excited about this. You saw some announcements today. And yeah, it's been a few short years...

Gregory Lorne Ebel

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

Yeah.

Colin K. Gruending

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

...in this basin, probably 75 in Canada, 40 in the Bakken, only a few here.

We're doing this in an Enbridge way. It's been a crawl-walk-run approach. We're probably in the strident walk pace right now. We're excited about this. There's a lot to like here. We're doing it in a contracted kind of Enbridge way again.

So, yeah, you can see the puzzle kind of come in together with the companion Gray Oak expansion, more terminaling and storage at Ingleside. And then the docks next door now, which are a neat twist and provide again a lot of optionality and promise to that whole investment. I mean we think about Ingleside as there's lots of metaphors for this. I mean the catcher's mitt, it's sitting at the bottom of Texas there. Lots of export to happen, or the Swiss army knife.

Like our vision here, we have a lot of ambition here. The vision really is to create a multi-product export terminal at Corpus. And all the reasons that make it so advantaged for crude apply to other products, including blue ammonia, including NGL. So hence, some of the logic behind today's announcement. So we're excited about it.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Yeah. No, it's great stuff, whether it's catching mitt or whatever, just keep putting the puck in the top corner and we'll be happy with that. So thanks very much, Colin. Tons of activity going on the Liquids side and great growth. Let's open it up for some questions for Colin. We got some right there, [ph] Matt (00:41:15).

QUESTION AND ANSWER SECTION

Praneeth Satish
Analyst, Wells Fargo Securities LLC
Q

Thanks. Praneeth, Wells Fargo. I guess as you look at the Gray Oak expansion, I think there's two other pipelines that are headed to Corpus that are in the process of either contracting or expanding capacity. So maybe if you could just talk about competitively where Gray Oak stands relative to those. And then broadly speaking, is it mostly kind of taking volumes maybe from some pipes that are headed to Houston, where you can secure that supply for your pipe or do you think the basin is growing fast enough to kind of fill up these expansions?

Colin K. Gruending
Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.
A

Yeah. Thanks, Praneeth. Yeah. So Gray Oak Pipeline is very competitive with the other pipes. We own 30% of one of the other ones, Cactus II as well. So I think there's enough volume there to float all boats, pardon the pun. But the supply outlook looks good.

We're at 6 million a day, on our way to 7 million, 7.5 million. So we're trying to time this open season to kind of fit with – the pipes of Corpus are pretty much full today. We're loading 1 million barrels off the dock at Corpus. And so I don't think we're necessarily stealing volumes from Houston. I think it's new volumes is how we see it.

As a reminder, Gray Oak actually goes to both, right? We can move over to Houston as well, which there's some optionality there longer term as well. So yeah, we like Gray Oak. We like the whole setup, and it's super system. It works.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

And as you said about Western Canada, Western Canada growing at least 500,000 barrels, it sure seems like now through the end of decade. The Permian is a couple of million barrels, right? And that's partially behind the Ingleside, the FHR acquisition today, too, right?

You'll be able to optimize maybe putting Aframax and Suezmax on the smaller docks, keep the VLCCs full. That's a winner all day long as well.

Colin K. Gruending
Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.

A

Yeah. A good add.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Additional questions. We're going to go here and then we're going to go there, [ph] Matt (00:43:29).

Patrick Kenny
Analyst, National Bank Financial, Inc.

Q

Hey, Colin. Pat Kenny, National Bank. Just on the Mainline settlement running through 2028, which, in pipeline years, is really just right around the corner. How do you think about marrying up the 2026 potential expansions with also trying to extend the contracted duration of your tolling agreements with shippers?

Colin K. Gruending
Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.

A

Yeah, you're right, it is around the corner and we'll begin thinking about that in a couple of years. So what's worked historically, like I say, we've expanded the Mainline many times through many vintages of incentive agreements. And so what works typically best is we'll add a surcharge, right, CAD 0.05 or CAD 0.01 to the CAD 5 toll. And it'll just kind of get stapled on and then maybe rolled in or preserved in the next vintage.

That seems to work. It's relatively cheap insurance, right, to preserve a netback on the other 5 million barrels in the base. So that's typically how it works.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Additional question at the back, [ph] Matt (00:44:37), right in front of you, I think. Oh, you got one there first. I'm sorry. My apologies.

Ben Pham
Analyst, BMO Capital Markets

Q

Hi. Ben...

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

We will get to you guys, promise.

Ben Pham
Analyst, BMO Capital Markets

Q

Hi. Ben Pham, BMO Capital Markets. This question may be for you, Greg, too, as well. I'm just thinking about the CAD 8 billion of free cash flow probably underappreciated by the market and there's probably more leverage you can think about that piece of it. What are your thoughts around [ph] influencings (00:45:02) around spinout with the Liquids, whether it's full spinout or partial spinout? Just may unlock some of that free cash flow underappreciation.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah, I would – look, I think if you look at the entire portfolio, I think as I said before, we have four separate franchises and they increasingly work together. So look, I think it's a – there's more communication we've got to do about making people realize that CAD 8 billion. I think interest rates have a little bit of a factor maybe, while that's not appreciated to full extent.

But it really works as a virtuous circle from the cash that's being generated today in the Liquids business. But let's remember, just a few years ago, we were building out the Mainline, right, and that was costing a lot of money.

And then we can utilize cash in the other businesses they grow. Each one of the businesses, I think, can feed off each other at different points in the cycle. At this point in time, we've seen lots of generation of cash out of the Liquids business somewhere down the road. Maybe they'll have a big expansion and one of the other businesses won't be able to grow as much. So, I think that virtuous circle and keeping that portfolio together really creates a premium valuation, and we've seen that play out over time. So don't really see us going down that path.

Now, we look at it all the time, right? If there was some massive value disconnect between the businesses, I think that's something you'd have to look at.

We got time for one more. Yes, ma'am.

Diana Glassman
Analyst, EOS at Federated Hermes, Inc.

Q

Hi. Thank you so much, Colin and Greg. Diana Glassman with EOS at Federated Hermes. With regard to permitting of Liquids expansions, but any infrastructure expansions in Canada and the States, I guess outside the red states, outside Texas and supportive states, how do you, the board, how should we think about potential risks of lack of permitting delays, route changes, all those sorts of things related to community, indigenous opposition to capacity expansion, either based on climate or environmental or social disturbance and those sorts of factors? I mean is there sort of a probability assessment that you think of?

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Oh, absolutely. Look we – even on our capital allocation when you look at it, it's a business more risky or less risky. Do we have to apply some type of carbon kicker on top of the capital? So that goes on through the process.

I think the number one thing to do to manage that risk is having a geographically diverse set of assets that you can deal with, because at different times and different locations, you're going to have governments of all stripes. We're in 43 states. We're in eight provinces. We're in five countries. That, in itself, creates some risk management opportunities, right?

So rarely will you see us building out CAD 10 billion, CAD 12 billion, CAD 30 billion, if you look at some of the Canadian examples, of a single asset and therefore putting all your risk in one jurisdiction with one set of stakeholders. If you look across our business, you know that CAD 25 billion worth of projects, nothing is more than, say, CAD 5 billion or CAD 6 billion. And most of them are CAD 1 billion of less in term of projects.

So, I think it's making sure you've got a diversified focus on those risks and dealing with that. And then the other side is we have an unbelievable stakeholder relations group, always looking how do we take this to the next stage. And that's all about being on the ground.

And again, we've got people in all the states in which we operate. We've got people in all the countries in which we operate. And even turn to Ohio and we'll talk about Ohio, I'm sure, a little bit with Michele. That's more of a purple state, if you will. And as long as you've got great assets, you got great people in there and customer needs, you can work through the regulatory environment.

So again, I think that's the power of having a large portfolio going back to your [indiscernible] (00:49:05) on that issue.

Colin K. Gruending
Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.

A

Just layering a reminder about our Indigenous Reconciliation Action Plan. I think it's forward thinking. It's aggressive. It's effective. I think we've – and we got some great success stories there. The Line 3 build, right, a CAD 10 billion project went very, very well overall. And certainly in Canada, a lot of involvement with local communities, a lot of say, a lot of tribal surveying, a very inclusive approach. And I think that's a big part of the plan going forward as well.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah. No, that being said, it does take time to get things done. But it's another benefit of having quick cycle capital opportunities, too. So if you think about our distribution business, virtually all of that capital turns into EBITDA within a 12-month period. You can't say that about major pipeline builds, right? They just take time to get done.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Look, I think we're going to wrap up here on Liquids, and thank you, Colin.

Colin K. Gruending
Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.

Great. Thank you.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Great stuff. I'm going to show you a little video on the Gas business as Cynthia comes up, and we'll talk about transmission. Thanks.

Colin K. Gruending
Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.

All right. Thank you.

[Video Presentation] (00:50:16- 00:51:50)

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Welcome, Cynthia. Great video as well in the Gas business and really tells us a lot about the assets that we have and the exciting things going on, and for natural gas overall. So maybe for the group here, outline just exactly how the business is situated today and where you see the growth opportunities coming up.

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

Yeah. Thanks, Greg. It is great to be here. Now, as you've said, natural gas is essential for energy security and affordability, and we're going to need it for decades to come. So as you can see on the slide here, the numbers, our scale is unparalleled. We have strategic integrated assets and a footprint that ties to key supply basins and key demand markets.

We deliver affordable energy to over 170 million people across North America. We're supporting the US Gulf Coast LNG exports, and soon we're going to be connected to LNG exports off the BC coast. We generate about CAD 4.7 billion of utility-like cash flows and we're growing.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

All right.

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

And that growth has three drivers; low cost optimizations, serving domestic markets, and supporting LNG exports. And we're also expanding our lower-carbon initiatives, helping our customers meets their emissions targets while still following our low-risk commercial model.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

So let's dig into that, that one area of growth that you were talking about which was really around the growth in the base business. And you and the team have worked those assets extremely hard and keep finding ways to optimize them and find new ways to generate growth, so maybe talk about that base optimization piece.

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

Yeah, that's right, Greg. Our assets, with their connections to those demand pull markets, we see really high, long-term utilization. In fact, our average contract length is 10 years, and that just shows how critical those assets are. And over the last several years with recontracting, we've added about CAD 100 million of EBITDA. And this year again our pipes are 100% contracted, so that means we're going to continue to add EBITDA.

Another successful strategy that we're following for growth is our rate settlement approach, and through that, we've added CAD 500 million of EBITDA since 2020. A modernization of our system is also a very important part of how we're doing – driving growth, increasing our reliability and lowering emissions, and that's also part of that overall settlement strategy.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Yeah. Yeah, the optimizations are huge, the, yeah, 100% recontracting, that's been going on for years, pretty incredible. A lot of discussion about LNG these days regardless of your views and where you're going to go on pauses and things like that. But GTM is already set up to really add a lot of value and growth opportunities through LNG, so maybe lay out for the audience the different ways that you see that happening in, say, a location like British Columbia.

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

So as you can see on the slide, that last mile connectivity for our customers really gives us a strong competitive position and we're generating great returns. And we see about CAD 5 billion of pipeline opportunities. We also have these great storage assets that really enhance our competitive position. We added 112 bcf of net storage last year so we have about 10% of storage across North America, and that really allows us to do these low-cost expansions where and when it makes sense to do so.

Now in Western Canada, that abundant low-cost Canadian natural gas supply has really helped that buildout of the LNG on the West Coast, and that in that particular space in BC we have a truly competitive system, a super system like...

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Yeah.

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

...we've been talking about. And that West Coast LNG buildout is being supported by that continual development of new supply. It's estimated there'll be another 4.5 bcf of supply by 2050. Today, as shown on the slide, we've secured CAD 5.2 billion with the pipeline growth. And we've been able to do that because of our relationships with indigenous communities...

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

All right.

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

...and we're going to continue to really work with our partners in that space. Now, our BC assets are regulated so we do have some cost inflation protection, so that differentiates us from some of the other large projects that have recently been completed there. Our Aitken Creek Storage acquisition that we did last year was very strategic, and that comes with permitted expansion potential. And then, of course, our 30% preferred equity interest in Woodfibre was just a great fit for Enbridge. The financial terms, they made sense. We have this high-quality offtaker. We have strong returns with minimal commodity exposure. And then we have – Woodfibre will be the lowest carbon-emitting LNG facility in the world because they have that access to hydropower.

It also ties in to our complete value chain in BC, and we're going to look for opportunities like this but we'll be selective with future LNG investments.

Gregory Lorne Ebel

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

Yeah, it's really starting to come together in BC, at least for a couple of projects and you got to love that – it is a challenging jurisdiction, back to your question, and you got to love customer service in jurisdictions like that, but a big need for gas. So that's great on Western Canada, but what about the opportunity on the Gulf Coast? I mean, it's at least as good if not even better there, Cynthia, right? So, thinking about that and our competitive position, why don't you lay out for the group here about the growth prospects in that area?

Cynthia L. Hansen

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

As you said, our US Gulf Coast assets, they're great, they're super competitive. We have that connection to key supply and demand markets. Our incumbent position is strategically connected to the growing LNG markets. That footprint allows us to do very capital-efficient expansions and connections, and we're also tied to that baseload energy industrial demand. We see about CAD 9 billion of opportunities in this space in the US Gulf Coast.

Right now, we serve, between our existing capacity and the projects that are post-FID, that'll be 7 bcf per day, and we're in discussions for another 4 bcf. So, the other thing that we're excited about is our announced Sparta project. So, that's about $0.2 billion in offshore development.

Gregory Lorne Ebel

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

Right.

Cynthia L. Hansen

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

Again, utility-like earnings that are backed by strong counterparties.

Gregory Lorne Ebel

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

Yeah, and that kind of follows on the veto one that you had as well, yeah. The LNG on the Gulf Coast, I think we're up to about 25%, in that range...

Cynthia L. Hansen

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

Yeah.

Gregory Lorne Ebel

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

...of what we're supporting and the storage facilities are going to kick in. I also like the commercial leveraging opportunity here. So when you think about our blue ammonia project, I have no doubt that Texas Eastern will provide the gas for that so – you're hearing that, Colin? So we've got to make sure we get Texas Eastern in on that project as well.

If we went forward and gave some thought to what the team did late last year on the RNG front, that's a little bit new for us although we've been doing it off and on in different places. So give us some of the financial and strategic benefits and how you're thinking about RNG adding to utility-like growth over the long term.

Cynthia L. Hansen

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

RNG is a really promising market and we see significant growth runway. US RNG demand is expected to grow by double-digits by 2040, and that's based on transportation and utility blending demand. Our acquisition of these Morrow renewable assets, the landfill RNG, that gives us these high-quality portfolio assets that are going to grow at about 3% with minimal CapEx. Those assets are going to generate strong returns that are low-risk, utility-like cash flows, and they're backed by long-term fixed price offtakes with investment-grade counterparties.

So that's just right in line with our capital allocation priorities. So these assets are just going to be a great springboard for us to continue to invest in this space.

Gregory Lorne Ebel

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

Yeah. And I love the counterparties, right, Shell, BP, they love the commodity exposure. We don't want it, we lay it off, we get the utility-like setup there as well. Well, I think it's pretty clear, if anybody asks, what's GTM done for us lately? It's a lot and you've got CAD 18 billion of growth to go. So let's open it up for some questions for Cynthia.

QUESTION AND ANSWER SECTION

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah, there's a couple right at the back. The management team always has a little bet, how many questions are we going to get in each area? I don't think we were disappointed in the first one. Mainline Tolling must have been number one, right, or maybe just number two, but – yes, sir?

John Mackay
Analyst, Goldman Sachs & Co. LLC

Q

Thanks, Greg. Thanks, Cynthia. John Mackay, Goldman Sachs. Maybe just starting on the LNG strategy, obviously, the storage side has been a big part of this. We've seen the market actually kind of slow to develop, right? We need a lot more storage and the market really hasn't gotten there to pay for it. So I'd just be curious, you talked about most of your expansion capacity is up in BC, but on the Gulf Coast, what do you need to see to see kind of more greenfield development of storage, where are some storage expansion opportunities and how do you see that market developing? Thanks.

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

A

Yeah. Thanks, John. We do have some expansions that we're doing at Tres Palacios, right, so that's underway, our expansion there is underway and will come onstream this year. We'll also need to just have, like we always want, that utility-like cash flow, that commitment. We see a lot of green shoots in the market. So when we've been recontracting our storage for the last year, we've been recontracting at rates that are 100% to 150% higher than what we traditionally see, great indication that there is that.

As Greg said, with some of the temperature differentials and opportunities with LNG, there is that demand, so we're seeing that build out. But we only – capital allocation priorities and discipline, we're going to need to see that commitment before we're going to significantly invest. But we are having lots of great conversations with our customers about those opportunities.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah. We don't see anything today, John, but I think that's one of those areas we can keep our eye open for asset-level deals that it may be better actually to pick up an asset, and then we're getting a bigger piece of the pie that, as Cynthia says, we're seeing contract numbers look much better than they've done for the last five or six years. You're right, it's been a long time coming, but I think the thesis is playing out right, that LNGs creates big swings. If one of the LNG facilities go down, think about with Freeport, that sets storage rates really going unique.

So, yeah, I think the setup there is happening really nice and I know Cynthia and Allen, they're always looking at stuff. So, again, if it's credit, at least neutral if not accretive and it's got an opportunity to – that it's accretive to the per share metrics, that'll be a good opportunity for us to look at them. Additional questions? There's some right here.

Keith Stanley
Analyst, Wolfe Research LLC

Q

Hi. Keith Stanley with Wolfe Research. Could you touch a little more on the rate case strategy for the next few years? And when you look at the opportunity set, you highlighted CAD 500 million of EBITDA growth over the past four years. Do you see a similar opportunity set for growth from rate case filings as you look forward just given some of the modernization spend that you've done? Thanks.

Cynthia L. Hansen
Executive Vice President & President-Gas Transmission and Midstream, Enbridge, Inc.
A

Yeah. Thanks, Keith. So our strategy is to ensure that we're getting a return, the right return for the assets as we continue and invest in them. Now, the modernization that we're doing is needed, it's a critical part of our business. We plan for that. As we look at – on our biggest settlement, Texas Eastern, we have a comeback this year so we're looking at what's the right time, we'll look at with our customers. In having those conversations, we know what our capital spend profile is like with things like modernization and how are we going to be able to time that so that we'll drive the best value.

So we're going to keep doing that and looking at that. So, yes, I think the quick answer is we're always going to optimize what kind of return we're going to get through the investment we've made in these assets.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Other questions? Linda, you asked a question on the last earnings call about the Chevron doctrine and we said we'd come back to you and give that some thought and think about it. So, Cynthia, I know we've had some discussion on that. Why don't we talk about that for a minute?

Cynthia L. Hansen
Executive Vice President & President-Gas Transmission and Midstream, Enbridge, Inc.
A

Right. So the Chevron doctrine is basically how the courts in the past have relied on some of the federal agencies, the expertise there at the highest level when there hasn't been clarity. So there's still more to come, we haven't gotten the decisions back, but what we know is that we are able, with our expertise, to work within the existing regulatory regime. So if there are these kinds of changes, we will adapt. I'm not concerned about it, we haven't identified any specific issues.

What we really want is the regulatory certainty. So the sooner decisions get made, the sooner we can go forward. We don't see any particular concerns. We work with these regulatory agencies whether it's on air quality, water quality or safety, so we'll find a path through it.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Yeah, we're sure not – there's nothing unique to Enbridge about that issue, right, and – or even the energy sector. Anybody who's a regulated player, I think it creates a little bit of uncertainty, but it's the Supreme Court of the United States, we know exactly what they're going to do.

Cynthia L. Hansen
Executive Vice President & President-Gas Transmission and Midstream, Enbridge, Inc.
A

Sure.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Any more questions, I guess? Yes, right in front of here.

Zack Van Everen
Analyst, Tudor, Pickering, Holt & Co. Securities LLC

Q

Hey, Zack Van Everen from TPH. I guess I'll be the one to ask the data center question.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah.

Zack Van Everen
Analyst, Tudor, Pickering, Holt & Co. Securities LLC

Q

Have you guys started to see increased demand on the gas pipelines from customers sourcing data centers in the next two or three years? And any kind of guess on the size, whether it's bcf or a – smaller projects here and there?

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Early days I think still. Here's what I will say, and Matthew will probably – well, this was one of the ones we wondered who would raise it first so you get a little bonus for that. Here's what I will say. If you think about some of the jurisdictions we're in, places like Ohio and Texas are really well set up for data centers. As I mentioned in my opening comments, from an Ohio perspective, we obviously have gas pipelines there, we will have a distribution business there and we have a renewable business there, and all those are really attractive to data centers.

Huge energy sucks, obviously – I guess I shouldn't call them that, huge energy users, but also big players from wanting to get some of that energy on the renewable side. So, yeah, I would expect – I'm not convinced you'll see it in a big pickup on the gas pipeline side, but you could see it on some of our contracting on the power side and maybe we can chat about that when Matthew comes up. Yes, sir. [ph] Robert (01:08:01)?

Q

Cynthia, you talked about trying to get the right return on assets, and you've got a pretty big investment in the West Coast energy system, a pretty low ROE and equity thickness as part of that settlement. So as you just think about what you're investing, dollars into the US system, how do you think about trying to improve the returns there? Or is there at some point you need to go back to customers and if there's any expansion, you got to do something outside of the regulated side of things?

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

A

Right, thanks for the question. We're always evaluating that. So this is part of that rate settlement strategy. We have those conversations and we're looking at the timing of when we go back and have those settlement conversations, and that comes into that. So it's how much have we invested, how much we spent on modernization, what kind of expansions have we done? As we look at that, we look at all of those factors and time that out. So that's just part of regular everyday conversations with our shippers.

Now, as we have connecting infrastructure that ties in, of course, that was our more one-on-one conversations as we do open seasons, are successful there with enough interest and we're able to optimize what that return is for an incremental type of asset that we'll add in. But that's just how we run our business, it's part of what we do, and we're always going to look at driving the best value working with our customers though and really meeting their needs at the same time.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah, I would just add on to – again, very – cost of service, very low risk, very utility-like, so you're right, it's got less equity thickness, but the return in British Columbia's pretty north of 10%, right? [ph] A, B (01:09:54), at least recently, there have been soothing words out of British Columbia; [ph] C (01:09:58), some – one of our big customers and partner there, Fortis, getting higher equity thickness, so we're at 40% now. We sure aren't afraid to ask and we're always having discussions with our customers.

There's perfect alignment on the following: The producers want to get their product out to markets; the market, just look at Sumas pricing across – gas pricing across – relative to other prices in North America in gas, Sumas tells you there's a big need for gas infrastructure and the local distribution company wants it; and, obviously, our partner on the LNG front [ph] have (01:10:33) – so I like the dynamics adding up there to maybe not overnight better returns but great dynamics to ensure consistent returns and, ultimately, supportive regime.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Good. I think we will wrap up on the Gas Transmission side. Thank you, Cynthia. That's great stuff, CAD 18 billion and counting, love it. And as Michele comes up onstage, let's take a little look at our Distribution and Storage (sic) [Gas Distribution and Storage] (01:11:01) business.

[Video Presentation] (01:11:04-01:12:45)

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Well, thanks, Michele for being here.

Michele E. Harradence
Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

It's great to be here today.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Almost feel like I never see you anymore because you run around...

Michele E. Harradence
Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

That's right.

Gregory Lorne Ebel

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

...picking up these assets and doing a great job doing that. So three US utilities, that doesn't happen very often, kind of once in a generational opportunity, one might say. So by the year end, we're going to have four utilities in the business unit, maybe even a little sooner than that, we'll see. But with that full portfolio of distribution and storage assets, talk to us a little bit about how you see growth going forward in the business unit.

Michele E. Harradence

Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

Oh, yeah, sure. I mean it's such an exciting time for our business. I think of it as almost everything is almost doubling. Our asset footprint is changing dramatically with these acquisitions. And when we think of becoming the largest integrated gas utility in North America, we just stop and think of what we can do with that scale in terms of the 4 million customers, things like that. You use the term generational and it really is for us. What you'll hear from me a lot about this that I like about this deal though is the diversification that it adds to the Gas Distribution and Storage business unit.

You certainly can see, and Colin and Cynthia just highlighted how they're – across North America, how they're in multiple jurisdictions, multiple customers, and that's where we move to now. And that, I think, makes a really big difference and allows us to then spend that CAD 3 billion a year in utility CapEx.

Gregory Lorne Ebel

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

Yeah.

Michele E. Harradence

Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

It's a significant investment for us but I really think it reinforces our commitment to maintain and grow industry-leading infrastructure. That said, the most important thing for our 7,000 employees that we're going to have in Gas Distribution and Storage is that we're going to be keeping some 20 million people safe and warm in their homes by delivering reliable, affordable and sustainable energy.

Gregory Lorne Ebel

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

Yeah. As you point out, it's – really is about long-term investment. There's a lot of discussion about electrification these days, but I think increasingly so, the smart money is going towards natural gas as a critical component of the energy landscape. I don't think that's reflected yet in companies like Enbridge or even some of the gas utility – pure gas utilities. But give us your thoughts on natural gas as a critical fuel and how that really plays into the growth of our gas businesses over the long term and again with the situation we have now.

I think this chart, I always love seeing this chart because I really – sorry, the chart in – behind me, I keep looking behind. But the chart in – behind me, I think it really shows that price advantage that you start from right from the get-go.

Michele E. Harradence

Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

Oh, yeah, 100%. I mean, without question, natural gas is the most cost-effective energy source for our customers. That's not changing anytime soon. And I think that along with the resiliency that natural gas and [ph] gases (01:15:22) infrastructure provides will really play that critical role over the long term. And with that, the key enabler to that reliability and that affordability, in our view, is storage and transmission. It reduces price volatility for our customers, just like Cynthia talked about it, doing for her LNG customers, and it – really importantly, it ensures that we can meet the energy needs of our customers 365 days a year in any conditions.

So, we'll have – we already have and we'll continue to have significant storage footprints both in Ontario and Ohio, some 290 bcf, as you know, in Ontario. Ohio, we'll add another 60 bcf. In Utah, I just love what they've got there, the Wexpro assets, I call it just-in-time storage as they're pulling it out of the ground and they're working hand-in-hand with the Utah utility to ensure that reliability and that price resilience.

With North Carolina, they're working on their second LNG facility. That's really important. Utah actually just commissioned their LNG facility, and as you all know, we've been running an LNG facility in Northern Ontario for many, many years to ensure that, that reliability is there, that it adds. And the nice thing about all of that is as you keep everything affordable, that focus on affordability really gives us that room to grow our rate base while staying cost-competitive and making sure we ensure those stable and predictable rates of return.

Gregory Lorne Ebel

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

Yeah, good old Hagar balancing LNG.

Michele E. Harradence

Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

Yes.

Gregory Lorne Ebel

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

Grew up not far from there in Sudbury for a lot of my years, but...

Michele E. Harradence

Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

Right.

Gregory Lorne Ebel

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

...not all gas utilities are actually created equally, right? So we've now – as you think through the four franchises that we've got now or will soon now have in, who knows, maybe the next 36 to 48 hours, would be kind of fun, see where we end up, but outline for us that uniquely strong and differentiated position we've got right across jurisdictions.

Michele E. Harradence
Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

Yeah. I mean, I really think of these four as the cornerstone of our growth in the Gas Distribution and Storage business. The US utilities, they have higher rates of return, so that's going to high grade the portfolio overall. Again, I'm going to say it, just love that the avenues of growth are more diversified now. We've talked about investing in storage and transmission. Well, North Carolina and Utah are adding residential customers like crazy, as has been Ontario for a long time and will continue to.

Ohio has a really nice modernization program in place for its infrastructure, short cycle capital. And really across the board with all these utilities, we're helping our customers reduce their emissions, whether that's getting residential customers off of fuel oil or industrial customers like steel manufacturers off of coal.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Yeah. I'm really looking forward to getting all these in the house again and hopefully Ohio come about here soon. And now we've been – to see the different governors and regulators and a very positive environment. Of course, we've got a great and mature and very solid performing utility in Ontario. It's been doing its thing for the better part of 200 years now, right? But outline where you expect to see growth going forward in that franchise. Some new legislation...

Michele E. Harradence
Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

Yeah.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

...that – put forward by the Ontario government, so talk to us a bit about that.

Michele E. Harradence
Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

Yeah. I mean, Ontario, as most know, has a really strong track record of predictable growth. It generates nice, steady returns. We continue to expect to grow this business. I mean, this is a significant business. We're going to be investing over CAD 1 billion a year in this business just as it goes now. And it has all the differentiated growth that we talked about for the US utility. So I already mentioned the residential growth, talked about storage and transmission. We're seeing a lot of demand.

Ontario is growing as an economy, so we're seeing a lot of demand for system expansion that's for power generation, that's for greenhouses. You've heard me talk about the greenhouses. We have 4,000 acres of greenhouses in southwestern Ontario that need the energy that our gas provides, actually, like the CO_2 that it provides as well. That helps the plants grow, if you remember your grade two science class. And that's a huge footprint.

Automotive growing as well. Battery plants, these battery manufacturing plants, they need the heat intensity that natural gas provides in their curing process. And of course, there's lots of demand to support those industrial customers like cement manufacturers and steel to reduce their emissions. Well, that said, despite what's really been quite a long-standing commitment by us to 176 years to invest in infrastructure in Ontario, the Ontario Energy Board did come out in December with – in our rebasing decision, with a decision that's very strongly biased against gas. Well, that had an immediate response from the Ontario government. The OEB's role is to implement these decisions in accordance with government policy and the government doesn't feel that they have. So they've come out and very clearly made some strong statements in support of gas. New legislation, as you've said, that we have an appeal that we've filed and we would expect that all of that will help support a successful outcome there.

Gregory Lorne Ebel

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

Yeah, you don't often see a government come out within hours, say, on December 22nd on a Friday and express their displeasure about that. So the OEB be back on track or getting on track with the support of the government.

Michele E. Harradence

Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

Yeah.

Gregory Lorne Ebel

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

You're on it, as you should be now, particularly material for Enbridge, of course, overall.

Michele E. Harradence

Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

Yeah.

Gregory Lorne Ebel

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

But let's turn to the US utility acquisitions and just the capital efficiency there, and that is an element that we find really attractive, right? And they enhance and increase the visibility of our growth going forward, right, through the decade. So, lay out for our investors how and why that's the case with this asset investment portfolio?

Michele E. Harradence

Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

Well, these are just great assets. I think I called you shortly into the due diligence process and said, these are fantastic. I really need to figure out how to make this work. They provide new investment for us that's capital efficient. It's low risk. It's underpinned by attractive risk adjusted returns. I mean, it just really fits our Enbridge business model well. The CapEx riders, they remove the need for frequent rate based filings. In fact, we start earning on that capital we measured in months, not years...

Gregory Lorne Ebel

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

Yeah.

Michele E. Harradence

Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

...in terms of investing that capital. And it's the kind of growth we like. It's the predictable returns. Limited capital permitting or inflation risk. And they all have really nice revenue decoupling mechanisms that mitigate earnings volatility that sometimes you'll see with weather as an example. And I mentioned earlier about how it's really important that we ensure that natural gas stays affordable. That underpins our ability to grow. Well, each of these utilities have really competitive costs to serve. Ohio and North Carolina are certainly the most effective – most competitive cost to serve in their jurisdictions, and Utah is some of the most competitive cost to serve in the country. So, we're really looking forward to get them in there. The other thing I would say is – and we saw that in the video, they're in gas supportive jurisdictions where the legislators have said that they will protect and preserve customer choice and energy.

Gregory Lorne Ebel

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

Yeah.

Michele E. Harradence

Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

So it's coming along really well. We've got all our federal regulatory approvals and you kind of stole my thunder a bit little while ago. But we're...

Gregory Lorne Ebel

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

I didn't say anything.

Michele E. Harradence

Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

[indiscernible] (01:22:17)

Gregory Lorne Ebel

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

And it would be nice if 40% of the EBITDA are showing up this week.

Michele E. Harradence

Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

Yeah. So in fact, at about 1:30 this afternoon, it's on the Ohio PUC's docket and we expect a positive decision there. I'm flying to Ohio tonight. And as you said, that's 40% of our EBITDA. 1.2 million customers that we expect to come in quickly here. And then Utah is going really well, as is Wyoming. So for those of you enjoy reading PUC filings, you know that we actually filed with the PUC in Utah last week that we believe we've reached a settlement with the parties there. And that the hearing is scheduled for, I think, April 11 with the Wind Wyoming (sic) [Wyoming Wind] (01:22:55) at the end of May. So things should move on smoothly there.

Well, we get those two, that's almost 80% of our EBITDA, 2.4 million customers here by summer. So we're quite excited about that. North Carolina is going well. We just – as we've said all along, it just is a bit of a longer process and we would expect to definitely have that before the end of the year.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Yeah. [ph] I've had (01:23:12) experience with that, too. North Carolina gets to the right spot, but they have a little different process. So look, lots of capital to earnings inside a year. We love that stuff. So, great stuff.

QUESTION AND ANSWER SECTION

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Can we open it up to questions for Michele? Yes, sir. [ph] Goldman, John (01:23:36).

John Mackay
Analyst, Goldman Sachs & Co. LLC
Q

[indiscernible] (01:23:37-01:23:45) kind of flat lining. I'd just be curious if your take on whether or not this this pickup we're starting to see and it goes a little bit to the data center questions. Fine, but just kind of more generally, if you think we can kind of see this beginnings of load growth recovery start to really pick up and if we can reach maybe a general kind of forecast on what that could look like across your four jurisdictions.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

I think it's a combo of many things, right? I mean, obviously, electricity demand and energy demand in general kind of runs at two-thirds of GDP growth. To your point, we hadn't quite seen that. I think that's one, I think, two, renewables are playing a little bigger role, but they got to have gas back up so that requires a little bit more demand. And then let's face it, I mean, not all are gas customers, obviously, our gas-producing customers love this, but the price of natural gas is highly competitive, right? So yeah, I think we're going to can – let's put it this way, I sure don't think we're going to see what people talked about some decline in the demand for natural gas. That, I just, get to your comment it kind of goes against your Grade 2 science perspective in how to proceed here and virtually 100% of the emission reductions in the United States in the last 15 years have been because of the use of natural gas in electricity.

So both can be [indiscernible] (01:25:08) electricity up, gas use up. I think Duke just filed its Integrated Resource Plan in North Carolina, which we're focusing on more now these days. And I think they're adding or they're looking, they'd like to add, 5,000 megawatts of gas. So, yeah, I don't think it's unique. And I do think the industrialization or the deindustrialization of some countries, that's really benefiting North America. We see that in Southern Ontario, and obviously, we'll see it in the Great Lakes region, Ohio, Pennsylvania, all areas where our assets go to.

Michele E. Harradence
Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.
A

Yeah, I think the piece I would add is the resiliency piece too. We're seeing a lot more of our customers firm up their volumes and that sort of thing, which is nice from a revenues perspective, but doesn't require a ton of CapEx to get there.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

I'm sorry, right here. My apologies. My back to you.

Matthew Coffina
Analyst, Trajan Wealth LLC

Q

Matt Coffina, Trajan Wealth. I wonder if you could put some boundaries around your interest in further acquisitions in this space, whether additional gas LDCs, ever an electric LDC. If you could buy five more of these, would you buy five more or is there limits?

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Well, I think if you saw that jurisdictional map that showed kind of the picture with all the orange places of choice, that's obviously going to be a place where gas is supported and some of those would have different levels of support. So, I think that's one. Two, I go back to the capital allocation issue, can we make it accretive? This transaction is only slightly accretive, but at a great price. So if we can do that and support it through the balance sheet, that would be of interest to us on the gas utility side.

It's – I think it's an open debate about the electric utility side. My own personal view is that's a much more challenging market with the amount of rate base they have to add. And I don't think they have – in many jurisdictions have the same benefit of as much natural gas, which is really the cheap – it's going to be a cheap way to deal with this. So, I think electric utilities probably have to work through a fair number of things. But the gas utility allows us to commercially leverage, operationally leverage. And, when you look at the jurisdictions we now have, that's the kind of thing you'll be looking for. So population growth in a place like Utah, penetration growth in a place like North Carolina, and industrial growth, modernization both in Ontario and Ohio, those things are kind of attractive.

Michele E. Harradence
Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

A

Yeah.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

What would you add, Michele?

Michele E. Harradence
Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

A

No, I think you've got it covered. Yeah.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Got to be big too, right? I mean, I don't think it's [ph] value. We won't (01:27:39). But I don't think it'd be valuable for us to add 100,000 customers, somewhere that's outside the main business. Yes. [ph] Robert (01:27:50)?

Robert A. Catellier
Analyst, CIBC Capital Markets

Q

Thanks. And, Michele, I got a couple of questions just on the US business. So you're showing, I think it's a peak in CapEx in 2026. And utility CapEx normally back-dives as you go out. So just is there something structural going on in 2026 or do you expect that to be pretty durable?

The second question just being, how are you planning on running multiple utilities here in terms of, are you thinking about running them decentralized or are you going to use a shared services model to drive efficiencies? But that can be a very slippery slope as well.

Michele E. Harradence
Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

A

Yeah, those are great questions. So first of all, the CapEx peak is tied somewhat to the LNG facility that they're building in North Carolina. So that's what's pushing it up. The rest of it is pretty steady, much like it is in Ontario. And in terms of how we're looking at running it, I mean, one of the things that was really impressive about these teams and I think it speaks to what we were able to get to where we have as quickly in Ohio and Utah as we have is the strength of the local teams, the strength of their relationships with the stakeholders, whether that's customers, government regulators, that sort of thing. And we know this from running our business in Ontario, that having strong local teams that are part of the fabric of the community is really important. So the VP's and GM's that currently run those business will report directly to me. And then, of course, as Enbridge, we have our corporate services.

And then that's exactly the line that we're working our way through with a lot of consultation with the new utilities as well as how we've looked at things in Ontario since we brought together Union Gas and Enbridge Gas is what's the sweet spot for those I call them the utility services, whether those are technical or commercial. And the example I would give you is a call center. Now, maybe folks are spread all over the place, but there's probably a best way to do that and to really understand how we're receiving those calls. But really important, though, as well, that each GM understands the nature of the calls that are coming in and gets that feedback so that he or she can adjust as they need to and be responsive to their customers. So, that's exactly what we're working our way through. And we've got a lot of experience with shared services, with centralized and decentralized models. So lots of views. Dominion was quite centralized. So, we will likely pull it back a bit more locally than what they have, but trying to hit that sweet spot.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah. And I think [ph] Robert (01:30:05) also had a question on the capital side of things...

Michele E. Harradence
Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

A

Oh, I'm sorry.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

...over the long term, so you might want to speak to that.

Michele E. Harradence
Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

A

Yeah.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

But, yeah, and maybe it goes without saying, [ph] Robert (01:30:13), but this wasn't a deal driven by synergies in any way, shape or form, right. So – and the old adage about all politics are local, all regulatory structures are local, too, right? So I think it's really powerful to have those teams there. But [ph] Robert's (01:30:28) talking about beyond even 2026 [indiscernible] (01:30:31).

Michele E. Harradence
Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

A

2026. Yeah, I mean, we've talked about how North Carolina, Utah and Ohio – or not Ohio, I'm sorry, Ontario, the residential growth is really strong and they look a lot like Ontario in terms of north of 80% of their revenues come from that residential growth. So, that's really the base that we want to grow our systems off of, and that continues to be some of the strongest residential growth in both countries. So, that's going to be our steady flowing into the system, the maintainability of the system. Newer systems in Utah and North Carolina and even Ontario somewhat getting to the end of its modernization program, I would say. Lots of modernization growth still to go in Ohio, which is a really nice way to see that one continue to grow because it doesn't quite have the residential growth, the population increases that we're seeing elsewhere. But, really, it's that – I call it that bread and butter investment that we made that's really steady.

And then, of course, as we see bigger projects come through that allow us to invest more capital, we'll do that. And I would actually point to what the Ontario government said in their proposed legislation, where they really want to take our transmission projects and have an ability to name them as economic development projects in order to ensure that they get the funding they need and they grow.

And I would point, for example, to our prep project, which is before the OEB. Now it's a panhandle which is Southwestern Ontario. That's maybe CAD 350 million for us, but it enables over CAD 4 billion of investment from greenhouse growers, from power producers, that sort of thing, and over 7,000 jobs. Those are really important to the government of Ontario, just like they were to be at any jurisdiction. So we would expect to keep seeing that supported as well.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah. [ph] Robert (01:32:14), the other thing I like as a centralized capital allocator myself looking from the whole corporation, it – we've created, I think, a positive competitive dynamic where – and I think it's recognized by the policymakers in each one of those jurisdictions that, in many respect, you could keeping putting more and more dollars on these. But now, it's like which are the ones that make the most sense from a return perspective and quick cycle and support of. So, I don't think that's lost on different jurisdictions in governments. And from an allocation perspective, it makes it work nice. Because, I don't think there's any doubt you could invest more in Ontario if you're given the positive environment to do that. And if you're not, we'll do that in Ohio or North Carolina and Utah. So, I like that opportunity.

Michele E. Harradence
Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

A

Yeah. I would say the legislators across the board are very attuned to that. I mean, you just need to look at how much money has to go into infrastructure over the next, the coming decade, whether I think it was Hydro-Québec announced over CAD 180 billion a couple weeks ago. At the same time as Ontario is announcing a lot of the things they want to do, they know they need. And same thing when we talk to the legislators in the US, they know that they need to attract that capital but we need to be able to demonstrate that we can invest it in a very sustainable, cost effective manner.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Good. Good place to end. And well – thanks, Michele. [indiscernible] (01:33:32) some more utilities here, but certainly one down and two more to go in here quickly, but appreciate it very much.

While we turn to a video on power, we're going to have Matthew Akman come and join me on stage. Thanks, Michele.

Michele E. Harradence
Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

That's good. Thanks.

[Video Presentation] (01:33:48- 01:35:15)

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

All right. I got to say, Matthew is the cool kid because he gets a club scene in his. The rest of us didn't see that kind of stuff. But, Matthew, let's make you sing for your supper a little bit here. Great video. I think that really shows how you're set up and our competitive position on that. So maybe outline for the group and take a minute on how we are poised to capitalize on that position.

Matthew A. Akman
Executive Vice President-Corporate Strategy & President-Power, Enbridge, Inc.

Yeah, lots to talk about in the renewable power business today. In the last few years, I've been up here talking about how we are gaining a lot of momentum in the business, and you've seen some announcements in the last while on that. And now, I'm ready to say we're in liftoff mode, especially in the North American space, talk about a lot of growth there.

But it'll be a controlled liftoff, Enbridge-style. We'll have to focus on our investment discipline, as we do with all our businesses, and that way, with all the great projects we have in front of us, will create a lot of value in this business for shareholders.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Yeah. So that's great, Matthew. And you mentioned the disciplined approach, and we have a lot of discussion about that and making sure we are doing exactly that. So let's outline for the group here, some of that thoughtful approach that you're dealing with and how we think we're differentiated in that way and our ability to be able to create value versus some others in the sector?

Matthew A. Akman

Executive Vice President-Corporate Strategy & President-Power, Enbridge, Inc.

Yeah. I think it boils down to the fact that we're not following the renewable herd. We don't have to invest in the sector. We like it a lot, but there's a lot of players out there in renewable that are kind of following the latest fad. They're zigging and zagging between whatever the latest thing is. And while they're doing that, we're staying on our straight path with our investment discipline, the way we do things. And so, we're not taking big development risks, speculative leases. We need long-term contracts. We don't take a lot of commodity exposure. We nailed down our construction costs. We have high quality counterparties.

And, frankly, if we don't see that, we just don't do projects. So, I think a great example of that is what we − how we pivoted more from offshore wind to onshore. A few years ago, we saw offshore getting really, really frothy and we didn't like what we saw there in terms of just the risk reward. The fact that there was a lot of speculative investment being made for returns that frankly, from our standpoint just didn't compensate. So we quietly pivoted back to onshore where we saw more big corporates, high quality customers wanting long-term offtake, quick cycle capital, which we like. And so, we made that pivot back towards the onshore. And I think that's going to serve us really well in terms of growth going forward.

Gregory Lorne Ebel

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

Okay. Well, let's continue along that differentiated approach if you will. And, lots of renewable businesses, let's be honest about it, have not been able to realize good returns. We have. So maybe let's discuss that and what you think the strength of our competitive position is.

Matthew A. Akman

Executive Vice President-Corporate Strategy & President-Power, Enbridge, Inc.

Sure. We're just the right kind of company to be positioned for success in today's renewable industry. You might want to – you might ask yourself what's a big pipeline midstream business doing and succeeding in this? How are they going to succeed in this industry? And the answer really boils down to it starts with customers and who the customer is now in this industry and what they're looking for. And what they're looking for is exactly what we provide.

These are blue chip customers from the who's who of large corporates onshore from all the major industry sectors, energy, technology you've heard of, Google and so on already in the space. Telecom, financial services, health care, you name it. And these are our kind of customers. A lot of them are already are our kind of customers.

Gone are the days in the renewable business where it's like two guys and their dog in a pickup truck assembling brag-a-watts. It's not like that anymore. These customers are mature and the business is much more mature, and they're looking for someone who can deliver the capabilities that we have in terms of scale, balance sheet, supply chain management, construction, and ultimately operations. So it's reliable renewables. We're going to get it done for them on time. And that's really critical because these companies have made promises to all their stakeholders in terms of their emission targets. They're relying on us to deliver for them. So, they don't just want us to be bragging, they want us to actually deliver what we said we would.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Yeah. Two dogs in a truck, brag-a-watts. It sounds like country music and Taylor Swift put together, but we'll see. I really like the partnerships. So we have two, right? I mean, CPPIB has been a good investor, sometimes in, sometimes not. That's cool. And then EDF, I don't think you can get a much better player than that. So let's shift gears a little bit, in North American offshore, which we don't see as attractive, and I'm not sure we'd ever see as attractive, quite different from really the exciting North American onshore developments and the opportunities there. But outline why we feel that that way and how the onshore North American portfolio or opportunity really benefits your growth.

Matthew A. Akman
Executive Vice President-Corporate Strategy & President-Power, Enbridge, Inc.

Yeah, I think our pivot was really timely. We're seeing a really rich seam here in onshore North American renewables of good projects and good returns that we think we can mine for several years. So what's going on here is cost which was a big problem in supply chain has actually started to moderate quite a bit, especially when you look at the solar side. Solar panels in North America, cost has come down a lot.

On the offtake situation, on the revenue side, the value has actually sustained or maybe got better. You've got a whole bunch of components there. The energy value has definitely hung in there. The renewable credit value is only going higher with all the demand for offsets. And then the tax benefits, which we really like, and the IRA just enhanced those for a big taxable company like ours. So, when you look at that equation, costs, probably stable or down; the offtake and revenue is rising. That all equals better returns, right, which is in our wheelhouse.

So the other thing we've got in terms of our positioning, though, is we've got the answer to what is the biggest bottleneck in the industry today, and that's grid access and grid congestion. Through organic growth and the acquisition of Tri Global Energy about a year and a half ago, we've now got about 2 gigawatts of projects, great projects, great wind resource, and great solar resource that have signed interconnection agreements or about to sign those interconnection agreements. And that's really the secret sauce with all the demand that's going to get us to those really great projects. So, I think we can just continue to mine that rich seam that I talked about. And, the key for me will be getting – convincing Pat to give me the capital to do it.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Yeah. Well, as long as we struck some utility-like and get good returns, we should be able to do that. Let's – so, you've got 6 gigawatts of onshore development opportunities. So outline for the folks here a little bit about that development pipeline and the key drivers to determine which projects we're going to advance, which ones we don't, and how that gives us confidence in the growth plans going forward.

Matthew A. Akman
Executive Vice President-Corporate Strategy & President-Power, Enbridge, Inc.

Yeah. So if you want to see what you're going to be hearing about in the near future, just kind of cast your eyes over to the right-hand side of the slide. These are projects that are all construction-ready. You see the first tranche over there, and it's really solar in Texas ERCOT (01:42:55), which is a great market, very liquid, high-quality counterparties. And as I said, the cost of the panels has come down. So those projects are looking really, really good for delivery in the next couple of years. And we're having late-stage conversations with counterparties that they're household names. So, I think you'll all be impressed with that when it comes out.

And then right after that, we've got a wave of wind in different parts of the country. SPP, those projects are in the panhandle of Texas. Guess what's right next door, the Permian Basin and producers (01:43:31) there with lots of growth, but also a lot of need to offset emissions. So really well-positioned in those areas, too, Greg.

Gregory Lorne Ebel

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

Yeah, I sense a data center question coming here. So let's turn to – great stuff onshore in North America, I realized. But, let's turn to offshore, right? And as I said, we don't really see value in – not that we don't really. We don't see value in North America offshore today. But our European offshore portfolio really represents something quite different and it's been a very positive history and some really great opportunities. So maybe run through why we've been successful in Europe and how we're going to continue to be successful in Europe and add to the growth.

Matthew A. Akman

Executive Vice President-Corporate Strategy & President-Power, Enbridge, Inc.

Yeah. It got messy for some people, from some of our peers, offshore in the last couple of years, as you've read, but not for us. And it might surprise some of you to hear that, actually, some of our best projects in terms of offtake, the overall profile and the returns are in the offshore today, stuff that has just recently come in service, stuff that's operating, and stuff that will be coming into service over the next year. Our focus is in France. And why is that? Because that's our commercial model. We don't like a lot of the offshore commercial model these days where folks are taking FID before they really have their cost locked down. You're talking about less long-term contracts in some of these areas. And we like those.

So, we stick to France primarily for the time being, which has that commercial model. Long-term quasi-government offtake. We don't FID stuff until we've nailed down our costs there. We get the lease up front along with the contract, which is great. And I'm sure you all agree we have the best partner in EDF. Not a bad partner to have when you're developing in France. So, we see good runway there. And then elsewhere, we'll keep an iron in the fire here or there. And we'll be selective and opportunistic if the commercial model and risk profile comes back to our wheelhouse.

Matthew A. Akman

Executive Vice President-Corporate Strategy & President-Power, Enbridge, Inc.

[Foreign Language] (01:45:37). Yes.

QUESTION AND ANSWER SECTION

Robert Hope
Analyst, Scotiabank

Q

Hi. Rob Hope, Scotiabank. Greg, you've highlighted that the gas distribution utilities were a once-in-a-generation opportunity.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah.

Robert Hope
Analyst, Scotiabank

Q

We're seeing a number of large packages out there in the renewables space. Valuations have compressed. How does M&A fit into the strategy to give it a little bit more of a slice of the pie versus what it is right now?

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Well, fortunately, given the size of the company, we do get a chance to look at everything. But, again, the same valuation parameters have to be followed, right? So, are they utility-like if we bring them in? Are they going to be accretive to per-share metrics, and are they neutral or accretive to the balance sheet? And I think those last two pieces have today been a challenge, right? Because there's a reason why some of these is as bad as outlined. There's a reason why some of these companies have been beat up, either they don't have access to capital, they haven't been able to execute the projects, or they've frankly taken a merchant generation-type approach there. We're not interested in that.

So, when you put that up against the really great backlog of projects that we have – you know we picked up TGE, and I know Tom's here and Dean as well, picked up that a year ago – that really set us up nice from a development perspective. And smart folks doing good work with you, Matthew, on that. It's pretty hard to beat that right now, so can't say never, but we just haven't seen anything that looks more attractive than the organic growth that we have. Additional questions, here we go.

Ben Pham
Analyst, BMO Capital Markets

Q

All right. It's Ben Pham, BMO Capital Markets. Enbridge, always been a big company, even bigger now with Dominion. Matt, maybe can you comment on just how you think about your proposals for additional projects that you've brought to the management team and board in terms of size? Has there been more of a situation where you've had challenges with smaller projects in terms of presenting it, and just how that's been evolved for you and how you think about that's going to be evolving going forward?

Matthew A. Akman
Executive Vice President-Corporate Strategy & President-Power, Enbridge, Inc.

A

Yeah, I mean, actually bite-size projects I think are the way to go these days, Ben. And, yeah, we're a really big company, but these projects are utility-scale. So, they're – I'd say they're not too big, not too – it's kind of a

Goldilocks; not too big, not too small. They're multi-hundred-million-dollar utility-scale projects. And, for us, I think that's a great place to be because no one wants to take on the megaprojects. I like the quick cycle of the onshore also. And so, that helps. But despite their – maybe they're relatively smaller than a multibillion-dollar pipeline. But trust me, these projects can punch way above their weight in terms of near-term accretion, especially with some of the tax benefits. And so, you'll see, I think, some of that in the results this year as well. We did guide to significantly higher EBITDA on Renewable this year than our guidance last year. So, you're actually seeing it. As Greg calls it, it's a really nice kicker, I think, for us financially.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Yeah. And the tax side's beneficial. And a project got to stand on their own. But that tax side is helpful for the rest of the business. I think, as we point out, it's highly profitable on that side. They're not all bite-sized. We spent – we invested about CAD 1 billion in acquisitions last year. So, stop whining. We're moving forward.

Matthew A. Akman
Executive Vice President-Corporate Strategy & President-Power, Enbridge, Inc.
A

Yeah. I think we can do, I think, then CAD 1.5 billion a year, visibly, of...

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Yeah.

Matthew A. Akman
Executive Vice President-Corporate Strategy & President-Power, Enbridge, Inc.
A

...good projects, which I think is a nice [ph] adder (01:49:10) for the company as a whole.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Yeah, really great returns. Other questions? Yes, sir.

Praneeth Satish
Analyst, Wells Fargo Securities LLC
Q

Praneeth, Wells Fargo. I guess on that point of CAD 1.5 billion per year of CapEx spending, I'm just curious, I guess, how much the interest rate environment impacts the viability of these projects. And if interest rates come down next year, do you think you could see more opportunities and the ability to spend more capital in this space? Just trying to understand the sensitivity there.

Matthew A. Akman
Executive Vice President-Corporate Strategy & President-Power, Enbridge, Inc.
A

Yeah. I think, for us, it's been helpful actually because, as I said, we always had the capital discipline of the hurdle rate we're going to use for these projects is the same as for a similar kind of project in another part of our business. I think with the low interest rates, there was a little bit of, let's say, overzealousness by others and some of our peers in the types of returns they were willing to accept, right? And you were seeing mid-single-digit returns on projects and stuff like that, which we just don't do. So, I think the higher interest rate environment has kind of shaken the tree and shaken out some of the weaker – the pickup truck folks that I was talking about and some others. And we'll just maintain our discipline on that. But it actually creates a little bit of running room for us, frankly. And we're seeing a huge appetite again to work with us. And we're seeing the pro formas really pencil out nicely even in this interest rate environment.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah, I would agree with that. I think the fact that we didn't account on some overly aggressive leverage because the Power business has got to compete with the utility business, the GTM business and the Liquids side. In the go-go times, we look like we're not going as fast. But in the less delightful financial times, it looks like we've had that pace. And I think that's why you can increase the dividend 29 years in a row, right? Don't get too crazy when things are humming along. Don't get sucked in because someone's just got a problem. Does this look good? There's a reason they have a problem. And I think we've been very disciplined on that approach. Well, that will continue.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Anything else for Matthew? We're going to see him at lunch, too. Matthew, thanks very much. Appreciate it. Now we're going to ask Pat to come onstage. And, Pat, thank you for joining me.

Patrick R. Murray
Chief Financial Officer & Executive Vice President, Enbridge, Inc.

I just can't help to notice I didn't get a fancy video coming in, but maybe that's the new-guy thing. I'll have to work on that.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Yeah. That's good capital allocation.

Patrick R. Murray
Chief Financial Officer & Executive Vice President, Enbridge, Inc.

That's true. Put it towards the dividend. I guess that's a good idea.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Remember, the CFO is super important, but you and I are overhead.

Patrick R. Murray
Chief Financial Officer & Executive Vice President, Enbridge, Inc.

These guys are making revenues so we don't get a little video on, right?

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Fair enough. So, look, we just heard a lot of the business units talk about the exciting growth prospects and the opportunities for the business. But let's talk about how we're going to stay disciplined in carrying out that growth, choose the right ones that ensure that our cash flow, our earnings, and dividend keep growing for investors.

Patrick R. Murray

Chief Financial Officer & Executive Vice President, Enbridge, Inc.

Yeah. I think I'm very excited with the magnitude of opportunities that you've heard my colleagues talking about today. I think it's, to be fair, a good issue to have. How do you fund all this, and what do you do from a capital appropriation perspective? So, I'm looking forward to what I bring forward. I think I'm agnostic to what commodity it comes from. I think you've heard today we've got lots of good opportunities, lots of fundamentals telling us we're going need a lot of that for a long time. So, I'm a little agnostic on the commodity, but not agnostic on the returns and the risk model. We protect our risk model very closely and have for decades, and we'll continue to do that.

I think on the – [indiscernible] (01:52:44) right-hand side, we've talked about our disciplined investment framework. I'm going to go through that in a lot of detail, but maybe just reiterate kind of our three main priorities that we're looking at at projects. One we've talked about a lot: the balance sheet. It needs to be accretive from a per-share basis. It needs to generate EBITDA, but it also has to protect that balance sheet. I think you've used the word neutral. I like to see them be accretive to the balance sheet. Much like what Colin did this morning, I could call that accretive to the balance sheet. Those are really low-multiple expansions of a very strategic asset that actually are beneficial to our balance sheet. That's the kind of projects we're looking for, and we can high-grade what we've got to kind of focus on that. We're always returning capital to our shareholders. It's an extremely important piece of the business. We've been doing it for decades. I think you'd quote – what was it? CAD 34 billion...

Gregory Lorne Ebel

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

That's five years.

Patrick R. Murray

Chief Financial Officer & Executive Vice President, Enbridge, Inc.

...of returned dividends in the last five years. That's going to be a very important piece in this. And that locks in a discipline with our management team from making sure those cash flows are going to be there, they're going to be consistent, they're going to be reliable. So, that's a big important piece. And then the growth. And I think – when I think about what we've done in the last year. I think that's where we've made probably the largest stride, which is creating some clarity into that growth not only for the next few years, but even into the back part of the decade with that kind of bedrock of having these utilities as the base, and then all these projects that you've heard us talk about and that we've secured helping grow the business. So, really excited about what it looks like. And we get to be selective and very strategic as we pick through these projects.

Gregory Lorne Ebel

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

Yeah. So, protect, sustain, grow. Good words to live by as a CFO, CEO of a company and, obviously, investors as well, too, right? So, you and I have given a lot of thought, and the whole management team, as we consider leverage and the range and how it makes sense for the company. And, of course, we are very comfortable with that 4.5 to 5 times debt-to-EBITDA ratio given that business model that we're in and the cash flow quality that we're able to produce, and probably feel even more confident about that range given the utility acquisitions as well. So, let's talk about what gives us that confidence and how that utility business-like model (sic) [utility-like business model] (01:54:48) is really supportive of the leverage structure that we have.

Patrick R. Murray

Chief Financial Officer & Executive Vice President, Enbridge, Inc.

I mean, we talk about it a lot. I think our 4.5 to 5 times is kind of a sweet spot. We're going to end up probably in the middle or lower middle part of that range once we get the full EBITDA power of these utilities in 2025. And I think we'll talk about some capacity we have in the next number of slides. But I think we can use that leverage room as areas to be very opportunistic. And you've seen us do that over the last few years. Having that capacity allows opportunistic transactions.

I think – if we go through it quickly, we talk about this quite often. Predictable cash flows, inflation-protected on the vast majority of them. Our EBITDA is back-stopped by high investment-grade customers. You heard Matthew talk about his customers and how large they are. Our asset footprint has limited commodity price. Think back two summers ago, we traded an investment in DCP, commodity-exposed, for a long-haul pipeline out of the Permian, and we've just grown from there, not decreased. We just sold Alliance and Aux Sable. Alliance had some of the shortest contracts in our portfolio. And Aux Sable was – had some commodity exposure. So, almost no commodity exposure anymore. And we're one of the only midstream companies out there to have a true utility as our bedrock. Used to be 12-ish percent. It's now going to be closer to 25% as we go forward.

And then think about what we've done on our largest asset being the Mainline. We used to have a volume floor, but we were exposed to basically anything else that happened. And now we've got an 11% to 14.5% collar on that. Still have to perform well. And that's what's so great about those agreements with our shippers. We still got to do what the shippers need us to do to get as many – as much oil down the pipeline as we can. But it creates that bottom just to make sure if anything was to happen. So, I think everything we've done over the last little while, I think just underpins our comfort with that and really the sweet spot that it sits in.

Gregory Lorne Ebel

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

Yeah. So, let's dig a little further and talk a little bit more about that financial capacity to invest and, specifically, how we're going to fund our growth on a go-forward basis. As you well know, internally generated cash flow and additional investment capacity through additional EBITDA really gives us a lot of great optionality. So, maybe dig in a little bit and tell us about some of that optionality advantage.

Patrick R. Murray

Chief Financial Officer & Executive Vice President, Enbridge, Inc.

Yeah. I mean, we've been growing, and you stole my line on the virtuous cycle that we have from the EBITDA, you think about what Colin talked about and the amount of EBITDA he generates. That EBITDA growth generates more capacity in a buildup. We probably have, and it might surprise some people, CAD 8 billion to CAD 9 billion of capacity we could put to work each year. And that would be kind of leverage-neutral. Our plans don't assume we use all that. We're kind of CAD 6 billion to CAD 7 billion-ish. And then we've got, as we've talked about, a few billion there that we can decide to be very selective in, to do maybe some very strategic transactions. Maybe an example, that would be this morning, pretty small. But with buying the additional docks down at Ingleside, very strategic for the long term, allows us to optimize the assets right away, but then just grow at an extent that we probably hadn't expected before.

And if we – and then the other thing we can do with those dollars is de-lever a bit as we go. As I said, we're going to be in that medium part of our leverage. And if we don't find a thing that's accretive to not only EPS and DCF but to the balance sheet, we can use some of that to pay back debt as we go through it. So, I think that flexibility is something we've always loved at Enbridge because it enables us to do things like when we bought Ingleside initially. We were able to move when others maybe couldn't because we had capacity to do it. And that's really important to us as we plan our financial horizon out to make sure we have that capacity to do things.

Gregory Lorne Ebel

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

Yes. So, you talked about our growth expectations. So, let's put it all together and talk about how this situation really blends and extends our growth outlook for the business overall and gets us to be confidently speak about that 5% growth over the longer term.

Patrick R. Murray

Chief Financial Officer & Executive Vice President, Enbridge, Inc.

Yeah, I mean, I think this is a slide, I think, that was first brought up at Enbridge Day maybe last year, maybe before.

Gregory Lorne Ebel

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

Yeah.

Patrick R. Murray

Chief Financial Officer & Executive Vice President, Enbridge, Inc.

Maybe I'll focus on the things that have changed and haven't changed. So, maybe on the things that haven't changed. Near-term outlook, of course, we're reiterating the fact that our 2024 outlook doesn't change. We just reiterated that three weeks ago at our Q4 call. So, I expect – nobody is expecting us to do anything there. And in that long-term outlook, I think if I think about anything on the longer term, that kind of post-2025/2026, is that what we've done is we've enhanced our visibility into that growth. We've got this bedrock, as I call it, of the utility there to help us grow. And then we've been chipping away at projects, as you've heard us announce over the last little while, so I'm feeling really comfortable with that growth.

In this kind of near-term area here in the next couple of years, we've upped our EBITDA CAGR growth, which would be expected given the utility and some of the other things we did last year. And then just like last year, as everybody in the industry is dealing with interest rates, cash taxes to some extent, a little bit lower on both EPS and DCF, but still really good per share growth. And as an organization, we're very focused on per-share growth and making sure that we're adding that value to our shareholders as we go year after year.

Gregory Lorne Ebel

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

Yeah, there's no doubt about it. And I don't want to lose getting off that table with that 3% piece there. I know you mentioned it, but it's only 1% more solid this year than it was last year. But that's like, somebody mentioned to me, a 50% increase from where we were last year, and that's real dollars and cents. So, do you want to talk about some of the optimization activities, too?

Patrick R. Murray

Chief Financial Officer & Executive Vice President, Enbridge, Inc.

Yeah. So, this is something we seem to get a lot of questions about. And you've heard the business talk about it a bit throughout the day here. We always have that kind of 1% to 2% how you grow just the base business.

Gregory Lorne Ebel

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

Yeah.

Patrick R. Murray

Chief Financial Officer & Executive Vice President, Enbridge, Inc.

And you've heard – you heard Colin talk about adding CAD 500 million over the last 10 years with no capital really just from optimizing how long the lines up, how efficiently we can move things through. You heard Cynthia talk about the rate strategy and adding CAD 500 million just in these last three or four years here. And so, that's something that we'll continue to do, and that helps that piece. And then we've also got cost synergies as we go through everything we do as an organization, whether it's through supply chain, whether it's through automation, whether it's through how we work with our customers and such.

So, I think we've been really successful at generating this base growth. I think in some ways, we surprised the market this year when we chose to guide on a base business. But what we really wanted to show people was how does that base business grow, take the utility out of it, and focus on the base business. And it does have growth embedded in it, and here's where it's going to come from. So, hopefully, this helps out a little bit of clarity there, and we'll continue to talk about this through the next little while.

Gregory Lorne Ebel

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

All right. So, let's wrap it up and talk about how this all comes together, where the rubber hits the road, and really with respect to TSR for our investors, right? Strong balance sheet, robust opportunity set, and really an impressive and ongoing track record of returning capital to shareholders largely through dividends, but all of which really creates a premium valuation dynamics. So, maybe talk about that a little bit.

Patrick R. Murray

Chief Financial Officer & Executive Vice President, Enbridge, Inc.

Yeah. I mean, if I think about the value that Enbridge brings, I think it's pretty unique in an investment thesis. We're diversified. We've talked about commodity. We're well-diversified there. We're also diversified by location, [indiscernible] (02:01:53) state, the number of states, number of provinces we're in, the countries we're in, all over North America. Regulatory regime now. From a gas distribution perspective, we have exposure to a number of different regimes as we go through. We've got utility and very much utility-like cash flows for like 98% to 99% of our cash flows as an organization. And that's a differentiating from all of our peers on the midstream side. We've got a strong balance sheet. We will work well within our means as we work through that. We've always had a focus on ratable, dependable returnable of capital. So, that dividend is going to happen every year. It's going to grow every year. And people can expect that from us.

And then we're adding transparent growth to that. I think over the last year or two, there's been questions about the organization size, how can we continue to grow. I think we've added some real clarity and some real transparency into that. And I think we've done that over the last year here. So – and then add to that, we haven't talked a ton about it at today's show. But add – back of a decade [indiscernible] (02:02:48) with the new energy technologies that are out there, the CO_2, the RNG that we started investments in. Those are things that will come along as the decade goes. And we're really excited about doing them in the same way we've built the pipelines out over the last 75 years.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Yeah. Absolutely, great. Well, listen here, Linda, you were asking about great people. This is one of our great people. I'm not sure many people knew Pat previously, or they might have seen him in IR roles in the past, in treasury and stuff. But I think it really shows the depth and magnitude of financial management and operational management inside the company. So, let's open it up for some tough questions for the new CFO. Theresa?

Patrick R. Murray
Chief Financial Officer & Executive Vice President, Enbridge, Inc.

I still get to be called new CFO? That's good. I like that.

QUESTION AND ANSWER SECTION

Theresa Chen
Analyst, Barclays Capital, Inc.
Q

No tough questions. I wanted to ask you, Pat, in terms of looking at future asset rotation, asset divestiture opportunities from your portfolio, are you more likely to prune additional assets with shorter contract duration or higher commodity exposure as you have done recently to the extent that there is much of the ladder left in your portfolio? Is that the most important criteria in your mind as you evaluate what should leave agnostic of the underlying commodity, to high-grade the utility-like return of the remaining portfolio, or are there other criteria we should think about as well?

Patrick R. Murray
Chief Financial Officer & Executive Vice President, Enbridge, Inc.
A

Do you want me to start with that?

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Yeah, go for it.

Patrick R. Murray
Chief Financial Officer & Executive Vice President, Enbridge, Inc.
A

So, when I think about divestitures, it's I think agnostic primarily to the commodity, but I think it's not so much around contract length and commodity. It's really around the strategy of those assets. So, there's the view of: is an asset worth more in somebody else's hands than we think it's worth to us? And does that enable another opportunity for us to do something else that's strategic? That's how I think about it. So, then – and another thing I always communicate with people: it's not like our capital rotation as I think about it is something that we just turn off and on. It's always going on. We're always looking every year at our assets to say, is there something that's changed in the fundamentals – that's the primary item – that tells us that this asset might not have the life we thought it did, might not have the growth we thought it did, and what does that mean? And then we identify: do we have somebody that might have more value for that? And will they pay more than we're willing to hold it for?

So, I think we're pretty agnostic to the commodity, but it's really around the strategy and the long-term growth value of the asset that we hold. And that's what you see. I think that's – the other thing, we'll do a bit more of I think in this regard; is much like we did with the Alberta Indigenous groups on our regional lines. I think that was a really important project to connect those people that are there, and we're on their land, and enable us to do that throughout the organization. So, I think you'll see a little bit of more of that as well. Those tend to take a bit longer to get through, but you'll see some of that.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Yeah. The nice thing is, with so many assets, Theresa, we can ensure we get nice double-digit multiples on stuff. So, that's a big element of this, too. But, yeah, I'm glad you mentioned the Indigenous side. We'll maybe do that; we maybe won't. We'll see. That's always a challenging effort, but we're always looking at that. And that's probably more the qualitative side of things. But it matters, right, because that allows us to better execute, I would say, our CAD 25 billion of organic growth projects. Yes, sir?

Keith Stanley
Analyst, Wolfe Research LLC
Q

Keith Stanley with Wolfe. The 7% to 9% EBITDA growth through 2026, can you clarify if that's tied just to your secured projects and the CAD 6 billion to CAD 7 billion a year of CapEx or if that has any placeholder assumptions for some of the pre-FID things you've talked about throughout today? And then, somewhat relatedly, just the investment capacity at CAD 8 billion to CAD 9 billion is up significantly from the CAD 6 billion I think it was last year. Is that simply a function of the gas LDC is giving you more capacity and growth in the company or anything else that's driving that?

Patrick R. Murray
Chief Financial Officer & Executive Vice President, Enbridge, Inc.
A

I think a couple of things. So, on the first question, I think we could be well within that range with the secured program that we have. So, it's not required to do additional acquisitions or additional organic projects to hit the 2026 7% to 9% that's driven by the growth we see in the gas utilities, driven by our base business growth I talked about earlier. So, could we do better if we use some of our capacity potentially, but we could also use that – again, that capacity to pay down debt and just make sure we have a running room if we need it, so...

And then on the capital [ph] before (02:07:15), I think the way it was looked at before was not so much as a capacity number as it was this is how much we've secured, and this is what it can generate as growth. There's a little bit different way of looking at it, which is if you did things at certain multiples, what would the capacity be in the organization to stay within the midpoint of our guidance range on the debt-to-EBITDA. So, it's a little bit different take on what we have because we really wanted the market to understand that we have more capacity than the CAD 6 billion to CAD 7 billion that we're talking about. It doesn't mean we're going to utilize it on projects and acquisitions, for sure. It means we can use these things like de-lever and do things like that. So, it just showed, I think, what we really wanted to show through that and a way of – a different way of calculating it is the capacity we have as an organization and the flexibility that should afford us over the next number of years.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

It does promote getting capital to EBITDA quicker, right, because sooner you can do that, the sooner you have CAD 4 to CAD 4.5 of capacity for every CAD 1 of EBITDA we bring in.

Another question for Pat?

Patrick R. Murray
Chief Financial Officer & Executive Vice President, Enbridge, Inc.
A

[ph] He's a (02:08:17) new guy. They're being easy on me.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Yeah.

Patrick R. Murray
Chief Financial Officer & Executive Vice President, Enbridge, Inc.
A

All right.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

Well, good. Thank you very much, Pat. Great stuff. First Investor Day in the role. And well done. And we'll maybe just wrap up here, and then we'll get folks to lunch.

So, just to close out the morning, maybe I'll just quickly summarize on one slide. We have one more to go. And I really hope it – and trust this is what you'll take away from the team today through the discussions: our scale, our diversification, and connectivity are really blending and extending that growth right through the end of the decade. In Liquids, you know we generate low-risk positive free cash flow from strongly utilized systems, systems that – and optimizations and low-cost expansion opportunities. Those are going to continue to drive a long-term EBITDA growth right throughout that business. In the Gas Transmission business, we really have an unparalleled pipeline and storage position that is ideally suited to serve the growing domestic needs for natural gas as well as in, increasingly so, the global needs. And there, too, optimizations and strategically located assets are driving more than CAD 18 billion of organic growth opportunities.

In Gas Distribution, we have a diversified footprint going forward, and that generates really predictable returns. The US gas utilities that we're going to pick up here increase the visibility of that growth right across four geographies now. And we've got more than CAD 3 billion of total annual quick-cycle capital to invest, which is fully underpinned by the need for affordable, reliable natural gas in those jurisdictions. And then in Renewable Power, let's not forget that we're well-positioned to capitalize on that increasing demand for clean energy. And here, too, we have a really strong track record of disciplined investment. So, we see up to CAD 1.5 billion, as Matthew said, of Renewable growth opportunities going forward.

So, if you put it all together, our financial strength and the capital discipline will enable us to blend and extend that growth outlook through the end of the decade and deliver long-term double-digit shareholder returns. So, as we like to say and you've heard today, tomorrow's on at Enbridge, and we're ensuring that both our customers and our investors benefit every step of the way.

So, I want to thank all of you for being here. I hope you've enjoyed the time, and I hope you're going to spend some more time with our teams here. We're going to have a little lunch. For everybody that's been online, I know that's a lot of people. Thanks very much. We look forward to buying you a free lunch somewhere down the road. But while everybody's here, please join us, and then we'll get together at the tables. Thanks very much.