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NEB Safety Forum

BMO Centre

Calgary, June 5, 2013

(Check against delivery)

2013 NEB Safety Forum

Introduction

Thank you Georgette, and thanks to the NEB for focusing our attention on an issue that's critical to our industry.

This group of CEO's often meets at various venues and we do business together.

But, this is the first time we've been together at a Safety Forum.

The fact that we're here today reflects the importance our industry places on safety.

And it signals that we're co-operating to make our industry better and that we're being transparent about what we're doing.

The forum covers many important technical areas.

My comments will tackle the issue of the safety and operational reliability from the perspective of the management team.

Key Business Drivers

Safety is not a new issue. Pipeline companies have always spent a great deal of effort and resources managing it.

And we know that pipelines remain a very safe and reliable way to transport the huge volumes of energy that society demands.

So, why are we here today?

Put simply, it's because safety and operational reliability are today's **core business priorities**. They're not projects or initiatives. They are the price of entry.

It's also about building public trust. The public wants – and needs – more information. They want to see that we're focusing even more on safety.

We can debate the reasons for this, and we can quote statistics that show our track record is pretty good – get the facts out as they say.

But in my view that misses the point and won't impact public perceptions or expectations of our industry.

Why? Because those perceptions are not based on our everyday successes – on what goes right.

They're determined today by our failures – on what goes wrong.

People don't want to hear how good **we** think we are, or what we've done in the past.

They want to know what we're doing now - to **improve**, to get **better**, to prevent accidents. And they're right to want that.

We all know that North America is in dire need of new pipeline capacity. To build that infrastructure we must meet and exceed the higher bar that's been set by stakeholders.

The goal is not simply to be "in compliance" - but to reduce risk, prevent incidents, and ensure the reliability of our systems.

We welcome the important role that regulators play in focusing our attention.

We need to work closely with regulators to understand not just what's required today, but what will be required in the future.

How we govern and how we lead in this new environment will determine our success in meeting the public's expectations.

Marshall

For us, our evolution on safety and operational reliability was hastened **3 years ago** when we experienced a serious incident at Marshall, Michigan.

Even though we had a top-notch "statistical record", and our peers often consulted us, you can't go through something like that without taking a long look in the mirror as a company, as leaders and as individuals. You need to change!

Key Priorities

Today, our top priority as a business is safety and operational reliability, ahead of executing our growth plan and establishing new platforms.

In fact, this is the very slide I use in speaking to stakeholders; employees, investors and analysts, regulators, government officials and the public.

The result has been a comprehensive review of our approach with the goal of achieving industry leadership in this area.

Advancements in Technical Areas

A big part of that relates to advancement in technical areas:

- Integrity management;
- leak detection;
- control center training, procedures and decision protocols;
- emergency response logistics;
- and in public awareness programs.

You have to put resources to these technical areas. For example, we doubled spending on integrity management and we're assessing new technology.

How we Think About Safety

Equally, important, we're changing the way we **think** about safety and operational reliability, which we call our path to zero.

We've moved from a mindset where some number of incidents were viewed as inevitable because of mechanical and human failures, one that refuses to accept that premise.

We're making the jump from celebrating our statistical success, to one that strives for zero incidents.

I want to be very clear here: This jump is not just semantics – it's the foundation for how we operate and the way we see our business and its inherent risks.

Evolution of the Pipeline Industry

In my view, the pipeline industry must evolve to High Reliability Organizations, or HROs, like the airline, nuclear, chemical processing and aerospace industries.

We can learn from how these industries think about risk. For example:

- A focus on process safety factors that give rise to potentially catastrophic consequences to individuals, communities and the environment.
- A sense of responsibility throughout the **entire** organization and especially the executive team.
- Thinking about risk mitigation by incorporating multiple layers of defense at key stage gates – design, prevention, detection, control and response.

This is illustrated by the diagram, which many of you have seen before.

And as leaders, we need to be front and center – **we** need to drive the HRO culture through the organization.

We need to be present in the field, in the control center, and the engineering and integrity departments.

We need to engage staff one-on-one; seek information, listen carefully and promote an environment where concerns are surfaced without hesitation.

The involvement of senior management in establishing a pervasive safety culture, and in providing ongoing, active oversight, is fundamental.

In fact, we spent 3 hours at our last Board planning session on this topic – which gives you some sense of its importance.

Governance and Systems

We also need to focus on improving governance and systems. .

We've established a corporate-wide Operations and Integrity committee, which I chair, bringing together leaders accountable for operations, integrity and safety across our organization.

We review incidents and apply learnings across our business units.

This is the most important body in our company, ahead of the investment committee and executive committees.

We've created a new function responsible for Enterprise Safety & Operational Reliability.

This role directly reports to me and is accountable for defining and executing on an enterprise-wide vision, culture and integration of safety strategies and policies.

One key point though, the business units retain primary accountability for safety and operational reliability.

We're placing even more emphasis on assessing operational risk within our Enterprise wide risk management system. This is reviewed with our Board of Directors.

And compensation of our entire staff is tied to scorecard metrics (leading and lagging indicators) that focus on safety and operational reliability.

40% of Business Unit bonuses are tied to Safety and Operational Reliability and executives are tied to that as well.

ORM Plan

We've established an Operational Risk Management Plan or ORM, which sits right alongside our strategic plan – that's how important it is.

The ORM is a road map of programs aimed at achieving one goal - industry leadership.

We track progress, which is independently verified.

The Human Factor

Another key element of our commitment to safety and reliability is to better understand the human factor, that is the behavioral aspects of why incidents happen in our industry and how to prevent them, which is something we've all struggled with.

To my mind, this is where our industry needs to make progress.

A few examples of human factors are:

- Consensus decision-making where responsibility is defused amongst team members rather than the team providing input to a single point of accountability;
- Confirmation bias, where people see tests as something to confirm something is OK, rather than using those tests as a tool to investigate results, not just accept them;
- And normalization of warning signs, which treats anomalies as an expected occurrence without considering the risks.

These and other behavioral factors are discussed by Andrew Hopkins, a leading authority on accident prevention, in his book *Disastrous Decisions*.

Dr. Hopkins writes that “mindful leaders feel a constant state of unease” – critical in the development of a safety culture that is always on guard and always striving to prevent any potential incident.

I encourage you to read this book, which we distributed to our entire management team and Board.

Key Takeaways

So to sum up:

As an industry, we operate within a new reality - one that will make us better.

It's not enough to remind people that pipelines are the safest method of transporting large volumes of oil and gas.

People want to know what we're doing to get better– to prevent incidents and to reduce our industry's environmental impact.

The energy community has come to realize that economic benefits alone are no longer enough to ensure public support for resource development. We get it.

Moving energy requires public trust – and that trust is now being tested.

To maintain the trust of regulators, governments, our shareholders, and the general public, we must obsessively focus on safety, from design to construction and operations, continually improving, and learning from other industries and learning from each other.

We must move toward a Highly Reliability mindset that looks at the world through a process-safety lens.

And we need to focus on understanding the behavioral aspects of safety and operational reliability.

If it sounds like I'm passionate about this – it's because I am.

Our industry fulfills a primary role in the prosperity and well-being of our province and our country.

As we're realizing in Canada, you can't be a successful energy exporter – to North America and to the world – without the necessary pipeline infrastructure to move that energy.

But to do that today, we need to demonstrate an unshakeable commitment to safety and operational reliability.

At Enbridge we want to position our company as the industry leader in safety and operational reliability – and myself as CEO and the management team has taken responsibility for leading this effort.

Why, because if we don't get this right, nothing else will matter.

Thank you.