



**Al Monaco, President and CEO,**

**Enbridge Inc.**

**Annual General Meeting**

**The MET Centre**

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**(Check against delivery)**

## **Introduction**

Thank you Mr. Chairman – good afternoon everyone; welcome to our annual meeting.

Let me begin by recognizing the contribution of Pat Daniel, who retired as Enbridge's CEO last September.

Pat built a very strong foundation for our Company, with many accomplishments over his tenure. Our goal now is to build on that success. We wish Pat all the best and thank him for his dedication and significant contributions to Enbridge.

Today I'll recap our 2012 accomplishments and first quarter results. Then I'll speak to the changing North American energy landscape and how we're positioned to capitalize on the future. I'll conclude by outlining our key priorities going forward.

Before I do that, let me highlight two points to put my comments in context.

**First** - The importance of the role that Enbridge plays in the energy market.

We operate the most complex crude oil pipeline system in the world, delivering 2.5 million barrels of oil each and every day. We transport 53% of all US-bound oil exports—and Canada is the largest oil supplier to the US, making up more than 25% of their imports—so, more than Saudi Arabia.

Our natural gas gathering, processing and transmission systems extend from Northern BC to the Gulf of Mexico. We're the largest natural gas distributor in Canada, heating over 2 million homes. We're Canada's largest generator of solar energy and 2<sup>nd</sup> largest wind power generator.

In essence, we provide an all-important connection between energy supply and the people who need it—24/7, to heat homes, fuel vehicles, generate electricity and provide the source for many day-to-day products like plastics, synthetics and tires.

We're an engine of economic growth, helping to provide jobs and benefits that support our social infrastructure. And we're an important part of the communities we operate in, across North America, enabling investments in their health and safety, arts and culture, education and the environment.

So, the way we look at it, energy delivery is our prime social responsibility – one that supports the prosperity and quality of life for millions of people. It's a big responsibility - and one that our staff lives every day.

Our central role also provides a unique window on the energy industry. I'll come back to that in a minute.

**Second** – Given the transition in leadership last year, shareholders may rightly ask if anything will change?

The answer is yes—we will change and evolve depending on the challenges that arise, that's our job. But let me assure you that our disciplined approach and the principles that made our Company successful change.

What does that mean?

It means safety and operational reliability of our systems will be more important than anything else.

It means we'll always be guided by finding value-added solutions for our customers.

We'll always think first about growing organically, rather than by acquisition.

It means maintaining our financial discipline and strength, so we can continue to grow.

And, we'll focus on the long-term sustainability of our business, through our assets and our people.

Most important, we won't mess with our value proposition, which combines 3 things - a reliable business model, industry leading growth, and increasing dividends.

The combination of these 3 things should continue to generate superior returns for our shareholders.

With that context, let's look back for a moment at 2012.

### **A look at 2012**

It was a very good year. Adjusted earnings came in at \$1.62/share; 11% over 2011, which extends our record of growth. Based on that result – and the confidence in our long-term outlook – we increased our dividend by 12% – the 18<sup>th</sup> consecutive annual increase. A remarkable record, and one that illustrates the strength of that 3-point business model I referred to.

Total shareholder return was 16%—well in excess of the broader market. Our ten-year annual total return of 19% more than doubled the 9% TSX return. Last year was not without challenges though. Low natural gas and natural gas liquids prices impacted our US gathering and processing operations. We wrote down part of our Gulf Coast offshore assets. That said, however, with 2 large and profitable projects coming on-stream next year, we expect this business to improve considerably.

In terms of future growth, 2012 was our most successful year ever. We bed down more than \$15 billion of new investments, which brings our current inventory of secured projects to \$28 billion. Importantly, these are not just concepts; they're real projects that we'll put into service in the coming years.

In 2012, we brought 4 new projects on-line; all on time and within budget. And we're in good shape to bring 17 more projects into service this year. We are the busiest company in our sector.

To make those projects a reality, we welcomed nearly 1,500 full-time people to the Enbridge team. Our finance staff cost-effectively raised close to \$11 billion in capital: the largest funding program in Canada.

And, as you can see from this slide — while all of this activity was going on, we were recognized for our outstanding efforts in corporate and social responsibility.

All-in-all, an excellent 2012, and we're off to a good start this year.

Earlier today, we announced first quarter results that position us to achieve our full year adjusted EPS guidance range of \$1.74 to \$1.90/share. If we achieve the mid-point of that range, we'll grow earnings per share by another 12%.

As they say, that's history, so let's talk about how we're positioned for the future. To do that, we need to start with what's changed in our business environment.

## **The changing energy landscape:**

The energy landscape is undergoing dramatic and rapid evolution.

It was only a few years ago that North America was facing declining oil and gas production and the need for massive new imports. Today, North America is on the road to energy self-sufficiency.

US oil production is forecast to double to 12 million bpd in the coming years, and Canadian oil production is expected to double to 6 million bpd. That would put Canada in the top-four oil producing nations globally.

But there are challenges. The robust outlook for oil and gas production is resulting in significant pipeline bottlenecks between huge supply growth, and both continental and global markets. There is well-developed pipeline infrastructure in place—but there's not enough of it, and it's not in the right places given the location of new unconventional reserves.

This has serious implications for Canada because our resources don't have good enough access to the deepest US and global markets. Translation, Canada is a price-taker and receives less than it should for our valuable resources.

## **Crude Oil Discounts**

Let me illustrate this problem.

This chart captures regional oil prices for the first quarter of 2013. If you look at the price received for Canadian light crude in western Canada (orange circles), it was \$27/bbl less than the world price.

The world price is measured by Brent traded on the Gulf Coast and East Coast of the US.

Now look at the grey circles, which show the price of heavy crudes in North America. Canadian heavy is priced \$36 below a similar quality crude oil in the Gulf Coast—Maya. The difference between these two markets should be about \$8-\$10/bbl, not \$36.

It gets worse when comparing Canadian heavy oil to Asian prices where the gap was even wider. What you see on this chart is not just an energy industry problem—it's a problem, a big one, for all of Canada.

In Alberta for example, energy revenues account for about a third of total revenue. Nationally, Canada is the most export-dependent country in the G-20, with almost \$100 billion in exports last year.

The oil and gas industry is the largest investor in the Canadian economy – more than \$60 billion in 2011. It represents 25% of the TSX, creates work for more than 550,000 Canadians, and generates more than \$18 billion in federal revenues each year.

Simply put – the oil and gas industry is a lynchpin of the Canadian economy, and drives investment and job-creation across the West, Central and Atlantic Canada.

Clearly, the stakes for Canada could not be higher. Today, Canadians are leaving some \$25 Billion on the table annually because we don't have good access to markets.

Thankfully this is a problem that can be solved. But it will take a change in the North American pipeline grid, where crude will move from inland markets to coastal markets.

Enbridge is right in the middle of this transformation!

### **Creating liquids pipelines market access solutions**

We recognized these challenges some time ago. Put simply, our goal is to provide new market access for our customers by connecting growing supply with key markets.

First, our Eastern Access program (blue lines and pies) expands and extends our existing systems to the US Midwest and eastern Canadian markets. . . parts of that will happen this year and then the remainder next year.

Importantly, Eastern Access provides barrels to Canadian refineries in Ontario and Quebec, protecting their viability and safeguarding jobs.

By mid-2014, our US Gulf Coast Access program (green arrows and largest pie) will add some 585,000 bpd of capacity from the mid-west. I think of this connection as a perfect marriage between growing Canadian oil supply and the largest refining market on the continent with 9 million bpd of processing capacity—a market that is screaming for Canadian crude.

Then in 2015, as part of our Light Oil Access initiative, we will add up to 300,000 bpd of capacity to serve the eastern PADD 2 market and more capacity into eastern Canada.

Finally, we're developing the Eastern Gulf project, which provides a pathway for heavy and light crude from the US Midwest to the eastern part of the Gulf Coast.

Two things about this project: the eastern Gulf is an ideal market for Canadian and Bakken crude; and, importantly, the project makes use of existing pipe to minimize our footprint, get oil moving sooner, and at a lower cost than a new build.

To facilitate these market extensions we're also expanding our mainline.

So as you can see we haven't exactly been sitting on our hands. All told, we have committed billions in capital to add roughly 1.7 million bpd of new market access. That capacity will put a real dent in the pricing problem I described earlier.

And as you know, to connect growing supply with robust Asian demand, we're also proposing to build Northern Gateway to the Pacific Coast. Gateway would be a real game-changer—diversifying Canadian energy markets, maximizing the value of our resources and spurring new development.

### **Regional Expansion**

Our regional pipeline strategy will also help move more volume.

In the oil sands corridor, we're investing over \$3 Billion to expand our system. Over the last two months, we've announced two separate deals to provide additional pipeline and terminal services to producers.

This brings the total to 9 upstream projects that are connected to our Fort McMurray to Edmonton/ Hardisty pipelines, and it illustrates the competitive strength we have in this region.

In March we brought our Bakken Expansion Program into service.

We continue to pursue solutions – both pipeline and, where it makes sense, rail loading facilities – for reliable and economical access to the best markets.

### **Growing our other core businesses**

It's important to note our other businesses are growing as well.

In natural gas, we're working on the Texas Express Pipeline, which will give us access to the premium NGL market at Mont Belvieu, Texas.

Through our Alliance and Vector pipelines and Aux Sable plant near Chicago, we've capitalized on the liquids-rich growth in northeast BC and the Bakken.

We've advanced our Canadian midstream strategy with our acquisition of the Peace River Arch assets in the Montney play.

And we've announced the single largest capital project in Enbridge Gas Distribution's history—the \$600 million expansion of our franchise in the Greater Toronto Area.

Our green energy power generation business continues to grow – with the completion of:

- the Silver State North solar plant in Nevada;
- start-up of the Neal Hot Springs geothermal project in Oregon; and
- our investment in the Massif du Sud wind farm in Quebec.

Last month we added to our power generation portfolio with a 50% interest in the 300 MW Blackspring Ridge Wind Project, located here in Alberta.

While a relatively small part of our asset base today, we think it's important to invest in renewable energy as we move to a lower carbon-intensive economy over the next few decades.

Complementing our renewable generating assets, our first power transmission project will be operational this year. This 300 MW tie-line runs from Great Falls to Lethbridge.

As you've seen we have a massive inventory of secured projects and many others that we are working on. . . investments that generate a strong outlook for our future.

They also support economic growth in North America and in the case of our liquids pipelines projects, they help to ensure Canadians receive full value for our natural resources.

## **Our key priorities**

We're very excited about our future. And to assure success, we will be intently focused on three key priorities going forward:

**Priority One** is the safety and operational reliability of our systems.

Why, because safety and reliability enables everything else that I've talked about. We know that pipelines remain the safest, most efficient way to transport the huge volumes of energy.

But our focus is on further improving—to get better, to prevent accidents and to reduce our industry's environmental impact.

Our goal is simple – to be the industry leader in key operational areas. Let me give you some examples of what we're doing to get there:

- We've established an Operational Risk Management Plan focused on being top-quartile in 6 areas.
- As part of that, we've undertaken the most extensive integrity management program in the history of the North American pipeline industry... more than 200 in-line inspections in just 3 years.
- We're utilizing the most advanced in-line inspection tools that incorporate medical imaging technology – very similar to MRI's – so that we can see every millimeter of pipe in the ground from many angles. You can see an inspection tool here today.
- We've opened a new operations control center that monitors our entire system by the second, adding staff and enhancing training and technical support. This is truly a world-class facility.
- We've established a corporate-wide Operations and Integrity Committee (which I lead), bringing together our senior operational leaders across the organization.
- We've created a dedicated Emergency Response group; conducted a thorough assessment of our preparedness; and we're investing in more emergency response equipment.

**Second:** Given the size of our capital program, good project execution will be central to assuring success. We need to get projects completed safely, on time and on budget.

We've developed an experienced Major Projects execution team that oversees thousands of field staff to execute our current project slate.

We think of project management as a core competency and competitive advantage.

This group employs rigorous processes to ensure we get it right – from design and engineering, regulatory applications, supply chain management and stakeholder consultation... through to safe construction, and with respect for the environment and landowners.

**Our third priority** is to strengthen our core businesses and build new investment platforms so that we extend growth well into the future.

These new platforms include expansion of the natural gas business, electricity generation and transmission, and international where, and when, it makes sense for us.

These areas will help to diversify earnings in businesses that fit well with that value proposition I mentioned—reliable business model, superior growth and increasing dividends.

## **Sustainable Success**

Let me conclude with some comments on another area that Enbridge is leading on.

We don't operate in a vacuum. All the activity I've mentioned is happening against a backdrop of heightened public awareness.

That means to build and operate the energy infrastructure we need—we must meet the evolving expectations of governments, regulators, landowners, shareholders and the general public.

We're doing that by focusing even more attention on understanding and resolving stakeholder concerns.

That starts with listening very carefully to what the public and communities are saying.

The Gateway community advisory boards are one example of how we are doing that. These discussions have resulted in real changes.

For example, we've altered the proposed project route in many locations to reflect excellent input from communities. And we've added safety measures that exceed regulatory requirements to give residents an extra measure of comfort.

I think we need to look to First Nations as partners and help develop sustainable communities—and we're doing that.

Through those partnerships, we provided contracts to Aboriginal businesses and employment worth almost \$90 million last year. And already this year, we've reached \$29 million. We're proud of that result.

Since 2009, we've granted \$3 million to 61 on-reserve schools and urban aboriginal partnerships as part of our School Plus program. This program has benefitted over 10,000 students in communities along our right of way from Alberta to Quebec.

Last year, we invested \$13 million in more than 550 charitable, non-profit and community organizations.

Why are we doing this? Because we believe that when we work in a community, we're part of it and that means we invest in that community.

We also need to reduce our industry's environmental footprint.

That's why our first choice is always to use existing infrastructure—to reverse or repurpose pipelines, or to expand along existing rights of way to minimize our impact on communities and on the environment.

As we grow, we remain committed to sustainability through our Neutral Footprint program—we're on track or exceeding our goals:



- planting a tree for every tree we remove;
- conserving an acre for every acre we permanently impact; and
- generating a kilowatt hour of renewable energy for every kilowatt hour of additional power we consume.

As a good operator, we also want to reach out to emergency response organizations located near our pipelines. Through our Safe Community program, we provide grants to local first-responders to help with equipment and training. And we recently launched an online portal offering customized training on the products we transport and the best way to respond to a pipeline emergency.

### **Key take-aways**

To sum up, there's no doubt the energy landscape is undergoing dramatic change, creating both opportunities and challenges.

Enbridge is playing a critical role in safely and reliably delivering energy to the best markets. The fact is, our continent and the world's energy needs are increasing. That means we need energy infrastructure to move that energy to the people who need it.

We're excited about our future – we're well positioned to expand and to extend into new markets, enabling us to create value for customers and shareholders. As you saw, we have a large inventory of commercially secured projects, \$28 Billion, that will start to come into service this year and over the next few years.

Because of that, we have confidence that we'll be able to maintain our industry-leading growth over the next several years.

But, I want to underscore that the safety, reliability and environmental sustainability of our systems will always come first—it's the foundation for everything we do.

Growth requires public trust—based on the confidence that we will do everything in our power to respect and protect the communities and environment. And we're committed to doing that.

Finally, I want to say thank you to the Enbridge people across North America who work tirelessly to keep our systems operating safely, they deserve credit.

I also want to thank our Board of Directors and Chair who have provided excellent support, advice and oversight, on behalf of Shareholders, over the last year.

I thank you for your patience, and I'm happy to take your questions.