

Contracting the Enbridge Mainline



Enbridge operates the largest crude oil pipeline system in the world, and the Mainline is an integral part of that system. It includes five pipelines that begin in Edmonton, Alberta and cross the Canada – U.S. border near Gretna, Manitoba, where it operates in the U.S. as the Lakehead system. The current cross-border capacity of the Mainline is approximately 2.9 million bpd.

Pipeline contracting in Canada

As with most federally-regulated pipelines in Canada, customers desire to contract for long-term transportation capacity. Many producers, marketers, refiners and integrated companies place a high value on long-term contracted capacity because they require secured access and supply for crude to and from the best markets and supply basins.

The Mainline is currently not a contracted pipeline system but rather a walk-up system that is subject to apportionment when supply exceeds pipeline capacity. Customers bid for the space they would like to have on the system for the upcoming month. Due to competition and other factors, customers do not always receive the transportation space they need. The amount able to be transported on the Mainline changes every month, leading to uncertainty for suppliers and buyers of crude.

Shippers have said they want the ability to secure long-term transportation service on the Mainline, similar to the commercial structure of other pipelines.

Federally regulated oil pipelines

With contracts

Trans Mountain
Keystone Pipeline
Keystone XL
Express Pipeline
Enbridge Southern Lights
Enbridge Bakken
Enbridge Line 9

Without contracts

Enbridge Mainline

Mainline contracting is a response to customers' needs

In early 2018, Enbridge began engaging customers to determine their objectives and drivers for the Mainline when the current tolling agreement expires on June 30, 2021.

Through these discussions, customers told us that they wanted access to the same services on the Mainline that were available on competing pipelines – contracted service offerings with priority access and long-term toll certainty.

Acting on this feedback, a contracted service offering was developed and refined over an 18-month period in response to customer input and negotiation.

Between February 2018 and December 2019, we undertook significant customer consultation:

- More than 500 face-to-face meetings.
- Thousands of phone calls and email exchanges.

The feedback we received through this process was valuable. As a result of this work, we were able to improve the contract offering which has received support among prospective and existing Mainline shippers.

“The proposed tolls, terms, and conditions in the Negotiated Package are just, reasonable, and not unjustly discriminatory.”

John Reed, CEO, Concentric Energy Advisors.

As per Enbridge's application for Canadian Mainline Firm Service

The offering enjoys strong shipper support

Enbridge has received support from shippers representing approximately 70 percent of the Mainline's current throughput.

This strong support comes from a wide cross section of existing and prospective shippers including Cenovus, Imperial Oil, BP, United Refining, LyondellBasell, Flint Hills, Marathon, Motiva, Vermilion, PBF, Coffeyville Resources and HollyFrontier.

70%

Support letters representing 70 percent of the current Mainline volume leaving Western Canada.

Mainline contracting benefits shippers

Providing contracted transportation service will have several benefits for shippers, including:

1) Competitive tolls

Shipper support for our application includes the proposed tolls on the Mainline which were negotiated along with the terms and conditions of service.

Mainline tolls are very competitive into each of the markets it serves, and the contracting offer includes the opportunity for a contract shipper to have tolls reduced by as much as 10 percent versus what they would have been under an extended CTS agreement.

2) Non-discriminatory, open access to capacity

All shippers will have equal access to contracted capacity in the open season Enbridge plans to hold. It doesn't matter if the shipper is a producer or a refiner, if they want a contract that is short or long, or if they want to ship a small or large volume.

The entire market – including new and existing shippers – can participate in the open season process to get long-term transportation service on the Mainline. The contract terms for producers and refiners are similar, and special provisions have been made to accommodate small producers, including reductions in the minimum contract volume.

3) Improved Western Canadian pipeline egress

Implementation of Mainline contracting has been structured to go into effect on the latter of July 1, 2021 or once the Line 3 Replacement project is complete. This project restores the capacity of the line to 760 kbpd, which is 370 kbpd higher than today.

Enbridge has successfully optimized throughput on the Mainline over the last several years. Contracting the Mainline creates long-term alignment with our shippers that incents our continued

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efforts to optimize the system by as much as a further 200 kbpd.

4) Contracting supports Western Canadian oil prices

The Mainline's highly competitive tolls to the best markets for Canadian crude drive the strongest netbacks for producers.

Financial and energy market experts support Mainline contracting because it could result in higher prices for



Western Canadian producers.

5) Offering ensures access for small producers

Enbridge has made several adjustments to the contract offering to accommodate small producers.

Minimum contract volume:

- Companies can contract as little as a single batch a month, which is the smallest amount of crude that can be scheduled on the system.

Volume reduction:

- If a company's production declines or is shut in, the producer doesn't need to pay to ship volumes it does not produce.

Next steps

Enbridge filed a commercial application with the Canada Energy Regulatory (CER) on December 19, 2019.

Pending approval from the CER, we will hold an open season for contract carriage on the Mainline. The new commercial framework will come into effect following CER approval.

A minimum of 325 kbpd of spot capacity will be available

A portion of the Mainline's transportation space will be left uncontracted. This is being done to meet regulatory requirements and to accommodate shippers who do not want long-term transportation contracts.

The available transportation will be larger than competing pipeline systems with at least 10 percent of the Mainline's capacity – or 325 kbpd – being available for monthly spot capacity nominations.

If a Mainline shipper has contracted space they can't use for an upcoming month, that space will be added into the monthly spot capacity for other shippers to bid on. This will ensure there is never any unused space on the Mainline.

Pipeline system	Uncontracted capacity
Keystone	6%
Keystone Cushing Expansion	6%
Enbridge Line 9B Reversal	8%
Trans Northern	9%
Proposed Canadian Mainline	10%