11-Feb-2022

# Enbridge, Inc. (ENB)

## Q4 2021 Earnings Call

# CORPORATE PARTICIPANTS

**Jonathan Morgan**
*Vice President-Investor Relations, Enbridge, Inc.*

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*

**Vern D. Yu**
*Chief Financial Officer & Executive Vice President, Enbridge, Inc.*

**Matthew A. Akman**
*Senior Vice President-Strategy, Power & New Energy Technologies, Enbridge, Inc.*

**Colin K. Gruending**
*Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.*

**William T. Yardley**
*Executive Vice President & President-Gas Transmission and Midstream, Enbridge, Inc.*

**Cynthia L. Hansen**
*Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.*

# OTHER PARTICIPANTS

**Robert A. Catellier**
*Analyst, CIBC Capital Markets*

**Robert Kwan**
*Analyst, RBC Capital Markets*

**Jeremy Tonet**
*Analyst, JPMorgan Securities LLC*

**Robert Hope**
*Analyst, Scotiabank*

**Ben Pham**
*Analyst, BMO Capital Markets Corp. (Canada)*

**Brian Reynolds**
*Analyst, UBS Securities LLC*

**Linda Ezergailis**
*Analyst, TD Securities, Inc.*

**Praneeth Satish**
*Analyst, Wells Fargo Securities LLC*

**Andrew M. Kuske**
*Analyst, Credit Suisse Securities (Canada), Inc*

# MANAGEMENT DISCUSSION SECTION

**Operator**: Welcome to the Enbridge, Inc. Fourth Quarter 2021 Financial Results Conference Call. My name is Emitrez, 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, Emitrez. Good morning and welcome to the Enbridge, Inc. fourth quarter 2021 earnings call. Joining me this morning are Al Monaco, President and Chief Executive Officer; Vern Yu, Executive Vice President, Corporate Development and Chief Financial Officer; Colin Gruending, Executive Vice President, Liquids Pipelines; Bill Yardley, Executive Vice President, Gas Transmission and Midstream; Cynthia Hansen, Executive Vice President, Gas Distribution and Storage; and Matthew Akman, Senior Vice President, Strategy, Power and New Energy Technologies.

As per usual, this call will be webcast and I encourage those listening on the phone to follow along on the supporting slides. We will try to keep the call to roughly one hour. And in order to answer as many questions as possible, we'll be limiting questions to one plus a follow-up, as 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. And as always, our Investor Relations team will be available following the call for any follow-ups.

On slide 2, I'll remind you that we'll be referring to forward-looking information on today's call. And by its nature, this information contains forecast of 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.*

Thanks, Jonathan. Hi, everyone. Just as we begin here, the graphic is really just a reminder of how we kicked off Enbridge Day in December with the theme of how Enbridge is a bridge to a cleaner energy future. So more on that later. So, I'm going to begin with a 2021 recap, our current perspective on the energy markets, followed by our business update and ESG performance. And then, Vern will take you through the financial results and outlook.

First, though, the close out of 2021 represents five years since the Spectra acquisition, that deal was obviously transformational for us. It gave us a premier natural gas transmission business and another large gas utility franchise, and we're driving a lot of growth and synergies in that business. We've expanded at the same time the liquids business and acquired the number one crude oil export facility in North America. We built our offshore wind business in Europe and we have a fulsome, low-carbon business. We honed our pipeline utility model by selling assets that didn't fit at great value, by the way, simplified our structure, and our financial position has never been stronger. So, the business is in an excellent position and we're excited about the future.

As you saw this morning, we had another solid quarter, which closes out what's been a catalyst year in that five-year journey I was just talking about. We delivered record safety and operating performance. Our systems ran full, which drove DCF per share to the top end of the guidance of CAD 4.96, and that included a further CAD 100 million in cost savings. We put CAD 14 billion of capital into service, that includes Moda, secured another CAD 2 billion of growth and sold another CAD 1.2 billion in non-core assets at good value. We make big headway on our crude oil and LNG export strategy and low carbon. With Line 3 in service, we'll see record Mainline throughput and strong 2022 EBITDA growth. Now, this couldn't have come at a better time for producers, as 400,000 barrels of new egress and improved net backs is generating tremendous value, particularly at these prices, and it goes to the value of the franchise.

Gas Transmission utilization was strong as well. Texas Eastern saw 16 of its top 25 peak days over the past decade. We did have warmer weather at Utility, but we more than made up for that. And Renewables came in well, resource and EBITDA wise. This all translated into a strong cash flow and dividend growth, which continued with the 27th consecutive increase this year. And we're free cash flow positive this year with visible organic growth across the businesses.

Now on to energy markets. Just cutting to the chase on this, we're in the middle of an energy crisis. The economic recovery is driving strong global energy demand and normally we see a supply response, but not this time given significant underinvestment in both conventional and renewables. Not surprisingly, that brings energy shortages, higher fuel costs and, of course, inflation as you're seeing, which challenges competitiveness and economic growth. One example alone, US Northeast electricity price of last month reached over $300 a megawatt hour several times, and that's the same case for heating bills in that area. And that's all, of course, due to lack of gas infrastructure.

What we're witnessing today highlights the importance of reliable, affordable energy in our lives. The reality is that North American conventional supply will play a large role in years ahead with long live reserves, low breakevens and leading ESG performance. Those North American advantages and coastal infrastructure will result in higher exports, which is what's behind our crude and LNG export strategy. So, before the crisis, our view was that conventional energy would grow at least through 2035, and what's happening today just reinforces that view. But while energy fundamentals are constructive, we will be very disciplined in deploying free cash and will gradually increase the proportion of low carbon investments.

We've got a solid inventory of both conventional and low carbon opportunities, totaling about CAD 6 billion per year. That actually aligns with our free cash flow generating capability after dividends and maintenance capital, including debt capacity. Of the CAD 6 billion in investable capacity, we'll prioritize the CAD 3 billion to CAD 4 billion annually to ratable utility-like projects and low capital intensity growth, and will put excess capacity to the next best option. More organic growth, potentially Moda-like asset deals, although those are few and far between, and share buybacks.

On the conventional side, we'll expand and modernize gas systems, which will displace coal and support Renewables growth. We'll continue to build out our LNG and export positions and invest in the gas utility. We'll also pursue capital efficient Liquids Pipelines optimizations. The nice thing is that these businesses also come with embedded low carbon opportunities, namely RNG, hydrogen and CCUS infrastructure. And our Renewables backlog gives us high visibility to growth as well.

Moving to the conventional business update, the Utility continues to have 45,000 customers annually of growth and we're connecting 27 new communities, so we expect to add roughly CAD 1 billion of rate base this year. In Gas Transmission, as you saw, we sanctioned another two projects totaling CAD 700 million. Phase II of our modernization program, which improves the reliability and reduces emissions, and the next phase of our Appalachia to market expansion, which will add much needed capacity in the Northeast. And in that business on rates, we're now in settlement discussions with Texas Eastern shippers. In Liquids, with Line 3 three now fully in the ground, our capacity is roughly 3.1 million barrels per day, and we're running pretty much full. So, we're looking good on Liquids volumes. The priority now is to add more downstream egress to the gulf on Flanagan Seaway path. These are highly capital efficient expansions and come with attractive returns.

And on that note, here's how we see the Mainline tolling process unfolding. As you know, there's a couple of options, either another CTS like incentive tolling arrangement or cost of service. We're in the consultation and information sharing phase here, and the goal is to land on which option works best for our shippers and makes sense for us. The incentive tolling model has worked very well in the past and aligns us with our shippers, and that's because it provides the toll certainty that they want and need to run their business. It keeps costs in check and incents us to add capacity. Now in that framework, we take on operating capital and FX risk and, of course, volumes move up and down. And if we manage all of that well, we can earn a commensurate return above the cost of service return.

To illustrate the win-win here, we've added roughly 1 million barrels per day of new low cost capacity during the last CTS term. And that's brought a lot of value to shippers when it's been challenging to add any new egress out of Western Canada. While the value equation has worked well in the past for both parties, we're equally comfortable under a cost of service arrangement going forward because it minimizes the risks I mentioned and we'd earn a good risk adjusted return.

As we've seen, shipper consensus is tough to achieve, so we are preparing a cost of service application right now. And we don't want to presuppose the timing, but we're looking to land on a path by this summer hopefully, and then file either a settlement agreement or a cost of service after that. But either way, we don't anticipate a material change in the context of Enbridge's overall EBITDA.

Sticking with Liquids, we've now targeted – integrated, sorry, our Ingleside export terminal and going after expansions. Storage capacity is fully contracted out for term. We're talking to customers right now about adding another 2 million barrels of capacity, which we're targeting to sanction later this year. On the export side of the facility, we're 60% contracted on the 1.6 million barrels per day of capacity. So the goal, of course, is to trim that out.

We're also seeing early interest in developing LNG, hydrogen and ammonia exports, and that's driven by global petrochemical feedstock demand. And under any scenario that we can see, the Permian's low cost abundant supply of natural gas and NGLs are going to be key to meeting that petchem demand. We're also co-locating up to 60 megawatts of solar power at Ingleside, and the graphic here you see shows this will more than achieve net zero, with the excess contributing to Scope 3 reduction. So, essentially, net negative at Ingleside. It's a great example actually of how we look at all new investment opportunities.

Outside of Corpus, we're continuing to develop the Houston oil and SPOT terminals. And that's the catalyst for expanding upstream heavy access to the Gulf and exports through our systems. We also have great momentum on LNG exports. With no end in sight to high LNG prices, after a little bit of a pause there, there's strong buyer interest in contracting up US Gulf capacity. We just brought on our Cameron Extension project connecting to the

Calcasieu Pass facility, our fourth transport deal. We've got several projects in development as well, and we've just locked up the PA with Texas LNG to expand Valley Crossing.

We're now seeing interest in Western Canada LNG, plus local market demand is picking up. So that should drive expansion on our West Coast system. In fact, we're now working on a CAD 2.5 billion expansion of T-South, and we're targeting an open season hopefully by midyear.

Now, the demand pull for that one is Woodfibre LNG, which we understand is progressing well to FID. All in, we've got CAD 6 billion of LNG opportunity in the hopper, which bodes well for post-2024 growth.

So you can see here that our conventional businesses have a long growth runway, but we know that energy transition is gaining momentum. And as you can see with the investment outlook here, capital is flowing. We see the transition as a great opportunity for us to extend our growth because the fact is our transportation and storage assets are essential to unlocking low carbon energy for the economy, and our franchises feed the best North American markets.

The transition is going to take time, as we all know, so we are focused on investing capital where there's a clear path now to execution and with attractive returns. To assess the pace of transition, we look at a number of signposts. We've put some of them down here on the slide.

The conditions are actually already right for Renewables, and we've been building that business for a decade. We're starting to see the policy framework and investment flow for hydrogen and CCUS, but they're not where they need to be to accelerate and scale investment. Global carbon markets are starting to form, but that'll take time to mature as well. In our view, the importance of regulatory and permanent clarity is underestimated. We need more certainty and shorter timeline to permit projects.

Through 2025, we see about CAD 4 billion of a potential investment, including offshore wind in construction, and we expect that to ramp up in the second half of the decade as RNG and CCUS and hydrogen accelerates. So let's run through the key low carbon areas.

We've got 14 Renewables projects in construction right now, including solar self-power North America and offshore wind in France, totaling 1.5 gigawatts. Our offshore, over half of the 80 foundations are now in at Saint-Nazaire, and it's on schedule for late this year. Fécamp and Calvados are tracking well to 2023 and 2024 ISDs.

We're well underway on our first floating offshore pilot at Provence Grand Large, and we see upwards of 750 megawatts of floating potential in France with EDF. As you can see, we're busy with our current backlog, so we don't need to chase new projects during this period of frothiness.

In North America, we're making great progress on solar self-power, 3 projects in service, 10 in construction. That's about CAD 300 million of capital. And by leveraging our own land position and load, we've identified another 1.5 gigawatts for development. On CCUS, we're working on several early-stage developments across the franchise. Now, as context here, the key drivers of success in CCUS in our view are storage proximity, scale and efficiency, and full path integrated solutions which fits with our capabilities.

Our Wabamun Carbon Hub development is positioned to capture emissions from a variety of emitters. Over 20 megatonnes per year of $CO_2$ capture potential in the circle that you see on the map. In December, we signed an MoU with Capital Power; and last month, another one with Lehigh Cement.

So combined, that's close to 4 megatonnes CO2, which would anchor Wabamun, which would make it one of the largest globally. Timing wise, we could see a phased-in service between 2025 to 2027. So it's a project that could get the CCUS ball rolling in Alberta very quickly.

Important to that project, last week, we landed on a great partnership with five indigenous groups that we hope will be full equity partners in the hub, and we're excited about moving forward with them on this project. With those pieces all in place, we've just filed our application for pore space through the Alberta government's RFP process.

On RNG, the technology, economics and commercial support, as you know, are already established. So we're in scale-up mode on this. At the gas utility, 3 RNG facilities are operating and 4 in construction, and there's over 50 in early-stage development. The goal here, by the way, in the Utility is 5% of our 2 TCF annual send out to be RNG by 2030. In Gas Transmission, there's eight projects in development and a significant opportunity across the entire map.

Hydrogen is at an early stage, but with probably much larger investment potential longer-term. At this point, the key here is to prove out the technology and scalability and the Markham project, a pilot blending green hydrogen, into our gas network. That's North America's first one of those facilities which went operational in Q4. We're developing a similar, but larger one in Québec with Evolugen.

Finally, let's cover our ESG scorecard and how we're moving the ball forward further. So we're doing well against our emissions target so far, and intensity is down 21% since 2018 towards our 2030 emissions goal, and absolute emissions are down as well.

For example, our three operating solar self-power facilities will reduce about 20,000 tonnes of CO2 equivalent in the first full year of operation. And in GTM, for example, investments to modernize compressors lowers emissions by 25% at each facility.

In Liquids, we're just signing a long-term power contract at a local utility that could see 45% emissions reductions by 2030 for seven of our pump stations. And of course on diversity, we've seen great progress at all levels of our organization, including at the board.

The key to achieving these goals is three actions we've taken: establishing concrete plans within each of our businesses; linking targets to compensation; and aligning those goals with capital providers. Namely, that's the CAD 3 billion of sustainability-linked financing that we've done over the past while.

So you can see on the right here that we're leading the pack already, but here's how we get better. And just to illustrate the mindset behind this, we've previously set and met emissions targets in the past, 21% down on our Canadian operations and taking out 55 metric tonnes of CO2 equivalent with our conservation programs. We've set four new goals with four pathways and aligned them with Paris on net zero.

We've now added Scope 3 metrics, including a contribution to Scope 3 reductions by investing in renewables, low carbon fuels and conservation. So here's how we're building on this foundation. We're going to work with our supply chain to get after Scope 3 emissions. We'll work with third-parties to help develop science-based guidelines for the midstream sector.

We're enhancing our TCFD disclosures to include a net zero scenario in our next sustainability report. That's coming out in Q2, by the way. And we're developing our new low carbon partnerships to drive innovation across the business. We're also integrating ESG further into our capital allocation framework. So here's what that looks like.

First, every new investment we consider includes an ESG lens and aligns with our interim and long-term targets. Our investment models factor in our emissions target, so we plan for future investments. Our hurdle rate accounts for regulatory and permitting risk, and we test new investments against a range of transition scenarios. Our recent Ingleside acquisition, as you heard, is a great example of how we apply this ESG lens in allocating capital.

So with that, I'll pass it over to Vern for the financial review.

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## Vern D. Yu

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

Thanks, Al, and good morning, everyone. Our fourth quarter results were up strongly over 2020 based on solid operational performance across our businesses, along with partial year cash flow contributions from the CAD 14 billion of capital that we put to work last year. This translates into adjusted EBITDA and DCF being up 15% year-over-year, and EPS is 20% higher. Full year, DCF per share came in at the top end of our range and our DCF – our EBITDA was well within guidance. This is our 16th year in a row where we've hit guidance.

Mainline volumes were about 3 million barrels per day in Q4, reflecting the benefit of the additional capacity from Line 3. Ingleside is performing in line with expectations, and cash flows are expected to ramp up in 2022 as more contracts kick in. These operational results were partially offset by an interim toll provision recorded for the second half of 2021 following the expiry of our CTS agreement. We have included this full year provision in our 2022 guidance and throughout our three-year financial outlook.

In Gas Transmission, utilization was very solid with additional contributions coming from the capital we placed into service in the fourth quarter, including the CAD 1.5-billion B.C. Pipeline expansion. And as Al mentioned, the Utility's annual results were affected by CAD 31 million due to warmer than normal weather, but we've had a cold start to 2022 so this is a little bit of a tailwind for us this year. Wind and solar resources in our Renewables business met our expectations. In Energy Services, challenging marketing conditions continue to persist through the quarter. However, as a reminder, most of our committed contracts expire late this year or early next year, which improves our outlook for 2023 and beyond.

Operating results in our US businesses were impacted by a weaker Canadian dollar, but our FX hedging program offsets much of this, and you can see our hedge gains in eliminations and other. And finally, earnings reflect increased depreciation associated with the CAD 14 billion of capital that we spoke about. So, another solid year in the book, and that sets us up nicely for 2022.

Let's move to that outlook now. Our 2022 guidance that we issued in December remains unchanged and it represents a 9% increase in EBITDA over 2021. This includes the interim toll provision that I spoke about. Mainline volumes are off to a good start in the first quarter of this year, supporting our forecast of just under 3 million barrels per day on average for the year. This factors in seasonally lower volumes in Q2 and Q3 due to upstream and downstream maintenance activities. In our gas businesses, systems are running near full capacity, so a good performance in the early part of this year.

There's been a lot of focus in the market on inflation, interest rates and foreign exchange, so let's recap how we're positioned on these items heading into this year. On inflation, about 80% of our EBITDA has inflation protection built in through contractual escalators and other regulatory mechanisms. So, we're well-protected on the top line.

We continue to be highly focused on managing cost and, as Al mentioned, since 2017, we've delivered CAD 1.2 billion in aggregate cost savings, with another CAD 100 million realized last year.

Our exposure to rising interest rates is limited as most of our debt is fixed rate and what's remaining, we actively hedge. On FX, we are about 95% hedged on DCF for 2022 at a rate of CAD 1.28. So, we've got good protection against exchange rate volatility. And as you know, we intentionally limit our exposure to commodity prices, which amounts to less than 2% of our EBITDA. But on the margin, we could see a little bit of upside from our investments in Aux Sable and DCP.

Let's move to the funding plan. In keeping with our self-funded approach, all equity funding needs will be met through internally generated cash flows. Debt maturities in 2022 are about 7% of our total debt, which is very manageable, and we'll continue to tap capital from diverse credit markets. In Q1, we've already swapped out some preference shares with hybrid notes. This allows us to capitalize on lower rates which optimizes our funding costs. No change to our expectations for leverage. We expect to exit 2022 near the bottom of our 4.5x to 5.0x debt to EBITDA range, driven by annualized contributions from Line 3 and the Ingleside terminal. This provides us excellent financial flexibility and results in CAD 5 billion to CAD 6 billion per year of investment capacity. A portion of that will fund our secured program so let's turn over to that.

As of today, our secured backlog sits at CAD 10 billion. This reflects the CAD 700 million of further investments in our US Gas Transmission business that we announced today. We added the Phase II of Texas Eastern Modernization Program and Phase II of Appalachia to Market expansion. That is consistent with our thesis that natural gas is a part of the long-term energy equation, providing a reliable and affordable growth along with emissions reductions.

More broadly, our secured program continues to be well-diversified across our businesses, with an emphasis on ratable and capital efficient growth. Over our three-year planning horizon, these projects will support a 5% to 7% DCF per share growth outlook. And as Al noted, we have good visibility to CAD 6 billion per year of organic growth coming from conventional and low carbon investment opportunities, which will support our longer term growth outlook.

So, let's wrap up with our capital allocation priorities. Our priorities start with maximizing our financial strength and flexibility. Our balance sheet is in great shape. It will strengthen over the year and we have BBB+ ratings from all four credit rating agencies. This is exactly where we want to be. We will continue to grow our dividend ratably. We increased it by 3% this year and that's our 27th consecutive annual increase. Annual ratable dividend growth remains core to our value proposition.

Our cash flows and balance sheet leave us with about CAD 5 billion to CAD 6 billion of annual investment capacity. We will deploy CAD 3 billion to CAD 4 billion to advance brownfield low multiple expansions and optimizations, along with ongoing modernization investments and the utilities annual capital program. That leaves about CAD 2 billion per year in excess investment capacity for more organic growth, potential asset acquisitions, share buybacks or debt repayment. Successful opportunities will need to meet our low risk business model. Our risk adjusted hurdle rates have a strong strategic fit and align with our emission reduction goals. The Ingleside terminal acquisition was a good example of how we checked all of these boxes.

In addition, we have a proven track record of opportunistically recycling capital. We did another CAD 1.2 billion last year, and this could supplement our CAD 5 billion to CAD 6 billion of annual investment capacity. The bottom-line is we will continue to be highly disciplined and be good stewards of capital on behalf of our shareholders.

So, I'll wrap up and turn it back to Al.

## Albert Monaco

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

Okay. Thank you, Vern. Just a few takeaways here. Our diversified business, as you just heard, continues to generate predictable cash flow and consistently growing the dividend. The solid base, along with our secured growth outlook, drives 5% to 7% DCF per share CAGR to 2024. We have a two-pronged strategy, capitalize on conventional energy fundamentals while increasing low carbon investments, and we think that supports continued growth beyond 2024.

As you just heard from Vern, we'll remain very disciplined, prioritizing capital efficient and utility-like projects and ensure free cash is deployed to maximize value, all that to say that we believe that our value proposition remains very solid. And if you recall that five-year look back and how 2021 capped it off, we believe we're in excellent position to continue growth.

Before we get to the questions, I want to acknowledge Bill Yardley, our longtime leader of the Gas Transmission business. A couple of weeks ago, we announced Bill's retirement after 21 years at Enbridge and previous to that Spectra. And just a remarkable career. Bill developed a top notch gas business, and he's been a key member of our broader executive team. Many of you have known Bill for a long time, and it's been a real pleasure to work alongside of him. He's put a lot of points on the board for us, but what really stands out for me is how he set up the transmission business for the future, particularly in expanding it and executing our LNG export strategy. But he's also personally led a mission to make us better on safety and reliability, and it won't be too far into a discussion with Bill before he gets to the importance of serving our customers.

Finally, as you heard him speak at Enbridge Day, Bill is very passionate about the future of natural gas. We spent a lot of time thinking and planning for succession and developing people at Enbridge to manage changes like this. So taking over for Bill will be Cynthia Hansen, who's had her own mark leading our gas utility over the years and has been through several senior roles. So, it's a natural fit, and she's excited about taking on this new role in Houston.

Taking over for Cynthia in Toronto is Michele Harradence. Michelle currently runs Gas Transmission operations in Houston and has great experience in every part of the value chain. And finally, in addition to his CFO role, Vern is taking on Corporate Development, again, a long history of experience and leadership at Enbridge.

So we'll end it off there and turn it back to the operator for the Q&A.

# QUESTION AND ANSWER SECTION

**Operator**: Thank you. We will now begin the question-and-answer session. [Operator Instructions] We'll pause for just a moment to compile the Q&A roster. Your first question comes from the line of Robert Catellier with CIBC Capital Markets.

**Robert A. Catellier**
*Analyst, CIBC Capital Markets*

Q

Thank you and good morning, everyone, and thanks for the presentation. I wanted to start with the offshore wind where we've seen rising cost causing some financial difficulties for one of the offshore wind contractors. So, can you describe your exposure to the – to Saipem on existing offshore wind projects? And just more generally, how do you see inflation and cost escalation impacting your ability to move other projects development to FID?

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*

A

Okay, Robert. I'm going to quarterback this Q&A, by the way. So, I think for this one, we'll hand it to Matthew. It's a good question on inflation and offshore wind.

**Matthew A. Akman**
*Senior Vice President-Strategy, Power & New Energy Technologies, Enbridge, Inc.*

A

Okay. Thanks, Al. Thanks, Rob, for your question. Yeah, you're right. We are seeing inflationary pressures in the industry generally, as in all infrastructure. But on the offshore wind assets and construction projects, we have very good protection in terms of wrap EPC contracts for construction. So right now, fortunately, we're not seeing inflationary pressure on our capital budgets over there. As you know, Saint-Nazaire is scheduled to come online later this year, and that's in good shape.

Regarding Saipem, they are involved with us, especially at Courseulles, at Calvados. They are involved in the foundations. So, generally, a couple of points there. Calvados is a few years away from in-service and the major construction work there would start next year. As you can imagine, we have the regular protections in terms of bonds as well as collateral. So it's also – I think, the main point, it's a very good contract. We don't see any disruption there at this point. And so, we're optimistic that there won't be any impact there as we go forward.

So, Al, back to you.

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*

A

Yeah. I think the broader point around inflation, though, in this opportunity set is real, though, Robert. I think your point is good. As I referred to in my remarks, I think we've got enough going on here that we're going to watch that carefully and we're not going to necessarily get into projects that get us exposed. I mean, we know the returns are clamping down in this sector, so we're going to be very careful about the future investments. And there's no rush for us to get into a whole bunch of projects that are going to crunch our returns. So that's the broader perspective on it.

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**Robert A. Catellier** Q
*Analyst, CIBC Capital Markets*

Okay. That's very helpful. And maybe one more. Just on slide 13, you had a comment on your CCUS update about utility-like commercial model and returns. And I'm just wondering if in your commercial discussions, are you taking a cost of service approach or a fee for service approach or maybe some other? And I'm curious as to what level of scale you think is necessary to be able to make that work on a commercial basis?

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**Albert Monaco** A
*President, Chief Executive Officer & Director, Enbridge, Inc.*

Okay. Well, I'll start it off. And then, as you know, we're working on a project here in Alberta, but, generally speaking, this whole sector is going to develop with scale and cost in mind. So our thought is, with appropriate sort of, what would you call, throughput with CO2 on the infrastructure, we can make a utility-like structure work. And what I mean by that is good protection in terms of long-term cash flow. And in that way, we should be able to provide the lowest cost of capital to actually make things work.

So these are very cost and capital-intensive projects, so we need to be very thoughtful about how we bring our cost of capital to bear on that. So it really does fit the utility-like model, and that should line up with the competitiveness that customers will want on this. So that's the bigger picture.

In terms of scale, what we're thinking about on this project, as you know, we have a rough estimate of investment required for each megaton of reduction, which is about CAD 1 billion for each. So these are fairly large scale projects. So that's probably the order of magnitude you're talking about for each megaton.

I don't know, Colin, do you want to add anything on that?

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**Colin K. Gruending** A
*Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.*

I think you covered most of it. The only thing I'll add, Robert, is the point on proximity and to help this cost down equation. Moving the waste product the shortest distance possible contributes meaningfully to the outcome. So our project is designed to transport and store the carbon relatively close to the emitting sources. So that helps too.

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**Robert A. Catellier** Q
*Analyst, CIBC Capital Markets*

Okay. That's helpful color. Thanks, guys.

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**Albert Monaco** A
*President, Chief Executive Officer & Director, Enbridge, Inc.*

Thank you.

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**Operator**: Your next question comes from the line of Robert Kwan with RBC Capital Markets.

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**Robert Kwan** Q
*Analyst, RBC Capital Markets*

Great. Good morning.

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*
A

Hello.

**Robert Kwan**
*Analyst, RBC Capital Markets*
Q

If I can just follow a little bit here on emerging energy transition initiatives, whether it's CCUS, you talked about hydrogen. And just, you've been a returns focused organization historically, just what's the appetite to deploy capital at sub-optimal returns just to establish the footprint with the hope of developing a franchise that that can drive additional projects with better returns over time?

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*
A

Yeah. Well, in short, we don't have a lot of appetite to deploy capital in low return projects. I think this is going to be an interesting number of years here as we go forward. I think so far, Robert, we've been able to deploy capital right in line with our traditional investment criteria, as you point out. Whether you look at the RNG opportunities that we're investing in, good returns there. Certainly, the Renewables projects in broad terms have generated Enbridge-like returns, let's call it. The hydrogen pilot plant is generating a good return under regulatory protection, let's just call it.

So that will continue to be the process. There may be something at the margin, let's say, where we're trying to prove a technology out or prove it out to scale that we could see a little bit of capital deployed to see that happen. But, generally speaking, during this period while we're in scale-up, we want to be very careful not to get too far ahead of the curve on putting capital to work that isn't going to generate the right return for us. So that's our overall approach.

**Robert Kwan**
*Analyst, RBC Capital Markets*
Q

Yeah. That's great, Al. And maybe if I can finish here on the Mainline. It's been, I guess, now a little over 10 years under CTS. You've got a shipper group that's arguably maybe more disparate in terms of their interests than we've seen in the past. So what are you seeing, just as you've had these initial discussions, as the top two or three points of contention in terms of what they're coming to you and just even what members within the Representative Shipper Group maybe wanting here?

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*
A

Go ahead, Colin.

**Colin K. Gruending**
*Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.*
A

Robert, hey. Good morning. It's an interesting question. And while some time has passed, some things stay the same. And I don't want to be presumptive here because, as Al mentioned, we're still in relatively early innings, consulting and listening carefully to customer interests. What's staying the same is the early feedback, which is fairly homogeneous, is to ensure Enbridge stays aligned and behaves in a manner that creates value for the shipping community. And I think Al went through the ingredients to that and it's moving as much oil as we can safely every day at USD 90 a barrel. That's the primary value lever here.

So we're hearing about, consistently, the need for continued fixed tolling, certainty on the toll and that alignment. So while I know that the Mainline contracting application was contentious at the end, I think if we remove the contracting element of it or substantially do that, I think there'll be potential for consistent alignment here by the group.

Al, if you want to add anything?

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*
A

Yeah, right. I think, Robert, everybody's been, what, through the wringer around this over the last, I don't know, three, four years. So, Colin mentioned toll certainty, but just generally certainty commercially for our customers is important as it is for us. So everybody wants to move forward, I think, and try to move along.

Colin mentioned tolls, but it's also egress. The key here is that given that it's very difficult to build any pipeline capacity and we know that the upstream customers do have a lot of opportunity to grow incrementally, they want to make sure that we bring what we brought before, which is ideas and options to move barrels at very low incremental cost for them.

And then probably the other thing that's staying the same, which I think we've done very well is just managing costs. And that's why I mentioned in my remarks that having us aligned to ensure that we're managing the cost part of it ultimately flows through the toll and what we land on here. So, I think there's a lot of things that argue for a lot of certainty as we've had – as they've had in the past. So, that's the main priority from what we see.

**Robert Kwan**
*Analyst, RBC Capital Markets*
Q

That's great. Appreciate the comments and Bill, all the best in retirement.

**William T. Yardley**
*Executive Vice President & President-Gas Transmission and Midstream, Enbridge, Inc.*
A

Thanks very much, Robert.

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*
A

Thank you, Robert.

**Operator**: Your next question comes from the line of Jeremy Tonet with JPMorgan.

**Jeremy Tonet**
*Analyst, JPMorgan Securities LLC*
Q

Hi. Good morning.

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*
A

Hi.

**Jeremy Tonet**
*Analyst, JPMorgan Securities LLC*

Q

Hi. And, Bill, you will be missed. Best of luck going forward.

**William T. Yardley**
*Executive Vice President & President-Gas Transmission and Midstream, Enbridge, Inc.*

A

Thanks very much, Jeremy. Appreciate it.

**Jeremy Tonet**
*Analyst, JPMorgan Securities LLC*

Q

Just want to touch on the Mainline a little bit here, and I don't know if you guys exactly disclosed it, but as we think about the reserves booked in the fourth quarter, just want to confirm that's for two quarters, third quarter and fourth quarter. And did you guys quantify what that level was?

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*

A

So, this we're going to hand to Vern.

**Vern D. Yu**
*Chief Financial Officer & Executive Vice President, Enbridge, Inc.*

A

Hi, Jeremy. The reserve that we booked was for Q3 and Q4. And as we've talked about at our Investor Day in December, we're not disclosing the magnitude of that or the provision that we have in 2022 and beyond. So, I think you'll understand that these are commercially sensitive numbers and we don't want to broadly disclose those.

**Jeremy Tonet**
*Analyst, JPMorgan Securities LLC*

Q

Got it. fair enough there. And then, I just want to come back to buybacks, I guess a little bit. And I was wondering if you could provide just maybe a little bit more color on the capital allocation calculus in as far as what could lead to different levels of buybacks if it's – if that falls in the rank of where capital allocation points to. Just trying to get a sense there's big program out there, but what might actually transpire?

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*

A

Okay. Well, I'll start it off. Vern can add. I think we've got some broad criteria of how we're going to deploy this share buyback program. I think just going back a little bit, Jeremy, it certainly moved up in the order for us after Line 3 went into service. I think we communicated that, and it's certainly right in the mix right now.

So, the way to think about it generally is we want to make sure the balance sheet is in very strong position at all costs. And the reason for that is we need that flexibility to take on opportunities that we see and capitalize them. So, leverage is number one. Now beyond that. You've got this vying for capital between additional organic growth, potentially some asset M&A, the Moda-like opportunities. And then, of course, we'll look at where the shares are in the market and determine. So, it's all about how we maximize the value here amongst those three options after we make sure the balance sheet is in check. So, that's the policy or approach generally to using the buyback program. Vern, do you want to add anything?

**Vern D. Yu**
*Chief Financial Officer & Executive Vice President, Enbridge, Inc.*
A

Well, I'll just add that we continue to think that the shares are undervalued, so buying more of our assets is always a good thing. And it's really nice to have another avenue to give some capital back to our shareholders on top of our dividend. So really, you can think about it that it's a supplement to our annual dividend.

**Jeremy Tonet**
*Analyst, JPMorgan Securities LLC*
Q

Got it. That's very helpful. I'll leave it there. Thank you.

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*
A

Okay. Thanks, Jeremy.

**Operator**: Your next question comes from the line of Rob Hope with Scotiabank.

**Robert Hope**
*Analyst, Scotiabank*
Q

Good morning, everyone, and congrats on the upcoming retirement, Bill. All the best in the future. The question actually could be for you or – yeah, looking at the CAD 2.5 billion T-South expansion, is this entirely dependent on Woodfibre proceeding? And if so, is this kind of a 2026, 2027 in-service date for this pipeline expansion just given when Woodfibre is expected to come in?

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*
A

Go ahead, Bill.

**William T. Yardley**
*Executive Vice President & President-Gas Transmission and Midstream, Enbridge, Inc.*
A

Yeah. Pretty much – pretty much, Rob. We've been expanding T-South quite a bit. Just finished one last year, that was about CAD 1 billion for customers in Southern B.C. in the Pacific Northwest. So, the next big one is probably going to be related to a major offtake and Woodfibre certainly would fit that bill. And yeah, anything we start now would be a 2025, 2026 in-service. So, a lot of optimism there, I think, there are bite-sized project. You have been following them for sure but, yeah, I think they've got a good shot.

**Robert Hope**
*Analyst, Scotiabank*
Q

All right, great. Thank you. And then just moving over to the crude oil business, the downstream expansion opportunities on Flanagan and Seaway, what are the gating factors to get these things more further along just given that Line 3 is now in service? And kind of has the Capline reversal changed any of the dynamics there just given alternate avenues of flow?

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*

A

Okay, over to Colin.

**Colin K. Gruending**
*Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.*

A

Hey, Rob. So on the first part, the – our downstream pipes, we've mobilized early work on that to maintain a quick ISD. We've been talking to customers on both of those. You should probably think about those in concert with EHOT as well. They kind of all go together and it would be good to have some terminaling at the end of all that down in Houston.

Timing wise, we're having parallel discussions with the industry. As we advance the Mainline tolling framework, you can see how they would interrelate to ensure you could get egress to use that downstream space. There is interest in it, for sure. So, that's the kind of the timing we're thinking on those. On the other business development ideas, those are Ingleside and Express, et cetera, those SPOT – those are all happening on a quicker basis, I would say, independent of the Mainline Gantt chart.

On your question on Capline, I think we're viewing that as more opportunity than threat at this point. As you know, yeah, we feed it from three of our pipelines in an upstream about the Mainline and regional. So, we don't – we're not seeing Capline cannibalize Flanagan South volumes, for example. I think they're moving about 100 a day. And I think that came off of rail and barge service previously. So, it didn't steal it from our system.

**Robert Hope**
*Analyst, Scotiabank*

Q

All right. Appreciate the color. Thank you.

**Colin K. Gruending**
*Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.*

A

Thanks.

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*

A

Thanks, Rob.

**Operator**: Your next question comes from the line of Ben Pham with BMO.

**Ben Pham**
*Analyst, BMO Capital Markets Corp. (Canada)*

Q

Okay, thanks. Good morning. I was wondering, what are your updated thoughts on non-core assets sales up at this point? And I'm probably more curious about the more commodity-based businesses, are you comfortable just holding onto capitalize on increasing margins? Or is this a good window to look at monetization?

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*

A

Yeah. Hey, Ben, generally speaking, our non-core assets sales, there's not a lot that fits that category. I mean, certainly we could look at portions of our other assets if we could see great value, we'd always look at that and the team is always monitoring that.

As far as the commodity sensitive ones, there's really not a lot in that category. Certainly the main ones would be Aux Sable and DCP. In the case Aux Sable, it's really tied to the Alliance Pipeline, as you know, from an operational point of view and the commodity exposure there is relatively low for us in the bigger picture context of Enbridge.

In the case of DCP, I think you're familiar with that one. It's a relatively small piece of our EBITDA as well, and it comes with a very large negative basis – tax basis in that asset. So, right now, I think we're pretty comfortable in just holding those relatively small pieces of commodity exposure.

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**Ben Pham**
*Analyst, BMO Capital Markets Corp. (Canada)*

Q

Okay. Thanks, Al. And also your comment around renewable returns coming down and being careful about future investments, I'd like to hear that. But what about also being opportunistic on maybe buying some of these junior renewable developers that could be challenged in terms of returns and inflation? Is there a window here to take advantage and go into new geographies, for example?

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**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*

A

Yeah. Well, you're right to point out that valuations have certainly compressed over the last little while and some of them are encountering difficulties. It's probably not a primary objective of ours right now, Ben. And the reason for that is I think we've got, as I alluded to earlier, quite a bit going on in the business. And when you talk about the solar self-power opportunities, there's a number of what we call front of the meter renewables opportunities where we can bring our expertise to bear. We've got the projects that Matthew has been working on and developing for the last two to three years. So, I think we've just got enough on the go right now to not necessarily require going out and doing some kind of M&A deal. We always watch it, of course, but low likelihood at this point.

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**Ben Pham**
*Analyst, BMO Capital Markets Corp. (Canada)*

Q

Okay. Great. And maybe just a quick one for Colin perhaps on the Wabamun project or maybe anything in Alberta CCUS. Do you do you need to get the CER involved in at some point or Bill C-69, like how does that – does that fit in at all?

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**Colin K. Gruending**
*Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.*

A

We'll need regulatory permits physically as they develop. It's a – it's an intra-Alberta situation. It doesn't cross borders. So, as Al said, well, the whole industry will need clarity quickly on permitting on this whole new slate of projects. So, we'll be advancing that in parallel. The ISDs for the emitters we're working with here are relatively early in the relative scale of things in 2025, 2026. So we've got some time to work on that, but not a lot.

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**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*

A

Yeah. I think you mentioned C-69, I don't think that applies here. I'm pretty sure about that, Colin. But if there's something different, we'll get back. But I don't think C-69 applies.

**Ben Pham**
*Analyst, BMO Capital Markets Corp. (Canada)*

Q

Okay. It makes a lot of sense. Okay, thank you.

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*

A

Okay.

**Operator**: Your next question comes from the line of Brian Reynolds with UBS.

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*

A

Hi, Brian.

**Brian Reynolds**
*Analyst, UBS Securities LLC*

Q

Hi, good morning – good morning, everyone. Just as a follow up on the share buyback authorization and Mainline, I was just curious if you could provide a little bit more color on how Mainline contracting uncertainty and reserving could ultimately impact the size and pace of those buybacks over the balance of 2022 and 2023? Thanks.

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*

A

Yeah. Brian, I – we don't see that actually. I think, as Vern alluded to, we've made our provisions. It's within the guidance that we're talking about for 2022, as well as our 2022 to 2024 outlook. So, I think if you look at the – call it the variability in those outcomes, it's actually relatively small. And in the bigger picture, the share buyback program really shouldn't be impacted by the outcome there. So, that's how we're looking at it. Just from the numbers that we see and the variability, it's not going to be impacted by – the share buybacks won't be impacted by the Mainline outcome.

**Brian Reynolds**
*Analyst, UBS Securities LLC*

Q

Great. Appreciate all that color. And then as a follow up, just curious if you could provide an update on the Markham hydrogen blending post in-service. How is the project performing and do you see this project as scalable and replicable across the rest of your footprint at this time?

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*

A

Yeah. That's a great question, Brian. So, Cynthia is on the line. So, Cynthia?

**Cynthia L. Hansen**
*Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.*

A

Oh, yeah. Thanks, Brian, and thanks, Al. We just started with the project. It went live and, as Al said, in Q4, it's been performing well. We will continue to learn from it. It is something that we're looking to scale and we're very hopeful. So, things are progressing as we had expected, and we'll continue to provide updates to – as that opportunity unfolds. So, it's a good start.

**Brian Reynolds**
*Analyst, UBS Securities LLC*

Q

Great. Appreciate the color. Have a great day, everyone.

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**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*

A

Thanks, Brian.

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**Operator**: Your next question comes from the line of Linda Ezergailis with TD Securities.

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**Linda Ezergailis**
*Analyst, TD Securities, Inc.*

Q

Thank you. I just would like to also wish Bill all the best in his retirement, and a big congratulations to Cynthia and Michele for their new roles. You could help us maybe paint a little picture about how this Alberta carbon capture initiative might evolve from a operational and governance and ownership framework, recognizing that a lot of different partners bring unique attributes and skills to the table?

I'm just wondering what are the guardrails of what is possible for the range of ownership that Enbridge would consider? How important is operatorship and how those interfaces might work if there's elements that others operate? And then also layering on the governance, there's a lot of complexity, and I realize that it's all being navigated and there might be some sensitivities. But anything you could help us understand as to how to mitigate some of the execution risk beyond the commercial frameworks?

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**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*

A

Okay. Well, I'll start off, Linda. Thanks for the question. Well, first of all, I think you're right in pointing this out. This is going to be, let's put it this way, a collaboration. As I mentioned in my remarks, this is going to take a lot of integration if you just think about the capture, the transportation, all the way through to storage. So we see this as a combination of players. And it's going to take emitters. There'll be certainly some government policy angles with respect to the regulatory part of it, but also how we manage pore space. So there's a lot to go on here.

Another element of this, which I mentioned, is First Nations' participation. And we could see them become equity owners, which I think is just a great opportunity for us and for the First Nations. So I think, at a high level, it's a combination.

In terms of governance and how we actually operate an asset like this, I see it probably developing as a large joint venture, where we're going to take the expertise for each part of the value chain and have the experts roll with it. So I'm envisioning that we run with the transportation and the storage. And then, of course, the upstream capture part, maybe others involved, particularly on the emissions front. So that's the big picture on this. A lot of this, of course, will be TBD as we move forward on the commercial construct.

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**Linda Ezergailis**
*Analyst, TD Securities, Inc.*

Q

Thank you. And just as a follow up, recognizing that each jurisdiction has unique geographic and likely regulatory and policy attributes, how much of the discovery of this process could be used and leveraged for other jurisdictions? And what other jurisdictions do you think Enbridge would bring value to the table in terms of getting involved in carbon capture initiatives?

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*
A

Okay. Well, this one maybe – as you saw on the map there, we've got a number of these we're working on. So maybe I'll invite the business units to talk about specific areas. I'll start with Colin. And then, perhaps, Matthew, if you want to cover anything else.

So Colin, what do you think?

**Colin K. Gruending**
*Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.*
A

The primary answer is, yes, Linda. We'll port the learnings here. I think as Al mentioned and your question infers, there's lots to learn here. So Alberta is at the front end of this; and good for them. But we feel we can port this to other parts of our footprint, right, where we have physical presence and local know-how and customer relationships So on a liquids footprint, we have conversations or developing concepts in Houston and the Corpus area for starters. Cynthia?

**Cynthia L. Hansen**
*Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.*
A

Sure. Thanks, Colin. As you know from the map, you can also see that we have a lot of infrastructure around some industrial hubs in Ontario. So whether that's Hamilton or Sarnia industrial area, with our storage capabilities that we have and our knowledge of the geography in Ontario, I think there's opportunities for us.

**Linda Ezergailis**
*Analyst, TD Securities, Inc.*
Q

Thank you.

**Operator**: Your next question comes from the line of Praneeth Satish with Wells Fargo.

**Praneeth Satish**
*Analyst, Wells Fargo Securities LLC*
Q

Thanks. Good morning. The takeaway situation in the Bakken continues to look constrained, and I know in the past you were evaluating an expansion of Alliance to accept more Bakken gas. I guess the question is where does that expansion stand today? And I know there's a bunch of competing projects, but is that something you're still pursuing?

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*
A

Bill, that's probably something for you.

**William T. Yardley**
*Executive Vice President & President-Gas Transmission and Midstream, Enbridge, Inc.*
A

Yeah. We've been talking to producers on and off, Praneeth, over the course, really, of the last few years. And it's just a matter of getting the right concentration and traction. We feel as though there's great connectivity, and we bring the gas to the right place. So nothing to report as far as new contracts there, but we do keep pursuing that.

**Praneeth Satish**
*Analyst, Wells Fargo Securities LLC*
Q

Okay, great. And then, I guess, I was just wondering if you could comment, at least directionally, on how either of the two commercial frameworks you're advanced on Mainline would impact your financials? I know you've embedded the reserve in the guidance for toll uncertainty. But is it fair to assume that if you're able to advance either of the commercial frameworks, it would have a modest positive impact on your financials?

**Vern D. Yu**
*Chief Financial Officer & Executive Vice President, Enbridge, Inc.*
A

Sorry, can you repeat that last part of the question again?

**Praneeth Satish**
*Analyst, Wells Fargo Securities LLC*
Q

Yeah. The last part is just, is it fair to assume that if you're able to advance either of the commercial frameworks, you would have a modest positive impact on your financials?

**Vern D. Yu**
*Chief Financial Officer & Executive Vice President, Enbridge, Inc.*
A

I think the reserve or provision really is our best guess at where we end up at the end of the day.

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*
A

Okay. I think maybe if I understood the question right, what Vern said is the answer really. With the provision, you can think of it as a neutral outcome. If we booked the provision as to the best outcome we think there is or the most likely, I don't think we see much beyond on the upside or downside. So I wouldn't say that it's a modest positive effect, as you had mentioned.

**Vern D. Yu**
*Chief Financial Officer & Executive Vice President, Enbridge, Inc.*
A

Yeah. I should reiterate that, obviously, we think on the context of our consolidated EBITDA of over CAD 15 billion for 2022, any outcome is not material. I think the bigger takeaway here, though, is really what we said about the commercial outcomes. So we're quite comfortable managing a CTS-like environment. We've proven that for the last, I think, 25 years working on incentive rate-making.

But as I said earlier, we're equally comfortable though with cost of service. And so, with the provision and the fact that cost of service would certainly minimize the risks that we were talking about, I don't want to say we're agnostic because I think, as we were pointing out earlier and Colin was referring to, I think our shippers would probably be happy moving on to a new CTS. So those are the things that we look at. It really is more of a commercial issue going forward here given that we've booked the provision.

**Praneeth Satish**
*Analyst, Wells Fargo Securities LLC*
Q

Got it. Thanks and Bill, congrats on your retirement. Thank you.

**William T. Yardley**
*Executive Vice President & President-Gas Transmission and Midstream, Enbridge, Inc.*

A

Thank you.

**Operator**: Your next question comes from the line of Andrew Kuske with Credit Suisse.

**Andrew M. Kuske**
*Analyst, Credit Suisse Securities (Canada), Inc*

Q

Thanks. Good morning. Al, you kind of started the beginning of the call framing the energy crisis that people are experiencing right now with high pricing and then also the producer discipline side of it. And I guess that's a bit of a two-edged sword for you. You could wind up with a lack of volume growth but better counterparties. Just how do you see that translating to your business overall? And then does that really compel you to pivot faster into some of the energy transition activities?

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*

A

Yeah. I think, Andrew, the way we see this is, as I alluded to there, it's pretty clear that the conventional runway is going to be there for a long time. At the same time, you've got a pretty solid discipline we're seeing out there. I mean, there may be some upticks that you've heard about recently, particularly in the Permian, around drilling and so forth. But generally speaking, the producing community is not unhappy in our view given where prices are and the fact that they're not really deploying a lot of capital and returning it back to shareholders. So, I think that discipline is going to be maintained.

With respect to how we pivot, again, if you look at any of the three areas, as I said, RNG is probably the fastest growing but maybe lower capital investment opportunities there. But hydrogen and CCS are going to take some time, policy wise, incentive framework wise, that's got to still develop. So, I think we're going to have to be disciplined here and really focus on the two-pronged approach. Conventional energy will have runway. We will capitalize on those opportunities. But we will also look to gradually invest in low carbon, providing that we can make those work economically and scale up over time. So, those are going to happen, but they'll happen not in the next two to three years, but after that we'll certainly be scaling up those investments. Hope that helps.

**Andrew M. Kuske**
*Analyst, Credit Suisse Securities (Canada), Inc*

Q

Yeah. That does help. And then just a follow up and really focuses on the producer health and the discipline they have at this point in the cycle. Does that change the dialog that you have with them at this point in time and your customer focus? Or is it more of the same from an Enbridge perspective?

**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*

A

I think it's pretty much the same. I mean, we have a lot of dialog across the four businesses with our customers on all kinds of issues. So, I think so far, their health has been very positive for our industry and us. We like the fact that they've sort of turned over and balance sheets have strengthened. And ultimately, I think that's going to be very positive for the industry and they'll probably get back on to growth year outlooks. But as for the next two to three years, I think we're keeping in touch and being very responsive.

And the CCUS project that Colin was talking about is a good example. There's a lot of producer interest in that, but we're being very careful to make sure that whatever we talk about with them have cost in mind in that that'll be a big driver on the growth in CCUS going forward.

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**Andrew M. Kuske**
*Analyst, Credit Suisse Securities (Canada), Inc*

Q

Okay, that's great. Thank you.

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**Albert Monaco**
*President, Chief Executive Officer & Director, Enbridge, Inc.*

A

Okay. Thanks, Andrew.

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**Operator**: We have reached our time limit and not able to take any further questions at this time. I will now turn the call over to Jonathan Morgan for final remarks.

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## Jonathan Morgan
*Vice President-Investor Relations, Enbridge, Inc.*

Great, thank you. And thank you for joining us this morning. We appreciate your ongoing interest in Enbridge. As always, our Investor Relations team is available following the call to address any additional questions you may have. So, once again, thank you and have a great day.

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**Operator**: Thank you, ladies and gentlemen. We appreciate your participation. This concludes today's conference. You may now disconnect.