Enbridge Inc.

First Quarter 2021 Financial Results Conference Call

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PRESENTATION

Operator

Welcome to the Enbridge Incorporated First Quarter 2021 Financial Results Conference Call.

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I will now turn the call over to Jonathan Morgan, Vice President Investor Relations. Jonathan, you may begin.

Jonathan Morgan

Thank you, Julie.

Good morning and welcome to the Enbridge, Inc. First Quarter 2021 Earnings Call.

Joining me this morning are Al Monaco, President and Chief Executive Officer; Colin Gruending, Executive Vice President and Chief Financial Officer; Vern Yu, Executive Vice President of Liquids Pipelines; Bill Yardley, Executive Vice President Gas Transmission and Midstream; Cynthia Hansen, Executive Vice President Gas Distribution and Storage; and Matthew Akman, Senior Vice President Strategy and Power.

As per usual, this call will be webcast and I encourage those listening on the phone to follow along with the supporting slides. A replay of the call will be available later today and a transcript will be posted shortly after the call.

We will try to keep the call to roughly one hour this morning. In order to answer as many questions as possible, please limit your questions to one, plus a single follow up if necessary.

We'll be prioritizing calls from the investment community so if you are a member of the media, please direct your questions to our communications team who will be happy to respond. Now, as always, our investor relations team will be available for any detailed follow-up questions after the call.

Onto Slide 2, where I'll remind you that we'll be referring to forward-looking information on today's presentation 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 disclosure filings. We'll also be referring to non-GAAP measures summarized below.

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

Al Monaco

Okay. Thanks, Jonathan. Hi, everybody.

I'm going to start today with an update on our three priorities that you see on the slide here, then Colin will recap our capital allocation priorities, review the results and how we see the year shaping up, and as you saw, a good start with Q1.

Before we do that, as usual, I'll spend a minute on the bigger picture industry context and how we're positioned. While the economic recovery is really gaining steam here, global energy demand is accelerating and should exceed pre-pandemic levels next year. The vaccine rollouts globally have been slow but stronger in some areas, with the U.S. leading the way. Massive stimulus is starting to take hold. Interest rates should remain in check, but the threat of inflation is out there as you see, but we're well-protected there. Gasoline, diesel and petchem demand is back and heading beyond pre-COVID levels, as is natural gas.

The resiliency of our business was tested again with the Texas storm, millions without power, heat and access to clean water. We had a few disruptions there, but we reliably supplied energy to the region when

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they needed it most. In the face of a global pandemic and a storm, our franchises withstood the test again, operating near max. Liquids volumes have been steadily climbing and we should hit roughly 2.8 million barrels a day on average this year. Winter gas transmission volumes were above 2020 level which illustrates again the rock-solid demand for space heating, commercial, industrial, and power-gen load in our markets. The same goes for our gas utility in Ontario.

What this picture here shows is that the three franchises and the low-risk model that underpins them drive out highly predictable cash flows even in the worst downturns. These businesses have great longevity in any energy scenario and are well-positioned for the future.

We've talked about our views on the pace of energy transition in the past. Let me focus on our strategy on that front. We see the transition as an opportunity on several fronts and here's why. First, global energy demand is going up, led by Asia and developing nations. We think that North America's tremendous low-cost resource potential, combined with a clear pathway to reducing emissions, will be a true differentiator in terms of supplying reliable energy to feed global energy growth.

That's why we're focused on expanding export infrastructure and I'll come back to that later. For us, reducing emissions provides an opportunity by modernizing our assets. We've developed a strong renewables platform with a big portfolio of opportunity. We're excited about the next frontier of low carbon growth as well. The one thing that's common to these opportunities on low carbon is transportation, distribution, and storage. Our assets will remain critical.

The key to being a differentiated service provider in the future is leading on ESG, which is foundational to how we've operated the business for many years.

Moving to the priorities update starting with strengthening the base. Good progress on the regulatory front. The settlements we reached actually on the three largest gas pipes added roughly $160 million of EBITDA, and in Q1, we landed three more settlements. On the liquids mainline, we're through the evidentiary part of the CER's review and oral hearings will begin on May 19th. We expect a decision this year.

We continue to have strong customer support. That's because our offering provides the toll (phon) and capacity and certainty that they want. In contracting, let's remember we'll assure a strong demand pull for Western Canadian barrels for a long time.

Another source of growth is productivity. Last year, we delivered on the $300 million we promised and we're on track for another $100 million this year. I think there's more to be had here and digital technology will play a big role in unlocking more value. Recall that the vast majority of our revenues—we show this on the chart here—have inflation escalators or contracted toll growth so there's further built-in EBITDA upside.

Our second priority is executing our secured capital program. You see our updated chart here. We've got $17 billion underway, which drives $2 billion-plus in annual EBITDA, growth shoot (phon) through 2023. Projects covered the gambit here from gas, liquids, and renewables with low commercial risk underpinnings. We expect to put roughly $10 billion in the ground this year, the largest project being Line 3 here in the U.S.

2021, which is the bottom line of this chart, is really a pivotal year for us. We'll put a major portion of our capital program behind us and we'll be in less capital-intensive mode after that. The capital will drive DCF and EPS growth, and we'll have a lot of financial flexibility to extend growth beyond 2023.

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Onto the program itself, and gas transmission, $3 billion of our $5 billion three-year program is slated for this year. Most of that is our BC system and Texas Eastern modernization. We've completed all five compressors now on the BCT south expansion and the first two loops are done on Spruce Ridge. Both of those should be ready in Q4.

In the gas utility, everyone knows that new home demand is up. We're nicely on track to add 45,000 customers this year. On renewables, we're well into construction on our two large offshore wind projects in France. We're getting ready to stand up the first turbines on Saint-Nazaire and foundations are underway at Fecamp. Good progress on those, and those two wind farms should be in service in 2022 and 2023.

Onto liquids and Line 3. The Minnesota program, as you know, came in as planned and we paused construction now for spring thaw but the station work will continue. Pipeline construction will ramp back up in early June. We're on track to hit our Q4 in-service target. Community support continues to be very strong here. One of the success stories is the collaboration with local tribes on the cultural survey, environmental measures that we worked on with them and our economic partnership.

We've not only hired hundreds of local members to help build this segment, but the tribal business opportunities have hit $180 million, well what we thought we would achieve. Once the U.S. segment is in service, we'll start collecting the $0.935 per barrel surcharge on mainline volume and that translates to about $200 million in Q4 this year and that should ramp up further in 2022.

Moving to Line 5 and the associated Great Lakes Tunnel. Now, it's important to remember how Line 5 originally came about. It was built in 1953 to avoid moving crude on the water. The 540,000 barrels per day that we moved is essential to Michigan and the entire region. It heats homes, fuels airports, and provides petchem feedstock that industry and consumers ultimately rely on.

You get a sense of that with the picture we're showing here with all of the attachments to key markets. The pipeline is the safest way to get that energy to the region. There's no practical alternative and that's been studied over and over by independent experts including the state's own report in 2017. Even if they were available, adding trains, trucks, and barges, it doesn't make sense especially from an environmental and safety point of view, not to mention reliability and higher consumer costs.

We understand the need to protect the Great Lakes. That's why we've committed to build the tunnel to reduce the risk to as near zero as humanly possible. Just to reiterate, we intend to continue to operate the line and certainly we're in compliance with the easement and the law. PHMSA has validated the safety of the line and both the court and the state have agreed with that as recently as last year.

The courts are reviewing the state's challenge to the pipeline and that's going to take a while so no decisions, in our view, are imminent. Affected parties, including surrounding states, industry and governments, are supporting our position. We've finally been able to re-engage the state through the court ordered mediation.

Now the obvious solution here again is the tunnel which we've been moving forward on diligently despite these challenges from the state. We filed regulatory applications on the tunnel and we received one and the other two are in progress. We finalized the design and we're now bidding out construction.

The next slide brings all of what I've said so far together in our three-year outlook. Embedded revenue, productivity and optimization measures will drive 1% or 2% annual DCF per share growth. The secured program adds another 4% to 5%, so call it 5% to 7% growth through 2023 on average.

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Beginning in 2022, the increased EBITDA from these two categories should give us $5 billion to $6 billion of investable capacity annually. That's the story through 2023. Let's summarize the growth hopper beyond that.

This map you see here, inventories our organic opportunities set across the footprint. I won't go through each of these, of course. But there's two main takeaways: first, our diversity and positioning of assets gives us multiple avenues to grow, whether it's liquids, gas transmission, gas utility and gaining more traction, renewables; second, a good chunk of our organic capital is rateable, gas utility growth at $1 billion to $1.5 billion a year, gas transmission, call it, $1 billion or more, and low capital intensity expansions on our liquids system.

There's enough organic opportunity in the hopper to absorb most of the $5 billion to $6 billion of capacity. On that, though, we'll be disciplined in how we allocate capital between businesses and other options including share buybacks. Colin will take you through how we'll prioritize that in a minute.

But here's a bit of a flavor for the opportunity set, first. On exports, we've got great connectivity to low-cost supply for both liquids and natural gas. On the crude side, our heavy oil full path from Western Canada to the Gulf allows us to capitalize on growing heavy demand, and of course, the declining global heavy supply outlook for heavy.

We're developing a terminal to aggregate barrels and provide bundled full path service to the Gulf. Interest is building on our Houston Terminal and we recently acquired prime storage assets that link to our Cushing position and we'll leverage the Seaway distribution system into the Gulf refineries. Spot is moving along. There's an anchor customer, as you know, and MARAD’s approval is expected later this year.

On the gas front, we're very bullish, as you know, given its load following capability and baseload capability for that matter, but we also see it as a great enabler of society's lower carbon goals. Gas will be critical to achieving renewables targets and with that, green hydrogen. We're already a major player in LNG exports, feeding Sabine, Freeport and Cameron. Venture Global is progressing their Calcasieu Pass facility, which will feed through our Cameron extension, and that's on track for Q4. We're set to supply the Plaquemines Project off TETCO once they FID.

NextDecade has now differentiated their Brownsville project from an ESG perspective and that was great to see and they could reach FID on Rio Grande as early as this year. Of course, we acquired the Rio Bravo pipeline project that will feed the terminal. Also in Brownsville, Texas LNG received their FERC approval recently. We're working with them on providing supply via Valley Crossing.

Turning now to renewables. Over the last two decades, we've built up a solid renewables business with development and operating capabilities. We've got 3,600 megawatts gross of North American onshore and European offshore renewables. In addition to Saint-Nazaire and Fecomp in construction, we've kicked off Calvados in Q1 so that's another 1,400 megawatts underway. Each of these should earn solid mid-teen equity returns. We also saw an opportunity to recycle some offshore wind capital by monetizing interest at good value to the Canadian pension plan, and they are very strong partner for us.

We're focused on expanding the footprint in Europe anchored by Maple Power Development and our EDF partnership. There's over 3 gigawatts under development. You can see that in the chart here, including a late-stage projects in France and a very large expansion of our Rampion facility in the UK.

We're also developing Floating Wind, which will be the next offshore frontier. France itself has big plans to grow offshore wind and Floating will be part of that. We're going to pilot actually the Provence projects South–on the South Coast of France and it's moving through a regulatory process right now.

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Another growing part of our renewables business is self-powering in North America. This does excite us because it marries up our liquids and gas business with our renewable capabilities. A couple of weeks ago, we put Alberta Solar One into service. That's a 10.5 megawatt plant which will provide zero emission power to the mainline. Earlier this week, we sanctioned Phase 2 of our liquids program, so that's another four projects along our system in the U.S. Midwest. Recall, Texas Eastern, Our Lambertville project went into service last year, and this month Heidlersburg Solar will go into operation. There's three more gas solar projects on Bill's system in the queue which should FID later this year. We're really pleased with how our renewables business has developed. We've got more than enough in the hopper where we don't need to chase projects in this frothy market.

I'll close off my update on longer term strategic investments in low carbon assets. Now, this is not about taking flyers. It's about developing our capability, and proving out technology within our low-risk business model and our early start a few years ago in our utility has put us ahead of the curve. In Ontario, we're in the middle of a two-stage pilot. On stage one, we built the power to gas facility that converts off peak renewable power to hydrogen to manage grid stability. Stage two, which we're now starting up, blends hydrogen into our gas stream. More recently in Québec, we'll source renewable power to generate hydrogen and blend into the network there. On RNG, we have six projects in operation or in construction, and as you saw we just entered a partnership with Comcor and Walker Industries to develop projects across Canada.

Finally, the biggest opportunity may in fact be on CCUS. We're very encouraged by both the U.S. and Canadian government policy action. It's a perfect example of where public and private partnerships can make a big dent in achieving climate objectives. We do have our eye on a potential CO2 trunk line in northern Alberta to support our customers capture efforts.

All in, still in early stages on this one but lots of interest. I'll hand it over to Colin for the financial review.

Colin Gruending

Thanks, Al, and good morning, everyone. I'll start with a recap of our capital allocation priorities and then run through our financial results and outlook for the rest of 2021.

This initial slide summarizes our capital allocation framework. Importantly, it remains unchanged. Our first priority is maintaining a solid foundation, a healthy balance sheet. We're targeting our debt levels between 4.5 to 5 times debt-to-EBITDA which, given our low-risk model, maps strongly to BBB+ credit frameworks across all of our agencies.

Second, sustainable dividend growth will remain a core tenet of our value proposition. We intend to grow dividends up to the level of DCF per share growth which is projected to be 5% to 7% through 2023, of course, while minding a prudent payout level.

Third, we'll continue to carefully steward capital and focus on value maximization and equity returns. All the capital we're putting into service here will support $5 billion to $6 billion of annual investible financial capacity starting in 2022; $3 billion to $4 billion of this is designated for utility and utility-like investments, capital efficient optimizations and in corridor expansions. That leaves us about $2 billion of annual capacity for other investment opportunities as listed here. Or said another way, we'll dynamically deploy this $2 billion of capacity to maximize long-term value creation, and, yes, share repurchases continue to be an option.

Now, a quick update on our financial position. We exited 2020 with a great balance sheet and we continue to guard it and build even more flexibility. While 2021, as I mentioned, reflects an outsized

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Capex program, it's being contemplated in our self-funded equity plan and we expect to exit the year within our target range. This project execution should create significant 2022 EBITDA growth which will strengthen our metrics to the low end of our target range or even below it.

A quick comment on two of our recent financing innovations which we're excited about. During the quarter, we issued our first sustainability linked loan, tying our financial performance to our ESG goals. Second, we also issued what we understand as the world's first nonbank SOFR-linked floating rate note as global financial markets transition away from the traditional LIBOR benchmark. Anyways, I think the main message on this slide is that our financial position is strong, and we are on the cusp of significant financial flexibility.

On to Slide 19. Before I get into the results, I'll provide a few big picture comments on our Q1 performance broadly, and how it positions us for the full year. Despite the Texas storm and another wave of COVID restrictions, asset utilization across the board has been strong. Also, as Al illustrated, we're executing on all fronts, which gives us great visibility to our three-year planned growth objectives and confidence that we'll hit our 2021 financial guidance yet again.

As we look to the balance of this year, economic activity should continue to strengthen which will support a return of energy demand growth. Inflation should remain largely in check in the near-term which we expect will give central banks cover to keep interest rates low and support the economic recovery. In any event, we're well-protected against rising inflation should it occur with more than 65% of our EBITDA streams benefiting from built-in escalators commercially.

Foreign exchange, the U.S. dollar exchange rate that is, is likely to remain a headwind for the remainder of the year. But our hedge program gives us very good protection there. In 2021, for example, we're about 90% hedged on an earnings basis and about 65% on a DCF basis, in the $1.28 exchange rate area. We saw the benefits of this program in Q1, which is a good segue to the quarter results on Slide 20.

Adjusted EBITDA was $3.7 billion while DCF was $1.37 per share. We think that's a great outcome considering Q1 of last year was a tough comp with exceptionally strong and largely unaffected results pre-pandemic. Whereas this quarter, endured the pandemic, the February Texas storm, and a weaker exchange rate.

In terms of the storm effects briefly, if you're interested, our utility-like business model once again shone through and insulated us from significant impacts. We had puts and takes around the edges, I would say, on a handful of assets, with the net result being immaterial, albeit slightly negative. That's mostly due to two things. First, we have a weaker EBITDA pickup from our DCP investee, which reported yesterday. However, there was no cash impact to our distributions here. Secondly the impact of adverse price movements impacting our energy services business are about $20 million of the Q1 loss reported in that Energy Services segment.

Moreover, our liquids pipelines and gas transmission assets were substantially uninterrupted and sold out, as Bill says, on a reservation basis. We did benefit marginally at our gas storage facilities, but again, we've contracted out the majority of this capacity, which reflects our business model preference. Lastly, on the storm, our three Texas wind farms experienced some ice buildup, but the team returned those to service quickly to offset downtime effects. I think the message is here, once again, our business has proven highly resilient to the most challenging situations.

Okay. Let's look at the segment results. But first a comment on foreign exchange, which permeates a few segments. As you know, we have a continental footprint and about two-thirds of our business earns U.S.-dollar-denominated income, which we substantially hedge. Geographically in our results, in the business

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segments, we report the U.S.-dollar EBITDA translated at spot rates. But this is materially hedged and offset with settlement gains reported in our Corporate segment.

In our Liquids segment, mainline volumes were again right where we expected them at, slightly better than 2.7 million barrels per day for the quarter. That's about a 92% utilization rate, which, combined with higher totals and improved foreign exchange rates on our specific IJT totals, led to a strong reported quarter.

In Gas Transmission, our results were right on target also. But year-over-year, changes were impacted by a weaker foreign exchange rate and the positive impact from the Texas Eastern prior-period settlement as reported in last year's results.

In the Utility, results benefited from colder weather relative to last year, higher rates and a growing customer base. Relative to normal or our guidance, weather was about $24 million warmer.

Renewable Power had a few moving parts but overall a positive result supported by strong offshore wind contributions year-over-year.

Energy Services continues to be challenged by underutilization of certain of our fixed commitments which is due to primarily weak geographic basis differentials affecting light crude demand, as well as the $20 million storm onetime loss I mentioned a few minutes ago.

Eliminations and Other contains the offsetting hedge settlement gains I mentioned, as well as strong corporate cost management performance.

Maintenance capital is expected to pick up seasonally through the balance of the year, weighted to Q3 and Q4 as usual. The 2020 reported number here was a bit of an anomaly.

Okay. On to Slide 21 for the bigger picture and how we see the full year shaping up. Because of a strong start, we're definitely ahead of plan for the first quarter. While we're still cautious on the pace of recovery, we remain confident that we'll achieve our full-year guidance. As we look at the balance of ‘21, we have tweaked our own quarterly forecasts slightly, but importantly, no change to the full-year outlook. I'll touch briefly on a couple of these tweaks.

First, we're seeing a more concentrated crude oil customer turnaround season in the second quarter as producers and refiners advance their maintenance in anticipation of continuing demand pickup in the second half. This just boils down to timing with the mainline volumes expected to dip a little to about 2.6 million barrels per day, mostly impacting light volumes, then ramping back up to achieve the same full-year outlook of approximately 2.8 million barrels per day on average for the year. Second, lower energy service contributions will likely persist in Q2 and Q3 on weaker regional light demand and margins.

Big picture, however, energy demand is picking up nicely. Our businesses are performing well and we're confident in our full-year guidance.

With that, Al, I’ll pass it back to you.

Al Monaco

Okay. Thanks, Colin. Just a quick recap here to end it off, first quarter came in strong and on track for guidance, as Colin just mentioned. Execution-wise, big year at $10 billion going into service which is going to generate a lot of free cash flow, and after 2023, very good hoppers you saw of in-franchise growth opportunities.

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Just more broadly here though, the best-in-class franchises we've got here have very good longevity and transparency to future cash, but they also position us to capitalize as we transition to a lower carbon economy over time. We'll continue to ensure a strong balance sheet and great flexibility.

Finally, as we like to conclude, the combination of yield growth and capital appreciation here provides investors with a very attractive value proposition, especially as we move into a very robust economic outlook.

That concludes what we want to say formally. We'll move to the Q&A. Given we're in different locations, I will quarterback this and handoff questions as required. Over to the Operator.

Operator

Robert Kwan from RBC Capital Markets is online with a question.

Robert Kwan

Hey. Good morning.

I wanted to talk about the strategy around the energy transition and ask, first, just about the business mix. For 2023, the numbers you put out, heavily gas-driven. Do you see that as being more specific to your footprint on the gas side, or is there a higher level macro view that's the driving gas? If it is macro, do you see an opportunity to reduce your exposure in slower growing segments and acquire more gas platforms?

Al Monaco

Okay. Robert, it's Al here.

I think it's probably a combination of both, Robert. Obviously, we've got a great platform, likely one of the top two or three perhaps in the United States. We're very pleased with that. As Bill will tell you, we've got lots of organic growth coming out of it.

Fundamentally though, we're big fans of natural gas. We've been moving in that direction for quite a while, very positive on the fundamentals for a bunch of reasons. The obvious ones are replacing coal generation. More importantly though, as I mentioned in my remarks, it's about supporting renewables. If we want to hit the renewables targets, natural gas is going to have to be very important to that.

We like our position on LNG exports and we have very favorable view of LNG trade going forward. That's going to spawn, I think, a lot of opportunities to modernize our gas system, and I think distribution utilities probably in the same category.

In terms of the–maybe the implied capital allocation question there, that–we're in a good position here because the liquids business, as you know, is world-class franchise. That's going to continue to grow. But the capital intensity, that's likely going to decline for a bunch of reasons. It'll grow through optimizations and efficiencies that Vern and his team are working on, optimizing the system. We've had a great record of doing that so far. It will be lower capital intensity and that will allow us to perhaps deploy a greater proportion of future free cash flow into the gas business and into the renewables business. That's how we see it. Hopefully that gets to your question.

Robert Kwan

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Some more organic versus anything where you can accelerate your gas platforms on the acquisition front?

Al Monaco

Yes. The base case is organic. As Bill will tell you there's lots of opportunities there. If you look at the markets and where we feed gas into, the U.S. Northeast, the Southeast, we really like the Gulf Coast opportunity given where we're situated along the coast and how that's going to feed LNG. Even if you look at the BC system, good opportunities for organic growth.

We wouldn't hesitate though actually if we could find assets that extend out the franchise and give us some more opportunity to grow accretively from that platform. That's on the table if we can find a good asset opportunity. We'd certainly look at it closely. The team is looking at those opportunities.

Robert Kwan

Nothing front burner on that right now?

Al Monaco

Well, probably not front burner but it's certainly on the stove.

Operator

We have Jeremy Tonet from JPMorgan online with a question.

Jeremy Tonet

Good morning. I just want to start off with the carbon capture, if I could here. Just wanted to see, a lot of new good information there. The focus seems to be largely on Canada, but just wondering if you see opportunities in the U.S. as well. Curious about how you see project returns, do you see the 45Qs and other initiatives helping make it attractive? Or would you want to use third-party capital and joint ventures here to move forward, just trying to think through the different possibilities? Thanks.

Al Monaco

Maybe we'll get Vern to talk about how we see the U.S. and the opportunities there. I will come back to the last part of question after.

Vern Yu

Okay. Thanks, Al. Obviously, carbon capture is going to be very important in the energy transition as there's many industrial processes that people are going to need for the future that are highly carbon-intensive. Refining being one of them. I think some of the announcements that you've seen out of Exxon and others are highly informative of where people are thinking about that. We need to be in carbon capture a big part of the mix.

Obviously, this is all relatively new and we're in discussions with multiple parties in the U.S. about potential opportunities, as I think we bring a lot of expertise to building these types of projects. We're talking with customers in the Gulf Coast, customers in the Midwest, and the Rockies, as well as what

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we're doing in Canada. I think it's still, as these projects are very early in the conceptual stage, hard to comment on whether we want to bring third-party capital in at this point.

Al Monaco

Yes. Maybe I'll just add one point to what Vern said around that last part. Obviously, at this point, as you know, Jeremy, the economics are still challenged on CCUS. I think what's going to be important here, and you mentioned 45Q, I think we'll have hopefully a similar structure in Canada in the not-too-distant future. That's really going to help. Point being that I think at this stage of the cycle, we definitely need good partnerships between government and industry to move this along quickly and I think that will naturally evolve and we'll have some good opportunities there to jointly fund and provide incentive for this very important area. If you look at it, CCUS is probably the key to–at least one of the two to three keys to achieving lower carbon emissions in accordance with the goals.

Jeremy Tonet

Got it. That's very helpful. Thanks. Maybe just switching over to RNG, appreciate the new partnerships you formed there. I don't know if you are able to share more detail on what that could look like exactly in Canada. But also curious, in the U.S., do you see similar opportunities emerging or any thoughts on south of the border there?

Al Monaco

Well, Cynthia, why don't you talk to that question, at least on the Canadian front and then add on?

Cynthia Hansen

Thanks, Al. Yes, Jeremy, the partnership that we announced with Comcor and Walker Industries gives us an opportunity, as Al mentioned, to build up facilities across Canada. Walker Industries has a very large presence in the landfill space and obviously has the opportunity to involve us and Comcor has the experience and expertise, where we have the one project that was announced that is under construction in Niagara and we have 10 to 15 projects that we're looking at. There'll be an opportunity for us to expand in that space. There's over 10,000 landfills in Canada and they account for about 20% of the annual methane emissions.

The studies say that up to 10% of the gas blend in North America could be from RNG by 2040. It's a great opportunity. The project sizes are, just for the blending facilities, are in the $30 million to $40 million per project. Then, there's the cost of the biodigester. It is a significant opportunity with our partners, and we're excited about that.

Where, on the U.S. side, I think there are similar opportunities and we can continue, as Vern mentioned, with the opportunities on carbon capture. There are future opportunities and we'll see how the market grows.

Operator

Rob Hope from Scotiabank is online with the question.

Rob Hope

Good morning, everyone. I want to circle back on the carbon discussion you had there. Maybe just some additional color on where eventually you would like to dabble into the value chain, whether it be largely on

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the Trunkline, as you mentioned, in northern Alberta, or if there is sufficient government support, could you go upstream or downstream there on the carbon side?

Al Monaco

Well, Rob, Vern can add on here, but essentially, the way we're looking at it is you've got it, I think. The Trunkline is probably where we're naturally fitting, and we've got expertise in that area. There's really no issue there. That's the obvious one. But I do feel that we have the capability as well to move upstream. Collaborating with governments and, importantly, our customers on the capture side is a possibility. Certainly, on the downstream end of it, on the storage side, that's also something that we have great capability at. We actually see it as probably a full value chain investment opportunity, anchored by our expertise initially on the pipe side. I think it's a full value chain play for us. But I don't know, Vern, anything else on that.

Vern Yu

No. I think you've captured it well, Al. I think our customers are looking for potential partners to take part in the full value chain. I think they find that more attractive than just being a pipeline operator.

Rob Hope

All right. I appreciate that. Then I appreciate the comments on Line 5 and acknowledging the deadline next week. Can you just remind us how much flexibility you have in the system to move some volumes on the southern end and then back up into the Sarnia region, in the off chance that there is an injunction against a pipeline?

Vern Yu

Yes. Rob, maybe just to reiterate Al's point, obviously we believe the pipeline is safe. It's been reaffirmed by both PHMSA and the state court last year. Obviously the tunnel is the perfect solution to make the pipeline even safer. The fact is there is no alternative–meaningful alternatives to Line 5. It provides roughly 50% of the crude oil and propane to the Great Lakes states, as well as central Canada. A shutdown would be very impactful for the energy security of the region.

We do have a little bit of capacity that we can provide through Line 78, but it's not going to be enough to meet the energy needs of the Great Lakes region. I think that's why we believe it's in the best interest of everyone for us to get on with building this tunnel.

Al Monaco

Yes, Rob, just to add on one quick point to that. That whole area in the corridor is pretty full up, and if you look at capacity maximization on all the lines, you just can't take 540,000 barrels a day out of the market and not have bad things happen, ultimately to consumers and petchems and refineries. It's just a very bad outcome. Like you said, maybe at a very small margin, there's a few things that you can reroute, but it's not going to make a difference to shutting down the line.

Operator

Ben Pham from BMO is online with a question.

Ben Pham

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Hi, guys. Good morning. A couple of questions on the carbon tax and curious of–more high level, the impact that would have on your business, particularly first off in Canada, the net impact. Then my follow up is, do you see carbon prices starting to get reflected in the European power prices or in U.S.? It doesn't have–some benefit on your renewable offshore business?

Al Monaco

Do you want to take the CCUS part?

Vern Yu

Yes. I can take the CCUS part. With the recent Federal budget here in Canada, and the Federal Government is consulting with industry for a period of time to figure out the best way to implement tax credits associated with carbon capture, and we're at the table in those discussions. I think it's—until we get that finalized, it's probably difficult to say how meaningful these tax credits will be. But having said all that, it's obviously critically important that these tax credits exist, but just because—by the level of carbon pricing we see today in Canada, there isn't sufficient economic value to go ahead with CCUS without the tax credits. Maybe I'll turn it back to Al or Matthew to talk about European wind.

Al Monaco

Yes. Go ahead, Matthew, if you want to answer that.

Matthew Akman

Sure. Hi, Ben. Thanks. Yes, I think you're right. I think indirectly it does. What we are really seeing in Europe is very aggressive targets for offshore wind being established by most of the governments, especially where we're operating. For example, in France, about a gigawatt a year of offshore wind, the U.K. is targeting 30 by 2030–30 gigawatts. I think that rather than the carbon value or tax itself playing into our business, what we're seeing is a growing number of opportunities because of the targets and just the lack of supply of offshore wind.

Just as a reminder, we are under long-term contracts, and that's our model. We don't really benefit or get penalized one way or another from prices or carbon values. But what we do get is the tailwind of just the industry fundamentals driving behind us, and so that's creating more opportunities in our core markets there.

Operator

Linda Ezergailis from TD Securities is on the line with a question.

Linda Ezergailis

Thank you. With respect to the energy transitions that we're seeing underway, not only are certain parts of the value chain increasing in importance in services, but I think also how your assets are being used might change. I'm wondering how–what sort of implications there might be for your pipeline re-contracting, especially as it relates to your U.S. gas transmission and some of those settlements underway long term? How you might invest in connectivity and other linkages between the natural gas and power markets for which you have capabilities already, is my understanding? Also, how it affects your utility evolution long term? If you can comment on how you're thinking about repositioning the usage of your assets and what you can do there?

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Al Monaco

Okay. That's a very good question, Linda. Maybe on the first, there's a lot there on the first part of it. Maybe I'll get Bill to give his views on that and then we can shift to Cynthia.

Bill Yardley

Sure. Thanks, Linda. Yes. There is a lot in that question. I think the best way for me to think about this is all of these efforts are layering on top of what we already do. For example, you ask questions around how are we providing more services, perhaps, along these lines to utilities.

We're partnering very closely. As you know, most of our customers in the eastern half of the country are utilities. They're trying to get out ahead of this and they're big incubators with regard to any of the greening that we're doing. RNG, hydrogen, all of those present really good partnerships for the medium to long term. Just as an advertisement for Cynthia's business, I don't think anybody is as far ahead on this stuff as Enbridge gas distribution. We're learning a lot there.

But then it also presents new opportunities for things like the work that we're doing with our LNG terminals or the terminals that we're serving. NextDecade is a great example of that where they are truly out front in trying to produce and load green cargoes and we're a major–we will be a major part of their efforts. When Al was talking earlier, my vision of this is that it's soaking in to every corner of our business, whether it's modernization or new infrastructure. I know that's high level but I'll stop there.

Al Monaco

Anything to add, Cynthia?

Cynthia Hansen

Sure. Thanks for the question, Linda. I think, as Bill mentioned, I'll just add that we are positioning ourselves to support the energy transition in our utility. In addition to the projects that Al highlighted and that was in the deck on the RNG and hydrogen side, looking at how we can optimize their infrastructure there, we're also working with municipalities, homebuilders, and the electrics to really optimize the existing infrastructure.

Part of that is tying in to some and supporting some pilot projects in other areas such as geothermal or solar. But the key that we know is that our assets are used and useful now and they will be into the future as the resiliency that our assets bring is pretty critical. We are a really great part of that energy transition and really can provide that foundation and investment for the future for the platform because there is that, as Al mentioned in his remarks, that natural gas will support that energy transition.

Al Monaco

Linda, I think this is very interesting because from a strategic point of view, the way we think about the transition and what it means to our business is, obviously the infrastructure is going to be critical in any kind of pace of transition. But the whole angle here is to provide differentiated natural gas transportation. We know where we're headed in terms of lower carbon emissions. Our challenge is to find ways to ensure that what we're doing as a service provider is differentiated as well. That will be a competitive landscape and I think we're in good shape so far.

Linda Ezergailis

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Thank you. Just as a follow-up, as it relates to the pace of energy transition. Might there be an opportunity and are you looking at any to potentially acquire or divest of assets or businesses to accelerate the transition in terms of even augmenting your capabilities, whether to service your technology or volume increase development projects as well to accelerate your opportunities?

Al Monaco

Yes. That's a good point. Strategically here, I think as the team has just gone through, we've got some pretty good capability and I think we're probably ahead of the curve. But certainly, maybe acquiring some additional expertise, certainly being on top of the technology, is something that we're going to have to be thinking about to round out. The partnership that Cynthia mentioned is a good example where we've got opportunities with partners that bring value to the table.

We bring value to the table. But certainly, more partnering, perhaps assessing technologies as we go, will be part of the plan. I will say, though, that from a capital point of view, over the next several years, we're going to be very disciplined in where we put capital work. I could see doing those kinds of things you're mentioning at the edge or on the margin, but certainly size-wise, nothing that would really be large capital intensity over the next two to three years anyway. We'll be disciplined, but certainly bring up our capability, as you mentioned.

Operator

Robert Catellier with CIBC Capital Markets is online with the question.

Robert Catellier

Hi. Good morning. One more follow-up on the carbon capture size, I'm wondering if you have an idea what a realistic development period is for that type of project before you'd be in a position to submit applications? Further to that, other than clarity on the tax credits, what other regulatory or policy support do you think is needed to make this submission a reality?

Al Monaco

Okay. Vern, why don't you take the development period and I'll come back on the second half of this question there.

Vern Yu

Well, I think, right now, Rob, it's–we've got some lofty goals here in Canada to reduce our emissions by up to 300 megatons per year by 2030. The oil sands is a very obvious target to be a meaningful part of that CO2 reduction. I know our customers are looking at all sorts of opportunities near, medium and long term to meaningfully reduce the carbon emission that comes from those operations.

I would say that CCUS is probably in the medium-term bucket. The technology exists. The infrastructure is buildable. The regulatory approvals would be similar to existing infrastructure where it would all be under the jurisdiction of the Alberta regulator and that could be done in a relatively short regulatory process. I see these types of projects, three to five years out, where the industry is going to–where the upstream guys in the very near term are going to be focused on even quicker solutions such as using more solvents and how they potentially change over from more carbon-intensive sources of energy for SAGD to less carbon-intensive energy–sources for SAGD. But the opportunity set here is very large and there's lots of different irons in the fire.

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Al Monaco

I think, Rob, we shouldn't underestimate the need to move along on the incentive front and funding front on this one. But actually, the other part of this that needs to be developed is more to do with, let's call them, some of the regulatory issues, environmental issues with storing; whether you store it, sequester it, carbon or whether you apply it to EOR, there's issues around who owns that carbon in the ground, who's going to monitor it, what are the regulatory implications. I think there's a whole stream of work here that's got to happen on the regulatory and environmental front. That's another thing that we see that has to move along.

Robert Catellier

Yes. That was really the genesis of the question. Just trying to get a sense of how much other work is still out there, other than the clarifying the credits. Then…

Al Monaco

Yes. I think we're there. CO2 for EOR is already in place. I think that's fine. But if you're just looking at sequestration, those regulatory issues will need to be sorted out.

Colin Gruending

Can I have one more piece on that?

Al Monaco

Yes. Go ahead.

Colin Gruending

On the tax credits, I just had a small tweak here. I think that the go-to tax incentive on both sides of the border has been a tax credit, but you've got to be basically taxable to use it. I think if policy were tweaked to make those accessible to a broader group of tax payers, I think more capital would form in this space.

Robert Catellier

Okay. That's a good point. I did have a question on the main line contracting. Obviously, there is some uncertainty to some pipeline issues that you're well aware of, DAPL, Line 3, Line 5. But on the other hand, you do have some more clarity with respect to–that came from the cancellation of the Keystone XL. How are those things impacting commercial discussions with shippers or is it pretty much the same as the last update?

Vern Yu

Well, I think everyone is working through the CER process right now. Obviously, as Al mentioned, we're about to head into the hearing. The focus on all parties is to support their efforts in the hearing. We still have very strong support from shippers where over 75% of the volumes that move on the mainline today are supportive of contracting. We believe we've got a very strong regulatory case on why contracting should be allowed and that our tolls are just and reasonable. I think if you look at our reply evidence that was filed in late April, I think it's very meaningful and I think we feel quite good about our prospects in the hearings. Let's get through that phase first.

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Operator

Shneur Gershuni from UBS is online with a question.

Shneur Gershuni

Hi, good morning, everyone. I really enjoyed the expansive discussion today on the energy transition front. I was just wondering if I could ask a big picture question from a different angle. In the past, you've talked about your fuel mix represents the global consumption of fuel and that you expect it to evolve along with global consumption patterns over time.

You've also said that you won't chase returns, and to that point, opportunistically, you have sold some wind assets as well too. I was just wondering if your opportunity set which you've talked about extensively today is going to be lumpy in terms of where you place your focus is, in the near to medium term. For example, renewable returns are fairly low in many instances today, pushing it out on the risk curve of where one needs to invest. But at the same time, it seems like the capture opportunities are emerging, as are the export opportunities, let's say, on the LNG front. I was just wondering if you could rank order where you think the higher returns are today and where do the dollars go first in terms of the opportunity set that you see in front of you? Is it going to be something like investing even further with NextDecade into the actual LNG project or with Lake Charles project? Is it CCUS or is it still going to continue to be on the wind side and the renewable side?

Al Monaco

Okay. Well, front and center, I would say–and maybe two or three points. In terms of Renewables, let's go through them here. You're exactly right about the returns out there on some of the transactions that are being done. We're just not going to play in that area. We've been through opportunities in the U.S. Northeast. We've been through a couple in Europe where we've—frankly we've lost. We're going to be very disciplined not to play where we're not going to earn a sufficient return.

The good news is that, as I mentioned in my remarks, we've got a good 3 gigawatts under development now. Those are opportunities where we're right up in the development phase. We feel very good about the fact that we can certainly deploy a lot of capital from here, at least over the next three, four, five years or more, on returns that are more conducive to where we want to deploy capital. I think that will be a priority for sure.

On the LNG front, I think you're right about the opportunities perhaps to migrate down into the terminal. That hasn't been our preference, but certainly, where we can deploy capital with a commercial structure that fits with our own, that's an opportunity. Not our first one; the pipes, given where we are on the Gulf, and for that matter, on the Westcoast of Canada, I think position us well to focus on the pipe side. But always an opportunity downstream.

I think we shouldn't forget though about the Liquids business in terms of its growth capability. The team has developed a lot of optimization opportunities over the past. My guess is we're going to grow that business, but as I said, probably less capital intensity.

Then finally, I think you mentioned CCUS. Obviously that will take a little bit of time to come to fruition. That's probably not large capital deployment over the next two to three years. I'm hoping that that helps with your question, at least in broad terms, Shneur. But if it doesn't, come back.

Shneur Gershuni

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No. It does. It makes perfect sense. Just trying to think about it more on a three- to five-year basis and that was very helpful.

Maybe as a follow up question, I was wondering if we can talk about Line 3 for a minute here. The in-service date sounds to me like early fourth quarter. I understand that you're not able to construct between now and June 1 due to the previously set construction schedule. I was just wondering, at what point, is it July, August or even September, where the heavy construction on your schedule is completed, like the spreads are out of the way and where you're at the point where the growth–the ground is effectively closed off and you're entering the technical and commissioning stages?

Al Monaco

Yes. We're about 60% complete overall on the pipe–on the pipe side and about the same on the station side. The stations will be done before the pipes are done. I think it's late summer or early September, when all the pipe will be in the ground and we'll be working on the tie-ins and commissioning and line fill and all kinds of complicated matters of getting the pipeline up and running.

Shneur Gershuni

All right. Okay. That's the point in time where the cost goes down and that, if there was a delay from the courts, that it wouldn't–you wouldn't be incurring a lot of costs if you can make it to that point in late August, right?

Al Monaco

Yes.

Operator

Patrick Kenny from National Bank Financial is online with a question.

Patrick Kenny

Hey. Good morning, guys. Just maybe on Line 5, given the inflationary pressures out there on steel and construction in general, is the tunnel project still a circa $500 million endeavor or has that estimate gone up quite a bit, say, closer to $1 billion? At what price tag do you think it makes sense to seek financial assistance from the Canadian government, just given the linkage to jobs both out west and out east?

Vern Yu

Yes. Patrick, the cost estimate we did originally for the tunnel made a whole host of assumptions before a lot of engineering work was done. Now, we've done the geotechnical and completed the engineering design for the tunnel, which we announced in the quarter. The next step is to go out to contractors and suppliers for bid. It's too early for us to give you a better estimate of the cost of the tunnel. But it is fair to say, in all likelihood, the cost will be higher. At this point, while it's still unknown, I don't think we can really comment on if we need assistance on this project or not.

Al Monaco

Generally, though, Patrick, in terms of government support, that's not how we're looking at things today. Obviously, it's always possible. But as Vern and his team thought through mainline contracting, obviously in coming up with our toll there and discussions with customers, we had a placeholder for the cost of Line

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5 tunnel in there. Right now, we're assuming we can handle this within our commercial framework, but I guess things could change.

Patrick Kenny

Right. Then maybe sticking with the government support theme, circling back to the CO2 trunk line opportunity, obviously lots of wood to chop there on closing the gap on economics, especially with an EOR being included in the tax credits, but just in terms of capacity, are we looking at something similar to, say, the ACTL, call it, 15 million tons per year or something potentially much larger in scope and size?

Vern Yu

That's really going to depend on what the customers want. We have a placeholder project that we put out there that would be significantly larger than the current Alberta trunk line, but I think it’s really too early to determine if that's the ultimate size of the pipeline or not.

Patrick Kenny

Okay. That's great, guys. I'll leave it there. Thanks.

Operator

Praneeth Satish from Wells Fargo is online with a question.

Praneeth Satish

Thanks. Good morning. I just have a two-part question on the self-powering pipeline strategy. First, is there any update or do you see any traction on the regulatory front to potentially include that Capex that you spend on self-powering in the rate base? Then second, do you have any appetite to help other midstream companies, either through JVs or just outright self-power their pipelines, or do you think the competitive dynamics prevent you from doing that?

Al Monaco

Okay. Well, Matthew, why don't you take that one?

Matthew Akman

Sure. Thanks for the question. First, we're really, really pleased with the progress we've made on self power. We just announced these four new projects there, these 45 megawatts that you see there. There’s substantial helping us to reduce Scope 2 emissions and they’re great investments as well.

We feel like we do have some significant advantages here. We obviously have a big electricity load ourselves and the development expertise and also the operation expertise. People forget about that, but these aren't just small pieces of equipment hanging off your pipeline system. They're actual power plants that have to be operated and controlled. We have all those skills and abilities. Yes, I think there could be opportunities for third party and some of those could be joint ventures even. There's lots of options on that front. We certainly think we have the skills and capabilities for that, And a strong value proposition.

Meanwhile, we'll roll out our own program. To your first question, in terms of the commercial model, I think it can differ. There is some potential for rate base, especially on the GTM front. Obviously those are in progress. Bill made comment on that. But also, just straight up power cost savings, justify the investment

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in terms of strong returns, as well as the carbon credits. That's a commercial model that we're relying on presently for Liquids pipelines. I'll leave it there and hope that answers your questions.

Operator

Becca Followill with U.S. Capital Advisors is online with a question.

Becca Followill

Good morning. On Slide 13, when you look at your diversified opportunities, it's about $17 billion for Liquids and Gas Transmission Pipeline. Given the incredible difficulty in getting things permitted, are any of those lumpy projects that would require permitting or are these things that are just add-on traditional system?

Al Monaco

Yes. Maybe, Colin, if you want to add in. But really, the $17 billion that we're talking about on that slide, if I think I've got your slide right, it's–those are all in execution. You're talking about the opportunity set, okay. I think it's…

Becca Followill

I think it's the post–yes, the post-2023.

Al Monaco

Yes, yes. Generally, Becca, those are all subject to regulatory process. But the way we're thinking about it, if you go through the slide, for example on the gas utility front, there's a good chunk of capital there. As I said, probably $1 billion, $1.5 billion a year. That regulatory construct is very well-understood and it's within what we call the incremental capital module within our current framework. I think we're good there.

On the gas transmission side, obviously there's challenges in terms of getting new greenfield pipe in the ground. Most of what we have slated though is modernization capital, which doesn't really attract a significant amount of regulatory intervention like a greenfield project. In Vern's Liquids business, obviously Greenfield there would be difficult in today's environment. But again, most of what he's got going in the next little while are expansions of existing projects. I think, generally, we feel pretty good. This is how we've actually designed the program post-2023 to be relatively low-key in terms of regulatory requirements. Hopefully that gives a bit of context.

Operator

This concludes the question-and-answer session. I will now turn the call over to Jonathan Morgan for final remarks.

Jonathan Morgan

Thank you, Julie. Thank you for taking the time to join us this morning. We appreciate your ongoing interest in Enbridge. As always, our Investor Relations team is available to address any additional questions you may have. Once again, thank you and have a great day.

Operator

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Thank you, ladies and gentlemen. We appreciate your participation. This concludes today's conference. You may now disconnect.

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