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Enbridge, Inc. (ENB)

Q4 2022 Earnings Call

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MANAGEMENT DISCUSSION SECTION

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

I will now turn the call over to Rebecca Morley, Director, Investor Relations. Rebecca, you may begin.

Rebecca Morley

Director-Investor Relations, Enbridge, Inc.

Thank you. Good morning and welcome to the Enbridge Inc. Fourth Quarter and Year-End 2022 earnings call. My name is Rebecca Morley and I'm a Director on the Investor Relations team.

Joining me this morning are Greg Ebel, President and CEO; Vern Yu, Chief Financial Officer and President of New Energy Technologies; and the heads of each of our business units: Colin Gruending, Liquids Pipelines; Cynthia Hansen, Gas Transmission and Midstream; Michele Harradence, Gas Distribution and Storage; and Matthew Akman, Renewable Power.

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

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

With that, I'll turn it over to Greg Ebel.

Gregory Lorne Ebel

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

Well, thank you very much, Rebecca, and good morning, everyone. I'm excited to be here today to review our fourth quarter and our record full-year 2022 financial results.

It was another solid quarter and year. So, let me start off by doing a recap of our accomplishments in 2022, including, as you'll see on this slide, our Saint Nazaire project. This is France's first operational offshore wind farm and it came into service in November on time and on budget at approximately €2.4 billion. It's providing 480 megawatts of electricity, enough to provide 700,000 people with electricity every year.

I'll also spend a few minutes discussing some of the key strategic advancements from our four core franchises, and then Vern will walk you through the financial performance and outlook. And then I'll come back and close in a little bit on what you can expect to hear at our upcoming Investor Day and, of course, the Enbridge team is here to address any questions at the end.

Before we get into the highlights, let me spend a minute or two sharing why I'm excited to be leading this great company moving forward. For me, it starts with the people. As Chairman, I had a great opportunity to get to know many of the Enbridge team that I've not previously known. And in the last few months, I've met with employees at all levels across the business. Their passion is evident in their delivery of life-giving energy that people depend on, and they do it every day, safely and reliably. I have no doubt we will build on this legacy, deliver top-tier performance and continue to grow this great company.

And like many of you, I'm passionate about the energy industry. We all know it is the backbone of our society. Access to safe, secure, affordable energy supports economic development and wellbeing. Today, the sector is at an inflection point. We must support the transition to lower carbon future, while at the same time ensuring we are delivering safe, secure and affordable energy.

Enbridge is right at the center of it. We are uniquely positioned to lead in the energy transition and continue to deliver reliable energy to our customers. As this slide demonstrates, we have an extensive asset footprint that allows us to realize synergies across our four core franchises. Our business is highly diversified and is underpinned by low-risk commercial frameworks.

Our franchises are largely demand pull and we serve the best markets across North America and increasingly in Europe. And we've demonstrated over our history an ability to adapt, wisely allocate capital, and capitalize on evolving market fundamentals, growing our natural gas franchise, investing more than two decades ago in what were then the emerging renewable energy technologies of wind and solar. Our balance sheet is in great shape and we have good visibility to cash flow growth.

Combined, this will allow us to continue to deliver strong risk-adjusted returns to our shareholders through all market cycles and allow us to build on our tremendous track record of steadily growing our dividend. I'm excited by the passion of our people, the strength of our company and by the investment opportunities that we have in front of us, both on the conventional and lower carbon fronts.

So let's move to our 2022 highlights. The year was indeed another solid one for Enbridge. We continued to lead on safety and reliability. In total, we invested over $1 billion on the integrity of our systems. Our balance sheet's in great shape, BBB+ rated and comfortably within our debt to EBITDA range of 4.7 times. We placed $4 billion of growth capital into service and secured an additional $8 billion of new capital projects, including investing in liquefaction through our investment in the Woodfibre LNG project.

And we continue to be good stewards of capital, releasing close to $2 billion of asset value from our regional oil sands assets and DCP Midstream. That brings us to $11 billion in capital recycling to help fund high-grade opportunities since 2018. We made great progress on our ESG goals, increasing diversity, establishing new Indigenous partnerships and advanced emission reductions across the business.

Now let's spend a few minutes on key accomplishments of each of our businesses starting with Liquids. Our Liquids business delivered record utilization in 2022 with the Line 3 Replacement Project being put into service in late 2021. Our Mainline is running full. Average daily throughput was 2.96 million barrels a day for 2022, and February and January of 2023 will exceed that as we hustle to move every barrel we can for our customers.

We continue to have constructive dialogue with our customers on its successor Mainline incentive tolling agreement. As you know, these discussions take time and we're working with a subgroup of shippers to land on a new framework. Once agreed upon, we would then take it to the broader shipper group for a vote on a proposed agreement before filing it with the CER.

Now, should we be unable to come to an agreement, then we're fully ready to file cost-of-service with the CER, which would actually reduce our risk and make us even more utility-like. It's important to note that we've been factoring the impact of TMX into our financial and operational outlook for a long time.

We expect the Mainline will remain well utilized once TMX is in service and we're talking to our shippers about the impact of TMX and it will be accounted for in either commercial tolling outcome. In addition, we expect to see growth in the basin between now and 2030. As the basin grows, our system will still back up.

In 2022, we extended our light oil strategy by increasing ownership to 68.5% in the Gray Oak Pipeline through multiple transactions and increased Cactus II Pipeline ownership to 30%, both of which helped connect the Permian Basin to our Ingleside terminal. We sanctioned another 2 million barrels of storage at Ingleside, which will unlock already built docks loading capacity for further export. I think we're starting to see and to create a real value-added super system out of the Permian region for our customers. Beyond having the ability to move product for our customers on two pipelines, we have the number one export terminal and the capacity to let them access premium markets for their oil.

We also advanced several exciting low carbon opportunities, including the development of a hydrogen ammonia plant at the Ingleside terminal and the JV with Oxy Clean Carbon Ventures to develop a carbon capture hub in Corpus Christi.

I think there are some really exciting times coming for our Gulf Coast connected liquid assets. These low-carbon opportunities on the Gulf complement our CCS plans in Alberta, where we are leading the development of the Wabamun Carbon Hub with close to 4 million tons of CO_2 already secured for sequestration. And we're advancing our self-power strategy with seven projects in construction at our pump stations with more on the way.

Lastly, we executed a landmark transaction with 23 Indigenous communities in Northern Alberta, selling roughly 11% stake in the regional pipeline and storage assets. With this transaction, we've strengthened our relationship with neighboring Indigenous communities and service strong value for reinvestment. We see this as an ideal framework for future partnerships and as a tool to recycle capital. More on that and our Gulf Coast regional plans at Enbridge Day in March.

Moving to Gas Transmission, we had another excellent year. Our systems were highly utilized, in particular during the winter storm Elliott. We continued to demonstrate our reliability by reversing the flow of our Texas Eastern System to supply much needed gas to the US Northeast. The net swing of close to 3 Bcf was instrumental to avoiding potentially devastating impacts to our customers and underlines our competitive advantage in serving customers and changing environments.

During the year, we also achieved positive rate settlements on the PetCo and BC pipeline systems and further underpinning the value of our pipeline system, all contracts up for renewal in 2022 were successfully re-contracted. We placed $900 million into service, including modernization projects and our Vito Offshore Pipeline system. Our natural gas export strategy continue to play out as we began construction on our Venice Extension projects, serving Plaquemines LNG. In addition, our investment in Woodfibre LNG has helped spur new investment along our BC Pipeline system, where we secured another CAD 4.8 billion of expansions on T-North and T-South. As you will recall, these projects earn under a cost-of-service framework. And given that they consist of brownfield construction on existing right-of-ways, they have considerably lower capital cost risk.

Overall, we see tremendous potential for North American LNG to meet global demand for secure, lower carbon energy and we're engaging with governments in the United States and Canada to advocate for permitting reforms to support development. We also further reduced our exposure to commodity prices by decreasing our economic interest in DCP and in favor of a higher interest in the Gray Oak Pipeline that is highly contracted. This was another good example of recycling capital to lower volatility and better risk-reward investments.

Turning to our gas utility, they had another strong year with approximately 46,000 new customers added. We put CAD 1.2 billion of expansion capital into service in 2022, which supports the continued growth of our rate base there. And we filed a new incentive rate application for the period 2024 to 2028. We have a long track record of working on our incentive rate mechanisms that provide quality, safe service and predictable rates for our customers, while also allowing us to achieve a premium return within the return parameters set annually by the OEB. Michele will have more to say on this important initiative at our Enbridge Day in March.

Our Dawn Hub and transmission systems continued to perform well, particularly in December, as winter storm Elliot wreaked havoc on North American market. Our integrated Dawn Storage Hub was able to reliably provide gas to the market, which helped to stabilize prices. In fact, just before Christmas, it was able to deliver a record 6.1 BCF of gas to the market in a single day. The distribution team continues to progress our RNG strategy, with two new projects sanctioned, bringing the total to eight in service for under construction in Ontario. We're also seeing encouraging performance from the 2% injection of hydrogen into the gas stream in Markham, which serves 3,600 customers with low carbon or lower carbon natural gas. But we are still studying the impacts, we are also exploring the merits of extending this strategy to more customers.

Looking at our renewables business, 2022 was a pivotal year for that segment. We placed the first of four offshore wind projects into service in France on-time and hit the €2.4 billion budget, quite an accomplishment in this market. We have 3 self-powered solar projects in service and another 10 under construction, which will produce 113 megawatts of power for our Liquids and Gas Transmission businesses, lowering Scope 2 emissions and we acquired a top renewable developer in North America, Tri Global Energy.

The acquisition brings near-term cash flow from the sale of 3.9 gigawatts of advanced projects over the next couple of years. And the power team has over 3 gigawatts of new development in progress that we expect to enter service between 2025 and 2028, with more beyond that timeframe.

The 3 gigawatts represents CAD 3 billion to CAD 5 billion of potential growth capital investment for Enbridge. Our combined expertise will help us accelerate our North American onshore renewable strategy, taking advantage of the incentives announced in the Inflation Reduction Act, so really fine 2022 for all the business units, which translated into record financials and sets us up for future growth.

So let me now turn it over to Vern, who will walk you through those financial results and outlook.

Vern D. Yu

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

Thanks, Greg, and good morning, everyone. A strong fourth quarter capped off a record year for us. We exceeded the midpoint of our DCF guidance range and we finished at the top end of our EBITDA guidance range. Strong operational performance resulted in a 6% increase in EBITDA and a 7% increase in DCF per share quarter-over-quarter. Our full-year EBITDA increased by 11% over 2021 and our DCF per share was up 9%.

During the quarter, we saw record Mainline volumes of 3.1 million barrels per day. Export volumes at Ingleside continue to grow throughout the year and we continue to enhance our US Gulf Coast footprint with increased ownership in Gray Oak and Cactus II.

Gas transmission utilization remained high and we have increased our revenues with the recent rate case settlements at Texas Eastern and at the BC Pipeline. Q4 also benefited with the full quarter of operations from our T-South and Spruce Ridge Expansions. The utility was up, with strong customer growth, rate escalations, and some slightly colder weather.

The renewables business was down slightly in the quarter due to lower US wind resources, the timing of annual operating expenses, which was partially offset by strong European power prices. Energy Services remained challenged in the quarter due to tight basis differentials and backwardation, but as a reminder, we expect Energy Services to return to profitability this year.

The quarter also benefited from a stronger US dollar. DCF in the quarter reflected higher distributions from our Alliance and Gray Oak joint ventures, offset by higher interest expense, cash taxes and the annual timing of maintenance capital.

Let's take a moment now to remind ourselves on how we've built a business that's resilient in all market cycles. The financial markets continue to be extremely volatile. Inflation is driving central banks to raise rates, stoking the potential of a recession. Enbridge continues to be well positioned to navigate through these risks. Our low-risk business model is built on minimizing our exposure to market price volatility and provides us with contractual protection against any of these movements. We have a proven track record of meeting our guidance, despite volatile market conditions. This resiliency is once again demonstrated in our 2023 outlook.

Let's move to that now. We are reaffirming our 2023 guidance that we provided last November. We expect the business to perform strongly in 2023 with high utilization across all of our systems and we will benefit from the capital we placed into service in 2022 and the additional capital that we placed into service this year. Rising interest rates are a modest headwind in 2023, but this has already been reflected in our guidance. We enter the year with approximately 10% of our debt in floating rates. We're also substantially hedged on foreign exchange, so we're well protected here as well. Our 2023 dividend increase of 3.2% marks our 28th consecutive annual dividend increase and our dividend payout remains in the middle of our target range.

We continue to prioritize the balance sheet and are targeting to exit 2023 in the lower half of our 4.5 to 5 times debt-to-EBITDA range. At Enbridge Day, we'll provide more detail on our medium-term growth outlook, so please join us for that. I'm now going to move on to our secured growth program.

Today, our secured capital program sits at CAD 18 billion. We had CAD 4 billion capital enter into service in 2022, which will drive cash flow growth in 2023 and beyond. We also added CAD 8 billion to our growth capital program last year, where the majority of this capital comes into service between 2026 and 2028. Our CAD 5 billion to CAD 6 billion of annual investment capacity allows us to fund these projects under an equity self-financing model, going forward with ample investment capacity for more organic growth, tuck-in M&A, debt repayment and share buybacks.

So with that, let's move to capital allocation. It all starts with balance sheet strength and financial flexibility. Recycling capital into new opportunities is just one part of our strategy to keep our leverage in check. Our balance sheet doesn't require us to do so, but we will continue to opportunistically evaluate future asset sales at attractive valuations. We continue to return capital to shareholders sustainably. We pay out about 65% of our distributable cash flow as a dividend. And as you know, we have a long record of growing that dividend. We renewed our $1.5 billion in normal course issuer bid, which allows us to opportunistically repurchase shares. Buybacks will, of course, compete with any other capital allocation opportunities, but they will also act as a benchmark for our business developers.

We will prioritize low capital intensity and utility-like investments and then deploy any remaining investment capacity to the next available option. All of these opportunities fit our low risk business model, exceed our risk-adjusted hurdle rates, have a strong strategic fit and align with our ESG goals. The bottom line is we continue to be focused on maximizing shareholder value.

Let me finish up with an ESG update. I'm truly proud of our ESG accomplishments in 2022. Most of all, by the work we've done on Indigenous reconciliation. We released our Indigenous Reconciliation Action Plan in September, which articulates and tracks our commitments and progress with our Indigenous stakeholders. Through the East-West Tie Line, the Wabamun Carbon Hub, and Aii Regional Oil Sands Equity Partnership, we are setting the standard for economic participation with our Indigenous partners. We see further opportunities to continue to develop more Indigenous partnerships on both sides of the border.

We're finding innovative ways to reduce our GHG emissions and we're executing on our solar cell power strategy that supports both of our Liquids and Gas businesses. On governance, we're honored that Pamela Carter has been elected our first female chairperson. Finally, we issued another sustainability-linked bond in the fourth quarter, bringing our total sustainability-linked financings to over CAD 4 billion.

With that, I'll turn it back to Greg.

Gregory Lorne Ebel

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

Well, thanks very much, Vern. And as we mentioned earlier, we're really looking forward to spending time with you at our Investor Days coming up in Toronto and New York in March. You will hear at those days from our business unit leaders on the prospects for each of their businesses. They'll be providing you with views on the following questions. What are the near- and long-term fundamentals of the business? How will we continue to drive efficiencies? How will we grow our core businesses and invest in new energy technologies, while leveraging our existing business positions horizontally across the enterprise? How are we progressing on our ESG goals?

In addition, you'll hear from myself and the team about the positive positioning of our business, our strategic priorities, our capital allocation discipline, and our medium-term financial outlook. We hope to see you there and look forward to a great discussion.

Before we take questions, let me wrap up by saying that over the last decade, Al Monaco and the senior leadership team have transformed Enbridge to be the leading energy delivery company. Building off that strength, we've entered 2023 with a solid plan and a committed team to continue safely and reliably delivering energy across North America and beyond for our customers and our investors.

2022 was an inflection point for our industry and policymakers as energy security and high commodity prices from under-investment in energy was put under the spotlight. The need for both conventional and lower carbon solutions to meet the growing demand for global energy will be critical, as will our ability to deliver both in an economic and environmentally sustainable way for our customers, our investors and stakeholders at large.

Our business model is resilient and our low-risk value proposition should make us your first choice energy investment opportunity. We will demonstrate that at Enbridge Day and show you how we will bridge to the energy future by meeting the needs of today, tomorrow, and beyond.

Thank you for joining us today, and now let's open up the lines for your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] And we will take our first question from Robert Kwan with RBC Capital Markets. Your line is open.

Robert Kwan
Analyst, RBC Dominion Securities, Inc.

Q

Great. Good morning. Greg, I guess first question here for you just around the Mainline here. Have you changed the company's priorities even if it's nuanced or just part of a potential deal and specifically, as you think about transitioning the business over time, is there a desire to push for higher depreciation to both manage the residual value of the Mainline, as well as releasing additional capital to rotate into lower carbon infrastructure?

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

A

Well, Robert, first of all, thank you. And Colin's on the line here, too, but maybe I'll start. Yeah, I would not see the Mainline negotiations as anything about changing the priorities of the company. As I've tried to speak to the investment community today [ph] about one-offs (00:27:38) and we'll talk about this in March, I wouldn't read that into it.

I mean, look, my strong belief continues to be that from a North American perspective, it's about going through and out of, and the Liquids business is part of that obviously and a critical component. That will remain from a Western Canadian perspective as we serve those customers not only in Canada, but also their desires to go south.

And as we talked about a little bit in the opening comments, from the perspective of the Gulf Coast, we're building what I think is a really great super system there. So I don't think it's an either/or; it's an and. So I definitely don't see the Mainline negotiations as changed in any way in the priorities. This is a great business that earns about CAD 9 billion in EBITDA and will continue to be a backbone of the Corporation, which does not take away from the other business units.

But specifically, Colin, do you want to speak to some of the comments and question from Robert?

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

A

Yeah. Sure, Greg. Thanks for the question, Robert. Maybe just to build on Greg's comments and I'll give you as much color as I can on the negotiations. It's obviously premature to dig into it too much and it would be disrespectful to our counterparties. But here's what I can tell you. And, Robert, you've been around the company and the industry for a while and you'll recognize that we've evolved through incentive tolling for 27 years now, 7 vintages, starting back, right, in the 1990s. And each one of those arrangements matured, build on, the previous one added new features, typically added, not too many subtractions, but added new features around risk and reward, around speaking to ways we can maximize value for industry, right?

Just to recap a little bit, these have included initially cost envelopes, then it evolved to batch quality. It evolved to connectivity and increasingly now, it's including ESG stewardship and defense of the system and advocacy. Will we add new features to this one? Likely. It could include items like you're talking about. We're very mindful of the dynamic you service there and in light of increasing industry risks. So I'd say an incentive arrangement here remains the shipper's preference. That's why we're negotiating it.

I'll add, our bid-ask on the toll component of the arrangement has narrowed meaningfully. But I want to caution that we're not there yet. We've made progress, but we're not there yet and we may not get there. And obviously we've advanced and fully prepared the alternative cost length – cost of service pass-through model, which would be equally acceptable to us.

We don't have comments on timeline. I don't think that's helpful. But we are making progress and either outcome here will be competitive for our customers and investors. So, I don't know, I probably over-answered that, Robert, but it's a good question.

Robert Kwan
Analyst, RBC Dominion Securities, Inc.
Q

Great. Appreciate the color. If I could just finish on capital allocation or capital recycling, you had a good amount of activity in 2022. I'm just wondering how active you intend to be both on monetization front, but as well just on acquisitions. It's not new that you're focusing on tuck-ins, but the annual disclosure is very specifically no tuck-ins. Just some thoughts as well as to how you might be approaching larger deals or is it really a focus on tuck-ins when it comes to M&A.

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

Yeah. Well, first and foremost, I think the reason why we can even consider those types of things, Robert, is that that strong focus on the capital allocation starts with the maintenance of our balance sheet and the equity self-financing model and all that, of course, ultimately ends up in being able to increase that dividend on a steady basis. But you've seen us recycle capital over the last four, five years, CAD 10 billion plus. That allows us, as well as some of the capacity of the balance sheet, to go out and do tuck-ins.

We'll continue to look at those. And the next thing is for a company of the size of Enbridge, with the self-equity financing model and the balance sheet capacity, tuck-ins, for us, are pretty substantial deals. I mean, we would refer to Ingleside as a tuck-in from that perspective, and as you know, it's in the CAD 3 billion range. And look at the opportunities that then it created, frankly, the management team, great job in getting a solution after many years to DCP and it leads to Gray Oak, and then leads to Cactus and some of the opportunities.

And I would even argue to the work we're now doing in the early stages with Oxy and pieces like that. So I think you can continue to watch for that, continue to see us look at tuck-ins. I don't think we explicitly said in our 2023 guidance we wouldn't do that. That is part of the core of what we were able to do now and you should expect to continue to see that and again, smart stuff that we can fit in. And they can add incremental value, not just to the business that maybe it's coming to, but also that horizontal perspective of some of those tuck-ins. And that includes on the new energy technology side.

Look. Matthew and the team bringing in Tri Global Energy, that's a great example and a whole variety of opportunities. And I know all the business units are looking at those types of things, again, driven by the strong balance sheet and the ability to equity self-finance.

Robert Kwan
Analyst, RBC Dominion Securities, Inc.

Q

That's great. I appreciate the color. Thank you.

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

A

Thanks, Robert.

Operator: We will take our next question from Jeremy Tonet with JPMorgan. Your line is open.

Jeremy Tonet
Analyst, JPMorgan Securities LLC

Q

Hi. Good morning. And...

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

A

Good morning.

Jeremy Tonet
Analyst, JPMorgan Securities LLC

Q

...wishing Al the best in retirement. Greg, looking forward to working with you going forward here.

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

A

Sure.

Jeremy Tonet
Analyst, JPMorgan Securities LLC

Q

Just wanted to pivot towards, I guess, WCSB and Expansion, really specifically construction risk going forward. We see lot of projects out there. We see issues of cost overruns. And we see pressure on the contractors, the strength of this company. And so just wondering as you look at expansions with T-South, what have you – how do you think about addressing project cost risk given the dynamics in what we've seen in the basin so far?

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

A

Yeah. Look, it's a great question and we're obviously very much focused on it. As you know, we're not new to building projects, but this is an interesting environment. Some of the things that I think probably put us in a bit of a unique situation, particularly in Western Canada, some of the projects that were just secured last year, first of all, they're long existing right-of-way. That is an important issue that cannot be underestimated in terms of us understanding what we're doing. And remember, we've been through one company or another have been run in that system since 1950-ish timeframe with lots of expansions. Secondly, they're split up over a long period of time.

Right. So you're talking about brownfield projects of which the capital was spent over multiple years and much of it not for several years ahead. So unless you believe there's going to be a very long time period of inflationary pressure on us, I think we should be in a good spot from an inflationary perspective.

And then, of course, these are brownfield projects. So I think it's very different when you're building brand new projects. And this was very similar to the whole system. Where there is a greenfield project, there's not a linear project. So Cynthia and the team, from a Woodfibre perspective, obviously that's a big project, but not a massive project and it's not a linear project and one that's been worked for the better part of 20 years and now coming to a good fruition.

So I'd say not just in Western Canada, this is something we're focused on, on all fronts. The power team is focused on that, obviously, right across North America. This is something that we're hypersensitive to. But I like our positioning from the perspective, as I said, existing right-of-way is largely brownfield. Our timing and capital spend should put us in a better spot than maybe some others are dealing with right today.

Jeremy Tonet
Analyst, JPMorgan Securities LLC

Q

Got it. Got it. That's helpful. Thanks. And just want to pivot towards, I guess, floating interest rate exposure. It seems like there's some locking in for this year. But just thinking on a longer term basis, is there any thoughts to kind of terming out more of that and reducing the amount of exposure to floating rates at a given point in time?

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

A

Yeah. Good question, Jeremy. I'll turn to Vern for that. The other thing I probably should have mentioned, as you know, that's the case in every location, but definitely in Western Canada. We are under a cost of service structure, too, which is definitely different than a lot of other people in terms of their contract structures and infrastructure. But Vern, you want to speak to the floating-rate debt issue?

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

A

Okay. Thanks, Greg. Jeremy, as you know, we've run our debt book with a percentage of floating-rate debt in it each and every year. And over the long run, we create shareholder value by having some floating-rate debt out there. Our target is to run between 10% to 20% of the book in floating rates. And as you've seen, obviously, interest rates go up. We've gone to the shorter or the smaller end of that target range. We're highly hedged on new issuances as well. So there is obviously some interest rate exposure, but we'll carefully manage that.

And I think you're right, there is some value in the shape of the curve right now and that will be part of how we manage our debt portfolio as we go forward because obviously in today's market, a 5- or 10-year bond is actually cheaper than floating-rate debt. So you raised a good point.

Jeremy Tonet
Analyst, JPMorgan Securities LLC

Q

Got it. That's helpful. I'll leave it there. Thanks.

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

A

Thanks, Jeremy.

Operator: We will take our next question from Rob Hope with Scotiabank. Your line is open.

Robert Hope
Analyst, Scotia Capital, Inc.

Q

Good morning, everyone. Maybe keeping with the BC theme, can you comment on the deferral of the T Open Season? Just given the commentary on producers are reevaluating their long-term plans, is this commodity price-driven or is this Blueberry-driven? Can you maybe add a little bit of color there?

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

A

Sure. Cynthia is here, so maybe I'll ask Cynthia to chime in here.

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

A

Yeah. Thanks, Rob. I would say that it would be an opportunity for our customers to step back and confirm how they want to approach this. So it is both the Blueberry and they may be looking at the inflationary pressures. But our West Coast customers, when they asked us to postpone this to the second half of the year, it's basically just to allow them to assess what their development plans are and their gas transportation requirements.

So with that Blueberry decision, I think it's great that we're able to continue to progress. We're going to see more certainty. Certainty is always something that we'd like to see in that space. We've always had some, as Greg had mentioned, long relationships with the Indigenous people in that area. But our customers now will have this opportunity to really look at how the Blueberry decision is going to allow them to continue to develop. So, it's a combination of both.

Robert Hope
Analyst, Scotia Capital, Inc.

Q

Great. Thank you for that. And then Greg, you've been in the chair, I guess, just over 40 days now. Can you give us an update on where you are on your 90-day plan, what you've been focusing on so far, and what changes you've made?

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

A

Sure. So several things. Obviously, getting the books closed for the year-end. Just finished the board meeting, all good on that front. But I've really been spending time, A, seeing investors, seeing a lot of investors, getting out and seeing our employees. I sat down with every vice president in the company, I think, for at least an hour and get their views on where things are and also huge employee groups as well. And I spend a lot of time, and this is going to be a big focus of mine, with policymakers, too. Look, permitting is a huge issue, we said this off the front. But both Canada and the United States, this is an issue. And we're not really answering the call from a sustainability of fuel perspective globally and we can do that in North America and look after ourselves, while helping the rest of the world. So I'm going to spend a lot of time on that front.

I think you'll hear in March and I'll ask you to wait till then, kind of some of the priorities going forward. But again, I would not expect to see significant change on the key areas, right, so Liquids business. We chatted about that as well. The Gas business, look, the LNG side of things has absolutely been a focus of mine, both here in Canada, but also in the Gulf Coast and the United States. Those opportunities are big. And we've got to continue to do that and then as well on the Renewables side of things, how are we going to continue to grow at that business? We bought Tri Global. We've got to focus on that and make sure that the results we expect to that come in the next few years, as well as advancing our RNG, our CCUS and in the longer term some of the hydrogen opportunities that are out there.

And I will not forget the Gas Distribution business, I love the gas distribution business. I have been there to see employees there as well. That is a growing business and it is – frankly, there is no future without natural gas. I don't care what anybody says. That's the reality of the situation and obviously, having a Gas Distribution business is an important element of that. So, that's been my focus. It will come out in March. I have, I'll say, pushed some authorities down to people to make decisions so that we can move a little quicker. I think that's going to be critical, making sure that we can react to our customers, but also the needs of investors going forward and really starting to look at – look, I think we're in a good position for 2023, where are we going to go in 2024, 2025 and 2026 and look forward to chatting with you about that in March.

Robert Hope
Analyst, Scotia Capital, Inc.

Q

Looking forward to it. Thank you.

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

A

Thanks.

Operator: We will take our next question from Theresa Chen with Barclays. Your line is open.

Theresa Chen
Analyst, Barclays Capital, Inc.

Q

Good morning. I'm curious as to what your longer term strategy on the Liquids side for the US Gulf Coast, given the series of acquisitions over time. Do you see more to do to shore up your portfolio there? And what is your general outlook?

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

A

Yeah. Well, Colin and I will speak about this in March, but the short answer is absolutely. Again, I think you can just see since the acquisition of Ingleside just a little bit over a year or so ago, we've continued to kind of move the ball forward on that front. As I said, I think the future both on the Canadian side and the US side is through and out of the continent. We've got to be a bigger player on the Gulf Coast and I think we're set up to do that.

So if you'll give us a few weeks, we'll see you and we'll talk through this. I think it's pretty exciting, actually, what's going down there, which does not, and I want to be clear, it does not take away from anything that what's going on in Western Canada as well. Particularly on the oil side, look, there's a lot of discussion about Gas. But I think as China reopens and we have – and not enough money has been spent on restocking, if you will, the reserves on the oil front and on many commodity fronts. I think that's going to lead to some real opportunities and people being real careful with capital, which is the right thing to do.

But as we go through the year, I think you'll start to see more upward pressure on the price of oil, particularly in international markets and let's see three to six months from now where China is on the reopening. Certainly –

economy is a little softer here. But outside of North America, I think you're starting to see a little bit of green shoots going up and that's going to lead, longer term, to the need for more infrastructure on the Gulf Coast, from my perspective. So we'll chat more about that, but that's my general comments.

Theresa Chen
Analyst, Barclays Capital, Inc.

Q

Thank you.

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

A

Thanks, Theresa.

Operator: We will take our next question from Robert Catellier with CIBC Capital Markets. Your line is open.

Robert A. Catellier
Analyst, CIBC World Markets, Inc.

Q

Hi. Good morning. You partially answered this with respect to your answer to Robert Kwan, But I'm wondering if in the current cost environment, including inflation and higher interest rates, does that cause you to change your approach for rate request, specifically risk sharing, or is it more a matter of just ensuring proper tolls are reflected so that you're covering your proper cost and maybe more frequent rate cases? So maybe you can answer it more on the Gas side, given your prior comments on Liquids.

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

A

Sure, and I'll let Cynthia chime in here, too. But I think the answer to that is also yes. I mean, we – it was 20 years plus from the time we had a Texas Eastern rate case and now we – those muscles have been toned again. So I think we're getting good at that. I think our customers recognize some of those costs and the same thing on the distribution side of things, too.

So maybe, Cynthia, and then maybe Michele, you can both speak to that issue.

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

A

Sure. For our gas systems, we have done a number of rate cases recently, two very successful settlements just last year, both with our Texas Eastern system and the BC Pipes and we continually look at when is the right time to go in to a rate case settlement. And we look at all of those things, Robert. So our costs, our capital costs, the interest rates, all of those costs come into that. We do have that opportunity, as Greg was mentioning, to go back on a regular basis. So this is just part of our standard approach to making sure that we're getting the right returns for the investment that we're making them in the assets that we have. So you'll continue to see us go back when the time is right based on what the experience is. So with just having settled down both Texas Eastern and the BC system, it'll be a couple of years before we go back on those, but that's just a continual part of our approach now as we go forward.

Robert A. Catellier
Analyst, CIBC World Markets, Inc.

Q

Right. So really it's a question of timing and costs as opposed to changing something fundamental on the risk sharing.

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

Right. So when we go into those settlements, Robert, we do have those conversations about what the experiences have been and we also look at what's the right reproach is for us to have in that risk environment. So the framework is flexible and we continue to create that balance, both for us and for our customers.

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

And if some of that risk, Michele, maybe just some commentary on your filing at the OEB and how you're looking at that.

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

Sure, Greg. And Robert, at the OEB, it's a little more formulaic and structured. We go typically every five years. Now, what's unique here is it's the first rebasing application for both of the legacy utilities in about 10 years because we've been operating under the merger's framework for the last five years, so very heavy lift to get that in and it was in by the end of last year, which has us well on track to have new rates that will be effective for the 1st of January.

And we're quite confident that we'll move forward with our performance-based regulatory model in a manner that is as effective as what we've seen in the past. And that really does allow us to continue to earn while we're driving our efficiencies. We pass those savings onto the customers and then post 2024 after we rebate, we'd expect some very attractive returns using that formulaic incentive mechanism.

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

Yeah. And most of our programs or most of our assets have some element of inflation tracking. And I think that's important. It's not instantaneous rather, but we shouldn't forget that because in this environment, I think that's unique. And we are looking at things, both on the gas side and definitely on the gas utility side like depreciation, so people have a view on risk, so do we. And so we'll continue to push those forward and in some cases that means looking at bigger equity components as well. So all those are on the table. And I think we've got constructive mechanisms both, you get your opponents. But from the customers, but even regulators, again back to gas infrastructure is absolutely critical despite what you see sometimes on papers.

Robert A. Catellier
Analyst, CIBC World Markets, Inc.
Q

Okay, that's very helpful. And then just a follow-up question on your Mainline discussion. As I'm inferring from your comments that obviously every negotiation takes on a life of its own or has its own character. But, Greg, I'm wondering if you can comment, when do you – when will you know when it makes sense to file a cost of service application? What has to happen for you to make that decision?

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

Well, first of all, as Colin said, look, I don't think creating artificial time frames on these things is a wise idea because it is an artificial timeframe. We obviously continue to serve our customers. We want to get to the solution as soon as possible. But I'd say if we came to a point where, as Colin pointed out, we just weren't making progress, then we are ready, prepared and willing to go down that cost of service rev. But as long as there is some progress and as long as there is goodwill between the parties, that doesn't seem like the way to go and that's where we are right now.

So understand the frustration sometimes on this, but I can assure you, Colin and the team, and our customers are very focused on this issue and there is, again, good, good rapport between the players in trying to reach a solution. We may not get there, but we shouldn't create a false deadline to be able to pull that off.

And, Colin, you're up. If you want to chime in, please do so.

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

No, it's well said. Thanks.

Operator: Just a reminder...

Robert A. Catellier
Analyst, CIBC World Markets, Inc.
Q

Yes. Thank you very much.

Operator: Oh. I apologize. Operator: [Operator Instructions] And we will take our next question from Praneeth Satish with Wells Fargo. Your line is open.

Praneeth Satish
Analyst, Wells Fargo Securities LLC
Q

Good morning. I wanted to touch on the Gas Storage business. It seems like the value of storage is going up with the winter storms and some of the supply, low gas prices that we're seeing. I guess, are you seeing any positive traction in storage rates? And then maybe can you remind us how much of your Gas Storage is third parties versus used by your utility?

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

Sure. I think both Michelle and Cynthia can speak a little bit. But I – first of all, we have a huge storage position both on the Gulf Coast, let's not forget, and in obviously central part of the continent, so several hundred DCF. I think it's – there's a variety of reasons why you're seeing an increase in the value. I don't know if I want to give you the specific rates and I'll let Cynthia decide where I do it. But we're seeing markedly higher rates for re-contracting and LNG is playing a critical component of this. I've been waiting for this for a long time. But big ambient temperature swings are relevant issues for storage.

And then also just things like obviously your standard winter and regional differentials are important, too. But Michele, I don't know – well, maybe I'll turn to you Cynthia because I definitely see storage as one of those growth areas for us as well.

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

A

Yeah, Greg. I don't think I'll get specific as to what our renewal rates are, but we have seen a lot of opportunities to continue to look at whether it's re-contracting with the existing customers and we've had a lot of inbound interest from others. And as you said, Greg, a lot of that ties into both the incremental draw now for exports and creating some stability for that, as well as just the volatility that you're starting to see. So it has been good. Our teams are continuing to have lots of conversations and we're seeing strong re-contracting rates.

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

A

Yeah. And so, in the US side, on the Gulf Coast – oh, that would be third party. And Michelle, on the utility side, how much of the storage would be for you guys and how much would be third party?

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

A

Yeah. Great. It roughly breaks down to about two-thirds that's preserved for our rate base and then about one-third that is unregulated. And I do have to say and give that to say our Dawn storage had some states perform incredibly well through some of these really challenging inventory conditions we've seen. And in fact, what we're seeing is a trend towards some, really propping things up in the midcontinent over the holidays when we saw extreme weather across North America. They were flowing into the Ontario market for certain. They were backstopping things into the Mid-Continent towards the Northeast and we've added a lot of flexibility into that storage system. We've invested over CAD 100 million in it in the last two years to increase the ratability and performance out of it and it's absolutely stepping up to do that.

We're also seeing longer-term contracts being signed up for that in regulated storage and certainly our unregulated storage this year is sold out for 2023.

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

A

Yeah. That's great. And a more – when you get these big swings in weather as well. Let's not forget, you got – if you move Texas Eastern in both directions, now there's a different need where that storage is and our customers drop on that. So just to be clear, storage contracts are still short, right? So storage contracts, whether it be typically two to five years? So when we say they're getting longer, that means they're no longer spud. But still, that's a great spot for us to be in. So, good question.

Praneeth Satish
Analyst, Wells Fargo Securities LLC

Q

Thanks. Very helpful. And then just switching gears with your leverage now down to 4.5, 4.7, I think it's the lowest it's been in a very, very long time. I guess, what is the right leverage for your business as you look out over the next few years? And are you going to keep driving that lower or are you hitting a point where you can potentially pivot more of that free cash flow back into the business or to equity holders? And then just tied to that, how do you think about leverage in the context of ESG recognizing the more oil-weighted asset base?

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

A

Well, that's a great question. I think we're quite comfortable where we are in the debt-to-EBITDA range. You have to remember that lots of our assets are highly regulated with highly regulated capital structures. So, there is a limit on how far we can push the debt-to-EBITDA down. But being in the lower half of the range provides us tons of flexibility to allocate capital to all kinds of great stuff, more organic growth, tuck-in M&A, share buybacks and potentially a slightly lower leverage. But I think we're happy where we're at and we'll continue to try to be around this point in the debt to EBITDA range.

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

A

Yeah. I think the nice thing and it's really important that I think our US investors sometimes miss and we maybe need to do a better job at the US rating agencies, again, to Vern's point, when you get 65% debt required by regulation in the utility and not a too dissimilar number on all the gas pipes in Canada, that's going to, by definition, give us a little larger number.

But as Vern says, the way it's structured now and the way our DCF kind of comes through, you've got $5 billion to $6 billion of investment capacity annually that we can handle with the self-equity financing model on the balance sheet without making any negative change to our balance sheet. That's a really strong position and goes back to some of the comments about things like tuck-ins as well. So we're in a good spot right now.

Praneeth Satish
Analyst, Wells Fargo Securities LLC

Q

Thank you.

Operator: And we will take our next question from Linda Ezergailis with TD Securities. Your line is open.

Linda Ezergailis
Analyst, TD Securities, Inc.

Q

Thank you. Just a follow-up question on the Mainline to give us some more context around how this is progressing. In terms of the sticking points potentially. Is everything still at play and being traded off? Or are there a number of items largely settled such as potentially like duration and off-ramps with just a few sticking points? Can you comment on what might be more versus less contentious? And would one of the sticking points particularly – still potentially be trading off competing customer priorities?

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

A

Linda, it's a good question. I'm going to let Colin jump in here. But until the negotiation is done, I don't think it's fair for us to kind of draw out one-offs and assume we know exactly where the other side is until it's done. But Colin, with that, maybe you'd like to chime in.

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

A

Yeah, I agree. I can appreciate your curiosity here, Linda. But yeah, I don't think it's appropriate to kind of pick or pull those apart. More to come and we'll advance this as expeditiously as appropriate.

And I know – I should mention, too, that we've got, right, our Enbridge Day approaching in three weeks. I'd like probably to manage your expectations that we may not have finality or much more color on this by then.

Negotiations will continue actively likely through that period. And remember, too, there's a vote that's required by industry. So, yeah, appreciate the question. Sorry, I can't help you too much more at this time.

Linda Ezergailis
Analyst, TD Securities, Inc.

Q

No, I understand. And given the importance to the basin, it's good that everyone is taking a thoughtful process. Just as a quick follow up, more from a financial lens. Right now, you've got a bit less than 2% of cash flow at risk. Can you – you commented on interest rate exposure. You got some foreign exchange exposure. Can you talk about maybe where you are on commodity prices? And your services business continues to lose money. Like what is – is there a strategic value there? What's the outlook for that and how might that business evolve over time?

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

A

Yeah. Linda, as you saw last year, we traded our DCP position for a larger position than Gray Oak and that materially reduces the amount of commodity price risk we have in our business. We still have some residual commodity price risk within the Gas Transmission business, primarily associated with Alliance and Aux Sable. We have some cost-associated risks with power prices in Liquids and the Gas Transmission business. But really, that's pretty much all the commodity – outright commodity price risk we have in a very, very large organization. So there is a pretty de minimis amount of commodity price risk across all of our businesses.

With respect to Energy Services, I think we've talked about in the past that it gives us a good lens on basis differentials which generally drive pipeline development, so it's good to continue to have a foot in that door to understand what our customers are seeing both in natural gas and crude oil. I think we've talked about previously that, yeah, 2022 was a very tough year for that business. Effectively, there was no basis differential across many pipeline systems and in the crude oil markets, prices were backwardated pretty much for the entire year.

So going forward, we're going to see some contracts roll off at Energy Services, some commitments will go away and we expect the business to return to profitability this year. So that's a long-winded answer, but hopefully, that gets you [indiscernible] (01:02:44).

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

A

Yeah. And I think, well said, Vern. And obviously, staying completely within all the regulatory confines, I think it's a fair focus really taking a look at how can Energy Services in total help create more value for the customers and making sure that they understand all the capabilities back and forth. So, definitely something to look at. Appreciate that.

Linda Ezergailis
Analyst, TD Securities, Inc.

Q

Thank you.

Operator: And we will take our next question from John Mackay with Goldman Sachs. Your line is open.

John Mackay
Analyst, Goldman Sachs & Co. LLC

Q

Hey, everyone. Good morning. Thanks for the time. At risk of getting an answer there, just wait for Toronto, I just wanted to follow up on Theresa's question on the Permian strategy. I mean, is there any interest at this point of reaching farther back and owning, let's say, something on the gathering side? And then similarly kind of just staying in the Permian, now that you have bigger stakes in both the big Corpus pipes, just any interest in potentially expanding those sooner rather than later? Thank you.

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

A

Sure. Look, never say never. But having just got out of a major gathering system on the other side, on the NGL side, I think our focus and what we're really good at is big pipes and tied to the export side of things. So Colin, you may want to add to this, I guess, if it was really going to – we saw incremental value on the export side of doing that – but something to be open to. But at this point, I think the way we're building this out is bigger pipes, figuring out ways to really serve customers on that front. But Colin, you may want to add to that.

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

A

Yeah. Yeah, I agree on the gathering point. Less interested there for sure. And – but exclamation marks behind the export strategy and I think it's becoming quite clear that the Corpus egress point out of the Permian is quite attractive and we're building out and up from there, but only so far. It's initially an acquisition, tuck-in acquisition strategy here where their play, risk-adjusted returns versus build that are relatively attractive given build risks and then synergies, along the integration value chain and potential expansions here. So yeah, that's the strategy in a nutshell, building on a light oil strategy to complement the top notch, heavy one that we've got further north.

John Mackay
Analyst, Goldman Sachs & Co. LLC

Q

All right. That's helpful. Thank you. I know we're top of the hour, I'll just ask one more quickly and just probably easy answer. Any change in LNG export appetite that you're seeing either from your partners or kind of potential customers, given the pullback in global prices recently?

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

A

No. I think people are looking at this from a long-term perspective. Again, I'll go back to there is no future without natural gas and I think party is – one thing I'll say, I feel the come back five or six years because there was a more practical approach to energy transition five years ago. We seem to get fat and happy on the fact of plentiful fuel and stuff like that. And I think people are realizing, unfortunately, due to the situation in Europe and elsewhere, that North America's energy is needed abroad and the only way to do that is through exports. So definitely don't see any pull back on the LNG side. However, these players on that side have a much – they've got a very long-term focus on the price of the commodity and who they're serving. So I think they're used to the commodity prices move up and down, but they've got that long-term focus, as do we, so I don't think you see any pull back on that side. The biggest challenge on LNG continues to be permitting issues, right. And so, some of our customers in the Gulf Coast, they need some real help out of the FERC. And of course, up here, that's always an issue as well. So permitting, permitting, permitting, not commodity, commodity, commodity.

John Mackay
Analyst, Goldman Sachs & Co. LLC

Q

All right, that's clear. Appreciate the time. Thank you.

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

A

Thanks.

Operator: We will take our last question from Ben Pham with BMO. Your line is open.

Ben Pham
Analyst, BMO Capital Markets Corp. (Canada)

Q

Hey. Good morning. Thanks. Going back to the Mainline, I was wondering if you did go to cost of service or you're following cost of service, how long does it take to advance through the regulatory process?

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

A

Colin, I'll leave that to you. I know we – it's like – it's less short than the negotiations, I can tell you that.

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

A

Yeah. Yeah, that's right, Ben. And I think we've got some Gantt charts on some standing IR presentations where we've compared and contrast process and timeline and I'll refer you to those. But yeah, generally we would file a cost of service up, and by the way, the application is ready to go here. So if we need to pivot, we can very quickly. But it is a longer process. It would take into probably late 2024, I think probably get clarity on that. So yeah, it's another thing to consider in the mix of our alternative.

Ben Pham
Analyst, BMO Capital Markets Corp. (Canada)

Q

Okay. And [indiscernible] (01:08:24). And then maybe a follow-up on that is in your prepared remarks, you mentioned hypothetically cost of service move more towards utilities, derisk cash flows. Is there maybe a – if that does happen, do you think it's warranted to move to an earnings per share guidance metric? And do you think that you can actually potentially take on a bit more leverage from a credit rating standpoint?

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

A

Well, I think we've built – look, I don't see the leverage piece being in that calculation. Yeah. Maybe on the EPS side, [indiscernible] (01:09:04) look, I'm very focused on and team is focused on delivering our cash earnings, right? It's all about cash all the time and it should be. And so we really haven't crossed that Rubicon. Let's continue to see the negotiations move forward. As Colin said, we're ready to go on cost-of-service. And you're exactly right, that could – that makes it even more utility-like. So either is possible, but I don't [indiscernible] (01:09:27) the EPS comment today.

Ben Pham
Analyst, BMO Capital Markets Corp. (Canada)

Q

Okay. Got you. And then maybe one last one, offshore wind markets have seen significant dislocation. Do you think it's better to buy offshore wind assets now than build just with the CapEx risk that [indiscernible] (01:09:45) seeing?

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

Well, Matthew is sitting here happy that he's getting the question. So I'll turn it over to him.

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

Thanks, Ben, for the question. We're really happy with our offshore wind position right now. There is a lot of moving parts over there right now in terms of – I think some of the players are – there's a little bit of dose of reality coming in with some of the inflation impacts and timelines. We're in a great position because we've got the project we just brought into service. We've got two others in service and then we've got a couple under construction that it's never easy, but are going quite well now also and then some in development that are advancing nicely and also have contracts attached to them.

So we're not rushing into acquisitions in the offshore space, but it's something, Ben, that we always watch and certainly opportunistically we'd look at that. But right now, we're real happy with the position we have there.

Ben Pham
Analyst, BMO Capital Markets Corp. (Canada)
Q

Okay. Great. Thank you.

Operator: And ladies and gentlemen, this concludes the question-and-answer session. I will now turn the call over to Rebecca Morley for final remarks.

Rebecca Morley
Director-Investor Relations, Enbridge, Inc.

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

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