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Enbridge, Inc. (ENB)

Q3 2021 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Enbridge, Inc. Third Quarter 2021 Financial Results Conference Call. My name is Polly 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 Jonathan Morgan, Vice President, Investor Relations. Jonathan, you may begin.

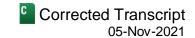
Jonathan Morgan

Vice President-Investor Relations, Enbridge, Inc.

Thank you, Polly. Good morning, everyone, and welcome to Enbridge, Inc.'s third quarter 2021 earnings call. Joining me this morning are Al Monaco, President and Chief Executive Officer; Vern Yu, Executive Vice President and Chief Financial Officer, Colin Gruending, Executive Vice President of Liquids Pipelines; Bill Yardley, Executive Vice President of Gas Transmission and Midstream; Cynthia Hansen, Executive Vice President of Gas Distribution and Storage; and Matthew Akman, Senior Vice President, Strategy, Power and New Energy.

As per usual, this call will be webcast and I encourage those listening on the phone to follow along with the supporting slides. A replay of the call will be available later today and a transcript will be provided on the website shortly after. We will try to keep the call to roughly one hour.

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And in order to get to as many answers to your questions as possible, we'll be limiting the questions to one plus a single follow-up, if 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 detailed follow-up questions.

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

And with that, I'll turn it over to Al Monaco.

Albert Monaco

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

Okay. Thanks, Jonathan. Hello, everyone. Well, to start off here, what you see in the photo is our new Ingleside Energy Center near Corpus Christi with a VLCC just being maneuvered into place for loading. It's an important investment for us on many fronts, so we'll come back to Ingleside in a few minutes.

It's been a strong quarter operationally and financially. So Vern will take you through the results. And by the way, Vern was recently appointed CFO. He's held a number of senior financial roles at Enbridge and most recently headed up our Liquids business which Colin Gruending has taken over.

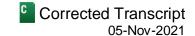
I'll cover the high points of what's been a catalyst quarter and year for us followed by a business update. Before I do that though, let me speak to the current state of the energy markets. And as a reminder, our perspective on this is from a company that's been focused on the energy transition for years. It's obvious we need to reduce global emissions and that we're moving to a low-carbon economy. And we think that existing infrastructure is essential to that transition.

As you've heard us say before, we see ourselves as a bridge to a cleaner energy future by leveraging our businesses and by achieving our own emissions goals. We're transitioning our asset mix in line with changing fundamentals and building on our early-mover advantage in wind, solar, hydrogen and RNG. But it's also very clear that energy demand will continue to grow and that economic growth will always depend on conventional energy.

So squaring these two realities comes down to the pace of transition and ensuring we secure low-cost reliable energy supply while that happens. The realities of this careful balance are playing out in energy markets today. Stimulus spending and recovery are driving GDP growth. Oil, gas and product demand are up and should outpace last year on the way to pre-pandemic levels. Petchem demand was resilient through COVID, but now even jet fuel has come back. As you've seen, natural gas demand is extreme particularly in Asia and Europe.

So consumption is up and supply disruptions and tight inventories are creating an imbalance. Now normally, all of that is self-correcting a supply response. But this energy crisis that we're in right now is entirely about underinvestment in all forms of energy, which is creating havoc with consumers, industrial competitiveness and inflation. Higher energy prices are impacting consumers in developed and developing countries. Spikes in electricity prices, heating, cooking and filling up the tank. Higher industrial feedstock costs also impact competitiveness and again that rolls out to the consumer, so agriculture, manufacturing, pharmaceuticals, transportation, components, technology and housing.

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And supply issues are impacting reliability with the rolling blackouts and rationing in China and India. Increasing coal power generation, of all things, in Germany. Fuel shortages in the UK. In the US Northeast, gas generation is running at five-year highs and we're seeing switching to fuel oil for electric generation. All of that to say the energy transition is a reality, but we need to be thoughtful about the pace and execution with the consumer in mind. And it's clear, if it wasn't before, that conventional energy will be a critical part of the supply mix for a long time.

So the point being here that the transition needs to be driven by a mix of balanced policy solutions. Most important, in our view, we have to embrace natural gas because it's simply the enabler of building more wind and solar supply among other things. And it's a great source of reducing emissions just like it has been to this point, incentivizing consumption-based economy-wide emissions reductions and efficiency measures and an immediate focus on regulatory certainty and support for CCUS investment.

So onto the Q3 highlights. Operationally, all of our systems ran near capacity and that drove solid numbers. And we're on track, as you saw in our release, to deliver EBITDA and DCF per share within guidance. The balance sheet and financial flexibility are strong and we'll move to the lower end of the target leverage range next year.

It was a big quarter execution-wise with CAD 8 billion going into service, which will drive 2022 cash flow. And that's a great outcome in the face of a difficult permitting environment to say the least. We also accelerated our US export strategy and lower carbon opportunities. So all in, good headway on priorities, moving the ball down the field, delivering good results, getting projects in the ground and building our business for the future.

Moving to the business update beginning with Liquids and Line 3. A month ago now, we completed the US segment, so we're in full operation for Western Canada to the Midwest. And with that, we also brought on the Southern Access Expansion to 1.2 million barrels per day into Chicago. Line 3 has always been about modernizing our system. And to my earlier point, it assures Canadian and US refiners have a reliable low-cost feedstock, providing affordable energy for consumers and industry.

Line 3 though also set a new bar for execution in the field. Their world-class environmental measures, actively engaging with communities in a different way and developing deeper indigenous partnerships, cultural, environmental and economic. We still got work to complete restoration. But I'm proud of how our team brought this one to the finish line. With Line 3 in service, we'll earn the full CAD 0.935 surcharge on all Mainline barrels and returning the line to full capacity sets us up for downstream expansion to the Gulf Coast.

On Line 5, the existing line and the Great Lakes Tunnel is also about safe and affordable energy. The fact is Line 5 and the tunnel are essential to Michigan but also the entire region and two Canadian provinces. We're doing everything we can to make sure people's critical energy needs are not cut off like propane in the Upper Peninsula and jet fuel for the Detroit airport as just two examples of many.

Independent experts concluded there's no practical alternative to Line 5 other than thousands of more railcars and trucks, higher emissions and increased energy costs. Pretty sure people don't want that. In fact, that's what the majority of Michiganders are saying. 80% or so believe the cost of energy is important to them and there's 4 to 1 support for the tunnel.

But we've always understood the need to protect the Great Lakes, which is why we've gone to extra lengths at the straits including continuously and independently verifying the integrity of the line, shutting down the line as a precaution in high-wave and wind conditions and applying the latest in technology to monitor ship traffic to ensure there is no anchor drags. We've committed to build the Great Lakes Tunnel to reduce the risk to as near zero as humanly possible. We received the first tunnel permit last year and we're working on the remaining two.

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So let's shift gears now to our export strategy. A few years ago, we had a point of view on the evolving global supply-demand fundamentals and the need to point infrastructure to the Gulf and to capitalize on growing exports. As you can see, the maps developed out and we've built a big presence in the Gulf.

Our export strategy is entirely consistent with the energy transition because North America is a low-cost sustainable producer of conventional energy. And LNG exports can displace coal, which is going to be a big driver of lowering emissions in Asia. Our US Gulf Coast strategy began with providing full path access for Canadian Heavy to the Gulf and establishing a storage and blending hub. We're bolstering our Seaway dock capacity with our Houston Oil Terminal to provide expanded low-cost waterborne access.

We've now built out our light oil export position. Gray Oak initially gave us contracted pipeline ownership into Corpus and Houston. And the Ingleside Energy Center now gives us last-mile connectivity to the light oil export path. Ingleside is North America's premier export terminal transiting 25% of US exports last year with 15-plus million barrels of storage and 1.6 million barrels per day of ship-loading capacity.

Ingleside checked all the strategic, commercial and financial boxes for us. It sources crude from the Permian and Eagle Ford connected by 3 million barrels per day of pipe capacity. It's VLCC-capable and it's a prime location on the outer harbor. Commercially, take-or-pay commitments fit the business model well and it came at an attractive valuation. And we're very glad to have retained the operating team.

Finally, we evaluate every new investment at Enbridge through an ESG lens and, specifically, we need to see a path to net zero. Ingleside's new state-of-the-art facilities were designed to reduce emissions in the first place. But we're also moving forward with a large inside-the-fence solar farm. That'll allow us to achieve net zero on Scope 1 and 2 and contribute to Scope 3 reductions.

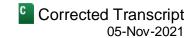
Now, it's worth just delving a bit deeper into why this is a business for the future. It's clear that the Permian is among the most competitive basins globally. And its scale, low breakevens and proximity to markets means it's essential in any transition scenario and a competitive supply source in meeting global demand for many years to come.

Ingleside has the lowest basin-to-water cost structure of any export point in Corpus or Houston. And that's because our two VLCC berths can load at twice the rate of a Suezmax. And we avoid lightering trips which, when combined with our outer harbor location, saves roughly five days' transit.

We also have capacity to capture incremental barrels and this is a big upside for us. We'll go after the low-hanging fruit first, which is to contract up existing dock capacity, which could add another 600,000 barrels per day of loadings. And then we'll build into the permitted storage that we already have and dock capacity. So, another 5.5 million barrels of storage there and 300,000 barrels of loadings. Lastly, as part of our transition lens again, the terminal's location and open land make it an ideal spot for greenfield and carbon capture development.

While we're on the topic of exports, Texas Eastern and Valley Crossing are nicely situated along the Gulf, which puts us at the center of the US LNG buildout. And that pace should quicken now given the global supply crunch. Not much doubt about gas' role in sustaining European and Asian economies, displacing coal and building renewables. And these fundamentals drive more demand pull on our systems. In just two years, our LNG volumes have doubled to 1 Bcf per day and we'll add another 0.5 Bcf per day with our Cameron Extension that'll feed Calcasieu this year.

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We've also built a nice portfolio of late-stage development projects totaling about CAD 2 billion. Bill and his team are also executing a CAD 5 billion secured capital program. CAD 3 billion of that is targeted for in service this year. We've just completed our two BC expansions for about 600 million cubic feet a day of firm to the lower mainland and US Northwest.

In the US Northeast, we've put Middlesex and Appalachia to Market into service. But, again, as you all know, this region needs a lot more capacity to address reliability and rising energy costs. We're advancing our multiyear modernization program so that'll lower emissions and ensure the integrity of our system for years to come. But there's more opportunity beyond that. Our new partnership with Vanguard Renewables will develop RNG projects along our system. We're starting with eight projects where we'll provide the injection and transportation assets and that should total around CAD 100 million of capital.

On to our gas utility in Ontario. First, this system is not only critical to the heating market but meeting peak generation demand. In fact, the IESO's recent study, and I encourage everybody to have a look at this, makes it clear that natural gas is essential to Ontario's energy needs today and in the future. Our franchise also benefits from continued population growth mostly from immigration. We're on track for another 45,000 customers there this year. Importantly, Ontario has also approved 27 new community expansions and we're planning to sanction new capital for those shortly.

Overall, we're executing on CAD 3 billion of utility capital through 2023, so great visibility there to rate base growth. There's also lower carbon potential. We're developing a sound portfolio of RNG and hydrogen opportunities. On RNG, we've got three in operation and four in construction. And through the Walker Comcor JV, we're developing another 15 projects across Canada with more potentially in the hopper.

On hydrogen, our green power facility was completed a couple of years ago and that proved out the technology and gave us great experience. This quarter, we expanded that facility and put into service the blend hydrogen project. And that will move into our distribution network. The prize here, of course, is to make that happen across the franchise.

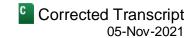
Finally, to our renewables business and an update on European offshore wind. If you recall, we've got three projects in operation and now three in construction and several opportunities in development. Matthew went through that at Enbridge Day.

Offshore France, we've installed 35 foundations at Saint-Nazaire and another 45 planned through mid-2022. So we're on track for in-service there late next year. Later in the schedule at Fécamp, we're building the foundations there right now. And on Calvados, we're manufacturing substation components and subsea cables. These projects will add 1.4 gigawatts of capacity with in-service dates through 2024.

As far as development, we've got another 3 gigawatts at various stages. So we have good runway here as well. In North America, we're accelerating our inside-the-fence solar self-power. We've put three facilities into service on our liquids and gas pipelines. And as you can see here, you get a feel for the proximity to our pipelines. We've now started construction on four new projects on the Lakehead and Flanagan systems. This phase will be in service next year and will lower our emissions and generate good returns. These projects compete for capital straight up with the rest of our businesses.

Our existing behind-the-fence land, large power load and renewable capability really give us an advantage in this space. And there's a lot of runway to grow at the compressors and pump stations that you see noted on the map

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here. So stay tuned for more. All of this is a great example of how we're using our skills that we developed in renewables over the last couple of decades to the rest of our business today.

Last point. As part of our new energy business, we've established a dedicated team to coordinate the strategy and allocate capital to the best opportunities. An important element of low-carbon strategy, in our view, is partnerships that give us access to technology, complementary assets and skills. We now have amassed four partnerships which includes a recent one with Shell where we'll collaborate on a range of North American opportunities.

With that, let me pass it to Vern to go through the financial results and the priorities there.

Vern D. Yu

Executive Vice President & Chief Financial Officer, Enbridge, Inc.

Thanks, AI, and good morning, everyone. As AI mentioned earlier, my 28 years at Enbridge has given me a great view of the business as a whole. And I look forward to leveraging this experience to my new role as CFO. My focus will be sustaining our track record of disciplined investment and value creation. So don't expect to see any big changes from me.

Today, I'll start off my remarks with an update on our key financial strategies. Our balance sheet and financial flexibility were in really good shape. We're BBB high across the board. We've bolstered our balance sheet capacity by continuing to recycle capital at attractive valuations, another CAD 1.2 billion this year, and increased our EBITDA through organic growth and continued cost reductions.

This EBITDA growth provides even more financial flexibility. The resiliency of our cash flows is very strong providing highly predictable cash flows year-after-year. This solid base along with execution on our capital program has us on track to deliver 2021 results within our EBITDA and DCF guidance ranges. And the capital we placed into service this year will drive a lot of free cash flow growth in 2022 and beyond.

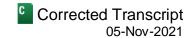
We expect to have CAD 5 billion to CAD 6 billion of annual investment capacity beginning in 2022, which we'll be deploying in a disciplined manner. I'll come back to this later. So our foundation is very strong and Q3 was another solid Enbridge-like quarter. All of our four key financial metrics are up year-over-year on strong performance across our businesses and continued cost containment. Adjusted EBITDA and DCF are up about 10% to CAD 3.3 billion and CAD 2.3 billion respectively. EPS is up over 20%.

Mainline volumes were about 2.7 million barrels per day in Q3, reflecting strong demand for heavy crude in PADD II and PADD III, which was in line with our expectations. Gas utilization has been great. And for the full year, we're seeing the benefits of our rate cases kicking in. The utility continues to be strong. Its cash flows provide stability and it's throwing off a lot of growth. Finally, our renewables business is performing in line with what we've been expecting.

This strong operating performance across all of our core businesses has, however, been partially offset by continued weakness in Energy Services and the effect of a weaker US dollar on unhedged revenues. In Energy Services, steep backwardation and historically narrow geographical basis has limited our ability to take advantage of pipeline and storage contracts.

FX has been a modest headwind to our operating results. Although we are substantially hedged, this shows up as an add-back in our Eliminations and Other segment. In terms of DCF, maintenance capital was a little lighter than planned. With three quarters of good results in the books, we're well on track to achieve our full year guidance.

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Let's turn to EBITDA. We anticipate strong asset utilization again in Q4. With Line 3 fully in service on October 1, we're expecting fourth quarter EBITDA contributions in line with our guidance of roughly CAD 200 million and the Mainline we expected to average just around 2.95 million barrels per day. The Moda acquisition closed this month and it will be a modest tailwind in Q4 with the terminal's contracted volumes ramping up over the next 12 months.

On balance, we are anticipating tailwinds and headwinds to be roughly balanced for the rest of the year. Energy Services is expected to remain weak through 2021. We saw some warmer weather in October in Ontario, which will negatively impact our utility outlook. And a weaker US dollar will weigh on our operating results net of our hedges. Onto DCF. We expect lower interest expense on a weaker US dollar, timing-related delays to utility and maintenance capital and cash savings from higher US tax pool utilization roughly in line with the CAD 100 million we outlined in Q2.

As we move towards yearend, our focus will shift to 2022. And here's a few factors that will contribute to our forecast, which will provide a much more fulsome review add on our Enbridge Day call. First, the CAD 10 billion of capital that we put into service in 2021 will drive higher EBITDA and cash flows. Ingleside's volumes will ramp up in 2022 growing its EBITDA contribution. And we're expecting strong utilization across all of our systems, including the Mainline where we expect 2022 volumes to trend through our Q4 outlook.

The gas pipeline and utility businesses are expected to remain nicely utilized and capture rate increases. Our renewable projects will remain largely in construction through most of 2022 with Saint-Nazaire coming into service in the last quarter. And in Energy Services, we expect losses to moderate in 2022. But we still anticipate a slightly negative contribution next year. Out of the money contracts will begin to roll off late in 2022 and early in 2023. So that will bring us back to our more normal positive run rate. And finally, relative to our 2021 plan, we expect FX to remain a headwind in 2022. As usual, we'll roll out our formal guidance for 2022 in December.

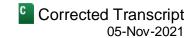
The outlook for our balance sheet is similarly strong. We've just now completed our 2021 financing plan, including CAD 2.4 billion of sustainability-linked bonds at historically attractive interest rates. Despite the full spending associated with Line 3 and the Moda acquisition, with only partial year EBITDA contribution; our yearend credit metric is expected to remain within our [ph] 4.5 to 5.0 (00:28:21) policy range. So that's a good outcome. So with a full year of contribution in 2022 from this capital and the Noverco sale proceeds will drive debt-to-EBITDA down to the low end of our credit metric range in 2022. That's going to provide a lot of financial flexibility and continues to support our BBB high credit rating.

I'm sure you're wondering about inflation. So let me spend a minute on how we're thinking about it. Recall roughly 80% of our EBITDA has toll escalators or regulatory mechanisms that protect us. And if we continue our cost management track record, this could actually provide a small tailwind for us. Our strategy to procure materials and equipment early had so far shielded us from any significant inflationary impacts to date.

So let's shift to how we'll deploy our investment capacity. In 2022, we anticipate CAD 5 billion to CAD 6 billion of annual investment capacity. And we'll be disciplined in terms of how we invest this to maximize shareholder value. We'll provide more detail at Enbridge Day, but our big picture priorities have not changed. Protecting our balance sheet remains our first priority. And we're sure we'll have plenty of financial flexibility and buffer. That includes continuing to evaluate opportunities for further capital recycling where it makes sense.

We expect to grow the dividend ratably up to the level of medium-term DCF growth with an eye to migrating our payout to about the midpoint of our 60% to 70% payout range. Our base businesses will continue to kick out CAD 3 billion to CAD 4 billion of organic growth opportunities per year with attractive returns. That's growth in the utility,

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gas pipeline modernization and low-capital Liquids Pipelines expansions. The next CAD 2 billion will go to the next best alternative. And we'll assess share buybacks, adding more organic growth, asset M&A and further deleveraging.

As we have said before, share buybacks have risen in the order of priority. And we continue to believe with the predictability of our cash flows, our ratable growth and our asset longevity; we are currently undervalued at our current share price. I'm excited that we have this financial strength and flexibility to optimize our capital allocation and shareholder returns.

So, finally, to wrap up, our annual Enbridge Day will be on December 7th this year. As usual, we'll use this event to update you on our financial outlook and our strategic priorities. We're planning for the event to be in person in Toronto. So we look forward to seeing you there. Of course, we'll have a webcast too for those wanting to attend virtually.

So, with that, I'll turn it back to Al.

Albert Monaco

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

Okay. Thanks, Vern. Just a couple of takeaways here. 2021, as you heard, is a pivotal year for us. The business is performing well and is generating highly predictable results. We're executing the priorities that we laid out at the last Enbridge Day. And we're on track to put in CAD 10 billion of capital into service this year. That will generate a lot of cash flow as you just heard.

So, with that, let me hand it back to the operator for Q&A. We're not yet all in the same room here. So I'll direct questions as needed. So, back to the operator.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] And your first question comes from the line of Robert Kwan with RBC Capital Markets.

Robert Kwan

Analyst, RBC Capital Markets

Great. Good morning. I just wanted to dig into the comments you made just around at capital allocation and specifically that CAD 2 billion bucket. You had some comments just around share buybacks and you see your shares as being undervalued. I'm just wondering whether you, similar to what you did about a year ago, be willing to rank order those options. And as it relates to dividend growth, I think, Vern, you mentioned up to the underlying growth. I don't know if you can just kind of frame that comment in light of what your friends across the street did this morning?

Vern D. Yu

Executive Vice President & Chief Financial Officer, Enbridge, Inc.

Okay, Robert. I think on the capital allocation, it's really great that we have the capacity to look at all of these different options. Obviously, when we make these decisions; there's a number of pros and cons to each of them.

On the share buyback front, it's great that we can invest in Enbridge as the company continues to grow its DCF and its cash flows. A share buyback lowers our payout. It provides dividend savings and obviously, it's executable. But some of the cons are that it doesn't provide any further organic growth, doesn't add incremental EBITDA and doesn't help us with our long and medium-term cash horizon. So I think what we would like to do is look at that in concert with all of the other opportunities that we have. And as we work through 2022 and beyond, we'll make sure that we make the best decision for our shareholders.

If we turn to the dividend, obviously, dividend growth is a key component of our value proposition. We plan to continue to grow it. But we have some other competing priorities as well. In the near to medium term, we'd like to get back to the middle part of our policy range. And at this present time, we don't believe the market's fully valuing the level of the dividend that we provide today. So, hopefully, that provides some clarity for your question there.

Robert Kwan

Analyst, RBC Capital Markets

Yeah. It's great, Vern. And if I can just finish with a question on the oil pipeline side. With L3R done, you talked in the past about other oil pipeline expansions. Just wondering if there's any update on those now that L3R is in service and are any of these projects somewhat imminent but waiting and being held back pending clarity on the Mainline contracting situation?

Albert Monaco

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

So I think we'll get Colin to respond to that, Robert.

Colin K. Gruending

Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.

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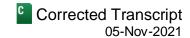
Yeah. Hey, Robert. Yeah, we're excited that obviously Line 3 is in service and immediately being useful and well utilized. And we do have a batting order of expansions, cost-effective ones, by the way, lined up as we've talked about for some time.

Our system is vast. It's complex and it continually provides creative solutions that we can harness as we have through the last number of years. These range from drag reducing agents, horsepower on existing pipes, potentially some reversals or even repurposing. So, the same roster, I would say, that you're familiar with is being teed up here.

It'll be dependent on customer interest and I think, in part, industry's emerging need to sustain some excess egress and multiple options to market. I think that's a concept that's been absent for a couple of decades and we'll do our best to fill that need. So we'll talk more about this at Enbridge Day. That's what that day is designed for. But we are excited about the prospects here.

Robert Kwan Analyst, RBC Capital Markets	Q
That's great. Thank you very much.	
Colin K. Gruending Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.	А
Thank you.	
Operator: And we also have Jeremy Tonet with JPMorgan online with a question.	
Jeremy Tonet Analyst, JPMorgan Securities LLC	Q
Hi. Good morning.	
Albert Monaco President, Chief Executive Officer & Director, Enbridge, Inc.	A
Hello.	
Jeremy Tonet Analyst, JPMorgan Securities LLC	Q
I just want to start off with the Ingleside acquisition there. I know it's very recent since you guys of didn't know if you could provide any kind of updated thoughts as far as — now that you have it, he versus your expectations? And I guess more specifically, when we think about the crude oil expenses kind of trends shifting there a bit given where the differentials are. So wondering if you could anymore thoughts, I guess, on how you see those trending in the near term.	ow is it executing ort side, we've
Albert Monaco President, Chief Executive Officer & Director, Enbridge, Inc.	A
Colin?	
Colin K. Gruending Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.	A

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Yeah, sure. Hey, Jeremy. Yeah, so we're pretty excited about this. The market for the Permian barrel is increasingly global. As you know, it's large and growing and it's going to play a long-term role in energy export and energy transition. We closed the transaction a few weeks ago now. But I would say our Q4 outlook and our 2022 is quite encouraging. We're seeing export loadings ratably wrapping up quite nicely and in line with upstream drilling rig count trajectories. So that's good. And I'd say it's also very consistent with our purchase economics.

We have multiple commercial expansion offerings in flight to leverage the operating leverage that they all talked about and the fixed cost pre-built facility that's there. Some of these offerings are a continuation of commercial offerings that the prior management team and owner had in flight and some additional ones on our own. We're looking at multiple types of products to export. And we've had some good inbound interest, I would say, here right off the bat. So I think it's looking generally pretty positive here, Jeremy.

Albert Monaco

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

Maybe just to add, Jeremy, one point to that. Really, in terms of part of your question around differentials and where they ebb and flow, the way we look at this one is this is highly contracted facility. So the way the economics work in our model is we've got that base. And then we sort of look at it as upside if the differentials point our way and the producer's way. And so really I think good upside here to global dynamics, which you know are likely going to look for more low-cost, reliable, light crude from North America. So that's just how we look at it in the bigger picture.

Jeremy Tonet

Analyst, JPMorgan Securities LLC

Got it. That's very helpful there. And then maybe just want to pivot to, I guess, the energy transition side a little bit. RNG seems like quite active in the Canadian side. Just wondering on the US side if you see opportunities there or how much capital could be deployed in general.

Albert Monaco

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

Yeah. Well, Bill's probably closest to the US side given the new opportunity there with Vanguard. So maybe, Bill, why don't you take that?

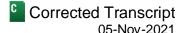
William T. Yardley

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

Yeah. Jeremy, I think the Vanguard Renewables partnership that we announced is a really good step. We have line of sight to CAD 100 million worth of projects in the near term. So it's kind of a good place to dip our toe in the water. And the model that we're setting up really – it really gives us line of sight to even more. So like I said, toe in the water, really good stuff there.

I think in addition to that partnership though, you've really got to think about our longstanding relationship with all of the LDC customers, so all of our utilities that you know are somewhat active in this space. And the relationship there could extend from partnerships to do some RNG projects together to just simply we do a project and have a resale to them as we both strive to meet our emissions targets. So I think it's got a lot of potential. How much is yet to be seen? It's pretty amazing when a place like the AGA comes out with a statement saying, well, RNG could meet half the heating load over the next – I forget the timeline – 10 or 20 years. That's pretty impressive.

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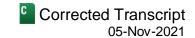
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Jeremy Tonet Analyst, JPMorgan Securities LLC	Q
Got it. Thanks for that. I'll leave it there.	
Albert Monaco President, Chief Executive Officer & Director, Enbridge, Inc.	A
Okay. Thanks, Jeremy.	
Operator: And your next question comes from the line of Ben Pham with BMO. Please go ahead.	
Ben Pham Analyst, BMO Capital Markets Corp. (Canada)	Q
Good morning. I want to stay on energy transition. And I'm wondering when you look at energy transpopertunities and you put them through your filter, you look at the risk-reward; would there be any statistic in how you look at those investments versus your existing portfolio? Is it different returns profiles, different counterparties? Would love comments on that.	significant
Albert Monaco President, Chief Executive Officer & Director, Enbridge, Inc.	A

Okay. It's Al, Ben. So I would say it's exactly the same as we look at the rest of our business. And as Vern referred to, we'll continue to be very disciplined as we're putting capital to work in the future. So maybe the way to think about this at a high level is if you look at what we have in flight right now, if you look at wind, solar, some initial RNG and hydrogen investments; they're pretty much right in line with the business model that you're used to seeing from us. And in the case of hydrogen, for example, with the two projects that we're working on in Ontario and then a third one in Quebec; they'll be incubated, if you want to look at it that way, within the existing commercial model where we're assured a return on and return of capital.

So I think that's the way we're looking at it. We've probably got CAD 2 billion in flight now in terms of energy transition category. And I would say that over the next five years, you're probably looking at that same level, I'll call it CAD 1 billion a year. I think what's to be determined though, longer term, is how fast hydrogen and other areas like CCUS develop. So I think for the next five years, we don't see massive amounts of capital being deployed there other than these core areas that we're working on right now. So hopefully, that provides some context.

Vern D. Yu Executive Vice President & Chief Financial Officer, Enbridge, Inc.	A
Can I make just a quick add-on?	
Albert Monaco President, Chief Executive Officer & Director, Enbridge, Inc.	A
Yeah.	
Vern D. Yu Executive Vice President & Chief Financial Officer, Enbridge, Inc.	A

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The other thing that we're doing is when we look at our traditional investments now, we do add the price of carbon to each of those investments. And we also increase the hurdle rates slightly because of the energy transition risks on some of those opportunities. So with these energy transition assets, obviously, those [ph] adders (00:45:50) aren't applied.

Albert Monaco

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

Yeah. And again, I think you've seen the chart we use for this, Ben. The whole game here for us is to really utilize the existing assets to deleverage those assets into low-carbon opportunities. So you see it in the utility; you see it in Bill's business and you see it with solar self-power which links right up to our conventional business.

Ben Pham

Analyst, BMO Capital Markets Corp. (Canada)

Okay, great. And then my second question on Mainline CER decision around the corner. Do you expect the CER decision to effectively be a yes or no as you've applied – the application stands or is there a situation where they can give you a blanket approval subject to conditions on contract levels and tolls?

Albert Monaco

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

Colin?

Colin K. Gruending

Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.

Yeah, hey, Ben. We're waiting for this imminently. And it's unclear precisely the form of the decision that that will come. I think they have an array of choices here. But obviously, we strongly believe in the one we filed for with the variety of benefits we included in it that were, as you recall, requested by industry. So we look forward to that.

And I would say if the decision is acceptable, and I would emphasize this next word, in its totality; we would proceed to the next stage which would be commercial contracting and then finality by mid-2022. If it's not acceptable, again, in its totality from a risk-reward perspective for our capital providers; we could refile for something else that would be. And I think we've laid out some options there over the last couple of years. So we'll have to wait and see. Ben.

Ben Pham

Analyst, BMO Capital Markets Corp. (Canada)

Okay.

Albert Monaco

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

Thank you, Ben.

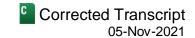
Operator: And Shneur Gershuni with UBS is online with a question.

Shneur Z. Gershuni

Analyst, UBS Securities LLC



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Good morning, everyone. I was just looking at slide 23 where kind of you present the outlook and the preliminary 2022 outlook. Although there's no number, I did try with my ruler to figure it out. But I guess my guestion here is that you sort of highlighted in terms of the positive benefits and negative benefits, obviously, the dollar in Energy Services, its headwinds. But you sort of included Moda as well as the benefit of the 2021 growth CapEx.

I was wondering if you can sort of talk about any other tailwinds that you're seeing. In your prepared remarks, you talked about kind of the energy crisis that's going on right now. Are there any inflation escalators tied to PPI and CPI that could potentially benefit Enbridge? I'm just kind of curious what other tailwinds that we could be thinking about where you could see some operating leverage within the existing system, not just with respect to the growth CapEx coming online.

Albert Monaco

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

Yeah. Well, maybe I'll just try to go through this quickly. First of all, on your question around inflation, I think, as Vern mentioned, there's a very large majority of our EBITDA and revenue that's driven by indexing of some sort that's off of inflation. So that's a plus.

I think in terms of the commodity part of your question, as you know, we're not hugely driven by commodity prices given our business model. But there are a couple of things around NGLs that we have, for example, at Aux Sable. Maybe there's a little bit of a tailwind with some excess capacity we might have in market gas to capitalize on that.

I would say a big part of what we've been focused on in the last two or three years though, Shneur, is cost management. And that's not to be underestimated especially since every dollar you save is certainly very helpful from a balance sheet perspective. And so those are the general categories of tailwinds beside the bigger ones that Vern mentioned.

Shneur Z. Gershuni Analyst, UBS Securities LLC

Okay, great. And just to clarify before I ask my second question. There isn't like - Line 3 is bringing more volumes

and part of your assets elsewhere will see benefits as well soon or...

President, Chief Executive Officer & Director, Enbridge, Inc. I'm sorry. Could you just clarify that, Shneur?

Albert Monaco

Shneur Z. Gershuni Analyst, UBS Securities LLC

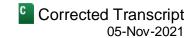
It's just the fact that Line 3 Replacement is now in service, that there would be more volumes flowing through, that there could be more operating leverage elsewhere in the system.

Albert Monaco

Yeah. I think we're probably going to be pretty much at capacity. At least that's the way we've modeled it out so far with Line 3 now in service. I think there may be some marginal benefits with additional volumes here and there, probably not huge.

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

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The big upside though, of course, is now that we have it in places as was mentioned, there'll be some downstream expansion possibility there that looks pretty good. And remember, those are going to be very low capital-intense opportunities, so right down the fairway for us at this part of the cycle. So we'll do well in those.

Shneur Z. Gershuni

Analyst, UBS Securities LLC

Q

That makes perfect sense. And for the second question, just to go back to the acquisition of Moda, just kind of wanted to understand your broader strategy with respect to exports. You acquired Moda. Does it change your view on spot or it's part of a larger strategy just given the slide that you had put out? Are you looking to add more connectivity to Corpus now with respect to having Moda in place? And would you be expanding that export strategy to include LNG potentially as well?

Albert Monaco

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



Well, maybe I'll start it off. Then we'll go to Colin. So this part of the strategy was really all about the second leg commodity-wise. So, as you know, we were the first ones to build that path on the heavy barrels into the Gulf Coast over the last several years.

This was really about now covering the light oil side. And we're so happy about this because of the sheer competitiveness of the Permian and Eagle Ford on global market scale. And so, with Moda being the lowest-cost infrastructure to market, we really think we're in ideal position here to capitalize on the upside that we think will come from exports.

We talked about LNG. I actually see this as an equally powerful strategy where we're located on the Gulf and how we're hooked up to existing LNG. And importantly, I talked about CAD 2 billion of LNG projects in development. We are lining up really well with new FID projects potentially in the next little while where we'll have captured the pipeline capacity that feeds those LNG plants. So that's the real big picture on how we're thinking about exports. Colin, anymore to add on Moda?

Colin K. Gruending

Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.



Yeah, sure. And I think I'll just reference you back to slides 10 and 13 where we're developing out gradually and I would say in a disciplined manner export maps in both crude oil and LNG. And they're really coming into focus. On crude, in particular, you can see on slide 10, we've got a number of – a diverse roster here in multiple points across the Gulf. And that fits the strategy I was talking about.

So, primarily, a light focus at Corpus. Yes, we're still interested in spot. That would be likely a more medium heavy export market and would feed off our Seaway path and all the way from Canada. Potentially down the road, we could connect Seaway over to Corpus so that you can get a sense of what we're trying to build out here. Does that help?

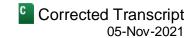
Shneur Z. Gershuni

Analyst, UBS Securities LLC



No, perfect. That was a very thorough answer. Really appreciate the color. Thanks a lot and have a great weekend.

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Αl	lbert l	Monaco
Pri	esident,	Chief Execu

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

Okay, Shneur. Thanks.

Operator: Robert Catellier with CIBC Capital Markets is online with a question.

Robert A. Catellier

Analyst, CIBC Capital Markets

Hi, good morning. You referred a little bit to inflation earlier in your comments. And as you're no doubt aware, some industrial users have been calling for a reduction in LNG exports in order to help mitigate the impact on price. So, obviously, that's a reactionary comment. But I'm wondering if the current inflation environment has had any change, any impact on how you look at the LNG fundamentals over the longer term.

Albert Monaco

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

Bill, do you want to comment on what you're hearing on the ground on that one?

William T. Yardley

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

Yeah. Rob, we're not hearing that to be honest. I can only say suddenly we're in the market that we had hoped for. I think we've seen a number of offtake contracts signed. I can think of five very recent ones. Many of them are those projects that we've got our eyes on that help us build out our infrastructure. And we think there's more to come. So I could get into a much longer answer. But the short answer is I don't see the momentum stopping right now.

Robert A. Catellier

Analyst, CIBC Capital Markets

Okay. Thank you.

Albert Monaco

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

Okay, Rob.

Operator: Rob Hope with Scotiabank is online with a question.

Robert Hope

Analyst, Scotiabank

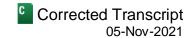
Good morning, everyone. Wanted to delve into the Mainline volume 2022 outlook. Maybe what are the puts and takes as we enter into 2022? As I understand, the heavy cylinder apportionment, there's a bit of a ramp in Line 3 there as well. So is it just seasonality with some outages in the back half of the year? And I guess, secondly, if you get a favorable Mainline ruling; could we see maybe some DRA expansions providing some upside here?

Albert Monaco

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

Colin?

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Colin K. Gruending

Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.

Yeah. Hey, Rob. It's Colin. Yeah, so we'll provide some more color on this at Enbridge Day for sure and give you a sense of seasonality as well. That is an average, I think. And I think Vern mentioned we're looking at next year in the same neighborhood of 2.95 million barrels per day. That's an average. There's seasonality to that, a bunch of factors. It's largely full. So there may be some operating leverage here and there, but that's the gist of it. Yeah, you mentioned apportionment. We've come down nicely. I think we were in the 40%, 50% apportionment range. And now we're down kind of 10%-ish and we'll see where that goes in December.

I think all market participants are adjusting to the new dynamic with the step-change in Line 3 capacity and Capline as well coming into service. January 1 is line filling right now. And by the way, that should be a positive pull through our system and the various pipes like SAX and Mustang as well. So I think we feel pretty good about that 2.95 million barrels per day area. I'll kind of blur the specificity of it for now. But generally full, I think, is how you should think about it.

Albert Monaco

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

And I think, Colin, to his question around DRA opportunity. I think in terms of how we're looking at the outlook for 2022 at this point, we haven't contemplated any of that in additional DRA at this point. But correct me if I'm wrong.

Colin K. Gruending

Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.

No, that's good clarification. Yeah, that probably bridges back to Robert's question at the beginning. So we would think about that as a further tranche of growth down the road.

Robert Hope

Analyst, Scotiabank

All right. That's helpful. And then just circling back to your comments on the Mainline re-contracting initiative and taking a look at the decision in its totality. A lot has changed through the many years that this has been going on. With the demise of Keystone XL, has the amount of contracts on the system gone down in priority for you whereas the total level has increased? Or kind of maybe puts and takes on how you're thinking about that decision.

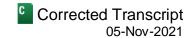
Colin K. Gruending

 ${\it Executive \ Vice \ President \& \ President-Liquids \ Pipelines, \ Enbridge, \ Inc.}$

Yeah. I would – again, back to totality – you're right. There are things that have changed, probably some favorable, some unfavorable. It remains industry's general preference to contract the line for all of the reasons; toll certainty, that's been a historical tenant of all our arrangements for the last 25 years; access to capacity following 20 years of egress deficit. And the toll we're looking at here is – as a reminder, it's basically an extension of the toll at the exit of our expiry here. And with toll discounts, it's actually lower for many.

So I think we would also prefer to contract the line. There are vulnerabilities out in the planning horizon as Trans Mountain comes on. So again, the totality concept applies to that balance of risk-reward we're trying to optimize. So again, we're going to have to carefully review the decision. And like I said, if it works, we'll proceed; if not, we'll refile something else, either a fixed tariff tolling arrangement like the ones we've had for 25 years or a cost of service arrangement where cash flows are protected.

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Albert Monaco

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

Yeah. And I was just going to mention on that last point, Colin, for Rob the other way to look at this is what the shippers are actually not very excited about, which we've heard very clearly from them that cost of service is something they'd not prefer. And there's issues with the commercial structure with an – the existing type of arrangement. So I think it's almost when you triangulate what they've really pushed for, which is contracting, we still think that's the best outcome for them and for us. And it's been driven over, as Colin said, a long time in discussion with industry.

Robert Hope

Analyst, Scotlabank

Thank you.

Operator: Okay. This concludes the question-and-answer session. I will now turn the call over to Jonathan Morgan for final remarks.

Jonathan Morgan

Vice President-Investor Relations, Enbridge, Inc.

Okay, great. Thank you. Thank you, everyone, for joining us this morning. As always, we appreciate your ongoing interest in Enbridge. Our investor relations team will be available following the call to address any follow-up questions you may have. So once again, thank you and have a great weekend.

Operator: And thank you. This concludes today's conference. Thank you for your participation. You are appreciated. You may now disconnect.

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