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## ENB.TO - Q2 2009 Enbridge Earnings Conference Call

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## PRESENTATION

**Operator**

Good morning ladies and gentlemen. Welcome to the Enbridge Inc. 2009 second-quarter financial results conference call. I would now like to turn the meeting over to Mr. Vern Yu.

**Vern Yu** - *Enbridge Inc. - Vice President, Enterprise Risk*

Good morning and welcome to Enbridge Inc.'s 2009 Q2 earnings call. With me this morning are Pat Daniel, President and Chief Executive Officer; Richard Bird, Executive Vice President and Chief Financial Officer and Corporate Development; Steve Letwin, Executive Vice President, Gas Transportation; and Colin Gruending, Vice President and Controller.

Before we begin, I would like to point out that we may refer to forward-looking information during the call. By its nature this information implies certain assumptions and expectations about future outcomes. So we remind you that it is subject to risks and uncertainties affecting every business, including ours.

Our slides include a summary of the more significant factors and risks that obtain (technical difficulty) affect future outcomes for Enbridge, which are also discussed more fully in our public disclosure filings available on both SEDAR and [MYR].

This call is webcast, and I encourage anyone listening by phone to view the supporting slides on our website at www.Enbridge.com\investor. A replay and podcast of the call will be available later today, and a transcript will be posted to our website shortly thereafter.

Q&A format will be the same as we have done most recently. The initial Q&A is restricted to the analyst community, and once we are done with the analyst community, we will open the call up to the media. I would like remind everyone that Pat Murray and I will be available for follow-up calls after this call.

And at this point I would like to turn the call over to Pat Daniel.

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**Pat Daniel** - *Enbridge Inc. - President & CEO*

Good morning everyone, and thank you for joining us for our second-quarter review.

I'm very pleased to report today adjusted earnings for the second quarter of 2009 of CAD195 million, which is CAD0.54 per common share. This represents a 30% increase over 2008. Year-to-date, we're 19% above the prior year, which situates us very well to meet our 2009 guidance range. In fact, we now believe that we will finish the year in the upper half of that guidance range that we provided back at the beginning of the year. This will represent a more than 20% increase in year over year EPS growth rate, the strongest one-year growth rate in Enbridge's history.

Once again, we're witnessing improved performance from all segments, which further validates our diversified liquids, gas, and green energy asset base approach. Our superior growth this year is led by our liquids pipeline assets, which have delivered a 27% year increase over the prior year, and we are also pleased to see stronger performance from our gas pipeline and sponsored investments as well as gas distribution and energy services assets.

Richard Bird, of course, will review the quarterly financial results in more detail shortly, but before he does, I'd like to take just a few moments and update you on our portfolio of growth projects and our anticipated medium-term and long-term earnings-per-share growth projections.

As you will recall, in the first quarter we brought into service the final phase of the Southern Access Expansion, the Spearhead Pipeline expansion, the Line 4 extension, the first phase of the Hardesty tankage project, and our 190 megawatt Ontario wind farm. I'd like to underscore that all were placed into service on time or slightly ahead of schedule and were on budget relative to the budgets that we established in 2007.

Over the next year and a half we will place into service our two largest commercially secured growth projects, Alberta Clipper and Southern Lights. It was just last week that we announced that Enbridge would be funding not only 100% of the Canadian portion of Alberta Clipper, but that we would also be funding 67% of the US portion of that project.

That funding agreement, of course, is the most economical way to ensure that this 450,000 barrel per day mainline expansion proceeds in a way that is beneficial not only to Enbridge and to Enbridge Energy Partners, but also to our shippers by ensuring that the financing costs for Alberta Clipper are reasonable.

Alberta Clipper is still on track to be in service by mid 2010 and is on budget if not slightly below budget.

Enbridge Southern Lights line, which will ship 180,000 barrels a day of diluents from Chicago back up to western Canada, is also on time and on revised budget. In fact, we've already started to see the cash flow impact on the company as a result of placing the LSr line into service during the first quarter of the year.

In late 2012 we anticipate bringing into service the first phase of the transportation infrastructure for Kearl Lake, a 140 kilometer pipeline from the Kearl mine site to Enbridge's Cheecham Terminal. From Cheecham the first phase bitumen from Kearl will then be sent down our existing Waupisoo line to Edmonton, and we are very pleased to have been chosen by Imperial Oil to build and operate this infrastructure and look forward to working with them to develop subsequent phases in concert with their development of the Kearl facilities.

We were delighted this morning to announce the addition of yet another significant project to our portfolio of commercially secured opportunities, that being the US $500 million Walker Ridge Gathering System, which is an extension of our central Gulf offshore gas pipeline system. As I'm sure you are all aware, there have been a number of significant discoveries by major oil and gas companies such as Chevron in the ultra deepwater of the Gulf of Mexico, which are large enough to justify continued development even in the current gas environment. We are the biggest operator in this space, with existing infrastructure which positions us well to capture these opportunities.

The Walker Ridge project is the first of these opportunities to come to fruition for us. It will not only push additional volumes into our existing offshore pipelines, but it will further reinforce our competitive position to capture further ultra deepwater opportunities.

The Walker Ridge project is also notable in that we have been able to establish a new commercial model for the offshore business, one with comparable risk and return characteristics to our normal model at Enbridge. In particular, we will carry no volume risk on our base return, including with respect to upstream or downstream force majeure events. And we will carry no capital cost risk with respect to third-party materials and services. So on a 60% debt to capital structure, our base return on equity will be roughly 10% with upside to the mid teens based on the volume incentive.

Under this structure, we were able to provide acceptable tolls for shippers while securing an attractive investment opportunity for Enbridge. And we hope that we will establish a precedent for our future and further offshore opportunities.

In terms of other gas infrastructure opportunities, we announced in the second quarter of this year the completion of a successful non-binding open season on our proposed LaCrosse pipeline. We believe that we've got a strategic solution that addresses the long-term supply chain fundamentals for the eastern portion of the Barnett and Haynesville shale plays.

While most other pipeline solutions are focused on moving gas into the Northeast, we believe that the market -- that that market already has numerous options open to it in close proximity, including the emerging Marcellus shale plays. So to that end, we've chosen to focus on the Southeast market as a better outlet for Haynesville gas. And we are currently working with those shippers that expressed interest during the non-binding open season and hope to have binding contracts in place by the end of this year.

The last project I'd like to touch base on is a longer-term project that one -- but although it is longer-term, it has the potential to not only create numerous infrastructure opportunities for Enbridge but also to change the footprint of the energy sector as a whole. We believe that carbon capture and sequestration may be one of the best ways for Canada to reduce our greenhouse gas emissions.

As you are likely aware, the Genesee power generation facility, which is -- the project associated with that is a joint submission by Enbridge, the Enbridge-led Alberta Saline Aquifer Project, and EPCOR and has been chosen as one of three consortiums to negotiate with the Alberta government for a portion of the CAD2 billion carbon sequestration fund.

The last subject that I will cover is what all this means for growth in earnings per share. We have just completed our five-year strategic plan update, which confirms average annual growth rate of 10-plus percent now through 2013. And we also expect to be able to sustain an average growth rate near 10% for several years beyond that.

Commercially secured opportunities that will contribute to post-2013 growth include Kearl Phase II, Fort Hills and the Walker Ridge opportunities. Numerous other opportunities in liquids, gas, and renewables are also under development. So despite a continuing tough global economic climate, Enbridge remains very well positioned to deliver superior value to our shareholders through our focus on sustained and visible growth, a low risk business model, and steady distributions of income.

So at this point now, I will pack to pass it off to Richard Bird to review the quarterly financial results in more detail, and then we'll be back later for Q&A. Richard?

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**Richard Bird** - *Enbridge Inc. - EVP, CFO & Corporate Development*

Good morning everyone. As Pat mentioned, we released our second quarter results earlier this morning. Year to date reported net income was CAD951 million or CAD2.62 per share, a slight increase from the 2008 earnings of CAD909 million or CAD2.53 per share.

2008 of course included a large, one-time gain on the sale of our investment in CLH. The 2009 results include the gain on the sale of our OCENSA investment plus large mark to market gains on derivative instruments used to lock in commodity prices, interest rates, and foreign exchange, as well as improved operating performance throughout the company.

Excluding one-time and non-operating factors, our adjusted earnings for the first half and second quarter increased by 19% and 30%, respectively, which places us ahead of what we had expected at this point in the year. As a result of the strong first half and anticipated performance of the assets for the rest of the year, we are now guiding to the upper half of our guidance range.

Once again, we're pleased to report the adjusted earnings increased in each of our segments. Liquids pipelines adjusted earnings rose CAD42 million to CAD194 million for the first six months of 2009 and increased from CAD76 million to CAD97 million in the second quarter, that being a 28% increase. Most of the increase was due to recognition of allowance for equity funds used during construction from Alberta Clipper and from the Southern Lights project. In addition, Southern Lights earnings do include contributions from the light sour line component of that project, which was placed into service in the first quarter of this year.

Second quarter Athabasca segment earnings reflect a full year's contribution from the Waupisoo Pipeline, which was placed into service in the second quarter of last year.

These positive impacts were partially offset on a year-to-date basis by higher operating costs in the first quarter within the Enbridge system including pipeline integrity spend and increased business development costs. During the second quarter, these costs were back in line with the prior year.

Gas pipelines results are higher than 2008, both in the quarter and on a year-to-date basis. A stronger US dollar, which we hedged late last year, boosted the earnings from assets within this segment. We also received a CAD3.8 million payment in the second quarter for business interruption insurance related to the impact that Hurricane Ike had on our offshore assets in 2008. These proceeds relate to lost revenues and operating costs, and as such we did not adjust this insurance payment from our quarterly results.

Sponsored investments also had a very strong quarter. Enbridge Energy Partners nearly doubled its contribution in the second quarter when compared to the prior year as adjusted earnings increased CAD12 million in the quarter and CAD19 million year to date. The strong performance was primarily due to our increased ownership of EEP as a result of the $500 million US capital injection made in the fourth quarter of 2008. That was further compounded by a stronger US dollar and higher general partner incentive income.

Results within EEP itself were actually fairly consistent year over year with increased earnings within the liquid side offset by lower results within the natural gas segment.

Enbridge Income Fund's contribution continued to increase as a result of the two distribution increases announced by the fund in 2008 and the corresponding increase in our equity pickup in our incentive from that vehicle.

Moving to gas distribution and services, adjusted earnings increased CAD7 million in the quarter and CAD16 million year to date. Both periods experienced stronger performance from our energy services business, which was able to realize higher margins and volumes from a contango oil market and low risk transportation arbitrage opportunities.

These increases were partially offset by decreased earnings within Enbridge Gas Distribution as a result of a change in our customer billing practice, for a larger portion of the customer's bill will be a fixed component, and a lesser amount will be variable. This is simply a redistribution of earnings from the colder winter months to the warmer summer months and will have no impact on full-year earnings. In other words, we will catch up the shortfall of the first half in the second half.

In fact, with further cost savings under our incentive regulation program, we expect full-year earnings in 2009 for gas distribution to exceed 2008 earnings and to exceed the 100 basis points of ROE premium above the benchmark regulated rate that we have established for the target for this year.

And finally, corporate costs are significantly lower than the prior year as a result of large interest savings, some favorable foreign exchange realized gains, and to a lesser extent, the timing of operating costs. We do expect that the corporate segment will return to a more normal run rate of CAD10 million to CAD20 million of cost in the last two months of -- last two quarters of 2009.

So that's a review of the earnings drivers. I will now just spend a moment updating our financing outlook.

We did lay out our updated five-year capital expenditure forecast and our improved operating cash flows on the recent conference call for the Alberta Clipper joint funding agreement. So I won't repeat those details on this call.

Just overlaying the Walker Ridge investment on that picture and referring in particular here to slide 13, Walker Ridge will add about $0.5 billion to our capital expenditure plans -- that's in US dollars, about CAD600 million in Canadian dollars. It will soak up about CAD100 million of our equity surplus, leaving us with about number CAD1.4 billion of available equity capacity.

So we are very strong financially with ample capacity to accommodate the additional opportunities which we have under development, which Pat referenced earlier. On that note, I will turn it back to Pat for his concluding comments.

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**Pat Daniel** - *Enbridge Inc. - President & CEO*

Great. Thanks Richard. So to just very quickly summarize, firstly, this has been the best six months our company has ever had from an adjusted EPS view, and we've got a very strong visibility to our more than 20% increase in EPS this year. So we are very confident of that.

We're also very confident that we can push our 10-plus percent growth guidance to 2013 and that we can continue to grow the company at about 10% for the foreseeable future and beyond 2013.

Our current expansions are on time. They're on budget. And we placed a large number of assets into service in the first half of the year that are already generating additional earnings and cash flow.

And finally, we are well-financed. We've got a large surplus of equity that we will utilize to fund additional organic and/or acquisition opportunities as we go forward.

So I think on that note, we can now move forward to the Q&A session.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions). Linda Ezergailis, TD Newcrest.

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**Linda Ezergailis** - *TD Newcrest - Analyst*

Just wanted to get a little bit more clarity on the Walker Ridge Gathering System timing. What sort of approvals are still required either by boards or regulators or etc.? And what sort of steps must be taken or what events is it dependent on to firm up the agreement?

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**Pat Daniel** - *Enbridge Inc. - President & CEO*

Linda, I will ask Steve Letwin to respond to those questions. Steve?

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**Steve Letwin** - *Enbridge Inc. - EVP, Gas Transportation & International*

Yes. We have letters of intent signed with Chevron and all the partners involved in the venture. Our expectation would be that we will move rather quickly now to finish off the agreements and hope to hand this over to our major construction project group, which is help headed up by Al Monaco. So we will have completion of this particular phase by 2014.

So everything is lined up very well. As you might expect with a company like Chevron, all the t's and i's pretty well have to be dotted and crossed before we can press release, and we've done a lot of work to make that happen.

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**Linda Ezergailis** - *TD Newcrest - Analyst*

So just to be clear, it would be in service by 2014 fully? Or in phases? Or --?

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**Steve Letwin** - *Enbridge Inc. - EVP, Gas Transportation & International*

Yes.

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**Linda Ezergailis** - *TD Newcrest - Analyst*

And then when would construction start for a 2014 in-service date?

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**Pat Daniel** - *Enbridge Inc. - President & CEO*

It's about a two- to three-year process. So we are hopeful that we are going to be able to get things rolling in a major way in 2010, 2011.

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**Linda Ezergailis** - *TD Newcrest - Analyst*

Great. Thank you.

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**Operator**

Robert Kwan, RBC Capital Markets.

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**Robert Kwan** - *RBC Capital Markets - Analyst*

Just in terms of the corporate, can you break down what some of the variance is on the FX gains versus the interest and other costs? And also, maybe, can you frame that against the Q1 2009 corporate cost that I think was CAD11.5 million?

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**Colin Gruending** - *Enbridge Inc. - VP & Controller*

As Richard mentioned, I think he's laid them out in -- the variances, the favorable variances -- probably in rank order, largely interest savings on short-term debts and a little bit higher mix of short-term floating debt.

To pull up the other smaller parts, there's a whole variety of them here, but we just mentioned a couple. FX is between CAD3 million and CAD4 million in the quarter, and O&E is a little bit smaller than that (technical difficulty) to expect to come back.

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**Robert Kwan** - *RBC Capital Markets - Analyst*

I guess, Colin, that's roughly a CAD20 million kind of quarter over quarter variance, and then a little bit more if you're talking about -- or about the same if you're talking about doing a 10 to 20 cost going into the back half of the year. So kind of what happened in Q2? Was there closing out of hedge positions, kind of more one-time gains in the quarter?

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**Colin Gruending** - *Enbridge Inc. - VP & Controller*

I think we've broken out all the one-time stuff -- but go ahead, Vern.

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**Vern Yu** - *Enbridge Inc. - Vice President, Enterprise Risk*

Robert, why don't we take this up after the call. I can walk you through some of it in more detail?

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**Robert Kwan** - *RBC Capital Markets - Analyst*

Sure. Okay. Thank you.

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**Operator**

Andrew Fairbanks, Banc of America - Merrill Lynch.

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**Andrew Fairbanks** - *BAS-ML - Analyst*

I wanted to ask, with the success with Chevron and Walker Ridge, if you see other pipeline opportunities in the Gulf of Mexico? And I guess in addition to gas, I'm thinking do you suppose that that there will be any opportunities to acquire some oil export infrastructure in the Gulf?

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**Pat Daniel** - *Enbridge Inc. - President & CEO*

Andrew, absolutely. We -- and as I mentioned in my remarks, not only is this a very good standalone project, but it will extend our infrastructure out into the ultra-deep part of the Gulf and put us in a very good position to serve some of the other new discoveries and also some of the oil opportunities. So this definitely increases our employment, and we are working in other parts of the Gulf with the three main corridors that we provide service to, to tie in both oil and gas. So things have really started to pick up in the Gulf, and I think you will recall that we anticipated that, realizing that after the major hurricanes of a few years ago, it took a while to get facilities back robust and ready to go before capital was redirected to new exploration and development, and we're now starting to see the benefits of that.

So yes, we do think this really does improve our positioning, and there are a number of other opportunities.

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**Andrew Fairbanks** - *BAS-ML - Analyst*

That's great. And I guess even longer term as you built up your expertise of all the technical issues around deepwater oil and gas transport, could you see exporting that ability to other bases around the world? If you had the confidence of say the likes of Chevron and BP and then Gulf, Shell, do you see longer-term opportunities where you might move international again, should opportunities arrive to provide deepwater infrastructure off West Africa or Brazil or elsewhere?

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**Pat Daniel** - *Enbridge Inc. - President & CEO*

Yes, we do. And you know, we've always said that with international for Enbridge, we take a little bit different approach. We look for good investment opportunities. And if they happen to be international and are comfortable with the risk profile associated with the country and the business model, then we are prepared to be there.

And we mentioned that when we exited both Spain and Colombia, that that didn't necessarily mean that we were exiting international. We never were out to just build an international presence. We were simply out to gain good investment opportunities for Enbridge. So to be able to use that expertise around the world, if we found the right risk profile and the right business model, absolutely.

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**Andrew Fairbanks** - *BAS-ML - Analyst*

Great. Thanks Pat.

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**Operator**

Carl Kirst, BMO Capital.

**Carl Kirst** - *BMO Capital Markets - Analyst*

Good morning everybody and congratulations on the -- as far as the Gulf kind of getting the new business model there. That's great.

Most of my questions have been asked, but maybe the one just on the LaCrosse Pipeline, we touched on potentially having -- or the hope of having some binding commitments possibly by the end of the year. I know there are a lot of proposals out there from the Haynesville, certainly enterprises looking around as well. Do we see any consolidation or possible joint ventures, or is the hope that we've got enough indications of interest that this could still be sort of an Enbridge standalone project?

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**Pat Daniel** - *Enbridge Inc. - President & CEO*

Well, we certainly -- and on many occasions over the years -- have joint ventured. And if the right opportunity presented itself, we would did that. We do happen to think that this proposal with the interconnects proposed in the market that is intended to serve is going to be very well received. It was in the nonbinding round of open season.

I will note though that in this day and age of very low natural gas prices, it is a challenging time for producers to make long-term commitments to pipelines. And that will probably be the biggest challenge that we face over the next few months.

But maybe let me ask Steve Letwin if he's got anything to add to that in light of his positioning on Haynesville and the potential for joint ventures. Steve?

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**Steve Letwin** - *Enbridge Inc. - EVP, Gas Transportation & International*

Well, I think Pat summed it up very well. As you know, our linking to the Sonat system gives us a very good advantage. Our competition stops well short of being able to feed that part of the market.

We are getting a lot of calls about joint venture opportunities and a lot of people interested in the solution we've put forward. Pat is very right in saying that our major challenge is getting some of the commitments given the environment right now. But we remain very bullish. We have a very strong team working on this. The commercial interest is extremely strong. So we're going to keep plugging away on it.

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**Carl Kirst** - *BMO Capital Markets - Analyst*

Great. Appreciate the color.

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**Operator**

Bob Hastings, Canaccord Adams.

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**Bob Hastings** - *Canaccord Adams - Analyst*

Thank you and just as a general comment, congratulations.

But I would also like to get the explanation on the corporate breakdown if you can call me later, Vern.

The -- speaking of the deepwater stuff, was that -- I was interested in -- you've had difficulty offshore in terms of hitting the returns you had expected. You were trying to change the business model. It sounds like you are being successful on that. I noticed that despite you going to offshore high depth in water, that you think that there is no additional risk. So I'm wondering if there is a -- if you've passed on some of the risk and hurricane risk and maybe some of the construction risk off to the producers, or how you handled that.

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**Pat Daniel** - *Enbridge Inc. - President & CEO*

Well, as we have mentioned along the way, that we felt we needed to change the risk profile of our Gulf of Mexico investments to be more in line with the average Enbridge investment. And as I indicated in my remarks, we feel we have done that. We've been able to establish a level of return with shipper pay commitments that is adequate to Enbridge and hence don't carry just the reserves dedication concept, we now have shipper pay commitments to provide a certain level of return. And we've also been able to secure a project where we don't carry the capital cost risk, and feel that that's going to put us in a much better position going forward.

So we are quite comfortable with this model, and it works very well for our producers as well, to all of which we are able to bring forward for them. So I think it's a win/win all around.

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**Richard Bird** - *Enbridge Inc. - EVP, CFO & Corporate Development*

And if I could add to that, one of the biggest issues we've had with the hurricanes, as you know, is our proximity to shore. And with the surges that come with the hurricanes, 90% of the damage that's done is done close to shore. This being so far out, one of the natural pluses of risk management is the fact that we will not see the surges out in that part of the Gulf, and we expect that even though we have the very significant protection that Pat is talking about, we also expect the natural protection where we are a lot further out from the shore.

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**Bob Hastings** - *Canaccord Adams - Analyst*

Right. Okay. Great. And then while I realize it's early to talk about this, the accounting rules now are focusing in on asset retirements and how you account for that. So I'm just kind of wondering who takes the risk on that. Would it be the oil producers or what?

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**Richard Bird** - *Enbridge Inc. - EVP, CFO & Corporate Development*

We don't own the platforms. We own the pipe. So the pipe would be something that shouldn't be a material issue to us.

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**Bob Hastings** - *Canaccord Adams - Analyst*

Okay. Thank you very much.

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**Operator**

Matthew Akman, Macquarie.

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**Matthew Akman** - *Macquarie - Analyst*

I wanted to chat a little bit about the insurance policy decisions on offshore and just get your thoughts on -- or perhaps a little bit more detail on the cost/benefit that went into that decision. What is the potential magnitude of the savings there? And what is the potential I guess downside in terms of cash flow and earnings if there is a significant hurricane in that region?

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**Pat Daniel** - *Enbridge Inc. - President & CEO*

So I'm going to ask Vern Yu to respond to that.

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**Vern Yu** - *Enbridge Inc. - Vice President, Enterprise Risk*

The insurance market this year saw -- was pricing in hurricane insurance that was extremely expensive. The first thing is that they are -- the insurers are no longer -- for this year were not willing to offer business interruption or contingent business interruption insurance. And the deductibles required for property, plant and equipment insurance were very, very significant. So when we did our cost/benefit analysis, we needed to see physical damage well in excess of physical damage that we've seen from the last two sets of hurricanes versus actually getting any dollars from the insurance. So based on that analysis, we decided that self-insurance was more economically beneficial to us than trying to purchase any insurance from the funded market.

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**Matthew Akman** - *Macquarie - Analyst*

Did you guys have or is it -- I don't know if you disclose, a total sort of cash cost that you would have borne from the last -- from Katrina both in terms of PP&E damage and foregone or lost earnings?

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**Pat Daniel** - *Enbridge Inc. - President & CEO*

Steve Letwin, do you have that number for either -- I guess for Rita, Katrina, and then also for Ike?

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**Steve Letwin** - *Enbridge Inc. - EVP, Gas Transportation & International*

Vern can answer that. (multiple speakers)

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**Pat Daniel** - *Enbridge Inc. - President & CEO*

Vern's got it? Okay.

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**Steve Letwin** - *Enbridge Inc. - EVP, Gas Transportation & International*

I have the number, but --

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**Vern Yu** - *Enbridge Inc. - Vice President, Enterprise Risk*

So Matthew, for Ike, we suffered about CAD32 million of property, plant and equipment and about CAD7 million of business interruption and contingent business interruption, so total damage in the order of almost CAD40 million. And with that insurance policy, we had a reasonable deductible. The deductible we would see today if we had purchased insurance would have been several orders of magnitude higher.

And the property -- the property damage for Katrina was similar.

**Matthew Akman** - *Macquarie - Analyst*

Is there -- my less question is just is there any way to migrate some of these pipes that you bought from Shell over to the new business model that you've negotiated with Chevron so that you don't have this exposure on them?

**Richard Bird** - *Enbridge Inc. - EVP, CFO & Corporate Development*

In fact, we're doing that, Matthew. That's an excellent question. We've had some success in getting surcharges on those pipes to reflect the risk that we have incurred around the hurricanes. And we continue to do that negotiation and move that forward. So that's exactly what we're doing.

**Matthew Akman** - *Macquarie - Analyst*

Okay. Great. Thanks. Those are my questions.

**Operator**

Andrew Kuske, Credit Suisse.

**Andrew Kuske** - *Credit Suisse - Analyst*

You've got a pretty full slate of projects over the next couple of years. But when you look around your peer group and really your relative cost of capital advantage, when you start thinking beyond 2012, where will the bias of growth come from? Will it be from greenfield developments? Or will you really start to think a lot more about acquisitions?

**Pat Daniel** - *Enbridge Inc. - President & CEO*

Well, I think it's fair to say, that this company has always put a very strong emphasis on lower risk organic growth versus acquisition growth. And that would continue to be the emphasis going forward. We have got such strong asset positioning, whether it's on the crude oil side in that corridor from Fort McMurray down to Edmonton or in the mainline system or with alternatives like Gateway to the West Coast or moving synthetic crude to the East Coast, that we expect to continue to be able to grow organically that business.

And we've now established a very strong competitive position in the Gulf of Mexico, hence we think we will be able to continue to grow there. We're one of the biggest players in the shale plays in the US. So we are really exposed to all of the major energy developments in the oil and gas business in North America. And hence we see the organic growth continuing to be very good.

That doesn't mean to say that we won't decide to supplement that out in the later years of the plan, depending on how the portfolio looks, supplement it with some acquisitions along the way that provide us with incremental growth and very good further strengthening of our map.

But I think it's fair to say that we will continue to be largely in organic growth driven company.

**Andrew Kuske** - *Credit Suisse - Analyst*

And then Pat, just on the point of your platforms, you mentioned in your initial commentary, you've divided your platforms into three groups -- liquids, gas, and then green energy. You really don't have a tremendous number of assets in that green energy or renewable platform at this stage in time. So what will be your focus within building out that platform?

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**Pat Daniel** - *Enbridge Inc. - President & CEO*

Well yes, you're right. It is definitely the skinny third leg on the stool at this point in time. But it's one that is going through very rapid growth in North America and where we are seeing adequate returns in the investment opportunities that we're looking at. So in addition to continuing to grow our wind power business -- and as you know, we operate four wind farms -- we will continue to look at wind opportunities.

We also are considering some solar energy development opportunities and of course, this big CO2 sequestration opportunity that we've got, actually one in Alberta and one in Saskatchewan. So those will probably be the main areas of growth, and each one of them looks quite promising in terms of the overall requirements in North America over the next while, Andrew.

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**Richard Bird** - *Enbridge Inc. - EVP, CFO & Corporate Development*

I might just add, Pat, on the balance that Andrew was asking, that 10%-plus average annual growth rate off a 2000 (technical difficulty) 2013 does not include any assumptions with respect to acquisitions. That's all identified projects.

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**Operator**

Steven Paget, FirstEnergy.

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**Steven Paget** - *FirstEnergy - Analyst*

On the carbon -- continuing with the carbon sequestration theme, I'm wondering if you could comment on the financial structure of the project. Would it earn a fixed return plus cost? And what would Enbridge -- what could Enbridge's working interest share with the project be?

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**Pat Daniel** - *Enbridge Inc. - President & CEO*

It's a little hard to say at this point because we're in -- at such an early stage of development, and as you know, we are currently working with provincial government to secure funding on the project. But we have generally worked under the assumption that we would be able to realize returns on the pipeline and the sequestration segments of the project, which would be our main areas of expertise, earn returns that are comparable to those that we earn in our pipeline business. And that's our target going in and with comparable capital structure. But it's too early to say that with -- definitively.

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**Operator**

Sam Kanes, Scotia Capital.

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**Sam Kanes** - *Scotia Capital - Analyst*

You used to call it wave two, Pat, and we're all fishing for how things look post-2013 now. I'm just wondering if you could put into some kind of generalities -- oil price sensitivity is huge as it comes to the oil sands, and I don't know how many billions are deferred -- delayed right now -- CAD100 billion? CAD150 billion? At different prices of course, that will unleash, unlock the subject of politics of having an orderly expansion of them. Do you have a view of what that sensitivity may be in qualitative terms? Like if we're at CAD60, it's X; CAD80, Y; CAD100, Z. In some fashion? And you would obviously want to chase those down first?

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**Pat Daniel** - *Enbridge Inc. - President & CEO*

With regard to the latter part of it, yes. We still -- the obviously huge competitive advantage we've got because of our positioning in the oil sands business, so those are projects that we'd chase down first.

I can't tell you that if crude oil is at CAD50, it will generate X amount of business for Enbridge, or CAD60, or CAD70. I think it's fair to say that even in the rather rocky environment that we've come through over the last year, we've been able to go out and secure the Kearl Lake business. We've continued to work with Suncor/Petro-Can with regard to Fort Hills. We see opportunities like Husky Sunrise where our positioning should be very good.

But all of those projects are dependent on the producers' timing and when they go ahead. It is not only a matter of crude oil pricing, but it's a matter of labor availability, productivity, and cost. As you know, that was as much the issue with regard to the slowdown in oil sands project as it was crude oil pricing.

So I think it's fair to say that we will see slower developments in the oil sands than we'd anticipated back a couple of years ago or even as recently as a year ago, but we are absolutely convinced that it will be developed, that that resource is badly needed for security supply reasons, and we are very well positioned to participate when it does get developed.

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**Sam Kanes** - *Scotia Capital - Analyst*

Thank you, Pat. And kind of a much narrower question. I guess Rich, maybe you can help -- maybe not. Energy services, your qualitative observations were -- on why you had a positive year-over-year improvement were increased volumes. You also mentioned margins, some of you had I guess fixed, some you hadn't. Could you provide a little bit of color there between those buckets or components, if any?

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**Richard Bird** - *Enbridge Inc. - EVP, CFO & Corporate Development*

I don't have that at my fingertips. And that's probably getting a little further into the granularity of that segment than we would want to do I think, Sam. It's -- the first half has been great. We had the benefit of strong contango. Would also had some very good transportation arbitrage plays going on, and as we do pretty well all of our commercial opportunities in that business, those were largely hedged so that there was very little risk associated with them. But I think beyond that color, that's about as much as we've got for now.

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**Sam Kanes** - *Scotia Capital - Analyst*

Okay. Thanks Richard.

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**Operator**

Linda Ezergailis, TD Newcrest.

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**Linda Ezergailis** - *TD Newcrest - Analyst*

Can you help us out to understand the total FX benefit in the quarter on a CAD1 million basis consolidated? For your adjusted earnings?

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**Vern Yu** - *Enbridge Inc. - Vice President, Enterprise Risk*

Last year -- I have the year-to-date numbers. I can get you the quarter numbers later, but in 2008 for the first half of the year, the average exchange rate was 1.01. And in the first half of this year, it is 1.21, including the effect of our hedges. So on in EPS basis, we are about CAD0.06 better because of that fact.

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**Linda Ezergailis** - *TD Newcrest - Analyst*

Okay. Do you have a dollar million number?

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**Vern Yu** - *Enbridge Inc. - Vice President, Enterprise Risk*

Why don't I get that to you after the call? I just have it on an EPS basis with me right here.

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**Linda Ezergailis** - *TD Newcrest - Analyst*

Okay. Thank you.

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**Operator**

Robert Kwan, RBC Capital Markets.

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**Robert Kwan** - *RBC Capital Markets - Analyst*

Just maybe a higher-level strategy question. You've built up a fairly sizable equity surplus, and with the expansions that you have on the table in addition to other opportunities that you are looking at, over what time frame do you think you could actually kind of secure some projects to start to chew through that that? And then with just the general downturn we've had and the challenges a lot of others have had funding, are you more focused on growing within your cash flow generation without needing to access kind of hybrid or equity markets or going down the asset sale process that you've done over the last year, year and a half?

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**Pat Daniel** - *Enbridge Inc. - President & CEO*

Well, at this point -- to answer the latter part of the that first, we don't anticipate any further significant asset sales. We are very happy with the portfolio that we've got, and as you know in the case of the two assets, the two major assets that we sold, we were very, very pleased with the performance, and it was a case of redeploying that capital into higher-return/lower-risk projects here. And that's why we went that route.

So in sitting in the equity surplus position that we've got, we don't anticipate any significant dispositions. Realize that we have now, as we have indicated that we would, we've really moved into the sweet spot in terms of a very significant growth in our free cash flow in company over the next several years as a result of projects that are coming onstream. So we are able to very adequately fund the requirements of the company through that 2013 time frame. And in fact, as Richard is indicating, even post Walker Ridge we've got about a CAD1.4 billion equity surplus over that period of time.

So we will look for good and further investment opportunities. We are already growing the company at a remarkable rate when you look at a 10-plus percent rate of growth in this business and the low-risk nature of that. We'll look for further opportunities with a similar signature. But it's not a bad time to be sitting on an equity surplus I guess, is it?

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**Robert Kwan** - *RBC Capital Markets - Analyst*

Yes, not -- I guess just a question I more so had is as you kind of fill up with new projects and start to chew through the equity surplus, would you be hesitant to take on additional projects that you could not finance out of cash flow and off of the balance sheet?

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**Pat Daniel** - *Enbridge Inc. - President & CEO*

Not if they were good, high-return projects we wouldn't, no. And you know, you refer to chewing through the surplus. Realize the surplus is going to be building faster than chewable to a certain extent. When you've got a 10-plus percent growth rate and you still are building an equity surplus, that puts us in a very strong position. But if we find good-return projects, we certainly have the capability and the capacity within the company to take them on.

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**Robert Kwan** - *RBC Capital Markets - Analyst*

Thanks, Pat.

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**Operator**

Pierre Lacroix, Desjardins.

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**Pierre Lacroix** - *Desjardins - Analyst*

Just coming back on the equity surplus, would you change your view or your strategy with regard to shareholders incentives with share buyback or your strategy with the dividend increase year-over-year given the excellent equity position you have now?

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**Pat Daniel** - *Enbridge Inc. - President & CEO*

I would say that we will stick with the previously stated policies, and our intent generally would be to grow dividends commensurate EPS growth, and that is part of the plan that Richard referred to earlier on. And at this point we don't anticipate any share buyback. As you know, we are able to generate a lot of excellent growth opportunities on this asset base that we've got, and we are not in a position where we would anticipate share buyback.

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**Pierre Lacroix** - *Desjardins - Analyst*

Thank you very much.

**Operator**

(Operator Instructions) Steven Paget, FirstEnergy.

**Steven Paget** - *FirstEnergy - Analyst*

Just a question on solar. You're one of several management teams to comment on the great solar opportunity. And I'm just wondering what that might look like. Is it in solar technology? Is it -- could it come from the feed-in tariff that's working its way through the process in Ontario? Or somewhere perhaps in the US where there's lots of sun and lots of air conditioning?

**Pat Daniel** - *Enbridge Inc. - President & CEO*

Probably of the three alternatives, the one that you mentioned in the middle fits best for Enbridge. We are not into the solar technology development. We are into owning and operating assets. So to own and operate a solar power farm would fit very well for us, and if it is near existing operations, i.e., the Ontario franchise, that would probably fit the model best for us. So we're looking at a number of opportunities and most likely to be an operator and hopefully in close proximity to existing operations that we've got.

**Steven Paget** - *FirstEnergy - Analyst*

Excellent. Thank you.

**Operator**

There are no media questions at this time. With no additional questions in queue, this concludes the Q&A session of the conference. I would now like to turn the call over to Mr. Vern Yu for closing remarks. You may proceed sir.

**Vern Yu** - *Enbridge Inc. - Vice President, Enterprise Risk*

Well thank you everyone, and Pat Murray and I are now -- will be now available for any more follow-up questions. Bye for now.

**Operator**

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. And have a great day.