



‘Striking the right balance’ between energy and the environment

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Check against delivery

Thank you Andy, Governor Rauner, Senator Kirk.

And thank you to Leader Redogno, Leader Durkin and your colleagues joining us today.

And thanks to the IMA for inviting me.

There are a lot of reasons why I jumped at the opportunity to be here today.

One reason: the Blackhawks are my second favourite hockey team.

More important, the Hawks are my wife's favourite team.

In fact we were scheduled to be at Game 6 against Tampa last year, which ended up being the final game of the Stanley Cup.

But business got in the way at the last minute.

Imagine how that went over at home.

The 'center of the energy universe'

A bigger reason is that Illinois is at the heart of our U.S. pipeline business and a great part of our history.

Not to mention home to some of our most important customers and partners.

As far as we're concerned, Illinois is the center of the energy universe.

Here's why.

Over the last few years, we've invested more than \$2 billion in Illinois with more to come.

And our staff – more than 200 in the Chicago area (1,000 in the Midwest) – are part of this community, along with thousands we employ to build projects and support our business.

So great hockey team, huge investment here, and our people are part of this community . . .

. . . all good reasons to be here, but here's the most important one.

As leader of Enbridge, it's more critical than ever to connect directly with our stakeholders:

- To listen carefully to community leaders and customers;
- To ensure our values and passion for delivering energy is understood;
- And to build an even stronger relationship, and continue to earn trust.

We don't look at ourselves as people who just build and operate pipelines.

We're proud of what we do, our role in the economy and being part of this community.

Energy and the Economy

What I want to talk about today is a question that's on all our minds . . .

. . . and that's around the connection between energy and the economy.

Enbridge has played an important role in the Illinois economy for nearly 50 years.

That's driven by providing reliable and competitively priced supply to Midwest refiners, helping them to compete and to grow . . .

. . . and supporting employment, state and local taxes

. . . as well as helping to ensure security of energy supply – diesel, gasoline, heating oil.

We've seen firsthand the positive economic impact of our projects and the spin-off benefits to communities and suppliers.

And we see opportunities for continued growth here and across the Midwest.

But today it's not just about economics.

Evolving public expectations have put a spotlight on energy development and its impact on the environment.

Energy consumers are emboldened by their growing power in the marketplace and their increasing ability to have a voice on energy development.

And concerns over climate change reached a fever pitch in the lead up to the Paris climate conference.

What should worry everybody in this room is the perception that energy and the environment are an all or nothing proposition – a question of either/or.

I don't see it that way.

I believe we can have robust energy development that benefits our economy . . .

. . . and protects our communities and our environment.

So the question we need to be thinking about is how we best achieve our collective goal to reduce our impact on the environment while ensuring that we continue to meet society's energy needs.

To explore this question of balance, I'll talk about global and North American consumption and supply pictures . . .

. . . and how we address the need for secure and reliable energy.

And I'll talk about how we're doing business differently to ensure we develop energy infrastructure in a sustainable way.

That's important because it used to be that no one cared about pipelines or infrastructure.

But today we're the point of attack for those who oppose fossil fuels.

Enbridge: A North American perspective

Before I do that, a bit of context about who we are and our perspective.

This map shows our North American footprint.

We deliver more than 2.2 million barrels across the border every day . . .

. . . more than half of all Canadian crude exports, much of that through Illinois.

Canada is the biggest source of imported oil to the U.S.

We're Canada's largest natural gas distributor, heating more than 2 million homes.

Our natural gas pipelines extend from Canada to the Gulf of Mexico.

Something you may not know: we're a rapidly growing generator of wind power.

Enbridge-wide, we're in the middle of executing the biggest capital program in our history - \$38 billion with a significant amount invested here in Illinois.

This is not to boast about the size of our asset base . . .

. . . but to illustrate that our perspective is North American in scope.

Enbridge in Illinois

Enbridge's roots in Illinois go back to 1968.

Today we have 10 liquids pipelines and our flagship Flanagan Terminal, a critically important transportation hub on our network.

We also have interests in the Alliance and Vector natural gas pipelines and the Aux Sable processing plant at Channahon.

Most of the natural gas delivered into Chicago on Alliance stays in Illinois, heating homes and providing low cost energy to manufacturers.

We provide a critical link for growing Western Canadian and Bakken crude oil supply, delivering roughly 600,000 barrels per day to the Illinois and Indiana market, which includes Exxon, Citgo, Marathon, Phillips and BP.

That's about 75% of refining demand in the state.

Our partners include companies like Evraz that provide the steel for our pipelines – more than 3,700 miles of pipe over the past decade – and Future Environmental (environmental services), Ameren (utilities) and Novaspect (instrumentation).

We invest heavily in the community and help fund equipment and training for emergency first responders.

Like the IMA and its members, we've made education a priority and we fund numerous scholarships across the state.

The dynamics of the North American energy business have changed dramatically over a very short period of time.

And Illinois has been at the forefront.

The transformation of the North American oil and gas grid began a decade ago when Enbridge reversed the Cushing-to-Chicago line from north to south.

We called this pipeline "Spearhead" because it was the first of our market access initiatives.

That started moving Western Canadian crude to Cushing, Oklahoma.

Spearhead was a catalyst for further inroads south – including the Southern Access and Alberta Clipper pipelines.

Together, they enabled substantial additional volumes of Canadian oil and Bakken crude to refineries in Chicago and beyond.

Those connections have added real value.

Since 2009, the cost of Canadian crude to the U.S. has averaged close to \$9 per barrel below the average cost of imported crude.

Our transportation conduit – and its secure supply of low cost feedstock – prompted Illinois refiners to invest in coking capacity . . .

. . . so more investment.

And because of that, U.S. Midwest refineries are among the most competitive in the world.

We've since twinned Spearhead with the Flanagan South pipeline – representing investment in Illinois of nearly \$800 million.

Three new projects in service in 2015

This year we're bringing three new projects into service in Illinois (Southern Access Extension Project, Line 78 and the Line 61 Upgrade) – \$1.4 billion in investment.

That's delivered significant benefits to Illinois – 2,000+ construction jobs, state and local tax revenue, and a tremendous economic multiplier effect as workers and contractors purchased equipment, goods and services.

Our system will continue to be a vital component of the Illinois and Indiana refining market.

As we advance expansion projects into Superior, we're looking at opportunities to further increase capacity into Illinois.

One project we're evaluating is twinning our Southern Access Pipeline (or Line 61) – a potential investment of up to \$4 billion.

So there's no doubt of the importance of our infrastructure to Illinois.

But let's take a look at the broader energy landscape.

The energy landscape

You can't talk about energy today without talking about the price of oil.

I've been in the energy business more than 30 years – this is the worst downturn I've ever seen.

Yes, lower prices provide a boost to consumers at the pump, refiners and airlines.

But the severity of the price hit is having a significant impact on upstream investment . . .

. . . with oil companies planning to cut spending in North America by up to \$90 billion in 2015 . . .

. . . and not a great outlook next year either.

Globally, more than 250,000 people have lost jobs.

That should be a concern to all of us.

I'm not going to get into oil price forecasting today.

But most agree that we'll see a rebalancing of the market.

Here's why I say that.

If you look at decline rates + demand growth, we'll need to add about 35 mmbpd of global oil production by 2020.

Investment in new supply to replace production won't happen at \$40 oil, at least not the amount we need.

That price isn't sufficient to meet investment hurdle rates and attract investment.

Eventually the current price of crude will move up to encourage the marginal barrel of new production to be developed.

What we're seeing today is a period of price discovery as we rebalance supply and demand.

I don't have a crystal ball that will tell us when that will happen – but it probably won't be until 2017.

But let me say this.

The long term global fundamentals for energy remain strong.

Supply and demand fundamentals

Global consumption will grow by 30%+ by 2040 driven by the sheer magnitude of population growth, urbanization and improved living standards.

The bulk of that growth comes from Asia.

To meet that demand, all sources of energy supply are needed.

The supply mix is changing – and renewables will grow the fastest.

But the reality is that fossil fuels will be required to meet the lion's share – roughly three-quarters – of global energy needs.

For North America, this adds up to the potential for a huge global energy competitive advantage:

- We have massive unconventional energy reserves;
- The skills and technology to unlock those reserves;
- And the capital markets and funding to develop them.

That creates tremendous opportunity . . .

. . . and in turn, energy security, economic development and social prosperity.

But that's only going to happen if we can build better connectivity for supply to reach markets.

Building connectivity

North American energy infrastructure was built for a world in which we imported crude oil and natural gas – bringing it from the coast to inland markets.

Today, we need to continue to serve our inland refineries – but we also need to get our energy to coastal markets, where producers can realize world prices.

Cheap crude is good for the refining business for sure, but having that price signal:

- Supports the upstream investment that will yield a truly North American competitive advantage;
- Creates jobs and tax revenues that support our social programs; and
- Enhances our ability to assure energy security for North America.

We have made some progress.

Enbridge has opened up new markets for 1.7 mmpbd production, including some of the projects I mentioned here in Illinois.

That helps producers get to market, but it also ensures refiners have access to all the crude feedstock.

Opposition to energy development

So if we're right and the price of oil and gas moves up over time, all should be good. Right?

Probably not.

Opposition to energy development is by far our most critical impediment.

It's causing uncertainty around expectations and timelines.

And much-needed market access projects are being delayed.

A recent example – our project to reverse the flow of a pipeline (you can't get more benign than that) to allow low-cost crude to supply Canadian refineries took three times as long as expected.

And we all know about Keystone XL.

Uncertainty and delays are exacerbating capacity constraints.

Our system is running full today (we're turning away volumes) – and we know production is still growing.

It will find its way to market – but most likely by rail.

We recently saw a major oil sands player cancel a project (taking a \$2 billion write-down) – because of the combination of oil prices and constraints to pipeline capacity.

The root cause of these issues stems from a confluence of factors:

- legitimate public concerns over climate change;
- significant events that have shaken public confidence;
- and opposition targeted at infrastructure as a means to halt fossil fuel development.

The outcome is an extremely challenging and prohibitive landscape for developing energy in North America.

Which brings me back to the question of balance.

How do we strike a balance between meeting our energy needs and rising to the expectations of the public, communities and regulators?

Here's our approach.

Changing our approach

The pipelines and facilities we build and operate require public trust and confidence that we're transporting energy responsibly.

And that means safety and environmental protection have to come first.

We recognize that the economic benefits of our projects on their own are not going to earn public support.

The public wants to know what we're doing to continually improve, to get better, to prevent accidents.

Key to that is engaging communities earlier and more often.

Flanagan South is a great example.

We didn't simply show stakeholders lines on a map and "tell" them what we planned to do and why it was good for them.

We first sat and listened . . .

. . . to gain an understanding of what concerns they had and what they wanted to see from us.

We asked for input and we were transparent about what we were doing.

We worked with Native American communities as partners.

And we did site tours so stakeholders could meet our team and see firsthand the care they take in their work.

In a nutshell, we were successful in gaining the trust of communities and that's what it's all about.

Focus on safety

Also key is how we think about regulatory requirements.

Our goal is to not just meet the letter of regulation, but to exceed it.

That means world class performance.

And a relentless focus on safety.

I know Illinois refineries share that view.

Over the past 4 years, we've executed the largest, most comprehensive maintenance and inspection program . . .

. . . of any pipeline system in the world using the most sophisticated inspection tools available.

We've enhanced our operations and monitoring programs that provide multiple layers of protection.

Here's the point.

We don't see capital investment in our system as a drag on returns.

It's that investment that enables reliability for our customers and drives more barrels to this market.

And it enables us to fulfil our commitment to our communities and to the public.

Climate change

This week, climate change is dominating global headlines.

I received a letter recently from a group of university students that's a good illustration of the either/or approach I think many believe to be the only path forward when it comes to climate change.

The students wrote to suggest that Enbridge take our \$38 billion growth capital program and invest it solely in renewables.

And that we decommission all of our existing energy assets.

My response – like my remarks today – focused on the need to achieve balance.

We don't disagree that our environment is a critical global issue.

Enbridge – and our industry – have acknowledged that we have a role to play in the transition to a lower carbon future.

But we need to appreciate the benefits of energy to our day-to-day lives and to our economy . . .

. . . and the implications if we move too quickly.

Something we can't lose sight of – despite the growth of energy supply between now and 2040 – including the rapid growth of renewable energy...

...more than 800 million people will still not have access to electricity and 1.8 billion will lack access to clean cooking fuels.

We believe that our shared responsibility as a society is to strike the right balance – to make a transition to a lower carbon future while ensuring we meet our collective need for energy.

The energy transition

Over the last decade, we've invested \$5 billion in 19 wind, solar and geothermal facilities with generating capacity of more than 2,600 megawatts – enough energy to provide power to more than 750,000 homes.

We're looking to double our renewable generating capacity over the next five years (we'd love to invest here in Illinois).

We're also investing in emerging technologies – such as energy storage and more efficient solar panels.

Growing our natural gas business is a priority.

Natural gas has great potential for electricity generation.

And increased use of natural gas will be one of the most impactful ways to enable large scale carbon emissions reductions.

Energy efficiency and conservation are also critical.

Through our gas utility, we've helped our customers save 16.5 million tonnes of emissions since 1995. That's the equivalent of taking approximately 3.2 million cars off the road.

Collaboration

That brings me to my concluding point.

The biggest threat to accomplishing our goals of energy development and environmental protection is the polarized debate we continue to have and gets us nowhere.

But there are signs things are changing.

In Alberta, our provincial government recently released its climate leadership plan.

It has the potential to be a game changer . . .

. . . I say that not just because of what it proposes – but for the way it came about.

Industry worked collaboratively with environmental organizations to understand each other's views and recommend solutions.

It's a great example of the collaboration we need to have to happen.

On all sides, we've come at the problem like the students did in their letter – from the perspective that we have to make a choice

That it's either energy – or – it's the environment.

The decision we need to make is not which side to be on . . .

. . . but how we can most effectively bring them together.

We believe that balance can be achieved – that we can protect the environment while continuing to safely generate, transport and distribute the energy our society needs.

And by doing so, we in North America can realize the tremendous opportunity before us to lead in the safe, reliable and responsible delivery of the energy our world needs.

I'll close by putting this challenge you: How can we best achieve our collective goal to reduce our impact on the environment while ensuring that we continue to meet society's energy needs in a sustainable manner?

Thank you.