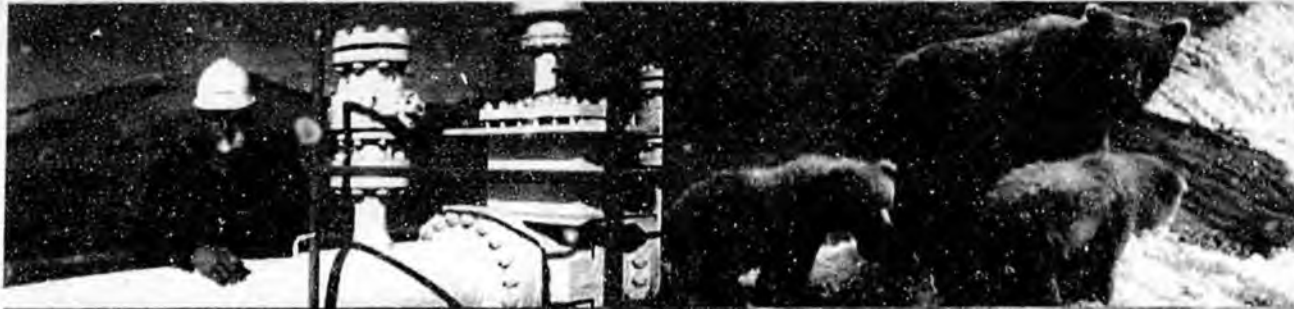


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PRESENT-

ATION:

ENBRIDGE



# Alaska Natural Gas Pipeline

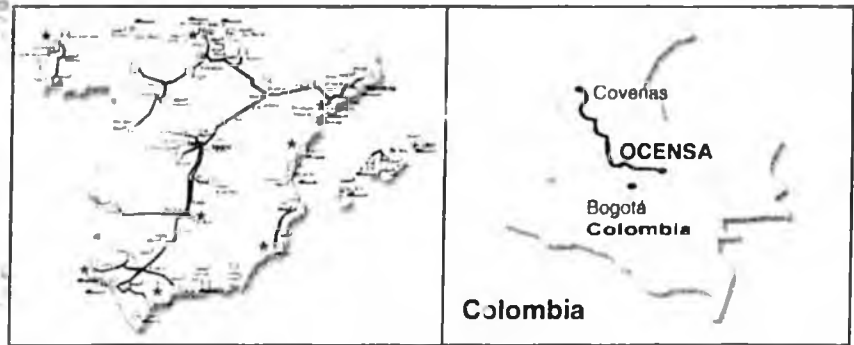
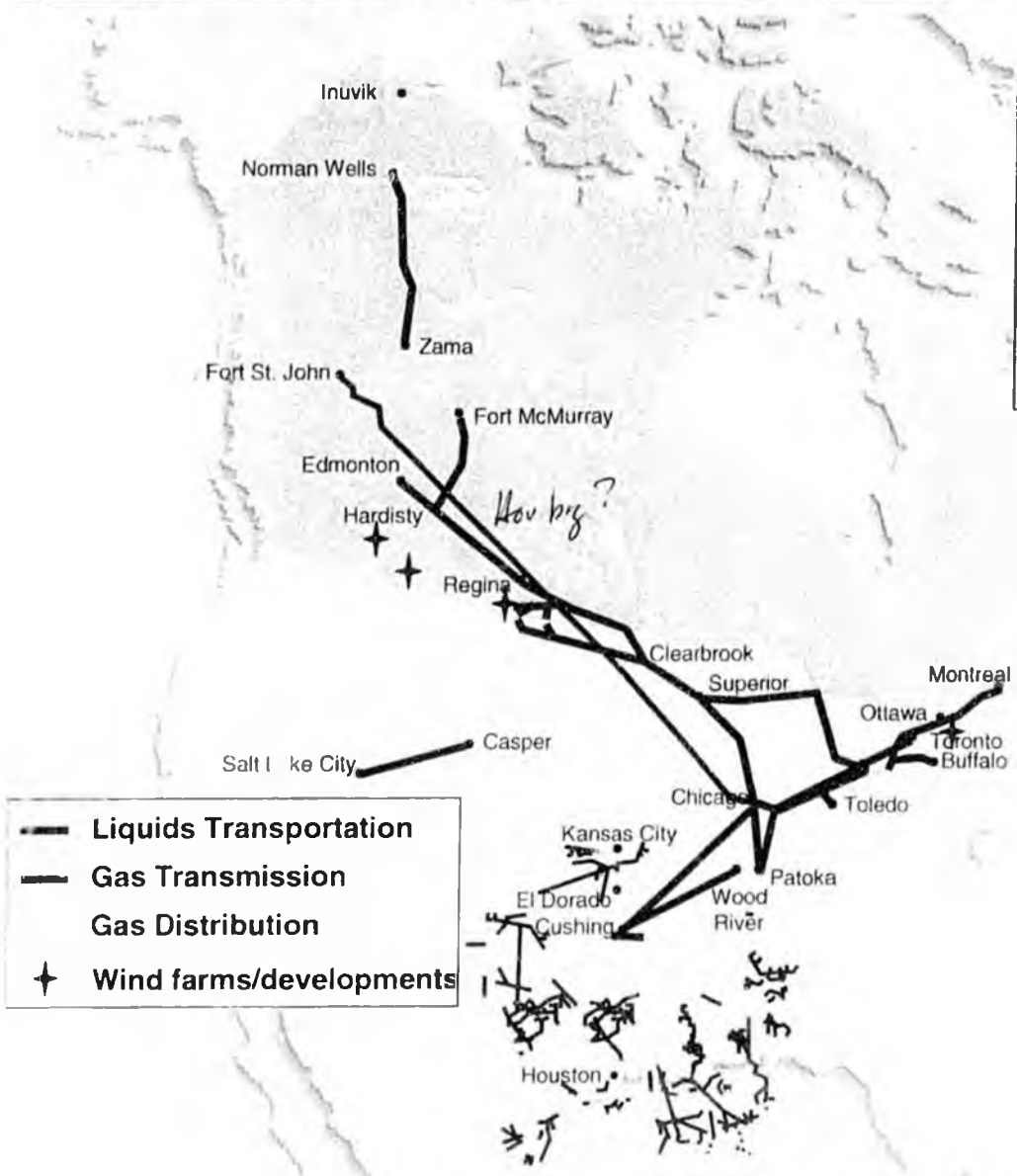
The Path Forward ....

.... An Enbridge Perspective

March 14, 2007

# Enbridge Overview

ENBRIDGE



- Interest in 50,000 miles of pipelines
- Own and operate world's longest liquid petroleum pipeline
- Deliver 70% of WCSB crude oil production
- Deliver half of deep water Gulf of Mexico natural gas production
- Canada's largest natural gas local distribution company
- Employ 4,900 people
- One of the *Global 100 Most Sustainable Corporations in the World*



# Gas Businesses

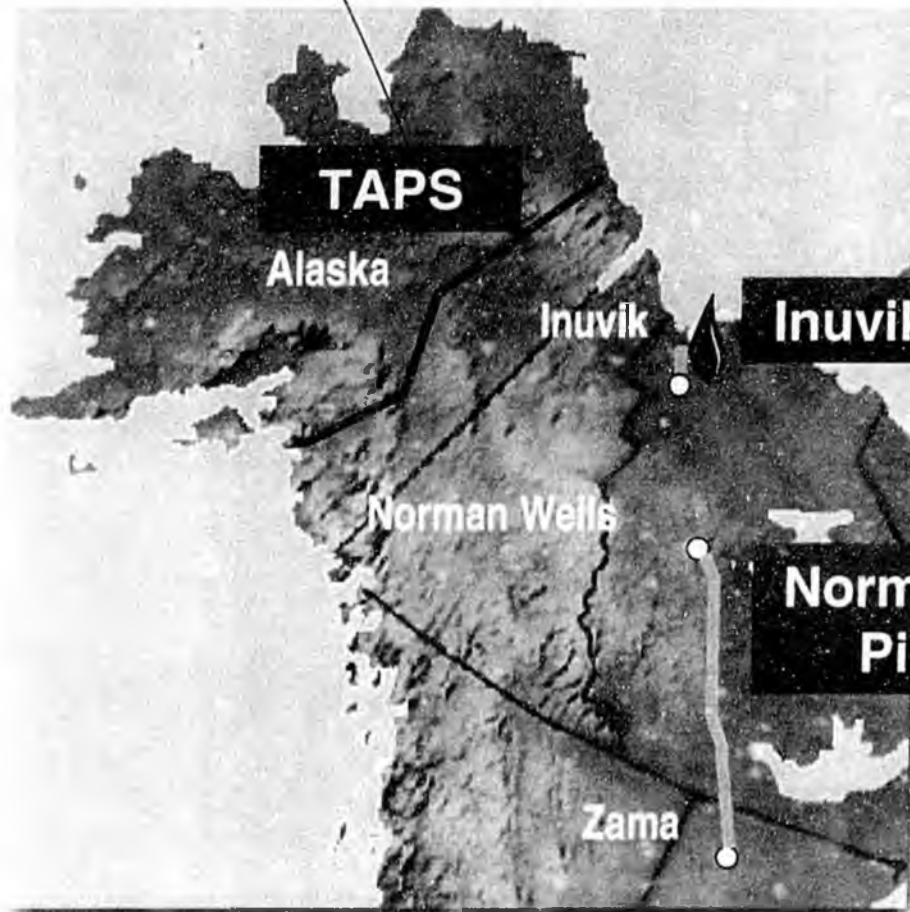
ENBRIDGE

- **Natural Gas Business:**
  - 10,000 miles of natural gas gathering and transmission lines
  - Including processing, treating and gas liquids marketing
  - Seasoned technical and operating experience
- **Joint Venture Partnerships - transporting over 2.6 billion cubic feet per day**
  - 50% owner of 1,857-mile Alliance Pipeline in service since 2000
  - 42.7% interest in Aux Sable liquids processing plant near Chicago
  - 60% owner and operator of 348-mile Vector Pipeline
- **Own Canada's largest local distribution company**
  - Serving 1.7 million industrial, commercial and residential customers in eastern Canada and northern New York State
- **Move half of Gulf of Mexico natural gas production**
  - Transport approximately 2.5 billion cubic feet per day
  - Serving technically challenging production from water depths that exceed 1 mile

# Substantial Northern Expertise

ANDRIDGE

- Providing technical services



- Wellhead to Burner Tip service
- Natural gas production and distribution
- First in Arctic Canada
- Joint Venture with AltaGas & Inuvialuit Petroleum

- First significant buried pipeline in permafrost
- 540-mile built in 1985
- 40% employees indigenous descent
- 19 years experience operating in permafrost



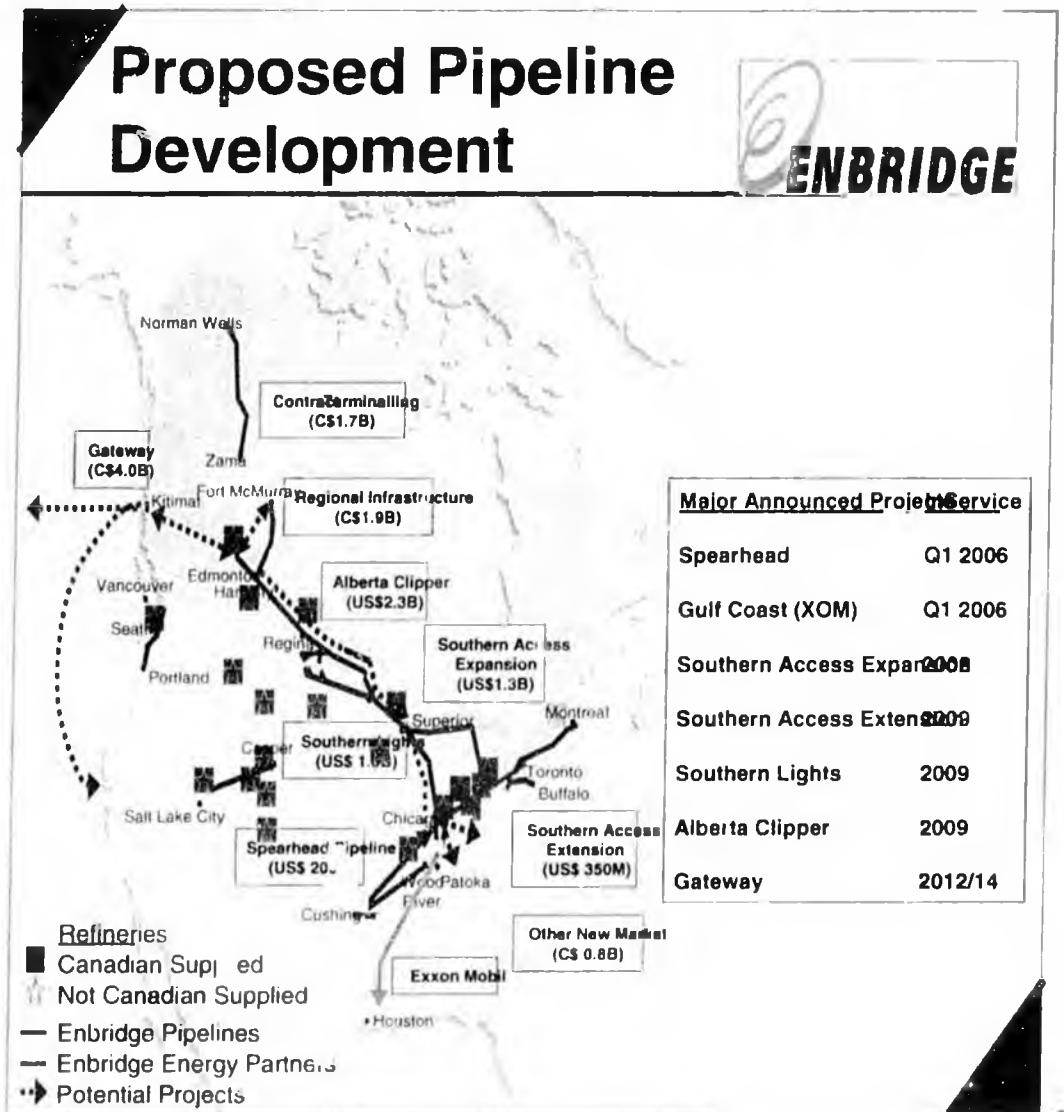
# Corporate Social Responsibility

- **One of only five Canadian companies chosen as the “Global 100 Most Sustainable Corporations in the World”**
- **Listed on the Dow Jones Sustainability Index**
- **One of Canada’s Top 100 Employers, and one of Alberta’s Top 20 Employers [Maclean’s and Alberta Venture Magazines]**
- **One of the “Clean, Green 22” – the 22 Canadian companies leading sustainability practices [Canadian Business Magazine]**
- **One of the 50 best corporate citizens in Canada [2006 Corporate Knights Magazine]**

# Unparalleled Experience Recent Pipeline Development

ENBRIDGE

- \$15 billion over the next 10 years
  - Unmatched recent experience managing labor, construction, procurement, environment, regulatory and cost-control challenges
  - Today's development environment is substantially different than 10 years ago
  
- Alliance Pipeline
  - Technical and commercial similarities



# Canadian Government Perspective

Edubridge

“As we move forward, I am guided by **five principles** that I believe can be **applied to all pipeline decisions**:

- First, they **must not interfere with market forces**. We will **let the market decide**.
- Second, our decisions must be **supportive of a modern regulatory regime**.
- Third, there must be a **project management approach**.
- Fourth, the **pipelines must support Aboriginal economic development**.
- Finally, decisions **must ensure that Canadian benefits are realized**.”

Honourable Jim Prentice

*Minister of Indian Affairs and Northern Development*

*Presentation to Canadian Energy Pipeline Association Annual Dinner*

May 2006

- **Depending on the project that is advanced, there are two possible regulatory processes:**
  1. **ANGTA and NPA**
    - Regulatory and legislative uncertainty
    - Pre-certification permits not exclusive
    - Must be updated with today's environmental assessment and stakeholder consultation requirements
  2. **Natural Gas Act (FERC) and National Energy Board Act (NEB)**
    - Similar FERC and NEB processes and timelines
    - Accommodates permitting and stakeholder involvement from local, state and other federal agencies

# First Nations Rights

EDUBRIDGE

- **Treaty Rights, Land Claims and Consultation**
- **Aboriginal and treaty rights were recognized and protected in Canada's Constitution in 1982 (approx. 10 years after passage of Northern Pipeline Act ("NPA") and the granting of permits there under)**
- **Since 1982 numerous court decisions have continued to further define and expand the scope of aboriginal and treaty rights**
- **Aboriginal rights, including legal obligation to consult**
- **Some First Nations own the land along the pipeline route**

*Aboriginal  
from Canada*

# First Nations Engagement

ENBRIDGE

- Education – Pipeline 101
- Meaningful Consultation
  - Early engagement
  - Understanding and minimization of physical and socio-economic impacts
- Ensuring significant, reliable and long term benefits through:
  - Training
  - Business and employment opportunities
  - Potential for equity participation in the project
- British Columbia and Yukon First Nations have voiced serious concerns about the NPA.
- Alaska pipeline will not face same issues as Mackenzie pipeline



# Key Markets for Alaska Gas

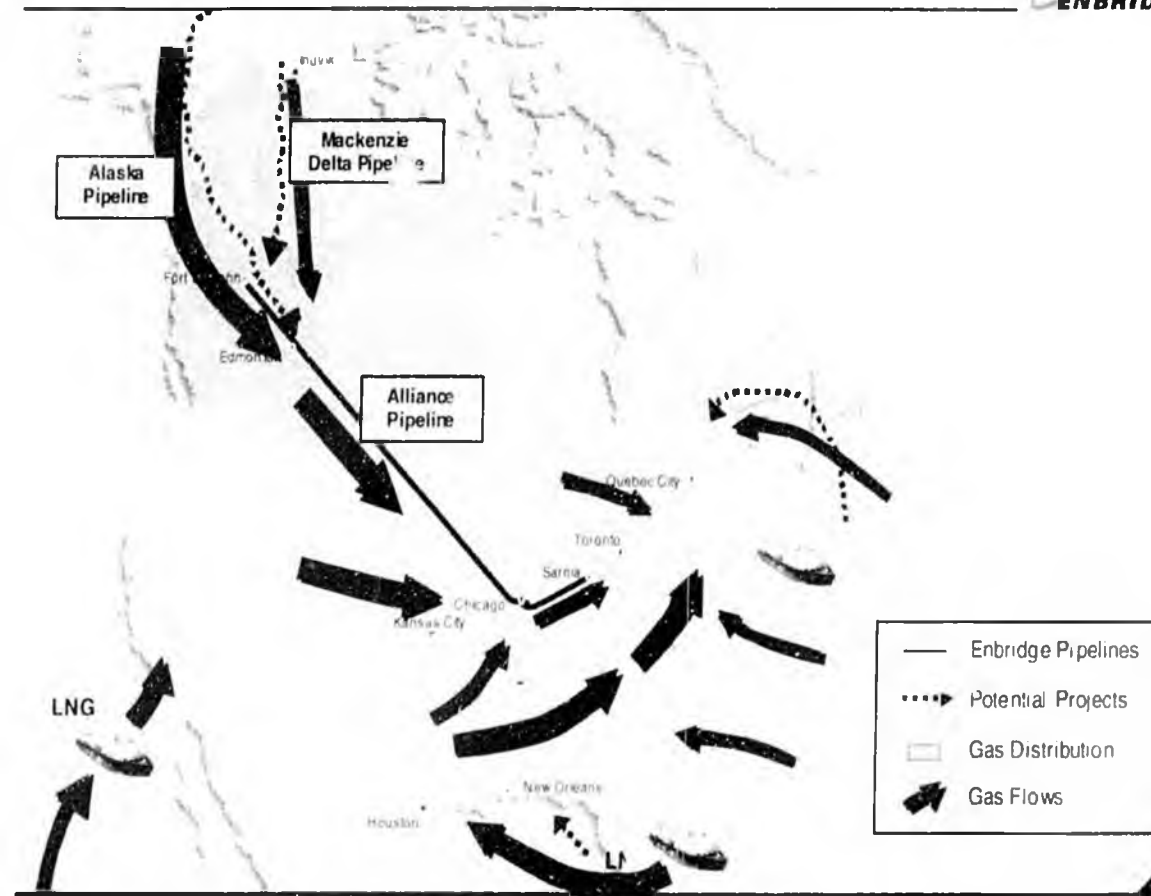
ENBRIDGE

Majority of the demand is expected to come from:

- US Midwest (Chicago hub)
- US Northeast
- Central Canada (Southern Ontario)
- Alaska

## Gas Strategy Supply/Demand Fundamentals

ENBRIDGE



# LNG Existing and Proposed

SEABOARD

- Likely North America LNG Terminals by 2012

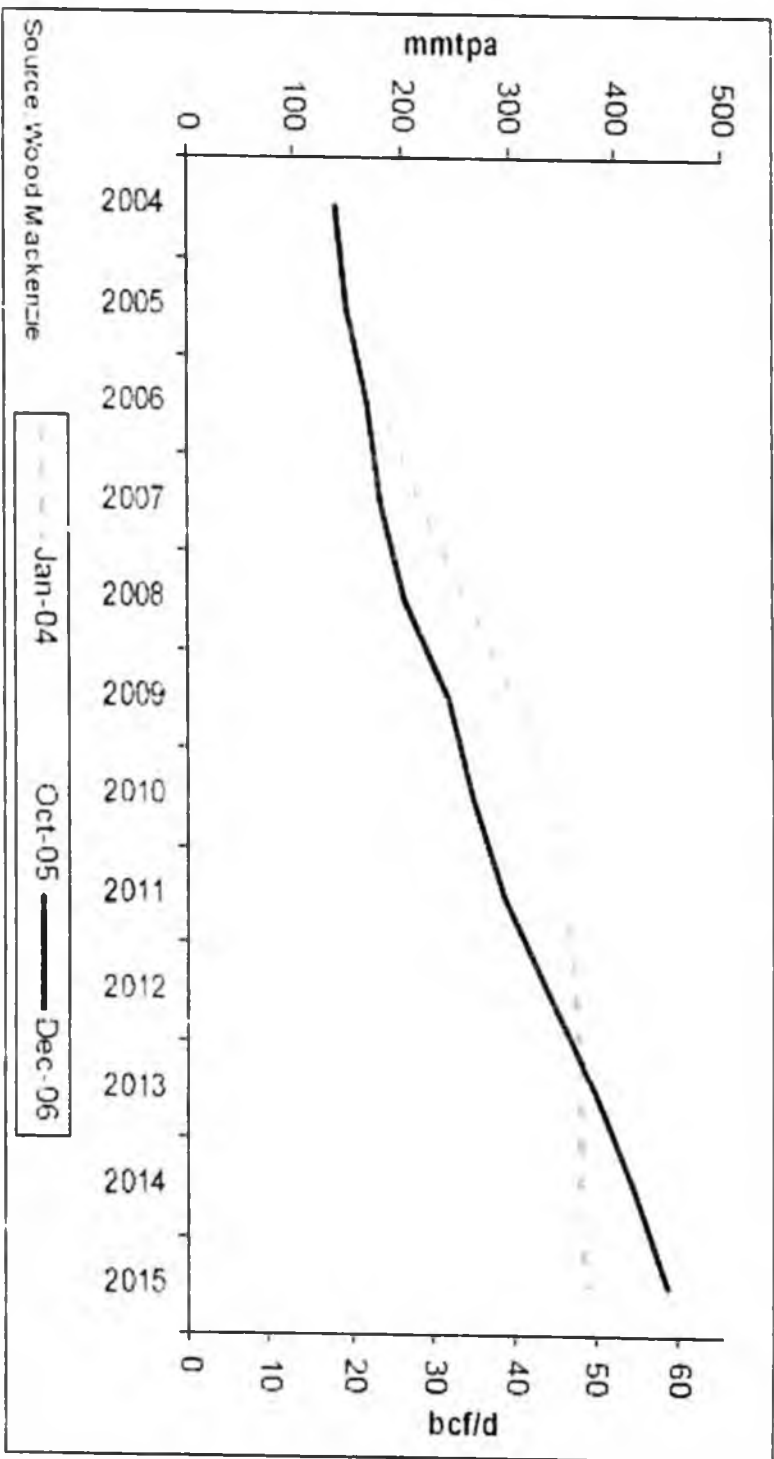


- North America will compete for LNG in a world market linked to oil pricing
- Asia & Europe have little storage and will bid away LNG during high demand seasons
- Limited opportunity for new terminal capacity required out to 2015

# Bottlenecks in development

Wood Mackenzie

- Global LNG Supply Forecast 2004, '05, '06



# Recent Producer Involvement In Pipelines

*"Critical"*

- **Motives for Producer Ownership**

Two over-arching motives:

- ❖ Get the project moving through extensive financial resources and previous experience
- ❖ Development of resources

If producers take initial equity positions in the transport, the tendency is to sell their equity positions to transport companies once the above over-arching objectives are satisfied.

Exceptions exist where the properties are strategic (e.g.. EnCana in Northeast B.C.)

## Producer Ownership (Existing Pipelines)

Alliance Pipeline  
(Natural Gas)

Project was initially fully sponsored by producers. Alliance is now owned by Transportation and Processing Companies (Enbridge and Fort Chicago equal partners)

Maritimes & Northeast  
(Natural Gas)

Imperial/ExxonMobil initially backstopped a larger portion of the M&NE project, but has sold down their position: Spectra (77.53%), Emera (12.9%), and ExxonMobil (9.55%)

# Recent Production Involvement In Pipelines



## **Cutback Ridge Play (Natural Gas)**

EnCana maintains 100% ownership of the pipeline which connects into Alliance near Wembley to capture this strategic Northeast B.C. play and direct resources east.

## **Entrega (Natural Gas)**

EnCana sold 100% of the pipeline to Kinder-Morgan in February 2006, and is now the first leg of Kinder's proposed Rockies Express

## **Express Pipeline Partnership (Crude)**

Initially a wholly owned affiliate of AEX (an EnCana predecessor) to bring crude from Hardisty, Alberta to Billings, Montana, which is an important U.S Rockies refining center. The pipeline was sold to a consortium of transport companies and a pension fund

## **Producer Ownership (Planned/Under Construction)**

### **Rockies Express (Natural Gas, Under Construction)**

ConocoPhillips is a large capacity holder in Rockies Express and recently exercised an option to obtain 25% equity in the project, alongside Kinder-Morgan and Sempra.

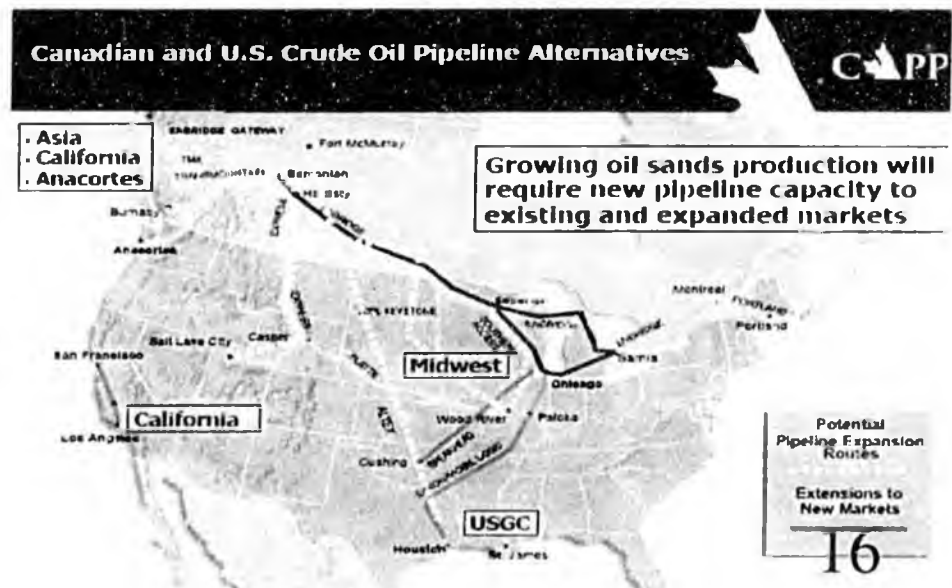
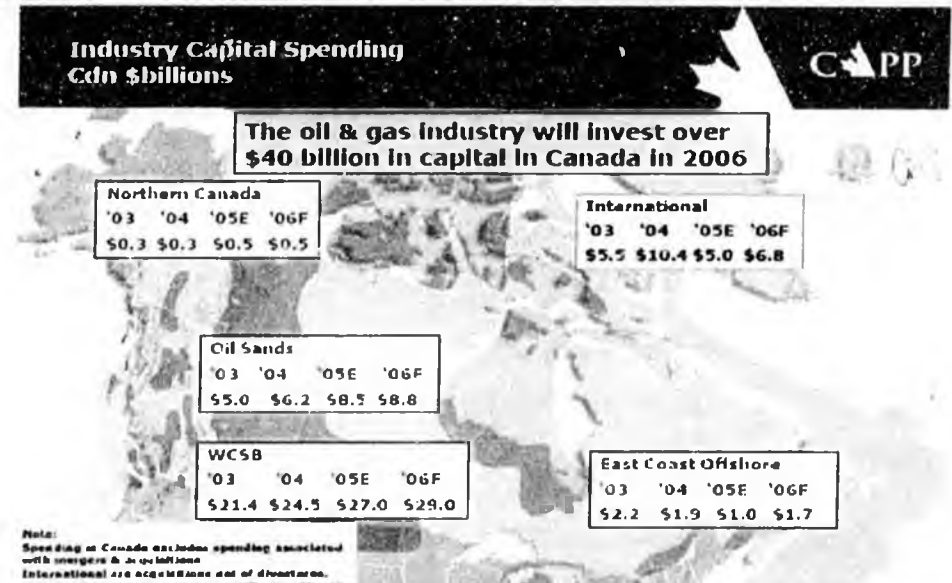
### **Mackenzie Valley (Natural Gas, Proposed)**

Interest is almost entirely held by Imperial/ExxonMobil, Shell and ConocoPhillips. Imperial will construct and operate the MV gathering system as well as the pipeline which is expected in-service post-2012.

# Canadian Oil Sands Development Valuable Lessons



- Investment of \$125 billion
  - Significant new employment, tax revenue, long term growth
  - Extensive new pipeline development
  
- Resulted from proactive progressive political vision that facilitated development
  - Worked cooperatively with industry
  - Generating greater returns for all



# Conclusion / Main Points



- State – Producer alignment
  - (No producers No pipeline)
  - Timing is Key – market degradation/capital competition
  - Focus on what is essential vs. what is desirable
- Understand...
  - Producers' goals/motivations
  - North American supply/demand fundamentals
  - Regulatory protections already in place
  - Other players who can add value
- **North American has their eye on Alaska**
  - "The governor's proposal has to succeed or else I think an Alaska gas pipeline will slip for a number of years." FERC Chairman Joseph Kelleher

*Know  
Revenue  
Answer to  
Produce?*