

Written Submission for the Pre-Budget Consultations in Advance of the 2020 Budget

Submitted by Enbridge

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About Enbridge Inc.

Enbridge Inc. is a leading North American energy infrastructure company. We safely and reliably deliver the energy people need and want to fuel quality of life. Our core businesses include Liquids Pipelines, which transports approximately 25 percent of the crude oil produced in North America; Gas Transmission and Midstream, which transports approximately 20 percent of the natural gas consumed in the U.S.; and Utilities and Power Operations, which serves approximately 3.7 million retail customers in Ontario and Quebec, and generates approximately 1,600 MW of net renewable power in North America and Europe. The Company's common shares trade on the Toronto and New York stock exchanges under the symbol ENB. For more information, visit www.enbridge.com.

Recommendation 1: Promote the role of natural gas in the transition to a low carbon economy.

Recommendation 2: Address competitiveness challenges from the layering of carbon pricing frameworks and climate-related regulations.

Recommendation 3: Ensure Canada has a globally-competitive tax environment to encourage investment.

About Enbridge

Enbridge is North America's largest energy infrastructure company. Enbridge has a strategic network of oil and gas pipelines, North America's third-largest gas distribution utility and significant renewable power generation assets. We exist to fuel people's quality of life. We do so by safely delivering nearly two-thirds of Canada's crude oil exports to the U.S. and approximately 20 percent of all natural gas consumed in the U.S. We also generate approximately 1,600 MW of net renewable power in North America and Europe. With assets in multiple jurisdictions, we make investment decisions to do business where it makes sense to do so. Enbridge pursues infrastructure opportunities that meet our Canadian customers' needs and provide access to growing global markets.

Introduction

North America has a tremendous opportunity to become a leading exporter of energy, as global energy demand is forecasted to rise by more than 25 percent through 2040¹. The energy Enbridge delivers will be required to meet demand during the transition to a low-carbon economy from now through 2040 and beyond. As a single bloc, North America's competitive advantage is based on low-cost energy supply, deeply integrated supply chains and labour markets, and technology to reduce global greenhouse gas (GHG) emissions.

It is also important to recognize that continued investment in infrastructure is critical to the delivery of oil and gas which will still be required to maintain energy security and affordability under a variety of climate change projections, including the International Energy Agency (IEA) climate scenarios. Increased investment in existing energy infrastructure will also be required to address the physical impacts and risks of climate change.

Enbridge is pleased to provide comments on this year's topic, *Climate Emergency: The Required Transition to a Low Carbon Economy*.

Enbridge recommends the following actions:

- 1) Promote the role of natural gas in the transition to a low carbon economy;
- 2) Address competitiveness challenges from the layering of carbon pricing frameworks and climate-related regulations; and,
- 3) Ensure Canada has a globally-competitive tax environment to encourage investment.

Recommendations

1. Promote the role of natural gas to support the transition to a low carbon economy

As a cost-effective and low emission resource, natural gas is an effective option to reduce global greenhouse gas emissions and is a quick-start, reliable complement to intermittent renewable energy. As the world transitions to a lower-carbon energy future, natural gas will play a vital role—as a replacement fuel for coal in electricity

¹ *World Energy Outlook 2018*. International Energy Agency.

generation, a low-carbon source of home heating, a lower-emission fuel for heavy-duty vehicles and large transportation fleets, and a complement to the growth of renewable energy.

Switching from higher to lower carbon intensive (CI) fuels should be encouraged and supported where appropriate and where energy cost savings are incremental. We believe that natural gas has, and will continue to play, a critical role in meeting society's demand for energy and – because it is a less CI fuel than other hydrocarbons – supporting global GHG emission reduction goals. For example, compressed natural gas (CNG) is 40% cheaper and has 20% less GHG emissions than diesel. Natural gas is a critical component of Canada's energy supply and is essential to meet ongoing and peak demands cost-effectively, reliably, and safely.

i. Renewable Natural Gas (RNG)

While natural gas remains the cleanest-burning conventional fuel, RNG presents an important first step in providing natural gas consumers with the opportunity for 'greening' the existing natural gas system. Substituting five percent of Canada's natural gas supply with RNG has the potential to reduce emissions by 10 to 14 megatonnes of carbon dioxide equivalent (MTCO_{2e}). We encourage the Federal Government to support the Canadian Gas Association's policy proposal for the Canadian Renewable Gas Innovation Program ("the Fund"). The Fund would include an allocation of \$750 million to support RNG project deployment, technology commercialization and to enhance federal laboratory RNG research and development (R&D) capacity. The opportunities for RNG production are numerous and can make a significant impact at the local (Municipal) level, including from wastewater treatment plants and landfills. The combination of these benefits will connect new supplies of RNG to Canada's natural gas infrastructure network and will position Canada as a global leader of RNG production. As a result, Canada will realize significant GHG emission reductions that will contribute to its' 2030 targets. The Fund would also support key federal policy objectives including the Clean Fuel Standard (CFS) (by providing an improved pathway for natural gas compliance) and methane emission reductions (by capturing methane emissions from forestry, agriculture and organic waste streams).

ii. Reducing Reliance on Diesel In Rural and Remote Communities

Expanding natural gas into rural, First Nations and northern communities provides a cost-effective solution while reducing GHG emissions. Specifically, liquid natural gas (LNG) and CNG can provide a more cost effective solution for remote communities, as it is less expensive to connect than traditional distribution pipelines. Natural gas also provides communities and businesses across the country with incremental opportunities that can further increase efficiency and lower energy costs, (e.g. demand-side management), reduce GHG emissions (e.g. voluntary use of RNG) and bolster energy resilience (e.g. combined heat and power systems).

Recommendation: Promote the role of natural gas in the transition to a low carbon economy.

2. Layering of carbon pricing frameworks and climate-related regulations

The cumulative impact of government action (e.g. Pan-Canadian Framework on Clean Growth and Climate Change (PCF) policy package, including the Clean Fuel Standard (CFS), Methane Regulation and Output Based Pricing System) and external factors (e.g. taxes relative to the U.S., NAFTA and tariffs), are making Canada a less attractive place to invest.

Enbridge recognizes and supports carbon pricing as one mechanism for influencing energy consumption and the achievement of Canada's GHG emission reduction goals. That said, climate legislation like the PCF must be understood as part of a broader suite of issues that impacts Canada's overall competitiveness.

For example, implications of 'layering' implicit carbon pricing regulations, such as the CFS, OBPS or Methane Regulation, translate into greater costs for industry and end-use consumers, particularly in jurisdictions where an explicit carbon pricing mechanism, such as Cap and Trade or a Carbon Levy already exists. Energy affordability is a major concern, and the impacts of additional implicit carbon pricing mechanisms must be carefully weighed to ensure energy remains affordable for households, while businesses and industries remain competitive with other jurisdictions that may not face the same regulations (e.g. carbon leakage). GHG emission reductions must be approached in a manner that balances the environment, the economy and energy affordability. Enbridge supports further flexibility in the achievement of Canada's GHG emission reduction objectives, including the use of offsets and Internationally Transferred Mitigation Outcome (ITMO) under Article 6 of the Paris Agreement.

Recommendation: Address competitiveness challenges from the layering of carbon pricing frameworks and climate-related regulations.

3. Competitive tax environment

Tax is a critical part of the overall competitiveness picture: (1) tax environment is a major push / pull factor for industry when deciding where to make long-term capital investments and (2) tax is a (domestic) policy lever that governments can effectively use to incentivize capital investment. Once U.S. regulations have been issued and there is more clarity on the impacts of U.S. Tax Reform to U.S. domestic companies and foreign multinationals, it will be important for Canada to ensure its tax regime is competitive. The Organization for Economic Co-Operation and Development (OECD) said "The government should review the tax system to ensure that it remains efficient – raising sufficient revenues to fund public spending without imposing excessive costs on the economy – equitable and supports the competitiveness of the Canadian economy."²

Canada's focus should include:

- Lowering corporate income tax rates, if necessary to be competitive. The reduction should be evenly split between the two levels of government;
- Accelerating depreciation provisions similar to those in place in the U.S., giving businesses an immediate 100 percent tax write-off on qualifying capital asset purchases;
- Wholesale reform to modernize and simplify Canada's Income Tax Act, including the simplification of Canada's tax loss transfer regime; and
- To alleviate the stress on company cashflow, reduce the 50% tax payment requirement on appeals or mandate a shorter appeals resolution time.

Recommendation: Ensure Canada has a globally-competitive tax environment to encourage investment.

² <https://globalnews.ca/news/4348160/canada-oecd-corporate-taxes-cut/>

Conclusion

Enbridge appreciates the opportunity to provide input to Budget 2020. As North America's largest energy infrastructure company and a significant contributor to Canada's economic growth, we remain ready to engage with the Government on innovative solutions, and to work towards achieving an approach that balances the environment, the economy and energy affordability.