

Alaska Natural Gas Pipeline

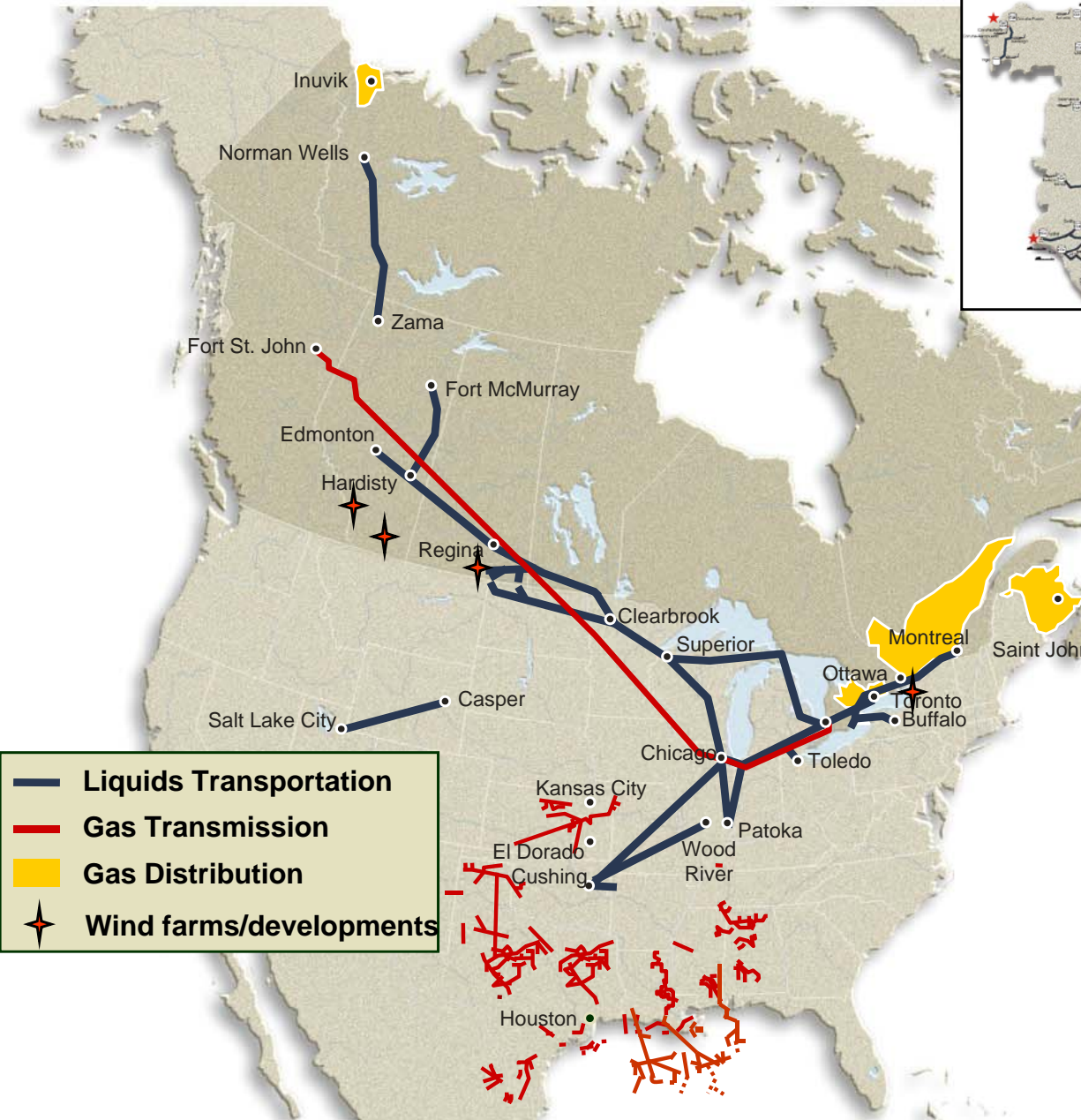


Dogwood North

May 29, 2007

Ron Brintnell
Director, Gas Development

Enbridge Overview



Spain



Colombia

- Interest in 80,000 Kms of pipelines
- Own and operate world's longest liquid petroleum pipeline
- Deliver 70% of WCSB crude oil production
- Deliver half of deep water Gulf of Mexico natural gas production
- Canada's largest natural gas local distribution company
- Employ 4,900 people
- One of the *Global 100 Most Sustainable Corporations in the World*
- \$15 billion in development over next 10 years

Substantial Northern Expertise



- Providing technical services



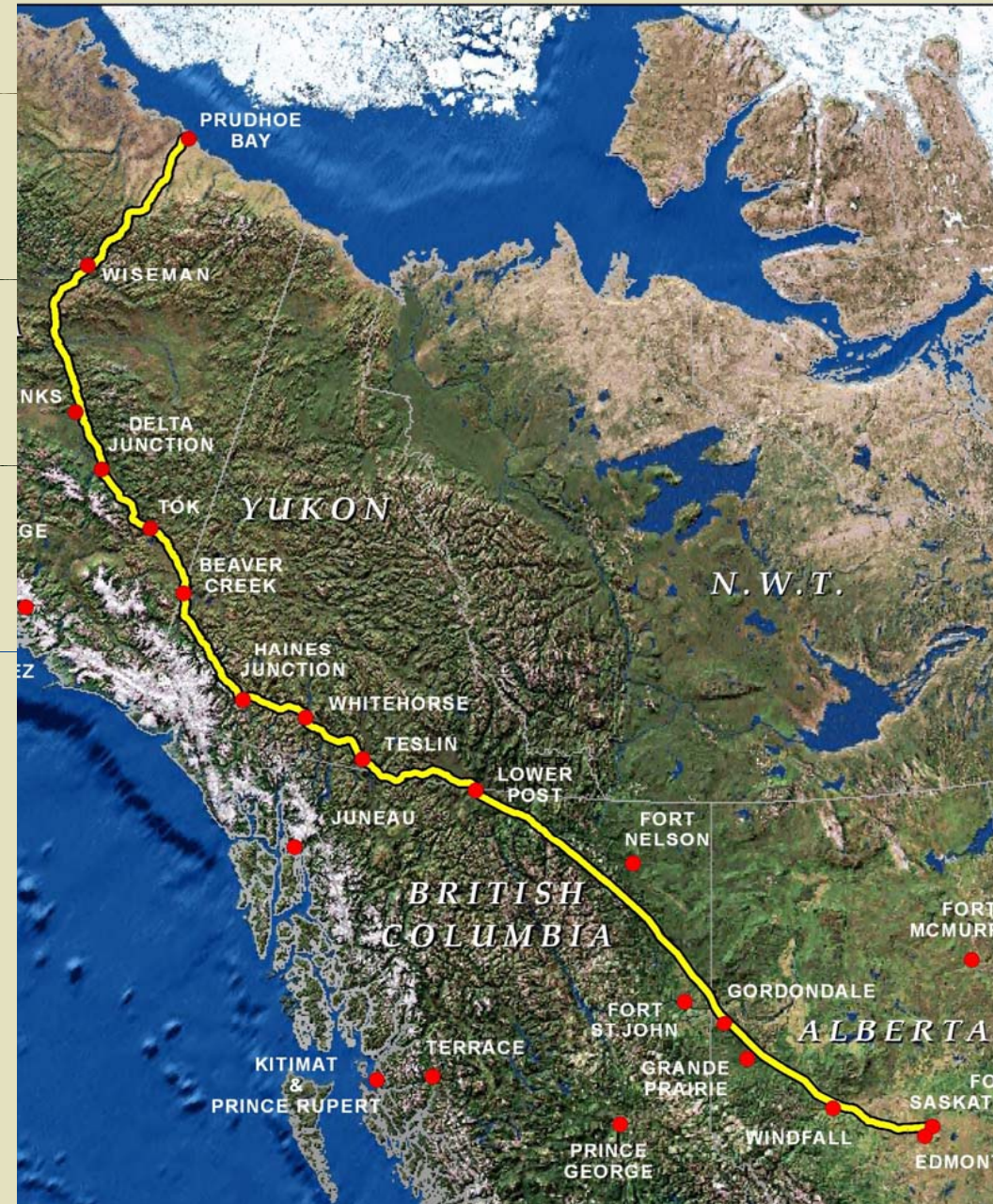
- Wellhead to Burner Tip service
- Natural gas production and distribution
- First in Arctic Canada
- Joint Venture with AltaGas & Inuvialuit Petroleum

- First significant buried pipeline in permafrost
- 860 kms built in 1985

What Is The Alaska Project ?



- **Upstream**
 - 2 Anchor Fields (35 TCF)
 - Gas currently being re-injected
 - Future exploration required
- **Gas Treatment Plant**
 - Remove CO₂ / Impurities
 - Initial compression
- **Alaska To Alberta Pipeline (A to B)**
 - 4.5 bcfd expandable to 6 bcfd
 - 3360 kms
 - 48-52 inch pipe, 2500 psi
 - Dense phase
 - \$20+ billion
- **NGL Extraction Facility**
 - Location ?
- **Alberta To Market Pipeline (B to C)**
 - New line probably not required



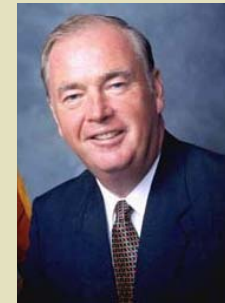
So Where Are We ?



■ 2006



- Producers & Governor reach agreement on proposed fiscal contract
- Public consultation
- Contract not ratified by Legislature
- Change in Government



■ 2007

- Alaska Gasline Inducement Act



What is Alaska Gasline Inducement Act (AGIA) ?



- Intended to facilitate an open, transparent and competitive RFP type process
- Incentive based framework includes:
 - Grant of a license to selected applicant
 - Up to \$500 mm State funding to acquire FERC certificate
 - State appointed coordinator to expedite permitting
 - Provides for 10 years of tax stability for gas committed under 1st Open Season

What is Alaska Gasline Inducement Act (AGIA) ?



- Licensee agrees to:
 - Have a binding Open Season within 3 years
 - Timing commitment for FERC application
 - Project sanction within specified timeline or transfer certificate and work product to State
 - Rolled-in rates up to 15% above initial tariff
 - In-State Use: at least 5 off-take points, distance sensitive rates
 - Minimum 70/30 debt/equity
 - Commitment for Alaska hire

- Penalty provision
 - If State provides financial benefits to a competing project after license is issued, licensee can recover 3X the amount spent from the State

AGIA

Current Timeline



- RFA (Request For Applications) to be issued July 1, 2007
- Applications to be received by October 1, 2007
- 60 day public review / commentary
- Administration review
- Administration submits preferred applicant to legislature in January, 2008
- Legislature reviews
- License granted

AGIA Concerns



- AGIA introduced as a catalyst to expedite the construction of a natural gas pipeline
 - Applaud the new Administration's high priority given to moving the pipeline development forward

- AGIA process will likely not produce the desired results because:
 - AGIA focus is on the pipeline and not Producer alignment / resource terms
 - Project is too risky to move forward without Producer commitment
 - Producers will bear the lion's share of risk

- Potential gas buyers see *No Producers as No Progress*
 - Buyers' dilemma, switch to coal, go off-shore, foreign LNG or wait for Alaska?



- Hinders competition
 - Licensed project assurances create significant barriers to alternatives and competition. Impairs State's ability to agree to different resource terms in the future
- How does the State judge ability to deliver on promises
- Rolled-in rate provision supercedes current FERC requirement, which is already different from the norm

AGIA Concerns



- Binding shipper commitment is required prior to spending significant \$'s on regulatory applications
- Not commercially prudent to assume producers will show, or that gas can be “acquired”
- Risk too high even with government cost sharing

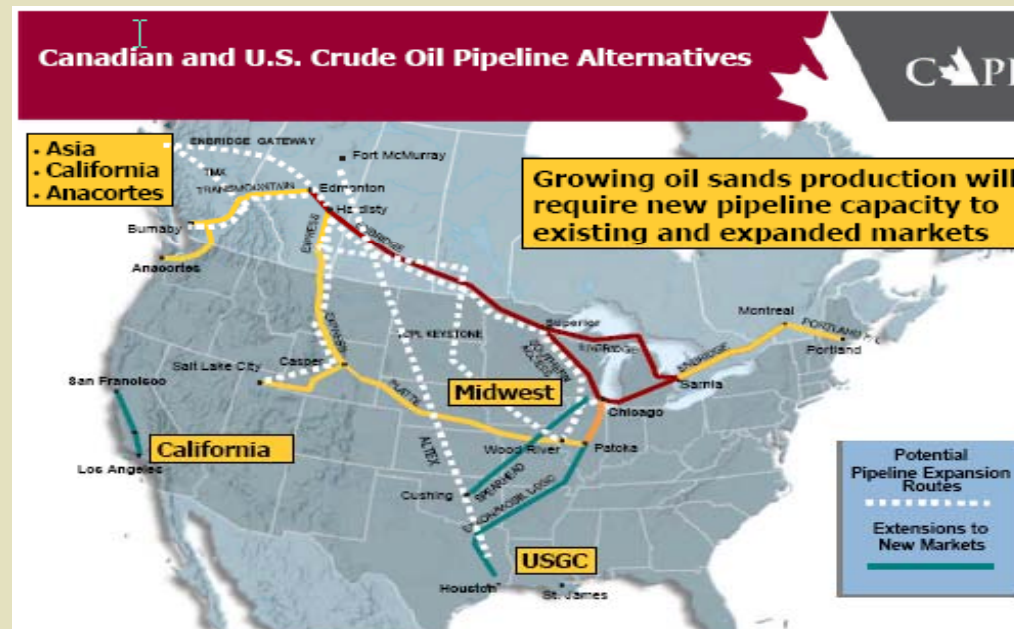
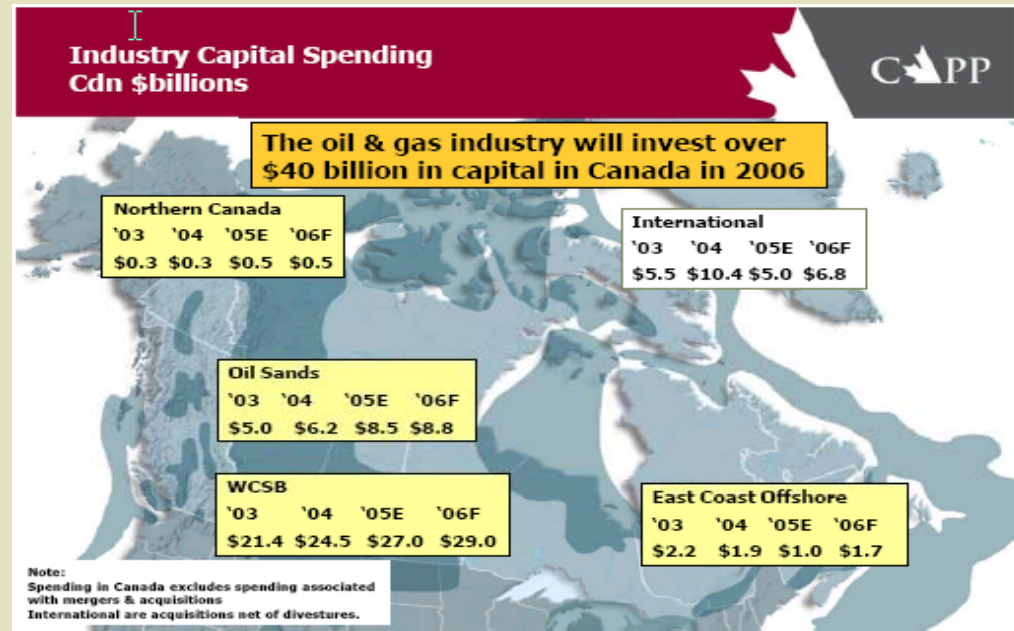
- Binding shipper/pipeline agreements will have conditions including:
 - An acceptable FERC Certificate
 - Acceptable Financing
 - Shipper resolution of Alaska state taxation issues
 - Defined project milestones / timing / toll

- An unconditional commitment to proceed will not happen
 - Regulatory certificates may have conditions making project uneconomic
 - Events between application and certificate could make project uneconomic

Canadian Oil Sands Development Valuable Lessons



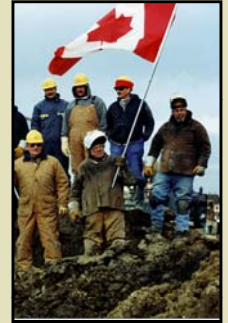
- Started with one pipe
- Investment of \$125 billion
 - Significant new employment, tax revenue, long term growth
 - Extensive new pipeline development
- Resulted from proactive progressive political vision that facilitated development
 - Worked cooperatively with industry
 - Generating greater returns for all



What About Canada ?



No company has the exclusive right to build a pipeline to ship Alaskan gas in Canada



❖ 2 Options to Permit the Project Through Canada

NPA

- Northern Pipeline Act passed in 1977
- Socio-economic baseline impact developed late 1970s
- Certificates of Public Convenience and Necessity issued to Foothills Pipeline to build the Cdn portion of the Alaska Natural Gas Transportation System proposal.
- Enshrines a 30-year old project never undertaken that has now significantly changed

NEB – CEAA

- Modern, efficient and transparent regulatory process
- Dove-tails with FERC
- Consistent with NAFTA
- Contemporary, well understood processes:
 - First Nations participation
 - Environmental assessments and practices
 - Economic benefits through open competition

What About Canada ?



“As we move forward, I am guided by **five principles** that I believe can be **applied to all pipeline decisions**:

- First, they **must not interfere with market forces**. We will **let the market decide**.
- Second, our decisions must be **supportive of a modern regulatory regime**
- Third there must be a **project management approach**
- Fourth, the **pipelines must support Aboriginal economic development**
- Finally, decisions **must ensure that Canadian benefits are realized**”

Honourable Jim Prentice

Minister of Indian Affairs and Northern Development

Presentation to Canadian Energy Pipeline Association Annual Dinner

May 2006

Project Challenges / Risks



- Environmental Protection / Northern Environment



- Steel / Pipe Supply



- Equipment



- Infrastructure



- Labour



- Gas Price Volatility

- Gas Demand / Shipping Commitments



First Nations Engagement



- Education – Pipeline 101
- Meaningful Consultation
 - Early engagement
 - Understanding and minimization of physical and socio-economic impacts
 - Get to know people and culture
- Ensuring significant, reliable and long term benefits through:
 - Training
 - Business and employment opportunities
 - Potential for equity participation in the project
- British Columbia and Yukon First Nations have voiced serious concerns about the NPA.



Canadian Needs to Include:



- Benefits must exceed costs / contribute to economic development within the North
- Significant, reliable and long term benefits to First Nations
- Training, employment & business opportunities including potential for steel supply
- Utilization of existing or expanded Canadian infrastructure with sufficient take-away capacity and access to NGLs
 - Fort Saskatchewan is the logical termination point
- Secure long term supply / reduced cost for consumers
- Potential for Canadian ownership
- Physical and economic access: on & off



Project Benefits



- Successful project will mean:
 - \$ billions in capital expenditures
 - \$ billions in government revenues
 - Thousands of construction work years
 - Tens of thousands of induced jobs annually
 - Increased utilization of existing infrastructure including optimization of the Alberta Energy Hub



- Consumer Benefits
 - Access to a new supply basin
 - Significant secure source of clean-burning natural gas
 - Cost competitive / reduced price volatility



So When Can We Expect The Gas ?

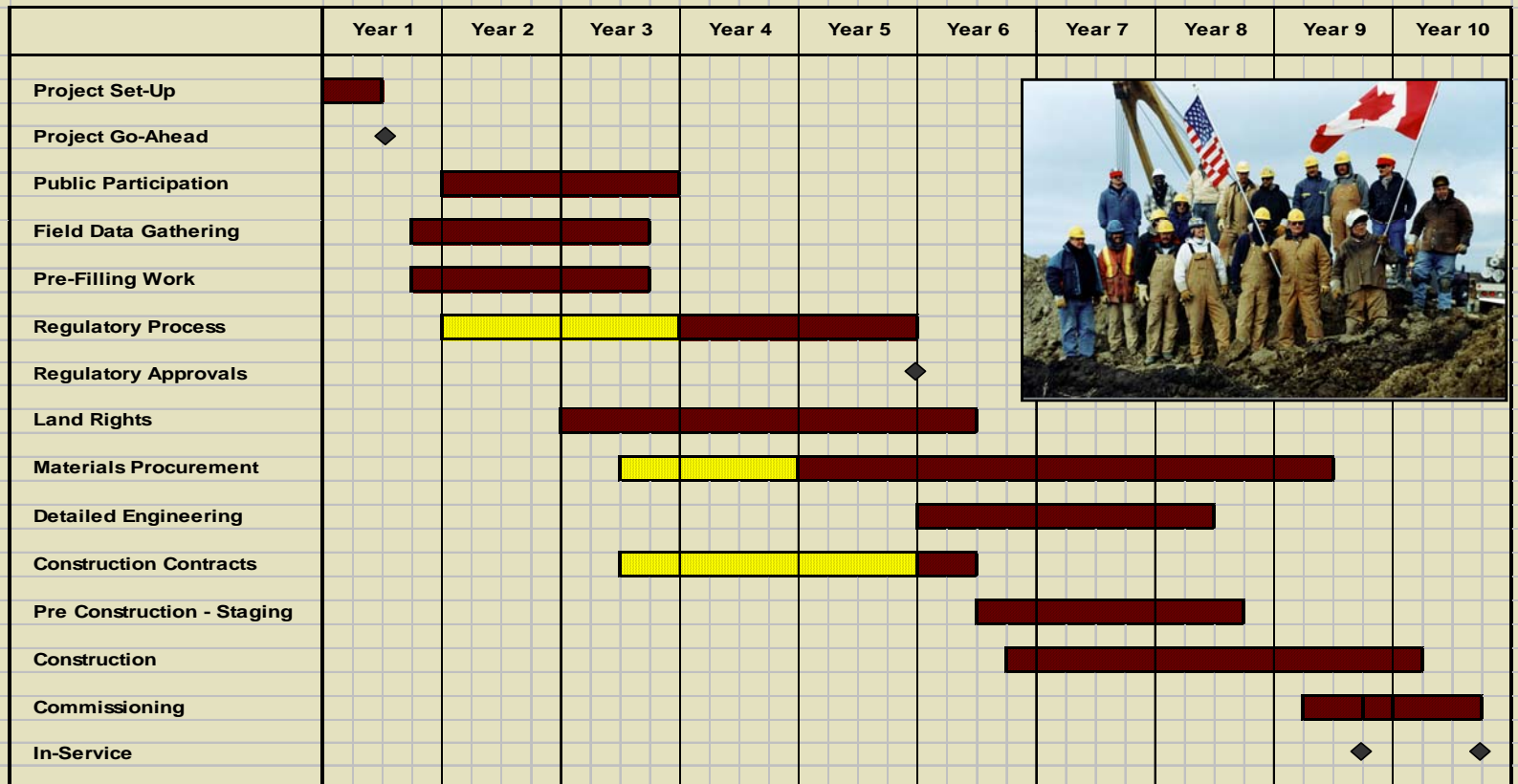


2018 ++



Alaska Gas Pipeline Project - NPS 48 Scenario

SCHEMATIC PROJECT SCHEDULE



LEGEND:

Task Duration



Lead-Up Contacts



Final Thoughts



- Outstanding fiscal issues are the project's “elephant in the living room
- An unconditional commitment to complete the project is not achievable
- Highest potential for success will come from facilitating / not hindering creativity
- Government financial assistance is not essential
- Canada can be and should ensure that it is ready