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CORPORATE PARTICIPANTS

Adam McKnight *Enbridge Inc. - Director of IR*

Al Monaco *Enbridge Inc. - President and CEO*

John Whelen *Enbridge Inc. - EVP and CFO*

Guy Jarvis *Enbridge Inc. - President, Liquids Pipeline*

Vern Yu *Enbridge Inc. - SVP, Corporate Planning and Chief Development Officer*

CONFERENCE CALL PARTICIPANTS

Brian Zarahn *Barclays Capital - Analyst*

Rob Hope *Macquarie - Analyst*

Linda Ezergailis *TD Securities - Analyst*

Robert Kwan *RBC Capital Markets - Analyst*

Matthew Akman *Scotiabank - Analyst*

Andrew Kuske *Credit Suisse - Analyst*

Ben Pham *BMO Capital Markets - Analyst*

Steven Paget *FirstEnergy - Analyst*

Paul Lechem *CIBC - Analyst*

Robert Cattelier *JMP Securities - Analyst*

Faisal Khan *Citigroup - Analyst*

Lauren Krugel *Canadian Press - Media*

Jeremy Van Loon *Bloomberg - Media*

Kelly Cryderman *The Globe and Mail - Media*

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Enbridge, Inc. 2015 third-quarter financial results conference call. I will now turn the meeting over to Adam McKnight, Director of Investor Relations.

Adam McKnight - Enbridge Inc. - Director of IR

Thank you, Christine. Good morning and welcome to Enbridge', Inc.'s 2015 third-quarter earnings call. With me this morning are Al Monaco, President and CEO; John Whelen, Executive Vice President and Chief Financial Officer; Guy Jarvis, President, Liquids Pipelines; Vern Yu, Senior Vice President, Corporate Planning and Chief Development Officer; Leigh Kelln, Vice President of Investor Relations and Enterprise Risk, and Chris Johnson, Vice President and Controller.

This call is webcast and I encourage those listening on the phone line to view the supporting slides which are available on our website. A replay and podcast of the call would be available later today and a transcript will be posted to the website shortly thereafter.



The Q&A format will be the same as prior calls. We will take questions from the analyst community first, then invite questions from the media. I would ask that you wait until the end of the call to queue up for questions and please limit questions to two per person. Then, reenter the queue if you have additional queries. The Investor Relations team will be available after the call for any follow-up questions that you might have.

Before we begin, I would like to point out that we will refer to forward-looking information in connection with Enbridge and the subject matter of today's call. By its nature, this information contains forecast assumptions and expectations about future outcomes, so we remind you it is subject to the risks and uncertainties affecting every business, including ours. This slide includes a summary of the significant factors and risks that could affect Enbridge -- or could affect future outcomes for Enbridge, which are discussed more fully in our public disclosure filings available on both the SEDAR and EDGAR systems.

I will now turn the call over to Al Monaco.

Al Monaco - Enbridge Inc. - President and CEO

Okay. Thanks, Adam. I am going to start off this morning by highlighting our results and providing a business update for the quarter. Just coming off of Enbridge Days, where we took investors through the bigger picture strategies, we will keep this to more recent execution milestones.

That will include our continuing focus to enhance netbacks for producers in what is obviously a difficult commodity environment, and I will talk about our newest investment in renewable energy, which we now announced this morning. That is the offshore wind project in the UK, which is currently under construction. John will then take you through the quarterly results in more detail and where we expect the year to end up. And I will wrap up with an outlook.

So turning to slide 4, as you can see from the bars here on the right-hand side of each section there, we had strong quarter-over-quarter and nine-month earnings and cash flow growth. Q3 earnings came in at just under CAD400 million or CAD0.47 per share while ACFFO, our new metric, was CAD668 million or CAD0.79 per share. Year to date, very solid at CAD1.4 billion in earnings and CAD2.3 billion in ACFFO.

Just a couple of observations about the results at the high level. First, the growth you see here is driven by strong performance across most of our businesses and recently completed capital projects. So far this year, we put about CAD5 billion of capital into the ground and that is on top of CAD9 billion last year.

Second, our nine-month results gives us confidence we will come in within our full-year guidance, but it looks like will end up in the lower half of the guidance range, at least on EPS. Now, that may not be intuitive given results to date that you see here, but, as you know, we have experienced almost a full year's delay in receiving regulatory approval for Line 9.

We are expecting the line to be in full service in December so that is a good thing. But the delay has obviously had a significant drag on earnings this year. This will end up being in the range of about CAD90 million all in, just for Line 9 or roughly CAD0.10 per share.

We also saw some upstream and downstream disruptions in liquids in October, which now we understand are sorted out. And continued pressure on Aux Sable frac margins. So John will take you through those in a little bit more detail.

That said, on EPS, we are still tracking to come in within the guidance range, which we believe will be a good result in the face of the Line 9 delay. Now, on ACFFO our outlook is strong and remains unchanged from where we were last quarter. At this point, we're looking like we will come in around the midpoint of the guidance range of about CAD3.30 to CAD4.00 per share as we are seeing lower maintenance CapEx and Q4 that will offset the issues likely to affect the fourth quarter that we just referred to.

Now let me turn to the business updates. We are now on slide 5. Starting with our focus on customers in the current commodity price environment. We're hearing a lot about cost reductions in our industry, but, frankly, the biggest impact that we can have is to open up access to the best markets for producers.

The map here, you have seen before, highlights various projects totaling some 1.7 million barrels per day of new market access. The goal here is to connect producers to regions that attract global pricing, like the US Gulf Coast and Eastern Canada. Those are two. And we have seen the benefits of that for both heavy and light differentials over the past while. Combined with stable, low-cost tolls to these markets -- that is the other chart that you see here -- producers can maximize netbacks and refiners can gain access to reliable Canadian and Bakken sources accrued.

Part of that is also to ensure we are efficient with our capital. Given market conditions, we have been working the supply chain very aggressively to drive savings and productivity gains. So far, that has resulted in about CAD400 million of savings on the capital side. We are hoping to eke out a little bit more by year-end in the order of CAD100 million.

Another element of efficiency is how we optimize capacity. A good example of that is the regional oil sands optimization project, which we have covered before and that resulted in a capital savings of about CAD400 million as well.

Turning now to slide 6, another element of customer focus is good execution. And the slide here illustrates the projects that we expect to bring in service this year. It is about CAD8 billion worth in total. You are familiar with all of these so I am not going to go through them all, but highlight a couple of these complete in the quarter. Those are the green checkmarks that you see.

In July, we brought on 230,000 barrels per day of capacity through mainline expansion. That was actually a little bit earlier than we targeted. It is a good thing because it was much needed capacity for our customers. In fact, it actually eased apportionment on our heavy lines and allowed us to move a record 2.3 million barrels per day on the mainline in August.

The Woodland extension went into service in July. That brings Imperial's [curl] volumes to the Edmonton hub. And Sunday Creek expansion project for Sunova's Christine O'Lakes went into service in August.

In offshore, the Bigfoot oil pipeline was completed on schedule and under budget.

And then, lastly, on Line 9, we were very pleased, the NEB approval came through after the results of our hydrostatic tests that were completed during the quarter. We now have everything in place to get the line into service and our customers have begun line fill.

This has obviously been a long process, but it is important that we have got the line running now. Quebec refiners will have access to secure reliable Canadian crude and that is going to enhance their competitiveness and support many jobs within the Quebec refining communities.

So overall, on this slide, good execution by our major projects group this year. Now let's talk about that new offshore project we announced earlier this morning, turning now to slide 7.

I think maybe, just to begin, it is important to cover some context here. If you think back over the last couple of years, and most recently at Enbridge Day in October, we emphasized a couple of broad themes. First of all, we have a highly transparent capital program with CAD38 billion through 2019. And, with this project, CAD25 billion of that is commercially secured and underway. And we have got, of course, another CAD13 billion in development. If we execute well, the secured capital loan should drive a very strong and transparent growth.

While our five-year outlook is intact, we also focus on what is next and positioning Enbridge for the future with new growth platforms. And that is why a key strategic priority of ours that you have been hearing from us is to extend and diversify growth beyond 2019. That doesn't mean we don't have a long runway on liquids pipelines growth going forward. But we think it makes sense to put more emphasis on expanding our natural gas and power generation businesses.

We are making some early headway on building out our inventory of gas opportunities. We covered that at Enbridge Day. And, of course, over the last five years, we have invested about CAD4 billion in renewables generation and transmission. We now have about 1800 megawatts of net generated capacity in North America from 18 renewables projects.



That makes us one of the largest renewable power generators in Canada. We see European offshore wind as a natural and a very timely extension of our existing wind business.

Now, any new investment needs to fit the value proposition that you have come to know us for. So let me focus on that. First, with the fundamentals on slide 8.

Two things are very clear, we think, going forward. First, there is general agreement, that global electricity demand is going to continue to grow. We also know that there will be a global focus on reducing emissions. Many jurisdictions in North America and Europe have accelerated retirement of coal and in some cases nuclear, and adopted some kind of renewables targets. So if you look at the future sources of electricity generation that you see here on the slide, it is clear that we are seeing significant growth in both natural gas and renewable supply.

The top chart shows that half of Europe's generating capacity is going to come from renewables by 2025. And, by the way, the levelized cost of renewables has come down and increasingly competitive with traditional sources of supply. And some of that is due to the move to what we like to refer to as mega-scale facilities in the case of offshore turbines up to 6 megawatts in play right now and growing from there.

And, as well, over 20 gigawatts of offshore capacity is expected to be developed in Europe over the next five years. That is the other chart on the slide.

Now, I guess maybe just overall, to be clear, this is not a new business. There is currently 88 completed offshore wind projects in Europe. The UK, in fact, leads all countries with 32 operating and another 32 under construction. And for the future over EUR100 billion of investment is expected in offshore wind in Europe over the next decade.

Moving on now to how offshore fits with the value proposition, on slide 9. Now, at Enbridge Day, Vern Yu took you through our investment criteria for offshore wind projects, but, maybe, let me just recap a couple of the key ones.

First, obviously, offshore wind development has differences, but it is really not that dissimilar to what we see onshore. The technology is proven and has been adapted to offshore applications. It is really, as I said, not that new other than the size of the turbines. And some of the infrastructure and logistics that go with it. We also see strong commercial underpinnings offshore, namely long-term PPAs. We have got established power markets and good transmission in this part of the world. And a stable political environment where we can hedge currencies as well.

Construction risk can also be well managed but we are at that point where, in this business, the supply chain has been sufficiently developed where you can get fixed pricing for many of the project elements. Most important, is proven execution capability and track record, of course.

In this case, we are a partner with Eon, a leading offshore wind developer, and this is their 10th offshore project. By the way, we are also partnered with Eon on a couple of onshore projects in North America.

Finally, given the other opportunities we have to invest capital, we are focused on expected returns that generate a premium over our project cost capital.

So with that, let me just briefly cover the project itself on slide 10. The ramping site that you can see here on the map is located off the southern coast of Britain here. Equipment wise, there will be 116, about 3.5 megawatt turbines for a total capacity of 400 megawatts. So this is large-scale utility size generation. And, given its location, there is well developed transmission infrastructure. We will have roughly 25% for a total investment of about CAD750 million.

Eon will manage construction and provide operation services under a 25-year operating contract. 100% of the power generated by the project will be acquired by Eon under a 15-year PPA.

But, importantly, the majority of revenues here are comprised of UK renewable obligations certificates. Those are often referred to as ROCs. Essentially, these are fixed-price payments escalate with inflation for each megawatt generated and these ROCs go for 20 years.

Power sold into the grid will also attract market prices for electricity that is generated here, which is based on a dispatch order system where you have marginal pricing setting the price that you are seeing on that part of the revenue. The project has obviously received all the permits and construction began just since September. And it is scheduled to go in service in 2018 and we had expected it to be immediately accretive to both ACFFO and earnings per share.

So with that, let me just conclude my section here by moving to slide 11 and a quick update on the sponsored vehicle strategy.

So a good progress on that this quarter. As most of you know, we completed the dropdown of our liquids pipeline business to the income fund. This was obviously a key milestone for us because the structure can provide a large and diversified source of capital for many years to come. With the drop, the fund itself has been transformed into a premier Canadian infrastructure vehicle. And the priority now is to effectively prove out the model by initiating the equity funding capability through ENF. That is the public vehicle here.

We have now done that as well through ENF's CAD700 million offering last month. This is a record size deal, which gives ENF a meaningful boost to its market cap, resulting in better liquidity and should allow it to attract a strong and wider following. Moreover, we think it demonstrates ENF's ability to meaningfully contribute to Enbridge's funding plans going forward. And I think it illustrates how the structure can be effective in redeploying capital to new opportunities we have in our backlog, like the Rampion project that we just talked about. And, of course, as well, to support future dividend growth at Enbridge.

On the right hand of the slide, EEP has also undertaken a CAD1.6 billion offering on the debt side just a while ago. And last month, we outlined as well our plan for systematic dropdowns of Enbridge's US assets to EEP and we indicated about CAD500 million annually.

So together with EEP's embedded growth of about CAD5 billion in execution, some CAD750 million in book value call options and now this incremental CAD2 billion of drops, the combination of all of this should generate solid annual distribution growth of about 5% or better over the five-year profile in our plan.

So with that, let me turn it over to John Whelen to review the financial results for the quarter.

John Whelen - *Enbridge Inc. - EVP and CFO*

Okay. Well, thanks, Al. I am picking up on slide 12, with results for the quarter and I am going to focus first on adjusted earnings.

If you read through our news release and MD&A this morning you will see that the presentation of our segments results for this quarter are affected by a number of moving pieces that arise from the dropdowns that we have undertaken over the last year from Enbridge, Inc. to Enbridge Income Fund. As Al noted, we completed the big dropdown of our Canadian liquids business and additional renewable power assets to the fund on September 1.

This quarter's results captured the performance of these businesses within the liquids pipeline segment for July and August, but in the sponsored vehicle segment for the month of September, and further complicating the picture is the fact that back in the fourth quarter of 2014, we also dropped our interest in the US portion of Alliance Pipeline and the Southern Lights pipeline to the Fund. The financial performance of these assets are now reported in the sponsored vehicle segment, whereas back in the third quarter of 2014 they would have been picked up within gas pipelines processing and energy services.

All of this makes quarter-over-quarter comparisons of business performance on a segmented basis a little challenging. To make the comparison a little easier, this slide compares quarter-over-quarter adjusted earnings performance by segment as if these dropdowns had not taken place. That's the left-hand column on this chart and it provides an apples to apples comparison of business performance versus the third quarter of last year shown in the middle column.

For reference, the column on the right shows the quarterly segmented results as we reported them in our MD&A. Now, I am not going to spend time here reconciling these two perspectives, but we have provided some supplementary slides to help you navigate between them.

So with that orientation in mind, I am going to focus on the before dropdown picture comparing the left-hand column with the middle column to give you a better feel for how each business performed during the quarter. And as you can see, it was another strong quarter, relative to Q3 of last year starting with liquids pipeline, since contribution to adjusted earnings increased by CAD71 million quarter over quarter.

This was mostly driven by the performance of the Canadian mainline where earnings were just over 50 million higher than Q3 of last year. The increase was driven primarily by higher volume throughput on the system that resulted from a combination of increased oil sands production, higher Midwest refinery demand, as well as ongoing system throughput optimization initiatives, including the addition of 230,000 barrels per day of incremental capacity that came online in July with the completion of mainline expansion. Total deliveries, ex-Gretna, averaged 2.2 million barrels per day over the quarter compared to 2 million last year.

Higher tolls also boosted the quarter over quarter picture as surcharges for the Edmonton to Hardisty expansion project kicked in earlier this year. And liquids pipelines also got a little help from foreign-exchange rates. While the bulk of the US dollar revenue generated by our mainline system is hedged, the average hedge rate has been higher this year and the small percentage of revenue that is not hedged is benefiting from stronger spot rates.

Moving down to gas distribution, the small third quarter contribution is pretty typical of the seasonal pattern of earnings and cash flow that we see generated by our utility businesses. Adjusted earnings from this segment were up about CAD10 million over the third quarter of last year on the strength of strong customer growth and higher rates. And we continue to see and expect to see very solid performance from Enbridge gas distribution under its incentive rate making model.

Adjusted earnings from gas pipelines processing energy services decreased by CAD26 million, due to a couple of factors. First, after a very strong half -- first half of 2015, earnings from our energy services businesses were weaker in the third quarter as margins from tank management services declined and location differentials narrowed on certain pipelines where the Company retains committed transportation capacity.

Second, Aux Sable's performance continued to be affected by the impact of weak commodity prices on fractionation margins, which has limited the opportunity to share in margin upside over and above base processing fees. While there were a few other smaller puts and takes from other assets, those really were the big drivers of quarter-over-quarter performance.

Moving along, as you can see that the sponsored investment segment on an adjusted basis was a little lower than last year due to a few offsetting factors. The legacy assets within Enbridge Income Fund, taken together actually performed a little better than Q3 of last year. EEP's contribution quarter over quarter was up slightly on the strength of stronger earnings from its liquids business and a slight improvement in its gas business on a quarter-over-quarter basis, and higher incentive distributions.

However, these positive contributions were slightly offset by a lower contribution from our jointly funded assets. Moving to corporate, and ignoring, again, the impact of dropdowns, the corporate segment loss was about CAD7 million lower than the third quarter of last year as net interest income was only partially offset by higher operating and administrative expenses and higher dividends on preferred shares issued over the last year to fund the Company's growth capital program.

The very last line in the table, labeled Incremental NCI, reconciles the as reported perspective with our pre-dropdown look for this quarter. It reflects the incremental amounts paid to the public investors in the Income Fund as a result of these dropdowns.

So after eliminating all of that intersegment noise, you can see it was a pretty solid quarter with adjusted earnings up CAD50 million over the prior period.

So turning now to slide 13, it shows the performance of our business through the new cash flow lens, the available cash flow from operations, or ACFFO. The strong quarter-over-quarter uptick in cash flow was largely driven by the strong operating performance I just walked through. The other significant factors impacting the change in ACFFO quarter over quarter, again, are broken out in this slide.

You can see that maintenance capital expenditures were lower than Q3 of last year, largely due to some specific program spending undertaken in 2014 that has now been completed. The lower maintenance capital during the quarter was offset by higher preferred share dividends and by higher distributions to the public shareholders of Enbridge Energy Partners and Enbridge Income Fund Holdings, Inc.

We do it just for nonoperational, nonrecurring impacts to the extent they impact cash flow. That is what we're picking up in the other line on this schedule and you can find further details in the MD&A that we filed this morning.

So again, solid operating performance and timely project execution has driven very solid cash flow, relative to the prior period.

So now turning to slide 14 and our guidance outlook, nine months along, how is the outlook looking or the full year trending. AI has already let the cat out of the bag on this one. As he noted, we expect that adjusted earnings will likely end up in the lower half of our guidance range of CAD2.05 to CAD2.35 per share for the full year. The long delay in receiving leave to open for line 9 has been an obvious drag on earnings and cash flow relative to expectations. And while it will come into service this quarter, its earnings contributions will be modest in the first month or so of operations.

Aux Sable has been another drag on financial performance throughout the year and we expect that weak fractionation margins will continue to prevail over the balance of the year, limiting any opportunities from margin sharing. It is fair to say that for the first three quarters of the year, these headwinds were largely offset by strong performance from the liquids mainline, cost management activities, and the very strong first-half performance of our energy services business.

The impact of the small amount of unhedged US dollar revenue also has been providing a bit of a tailwind. However, as we enter into the fourth quarter, we see a couple of these tailwinds fading. Energy services had a weak third quarter and we are not projecting a return to first-half performance, given where differentials moved of late.

As AI also mentioned, we have seen volumes in the liquids mainline drop off in October, due to longer-than-anticipated refinery turnarounds and disruptions at facilities, both upstream and downstream of our system. However, we do expect volumes to rebound strongly over the remainder of the year, but average volumes for the quarter will be a little lower than we had originally expected.

So the help that we were getting from energy services in the mainline earlier in the year to offset the line 9 delay and the weak performance of Aux Sable won't be quite as strong, which is pushing our earnings outlook into the lower half of our guidance range.

ACFFO was still pretty much on track, as AI said. Not all of the factors affecting earnings affected cash directly and we do expect maintenance capital to be lower for the full year. So our ace ACFFO outlook remains roughly balanced.

So, turning now to slide 15, as AI also mentioned earlier, we have made some very good progress in the funding side of things that we were pretty much right on track with our plan. On a year to date basis, we have raised close to CAD4.8 billion across the Enbridge Group, despite some choppy markets. You can see from this slide that we have been able to raise both debt and equity capital through several different entities, accessing both the US and Canadian public markets. And, our drip and pick programs continue to bring in not only steady, but very significant, amounts of new equity to strengthen our balance sheet as we execute on our growth program.

With the benefit of the inflow of additional long-term capital, consolidated liquidity continues to be very strong. Unutilized bank lines together with available cash total close to CAD9 billion, providing more than ample flexibility to manage the market disruptions and raise capital when market conditions are attractive.

Of particular note is the CAD700 million of common equity offering by Enbridge Income Fund Holdings, Inc., which AI already mentioned and which, by the way, we expect to close tomorrow. This was a very important transaction for ENF. The funds raised will enable it to invest and participate in the growth of the Canadian liquids business that we dropped down to Enbridge Income Fund at the beginning of September.



And, as Al said, it also demonstrates ENF's ability to raise equity capital in meaningful tranches which will serve to increase its public float, its trading liquidity, and its overall effectiveness as a sponsored vehicle for Enbridge.

And, speaking of ENF, given that this is the first quarter after completing the big dropdown of our Canadian liquids business to the Income Fund, we thought it would be helpful to provide a quick snapshot of the performance in the Fund and ENF for the quarter.

So, I am now on slide 16. With the drop-down transaction closing on September 1, the Fund picked up one month of earnings in cash flow from the assets it acquired on the drop-down. And you can see pretty clearly from this slide the significant impact the transaction has already had on the Fund and on ENF. ACFFO generated by the Fund Group increased to CAD200 million from CAD64 million for the same quarter of last year.

This translated to very strong quarter-over-quarter growth in distributions paid by the Fund and earnings at Enbridge Income Fund Holdings, Inc. ENF investors have already felt the direct benefit of the transaction. We increased its monthly dividend by 10% on closing and you can see the impact of that boost to the dividend for the month in September. You can see that -- what impact that had on quarterly dividend per share.

And, as we have said before, investors in ENF can expect additional dividend increases of 10% per year through 2019, driven by the very strategic and rapidly growing portfolio of energy infrastructure now owned by the Fund. And with that, I am going to turn it over to Al again to wrap up.

Al Monaco - Enbridge Inc. - President and CEO

Thanks, John, and that will be a short wrap-up with our longer-term outlook. Based on the CAD38 billion capital program that we talked about earlier, we expect to see EPS growth of between 11% to 13% on average over the five-year planning period and ACFFO CAGR of 15% to 18%.

As we have emphasized and as illustrated here with the squiggly arrows you see, the growth profile will be uneven, based on the timing of new projects coming into service. On the other hand, we expect a more linear dividend per share growth profile of between 14% to 16% annually, consistent with what we have been saying. And at that level of assumed EPS we expect to be within our current dividend policy range of 40% to 50% of ACFFO on average, likely at the higher end of that range. So as you can see, strong outlook through 2019.

As I alluded to earlier, the management team is also focused on extending and diversifying the growth beyond 2019 and here is slide 18, summarizes the various initiatives that we have underway. I am not going to go through all of these because we went through them in some detail at Enbridge Day, but as you can see here, these opportunities stretch across a number of areas, further bolstering and expanding our liquids pipeline franchise and here our existing assets and reach make us ideally suited to provide cost-effective and timely expansions in this low commodity price environment. On the cost side, the team, I think, is doing a good job of developing and inventory of new opportunities in both gas pipelines and processing and gas distribution. And, of course, we continue to develop our new growth platforms. And our progress on power generation today that we announced is a good example of that.

Moving on to slide 19 and just the conclusions here, another strong quarter financially and from an execution perspective and we are expecting to come in within our 2015 guidance range for both EPS and ACFFO. We are focusing hard on developing value for customers through cost-effective access to the best markets. Good progress this quarter as well on our sponsored vehicle strategy, which is well-positioned with the completion of the EIF dropdown and initial funding in ENF.

And, lastly, our outlook through 2019 looks very strong and we are building to expand and diversify that outlook beyond that. So with that, let me turn it over to the operator for the question period.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Brian Zarahn, Barclays.



Brian Zarahn - *Barclays Capital - Analyst*

Appreciate the color on the UK offshore wind project. Can you provide some additional color as to how the expected return is, compared to the North American portfolio and provide the entry into other potential opportunities in Europe?

Al Monaco - *Enbridge Inc. - President and CEO*

Okay. That is a good question, Brian. So basically, here we are feeling pretty good about the return. I think you would think that it is generally low double digits to mid teens as the outlook.

I think the important part of that, though, is that on a risk-adjusted basis, it is very much in line with the rest of our businesses and we obviously look at that very carefully. We have got a lot of opportunities to put capital to work in North America so this needs to fit the same kind of return criteria that we have. And given the commercial underpinning here, we think this is pretty solid from that perspective.

And, yes, the second part of your question, good opportunities for growth here as we mentioned in the comments. There is a lot of opportunities that we see in Europe for offshore wind. The fundamentals are very solid so when we look at these types of investments, we are always asking ourselves, can we make this a larger business. And certainly, in this case, it meets that criteria as well.

Brian Zarahn - *Barclays Capital - Analyst*

And then, turning to Western Canadian crude production, just any high-level thoughts given some recent producer announcement on project cancellation? Any change to your longer term outlook for crude production growth in Western Canada?

Al Monaco - *Enbridge Inc. - President and CEO*

Well, I will start it off, Brian, and then we will see if Guy has any comments to add. I think what we have been saying, it really hasn't changed that much over the last little while. We still see very strong production growth over the next three years or four, perhaps, and that is simply because the projects that are in execution are coming through and we don't expect that to change in the oil sands. Obviously, longer term, we will have to see what happens that we all expect oil prices, I think, to stabilize here going forward. And, importantly, you have seen the producing community certainly make a large dent in their cost structure. So I think that is going to be helpful longer term. So no major change in what we are seeing. Guy?

Guy Jarvis - *Enbridge Inc. - President, Liquids Pipeline*

I think the only thing I would add to that is there was a recent announcement of a project cancellation in the oil sands in the Alberta region and we did have that in our long-range plan, but it was not in the plan until 2022. So again, not an impact on the five years' strategic plan that we reviewed at Enbridge Days.

Operator

Rob Hope, Macquarie.



Rob Hope - *Macquarie - Analyst*

Just two relatively quick questions. In terms of the opportunity for offshore wind, can you talk about how you would look to exploit that opportunity? Would you look to have a few investments where you would be nonoperating minority interest before taking over operatorship and potentially constructing it?

Al Monaco - *Enbridge Inc. - President and CEO*

Yes. That is a good question. Let me answer the first broadly speaking. When we are building an inventory with this kind of business, it makes sense to have projects that are perhaps in various stages of development. This one here is in construction as we noted. We would also consider always potentially moving into projects like this, perhaps earlier in the development phase. There is nothing in front of us today, but certainly that is possible going forward.

As to the operations, for this first investment, we thought it would be prudent for us to partner with somebody that has proven experience in this area. But, obviously, with our own execution capability and, as well, obviously, we are a big player in offshore pipelining, certainly you could see us move towards an operatorship position that would obviously be preferred. But we thought for this one it made sense to enter in with a very sound partner that we know. Vern, anything to add to that?

Vern Yu - *Enbridge Inc. - SVP, Corporate Planning and Chief Development Officer*

I think it is just similar to how we entered the onshore wind business, where we worked with very experienced developers and constructors and then, over time, we learned from them and took some of those skill sets in-house.

Rob Hope - *Macquarie - Analyst*

All right. Thank you for that. Maybe just one follow-up question. In terms of EEP, looks like earnings from EEP for you were roughly flat year-over-year despite EEP's earnings increasing. Are you looking booking earnings related to the Series 1 pref shares even though you are not receiving any cash? Or is there something else going on there?

John Whelen - *Enbridge Inc. - EVP and CFO*

Yes. It is John. Yes, we do. We accrue those earnings.

Rob Hope - *Macquarie - Analyst*

Thank you.

Operator

Linda Ezergailis, TD Securities.

Linda Ezergailis - *TD Securities - Analyst*

I am wondering if you could maybe provide some context around any preliminary discussions, if any, you have had with the incoming or the new Liberal government in Canada regarding energy environment. And I guess you are probably watching some of the conversations in advance of the UN Paris conference coming as well. But maybe you could just provide some context as to how you are thinking about that.

Al Monaco - Enbridge Inc. - President and CEO

Okay. Well, I guess, Linda, it is actually a good question because we often are asked, well, have you spoken to the government or have you spoken to this person or that person. I think the way we look at this, we have got a pretty defined process for engaging with new governments. You can imagine, with our North American operations, we run into a situation where we have got turnover governments all the time.

So our process is really to, first, meet with their staff and really take them through our role in the economy. That is a process that we followed as well in Alberta when we had the recent changeover. And that is because we think we offer unique perspective on things, given that we are a Canadian company operating in many markets in North America. We have got oil, gas, renewables, and so that is how we kind of look at things.

So we are pretty early on in the process here. We're going to give them some time, obviously, to get grounded in the portfolios. And then we will make an introduction and take them through our business and what we are all about.

As far as the key policy issues, I think I have heard the Prime Minister talk about the importance of energy, the importance of energy security for Canada, and, of course, he has referred to the importance of taking action on climate change. So all of those things we share in terms of how we look at the future. And so we are looking forward to engaging them at the right time.

Linda Ezergailis - TD Securities - Analyst

That's great. And just a follow-up, more detailed question about the quarter. Maybe for John, so there was mention with respect to Seaway in Flanagan South that there was partial alleviation of some of the mainline apportionment. Can you confirm that they were not affected at all in Q3 by any sort of upstream issues and that they reach their full earnings potential based on fundamentals?

John Whelen - Enbridge Inc. - EVP and CFO

Yes. I think it is fair to say, Linda, that it is still ramping up. There was alleviation of apportionment. So that did lift, if you look at they are in isolation quarter over quarter performance together it was lifted over that period of time. But we haven't seen the full impact of what Flanagan and Seaway will produce when we complete the alleviate the upstream bottlenecks.

Linda Ezergailis - TD Securities - Analyst

Could you just maybe provide what the estimated effect of that still partial upstream apportionment might be?

John Whelen - Enbridge Inc. - EVP and CFO

I will probably have to get back to you on that one, Linda. I don't think we have got a precise number for you here.

Linda Ezergailis - TD Securities - Analyst

Thank you.

Operator

Jeremy Tonet, JPMorgan. (Operator Instructions - Call Lost)

Robert Kwan, RBC Capital Markets.



Robert Kwan - RBC Capital Markets - Analyst

If I can just, first, ask about Line 9, did I hear correctly that you estimate the earnings impact at CAD90 million?

Al Monaco - Enbridge Inc. - President and CEO

What I was referring to there, Robert, is that through 2015, if you look at the impact versus where we thought we were going to have the line service at the beginning of the year. So the impact to us of not having it serviced for the year was about CAD90 million. So that is what I was referring to.

Robert Kwan - RBC Capital Markets - Analyst

Okay. And if you look at that, does that assume the earnings on the Line 9 capital itself in addition to some assumption that you were going to pull light volumes down the mainline? Or is that standalone (multiple speakers)?

Al Monaco - Enbridge Inc. - President and CEO

No, no. That is specific to the Line 9 earnings.

Robert Kwan - RBC Capital Markets - Analyst

Okay. So I guess with roughly an CAD800 million capital cost, it was an extremely high return project?

Al Monaco - Enbridge Inc. - President and CEO

Well, I am not sure I would characterize it that way, but it was a reasonable return and I guess in circumstances.

Robert Kwan - RBC Capital Markets - Analyst

Okay. If I could just, second question, ask about energy services. Can you talk -- are there any kind of specifics that you could talk about what happened and to based on it was looking like a tailwind when you reported Q2 results and a lot of oil type stuff trades months ahead, is there something that went very much in the opposite direction for the month of September?

Vern Yu - Enbridge Inc. - SVP, Corporate Planning and Chief Development Officer

I think the one thing that was our big tailwind for us earlier in the year was the filling of the strategic petroleum reserve. And that created lots of opportunities for us as we had opportunity to move crude from Cushing down into the Gulf Coast. But that has kind of dried up as well as overall price differentials between Brent and WTI have narrowed significantly. And we have also seen a less demand for a certain type of medium grade crudes on the Gulf Coast.

So those three factors have really affected what we are seeing going forward for the rest of the year.

Robert Kwan - RBC Capital Markets - Analyst

So maybe put differently, though, when you reported the second-quarter results, did you already have this view that energy services was going to lose money in Q3?



Vern Yu - *Enbridge Inc. - SVP, Corporate Planning and Chief Development Officer*

No, we didn't, but things change quickly in the market.

Robert Kwan - *RBC Capital Markets - Analyst*

Okay. So it was really kind of the crude grades spreads blending, that type of thing? Was that probably the biggest thing that changed?

Vern Yu - *Enbridge Inc. - SVP, Corporate Planning and Chief Development Officer*

Yes.

Robert Kwan - *RBC Capital Markets - Analyst*

Thank you.

Operator

Matthew Akman, Scotiabank.

Matthew Akman - *Scotiabank - Analyst*

There were news reports -- and it is always dangerous to read news reports -- but there were news reports about commentary for a CAD5 billion investment in the Gulf Coast. I don't know where that CAD5 billion came from and, in fact, I was on the EP call and Guy was sort of talking about that potential investment being a little bit undefined, still. But maybe, Guy, you would want to circle back on that issue given the news reports.

Guy Jarvis - *Enbridge Inc. - President, Liquids Pipeline*

Well, the first comment would be, you are correct. It is dangerous to attach too much to some of those reports. Basically, our message around the Gulf Coast is unchanged from what it was at Enbridge Days. We like what we see there in terms of building a longer term larger business presence. We are working on a business plan that is going to define exactly how we want to try and engage in that marketplace.

We did not include any of the potential capital that we might see in the CAD38 billion that was spoken about at Enbridge Days. And until we get the business plan defined and start down the path of execution, we probably won't start providing a whole lot more granularity into this magnitude of the capital, other than to say we wanted to be large enough to become a meaningful part of our business.

Matthew Akman - *Scotiabank - Analyst*

Thanks for that clarification. Just as a follow-up, in the market recently, there have been some US peers guiding down on volume expectations and, if there is any area at Enbridge where that could impact be maybe in North Dakota, but then, again, I think that the tolling arrangement protect Enbridge from that largely. So maybe this is for Guy as well, just to confirm that that is not impactful for Enbridge.

Guy Jarvis - Enbridge Inc. - President, Liquids Pipeline

Yes. So we see it not being a threat right now from a number of perspectives. Matthew, the first one being is we have seen the production remained stable throughout the year, despite this price environment. Which is good news. That means there is still hundreds of thousands of barrels a day of North Dakota crude being railed out of the state.

If you get down into the commercial structures around our pipelines in terms of the legacy North Dakota system, you are right. It is along the lines of cost to service type tolling structure. So in the event that volumes were to fall off, there would be a mechanism there potentially to pursue higher tolls.

That is not always something that we like to rely on because higher tolls have an impact on your competitiveness. But, at this stage of the game, we are not concerned about that.

On the Sandpiper side of things, Sandpiper is largely contracted. So again, not a threat that we would see erosion to our returns on that project when it comes into service.

Matthew Akman - Scotiabank - Analyst

Thank you.

Operator

Andrew Kuske, Credit Suisse.

Andrew Kuske - Credit Suisse - Analyst

First question is for AI. And given the fact that you have done the dropdown, you have completed things, how far do you think you can push this model in the years ahead? Should we think about your new Enbridge children coming out and, for example, you are growing the renewable business today? Will there be an Enbridge renewable company in the future? How far do you think about pushing this model?

AI Monaco - Enbridge Inc. - President and CEO

Well, interesting reference to children there, but I guess right now we are pretty comfortable where we are at. Certainly, we want to prove this model out further. This is a very large chunk of capital that sits in Enbridge Income Fund. It provides a great opportunity to release more and more capital to redeploy, as I mentioned in my remarks. It is always possible, but at this point I think we are set for where we are, at least for the immediate term, in terms of the sponsored vehicle opportunities we have.

If you look across, there is an MEP, there is EEP, and now the Income Fund is largely charged up with a bunch of capital. So I think we are in good position right now. I think it is probably too early to determine where the next phase is at this point.

Andrew Kuske - Credit Suisse - Analyst

So, then, just as a follow-up, how do you think about Enbridge, Inc.'s longer term stabilized ownership position and the underlying? Because if I go back over the years for EEP, you have oscillated from, call it, low 10%, 11%, up to 40%-ish. Where do you think the stabilized ownership level should be for EEP and for ENF, primarily?

Al Monaco - *Enbridge Inc. - President and CEO*

Okay. Well, that is a good question. So for ENF, we are roughly just over 90%. If you look at the numbers that we talked about in terms of releasing capital, it is likely we will probably be down to 80% or 85% within the next five years. The reality of it is, with the size of the dropdown, at just over CAD30 billion, it would take some very significant equity issuance at ENF in order to draw that down materially below the 80%. The other part of it, too, is perhaps a philosophical one, which is maybe what you are getting at.

On ENF, it will be tough to see how that would be below 50%. We think we would like to maintain a pretty strong ownership there. On the EEP side, you are right; it has gone below where it is right now. I would say we wouldn't likely see us moving below 20% on that one. Obviously, we have -- continue to have a very large interest operationally. We have got a significant integration issue there with the Canadian and US assets. So ultimately, we want to keep a pretty significant economic interest in these sponsored vehicles.

Andrew Kuske - *Credit Suisse - Analyst*

Thank you.

Operator

Ben Pham, BMO Capital Markets.

Ben Pham - *BMO Capital Markets - Analyst*

I just want to go back to the offshore wind acquisition and I am wondering if you can provide a bit of background on how that deal came together. And then also how long have you been looking at the European offshore wind market?

Al Monaco - *Enbridge Inc. - President and CEO*

Okay. I will start off and then I will see if Vern has anything to add. I think in our business, and on the onshore business, we have actually used a model where we have, perhaps, three or four partners that we tend to look at deals that are presented to us and we work with.

So I think the biggest driver here is getting comfortable with partners that we are familiar with and moving along the curved that way to have us ramp up. As far as how long we have been looking at offshore, it is been at least a year, perhaps a little bit longer. But it is an evolution, obviously. We have been working on a whole bunch of things through this period of time. So that is the general proposition. Do you have anything to add, Vern?

Vern Yu - *Enbridge Inc. - SVP, Corporate Planning and Chief Development Officer*

I think you have covered most of it off. I think it is really our ability to work with Eon successfully onshore has led us to this particular opportunity.

Ben Pham - *BMO Capital Markets - Analyst*

Okay. Got it. And maybe if you can comment on just with Europe now and you guys heading out there more. How broad is the opportunity set you are looking at now? Are you looking at transmission possibly in Europe?



Al Monaco - *Enbridge Inc. - President and CEO*

Yes. Probably not transmission at this point, Ben. But, to go to your earlier point there, this opportunity is pretty broad, actually. If you look at the set of offshore countries, I guess, that this would be applicable to, and just given the push in Europe for the size of the renewables that need to be added, I think it's a pretty broad opportunity set. So there are other things we have got in the inventory of things to look at going forward. So we're pretty excited about it. You know traditionally we have focused on Europe on looking for opportunities around pipelines, either in the oil or gas side. We haven't been successful in that. And, frankly, sometimes I think the return just hasn't met our criteria in that space. But here, I think we have found a good combination of opportunity set, very good partners, great fundamentals, and with the return outlook that is quite positive and very comparable, favorably comparable to some of our North American project returns.

Ben Pham - *BMO Capital Markets - Analyst*

Thanks.

Operator

Steven Padgett, FirstEnergy.

Steven Paget - *FirstEnergy - Analyst*

Could you please identify -- or update us on the regulatory outlook for Line 3, the US portion in particular, and what some of the timelines might be on the process you identified in your MD&A?

Guy Jarvis - *Enbridge Inc. - President, Liquids Pipeline*

I think to speak to the US issues in relation to Line 3 replacement, we really have to speak a bit to the process that is going on with Sandpiper. So we have recently made a filing to the Public Utilities Commission in Minnesota as part of their process around Sandpiper, indicating to them that we can foresee a process that would preserve our in-service date targets currently in our MD&As around Sandpiper for late 2017. That would include an EIS.

That is something we have put into that process. We have no control over what the PUC ultimately decides. But we expect we're going to get some clarity on that here in December.

As it relates back to Line 3 and Line 3 replacement, we actually remain hopeful that once we get resolution on how the balance of the Sandpiper proceeding is going to take place, that it is actually going to pave the way for a smooth process through on Line 3 replacement. So at this stage of the game, given the timelines that we see for Sandpiper, we remain confident in the timelines that we still have out there for Line 3 replacement.

Al Monaco - *Enbridge Inc. - President and CEO*

Part of that, too, Steven, is the good progress we have made on the right-of-way acquisition and you may just want to comment.

Guy Jarvis - *Enbridge Inc. - President, Liquids Pipeline*

Yes. So on the Canadian side, I think we are -- we have all land owners under contract but for three. So on the Canadian side it has gone really well. The NEB proceeding is going to be held in November so the Canadian side of it will be well in order.

On the US side of things, I don't have with me the exact percentage of land acquisition, but it is very high as well.

Steven Paget - *FirstEnergy - Analyst*

You have shown in your slides that Europe is moving to a generation regime. That is over 50% renewable. And Europe will need to manage its portfolio to provide for reliable electricity even when it is dark and cold. So could Enbridge be part of bringing this technology for managing power to North America?

Al Monaco - *Enbridge Inc. - President and CEO*

Yes. That is a great observation, Steven. I think at this point it certainly is in the mid-burner section of our mind. It is exactly part of the strategy, though, is if we can get to the position on the Europe side, we are participating in more than one project we do see the opportunity to have this move to North America as well. And the premise around that is, if you think about it, even -- onshore projects have challenges with respect to people proposition people's opposition to wind, even though it is a zero emissions source of power. So I think as we get more saturated onshore, there will be more opportunities and more ventures looking offshore North America as well. So I think it is a good point.

Steven Paget - *FirstEnergy - Analyst*

Thank you.

Operator

Paul Lechem, CIBC.

Paul Lechem - *CIBC - Analyst*

A couple of quick questions. First, I saw that southern access has expanded to 950,000 barrels per day. I was just wondering where those incremental barrels were going. Are they going over Line 9? Are they going down to the Gulf coast? Are they going to Southern access extension? Where was the actual bottleneck?

Guy Jarvis - *Enbridge Inc. - President, Liquids Pipeline*

Paul, it is Guy. Really, I think the answer is, it is a little bit hard to tell in any given day. Our bottleneck that we end up with when we have been doing some main upstream mainline expansion is at Superior. So obviously, when you add the Southern access expansion that is taking those barrels down to Flanagan, at Flanagan they can get into Flanagan South. Obviously, some of them can find their way back up into Chicago and on to Line 6B.

An increasing amount of those barrels will be able to do that here a little bit later in the year when we complete what we are calling Line 78. Construction. So they really get to Flanagan and then they disperse into all of the available outlets from there.

Paul Lechem - *CIBC - Analyst*

Okay. I guess, the question I was trying to get to the end was, do you require any further downstream pipe extensions expansions. Like, is the Flanagan South -- is there a need to take that to full capacity now or are there any other -- is the system now in balance?



Guy Jarvis - Enbridge Inc. - President, Liquids Pipeline

The system is now pretty much in balance and looking forward towards the end of 2017, when we fully expand that pipeline and then bring some other capacity in from Sandpiper, again, we will be in balance. So beyond the end of 2017, depending on the outlook for how much more crude might be looking to move down the mainline is the time we are going to have to be thinking about that bottleneck again.

Paul Lechem - CIBC - Analyst

Got you. Then just switching gears to Seaway, the ongoing saga around your market based tolls there, I was just wondering, if at the end of the day the [BALJ] and the FERC find against you, on the market-based [home] ruling, is there any exposure? What are you booking until that day? Would you have to reverse any if the ruling goes against you? Is there any exposure to the downside?

Guy Jarvis - Enbridge Inc. - President, Liquids Pipeline

So my recollection is that we are already reflecting a more conservative view of the tolls in terms of how we are recognizing the financial results off of that asset. So I don't anticipate any negative outlook around the financials. I think at the end of the day, the result of that ruling itself will have a degree of impact. I think the bigger issue that we are facing on the legacy Seaway system right now is competition. So it is going to be one thing to have your tolls structured in a certain way, then the next thing is going to be, are they competitive at that level. So that is the ongoing challenge of Seaway right now. As long as we have got the market link project and others in there moving barrels out of Cushing.

Operator

Robert Cattelier, GMP Securities.

Robert Cattelier - JMP Securities - Analyst

I was wondering if you could just elaborate on the comments about the US Gulf Coast terminal opportunity. Specifically, you mentioned it needs to be big enough to be meaningful for Enbridge. And I am wondering if you could provide some goalposts on what that might mean in terms of the size of the capital, but also the elements of the value chain that you would have to have to be effective.

Guy Jarvis - Enbridge Inc. - President, Liquids Pipeline

I will start with the last part, first. If you look at -- and I am not sure this is where you are going, but in terms of the value chain and our value proposition, we think what we bring to the table there is we have got obviously a lot of experience in terms of operating energy infrastructure, both pipelines and terminals. We have a lot of very solid relationships with key players along the Gulf Coast. Both in that region and elsewhere across our system. And we have got a business model of being a service provider who is not necessarily in the market to compete against our customers.

And there seems to be a lot of attractiveness in that market to that type of business model. So in terms of what we bring to the table, those are bad -- that is the foundation of why we think we can be successful.

In terms of the scope, I think we have indicated in the past, as a number just tossed out there, CAD5 billion. But I would reiterate that until the business plan is complete, we are really not going to firm that up. We use the word business plan specifically, because we're not interested in being a one-hit wonder and just having a single asset or a collection of unrelated assets. We are truly trying to create a business there that will ultimately over time be able to generate its own organic growth opportunity.



Al Monaco - *Enbridge Inc. - President and CEO*

And just to add on what Guy said, Robert, if you look at what is really driving this is the long-term fundamentals in that region we think are very positive in just about any condition, because it is such a critical area in terms of global refining competitiveness and capability. And whether you are talking about, as we have seen in the past, importing crude into the Gulf Coast, or potentially exporting crude going forward, it is going to be a hub.

So really, that is the overall strategic premise and then certainly being a good logistical player in that area is something that we want to build out.

Robert Cattelier - *JMP Securities - Analyst*

Thanks for that color and then a similar question on the offshore wind opportunity. As you have outlined, there is considerable runway if you look at all of Western Europe or upshore wind. And so it looks like really what you have done here is basically just dipped your toe in the water, so to speak, by partnering and not having the operator ship. So given the size of the opportunity in Europe, I am wondering how big you are willing to let this piece of the business get and whether or not you would consider another investment before you have seen the Rampion project placed into service.

Guy Jarvis - *Enbridge Inc. - President, Liquids Pipeline*

Okay. I think your characterization is probably a good one in terms of dipping in our toe, but on the other hand, it is a substantial enough investment at over CAD700 million to be meaningful, is a good start. I think whether or not we make another investment and what type of investment, that is going to depend on what it looks like. I will say there is pretty good inventory out there. Projects to invest in will obviously be very careful about the next one as well. Just like we were with the first one.

But this gives us, I guess, an initial launching point to get us familiar. Whether or not we will proceed with another before this is completed, again, it just depends on what it would look like. I think the overall objective here, though, from a reinvestment point of view, of some of the big cash flow we are going to see coming forward is that, by 2017, 2018, we are going to start to open up our capability in much larger form in terms of capital that we could put to work.

So the timing of these opportunities and the inventory of these offshore projects works pretty well from that perspective as well. But in essence, it is just going to depend on what we see here in the next little while.

Operator

Faisal Khan, Citigroup.

Faisal Khan - *Citigroup - Analyst*

Going back to the investment in renewable energy, I think you said in your press release you invested CAD4 billion so far in renewable power. And just wondering the number that we have in terms of the cash flow you earned out of those investments is about CAD215 million, suggests sort of a 5% cash on cash return. I was wondering, first of all, is that sort of the right number that you look at when you look at the returns on these assets?

Al Monaco - *Enbridge Inc. - President and CEO*

Certainly not. I know we would have to go back and look because some of these earnings and cash flows appear in the Income Fund vehicle. So I am not sure how you are cobbling together the 250. We are going to go back and check that, actually, but, generally speaking, the returns on these



are very much in line with the rest of our business in the low double-digit area. Generally, some are a little bit higher. Some are a little bit lower. But, that is the criteria we place. Can anybody add to that?

John Whelen - Enbridge Inc. - EVP and CFO

It is John. I think one of the issues is AI speaking of lifecycle rates of return. We agree we do see an element of ramp-up in both the earnings and cash flow return over the life of the project. A quite profound ramp up. So as we have put an awful lot of new business into place early, if you were to get and assemble all of that information, you would see a blend weighted to the lower end of that ramp-up to start out with. But you will see very strong improvement in returns over time, simply because of, on a project level, you are getting a steady or inflating cash flow stream with a great deal of certainty off of a declining equity investment base over time. So the ROE on these projects go up quite strongly over their life when you look at them on a standalone basis.

Al Monaco - Enbridge Inc. - President and CEO

Yes. And sometimes, the prices that are embedded within the PPA is also have ramp up, either by inflation escalation or some predetermined factor. So that is another element of the ramp.

Faisal Khan - Citigroup - Analyst

As you think about this business, how large of a business could this be for you over the long run? Is there any limit to the size of this business versus your entire portfolio?

Al Monaco - Enbridge Inc. - President and CEO

We are not going to put any sort of tags on what the number could be. I think we have proceeded over the last 10 years with that CAD4 billion and a pretty prudent way, generally investing in late stage projects so I think our general strategy here is to slowly build that business and make it a more meaningful part, but I would hate to put a specific number on it at this point.

Faisal Khan - Citigroup - Analyst

Okay. And last question for me, the UK sort of fixed-price renewable obligation certificate program, I guess I could sort of sift through that. But what is that power price associated with this PPA?

Guy Jarvis - Enbridge Inc. - President, Liquids Pipeline

I think there is two elements to that cash flow stream from this project. First is that ROC as you mentioned and the ROC really is similar to a REC payment that you would receive in the US where the UK government has instituted a program where you get a fixed number of pounds per ROC that you receive for a project. And in this particular project, we get 1.8 ROCs per megawatt produced. So that represents the vast majority of the earnings and cash flow that come from this project.

The project also does sell power into the grid, and that power is sold on a merchant basis. And that represents the remaining portion of the earnings and cash flow. And overall, when you look at it as a whole, on a portfolio basis, our total merchant exposure is quite low still.

Faisal Khan - Citigroup - Analyst

Okay, that makes sense. Thank you.

Operator

At this time, we would like to invite members of the media to join the queue for questions. (Operator Instructions) And your last analyst question is on the line from Steven Padgett from First Energy.

Steven Paget - FirstEnergy - Analyst

John, you have got about CAD13 billion drawn on various credit facilities and CAD9 billion of room. Typically, Enbridge has had a little more room on its facility with typically much more room than its draw. Are you waiting for better markets before terming out the debt or looking for an increased credit rating to reduce spreads, or both?

John Whelen - Enbridge Inc. - EVP and CFO

I think the best way to answer that question is we are just going to be selective in our issuance. Obviously, the markets have been a little up and down, a little bit choppy. So we will be patient. We are certainly working with the fixed income investor community and making sure that they understand the credit, making sure they understand the implications of the recent restructuring that we have done. And so we will be raising capital. There is no doubt about it. But we have lots of flexibility -- I think that is the point -- to pick the spots when it is most logical to do so.

Steven Paget - FirstEnergy - Analyst

Thank you, John. Guy, just a clarification. You talked about companies on the Gulf Coast that are in the business to compete against their customers. Were you thinking of integrated producer refiners?

Guy Jarvis - Enbridge Inc. - President, Liquids Pipeline

No, not specifically. It would be more energy and infrastructure players who have large marketing presences of their own.

Steven Paget - FirstEnergy - Analyst

Thank you.

Operator

Lauren Krugel, Canadian Press.

Lauren Krugel - Canadian Press - Media

I had a question regarding the investment in renewables. I'm just wondering if you can talk more broadly about how big a factor in that decision was the increased talk of decarbonization and the kind of push for tougher carbon action more broadly globally. How big of a role does that whole trend play in how you think about investing in renewables going forward?

Al Monaco - Enbridge Inc. - President and CEO

Right. Well, first of all, I would say that we'd all agree that if you look to the future, we're going to see a lower carbon intensity in our economy. So I think broadly speaking, that's part of the equation.

The other part of the equation, though, for us, fundamentally, these investments need to generate good risk-adjusted returns, which so far our portfolio has driven that out, and we expect to see that in this investment that we're talking about as well today.

So I think it's combination of both things. Longer term, we expect to drive out to a lower carbon-intensive environment, so that's part of our thinking. But if you look at our business generally, I think we're a good example of the direction. In our case, we've got a very substantial portion of our earnings and cash flow driven by oil and gas transportation. And I think the reality is that is going to be with us for many decades to come.

So I think that's important. But at the same time, we're building slowly towards other sources of energy supply as well. So I think we're a good representation of how the broader market is moving in this direction.

Lauren Krugel - *Canadian Press - Media*

And what about the kind of social-license challenges Enbridge has had on its more traditional business on the oil pipelines? How does that factor into the larger role for renewables?

Al Monaco - *Enbridge Inc. - President and CEO*

Well, that doesn't play a direct role. We're not investing in renewables for the reasoning you refer to. As I said, the fundamentals of renewables is what really drives us, and around returns and the general move towards lower carbon intensity going forward.

I think in terms of the social license you refer to, the focus that we have is ensuring that we're doing everything we can that's practical to protect the environment and to ensure that we're engaging with communities on projects that we will work on. And generally, we have a very good reception to the investments that we're making. And obviously, they're very critical to the economy, but also to the way of life that we have in North America. So, we're going to continue to pursue those.

Lauren Krugel - *Canadian Press - Media*

Okay, thank you.

Operator

Jeremy Van Loon, Bloomberg.

Jeremy Van Loon - *Bloomberg - Media*

I noticed on the MD&A that you had an update on the Northern Gateway project, and you referenced substantial cost increases over the initial estimates. I wonder if you could just give a sense of what kind of increases we're looking at on that line.

Al Monaco - *Enbridge Inc. - President and CEO*

Well, we're not getting specific about cost increases at this point, Jeremy. But what you're referring to is actually something that's been within the MD&A and we've been talking about for quite some time. So I don't think there's anything new in that area. But we have talked about, obviously, the increases in costs due to some of the changes we've made in the project. The other factor is the estimate that we originally filed was based on 2010, so obviously you have a natural escalation that occurs from that time.

Then as we did more work on the estimate, you always refine certain elements of it. And of course, the terminal area, for example, would be an area of increased costs, just given some of the additional information that we had as we produced our classified estimate in the area. So, big picture, I don't think anything is new on that front, per se.

Jeremy Van Loon - *Bloomberg - Media*

Is there any better sense of whether or not you would be moving ahead with that anytime in the next year or two?

Al Monaco - *Enbridge Inc. - President and CEO*

Well, you know, as I think I've said before, we're not going to be looking at our wristwatch on this. We're going to be focused very much on making sure we're having good discussions with communities and, very importantly, First Nations. I am pleased with the progress we're making there. I won't get specific about it, but we have had some additional First Nations sign on as equity partners in the project, which we're very pleased with, because at the end of the day, our view is that good economic cooperation and, in this case, joint ownership in the project with First Nations would be very positive.

Operator

Kelly Cryderman, The Globe and Mail.

Kelly Cryderman - *The Globe and Mail - Media*

I'm just wondering -- and I know you discussed the new Trudeau government, but I'm wondering if you're looking for anything specific from them, including certainty on what changes they're going to make to the regulatory environment in Canada.

Al Monaco - *Enbridge Inc. - President and CEO*

Okay. Well, no, the answer is no; we're not looking for anything specific on this. I know there's been some references to regulation. Let me just give you my view on that.

You know, I think in our experience, the regulation, both federally and particularly in Alberta, has been very thorough. But the way we look at things is that ultimately improving and enhancing the regulatory process is really going to enhance public confidence in what we do.

The other thing I'd mention is that we tend to focus primarily on achieving world-class capability as opposed to looking at specific regulatory requirements. So the goal is to try and exceed what is there regulatory-wise and achieve world-class status. And so if there is a process where there are changes, we'd certainly look forward to having input into that process.

Kelly Cryderman - *The Globe and Mail - Media*

And now that he has actually been sworn in, Mr. Trudeau, as the Prime Minister, how quickly do you expect that you will be speaking to members of his government?



Al Monaco - *Enbridge Inc. - President and CEO*

Well, as I said earlier in my remarks -- I'm not sure if you were on there -- we do have a process that we go through that's pretty defined when we engage new governments. The objective is first to join, to engage with staff first, to take them through our role in the economy and what we do. And as I said earlier, that's the same process we use when we had a new governments in Alberta just recently here.

And the objective, really -- and maybe this is what you're getting at -- is not to focus on specific asks, but really to offer our perspective on North American energy, which we find new governments generally find pretty useful. And that's because we have a very broad perspective on North American energy, just because we have assets throughout the continent. And we do have good perspectives on not just oil/gas, but also renewables. So it tends to be very good discussions that we work over time.

Kelly Cryderman - *The Globe and Mail - Media*

Thank you.

Operator

Thank you. As there are no further questions, I will now turn the call back to Adam McKnight for any closing remarks.

Adam McKnight - *Enbridge Inc. - Director of IR*

Thank you, Christine. We have no further comments at this time, but I'd like to thank everyone for joining us this morning and remind you that the Investor Relations team will be available after the call for any follow-up questions that you might have. Thank you, and have a great day.

Operator

Thank you. Ladies and gentlemen, this concludes today's conference. Thank you for participating. You may now disconnect.

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