



***MEETING THE DEMAND:
A NEW ENERGY ROADMAP FOR CANADA***

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Event: 2007 Energy Roundtable Conference:
A Transatlantic Energy Partnership
Date: Tuesday, September 18, 2007
Location: Canada House, Trafalgar Square
London, England

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I very much appreciate the opportunity to be part of today's conference and to discuss the Canadian energy market in the context of energy security. Access to affordable energy is one of the most important issues we face in the world – without it underdeveloped countries cannot develop and developed economies cannot thrive. As we have heard from my Calgary peers, Canada will play an increasingly central role addressing this energy security issue, particularly in the North American context.

I would like to use my time today to speak about Canada's growing role as an energy provider, and how we can take steps as a country to become an even more important player in this business. I will confine my remarks to my area of expertise, oil and gas.

It was just over a year ago here in London that our Prime Minister first spoke about Canada "becoming" an energy superpower. Given its reserves, infrastructure and political system, that was not an idle boast.

Let me examine each of those three attributes briefly, beginning with our exportable volumes of oil and gas.

Due to our large reserves and small population, Canada is a net exporter of oil, natural gas, coal, uranium and electricity. Our closest neighbour happens to be the world's largest consumer of energy. We couldn't ask for better strategic positioning as a country.

Since 1980, energy production in Canada has increased by 81 per cent while global production has increased by only 54 per cent. My colleagues have provided detail as to some of the sources of our increased production.

Canada has the second largest oil reserves in the world, largely located in the oil sands of northern Alberta. Production from those sands are 1,200 kbpd today and forecast to be 3,200 kbpd by 2015.

Even in those areas where production may decline – for example, natural gas from conventional sources – we have new sources of supply, such as unconventional gas, coal bed methane and Mackenzie Valley gas that may alleviate that decline.

So, we have the reserves – but so do many other countries in the world.

The pipeline industry

What about the infrastructure? Canada's transmission pipeline industry transports about 97 per cent of the daily crude oil and natural gas production from producing regions to markets throughout Canada and the United States. In 2005, this represented more than 2.5 million barrels per day of oil and about 17 billion cubic feet per day of gas. The industry operates over 60,000 miles of pipeline in Canada and the U.S.

The Enbridge network extends from Canada's northernmost regions through Alberta, east to Toronto and Montreal and the Midwest United States, and represents the longest pipeline system in the world. We like to say that we have "hard wired" the oil sands to the huge eastern Canadian and U.S. Midwest market.

And TransCanada operates one of the world's largest gas pipeline networks with a similar footprint.

The oil and gas pipeline networks enable the development and transportation of resources that might otherwise be inaccessible.

At Enbridge, we are pursuing a strategy to broaden access to markets to accommodate the growing production from Canada's oil sands and to maximize netback pricing for our customers. We are currently proceeding with over \$9 billion of new pipeline projects.

Because of growing concerns around security of supply (Venezuela, Nigeria and the Middle East), American refineries are making the huge investments required to accommodate this wave of new Canadian supply.

The opportunities in Canada extend beyond the oil sands as well. We have a vast natural gas resource in the far north of our continent and need to proceed with moving it from north to south. The proposed Mackenzie Gas Project would carry 1.2 billion cubic feet per day of natural gas from the Mackenzie Delta to northern Alberta and the link to existing infrastructure.

A 1,400-mile portion of the proposed 2,140-mile Alaska Gas Pipeline would pass through Canada, possibly running through the Yukon, then into British Columbia and linking into an existing pipeline network in Alberta. Compared to many other parts of the world, we take for granted the ease of running international pipelines between Canada and the U.S. So, even though many countries have reserves of oil and gas, few, if any, have the transportation infrastructure that we have in Canada.

But all of that is of little value in the context of energy security if we don't have the political, legal and regulatory system.

Canada's Stable Political System

As I mentioned earlier, I believe Canada will take an increasingly important role on the world stage as an energy provider in the years ahead. And one reason for this is that political and economic system. For context, let's remember some of the countries Canada competes with as a provider of energy - Venezuela, Bolivia, Nigeria, Iran and Iraq.

The steadily expanding production from Canada's huge reserves is fostered by a political climate that stands out from those countries just listed. Canada encourages sustained, responsible resource development. The country has a stable government with a mature legal system, a reasonable tax structure, a system of commerce built on a respect for contracts and property rights, international trade agreements and other protections that attract both energy buyers and foreign investors as they search for reliable future energy supplies.

So, we seem to be hitting on all three cylinders – RESERVES, INFRASTRUCTURE and POLITICS. Can we improve? Yes, we can and we must. We do face challenges.

The need for investment

Canada is substantially increasing its energy production to respond to domestic and international demand. We now need to develop the reserves and build the necessary infrastructure that will bring products to those markets.

It is anticipated that over \$100 billion will be invested in the oil sands over the decade and at Enbridge alone we will invest over \$10 billion in the pipeline infrastructure.

We need to ensure that we have the fiscal terms in place to attract the capital to fund that development.

Constraints – labour and capital costs

However, increased investment is hampered by major cost escalation. Today's rising capital project and labour costs, particularly in the busy Alberta market, make it increasingly difficult for us and our customers to operate and expand, despite the rise in crude oil prices.

The industry will have to be very good at what it does to address labour costs and shortages with new technologies, improving operations and lowering costs. But as a nation we will also need to find ways to increase the available workforce if we want to reduce projects delays and costs. Encouraging the training of Canadians, especially those traditionally under-represented in the workforce, and attracting skilled immigrants are part of the solution. Canada is a very attractive country for new immigrants, although we are not always the best at attracting them to come to our country.

Another challenge we have is to continue to improve a sometimes burdensome regulatory process.

Streamlining Our Regulatory Process

We often allow a very small minority stand in the way of development of projects very much in the need and necessity of the vast majority.

And, given the scale of a number of pending projects and the pressure on the supply side to bring resources to market, we need greater regulatory certainty, streamlining, and regional and cross-border co-operation.

National Energy Strategy

I firmly believe that developing and implementing a national energy strategy would help resolve many of the issues I have raised this morning.

A national strategy would help in mapping our energy development agenda and serve to prioritize our initiatives, including R&D and training.

I believe all stakeholders would welcome such a roadmap because it would provide clear direction in balancing both resource development and environmental initiatives.

I am confident that if we make the right decisions today, we will become an even more important player on the future world energy stage.

Thank you again for the opportunity to speak to you today – I look forward to hearing your comments in our exchange a little later.