

Funding Model for Pipeline Incident Cleanup and Reclamation

March 25, 2013

Outline

- ◆ About our Industry
- ◆ Regulatory Oversight
- ◆ Member Operations
- ◆ Internal Funding & Insurance Provisions
- ◆ Western Canadian Spill Services
- ◆ Concluding Remarks



About Our Industry

- ◆ Transport 97% of the natural gas and onshore crude oil produced in Canada
- ◆ Operate 110,000 kilometres of below-ground pipelines in Canada
- ◆ Pipelines are the safest and amongst the most environmentally sound ways to transport large volumes of oil and gas over land
- ◆ Federally and provincially regulated for conditions of service, safety and pipeline integrity.



CEPA has served our Canadian pipeline industry for 20 years with a clear focus on Safety and Operational Excellence driven by the collaborative efforts of its members

CEPA members are committed to a goal of
Zero Incidents Affecting Health, Safety or the Environment

Strong Regulatory Oversight

- ◆ Provincial regulation by BC Oil and Gas Commission and BC MoE include provisions for full cost recovery
- ◆ National Energy Board Regulation for federal pipelines
 - *Under the NEB Act there are no limits on liability for the prevention, remediation and clean-up of spills*
- ◆ Scrutiny throughout the regulatory review process & routinely tested & audited through full life-cycle of the pipelines
- ◆ Improved Emergency Management Standards (CSA) specific to the oil & gas industry are currently being developed with full support from industry & provincial and federal regulators
- ◆ Strong industry capacity is augmented with Spill Co-operative membership where available



Member Operations in British Columbia

Collectively operate
8,600 kilometres of
pipelines

- 6,000 natural gas
- 2,600 liquids

Have decades of
operational
experience

Propose to invest
more than 20 billion
dollars in pipeline
projects in BC

Strong, Reputable Companies –

**Committed to the long
term Health, Safety &
Well-Being of our Nation
& Every Community
where they live and
Operate**

B.C. Liquids pipelines

legend
— CEPA member pipelines
..... proposed pipelines
— non-member pipelines
🌊 sedimentary basin

Pembina

Kinder Morgan

CEPA provides this map “as is” for information purposes only and does not make any guarantee or warranties concerning the accuracy or completeness of the information contained in the map

B.C. Natural Gas pipelines

Spectra Energy

TransCanada

FortisBC

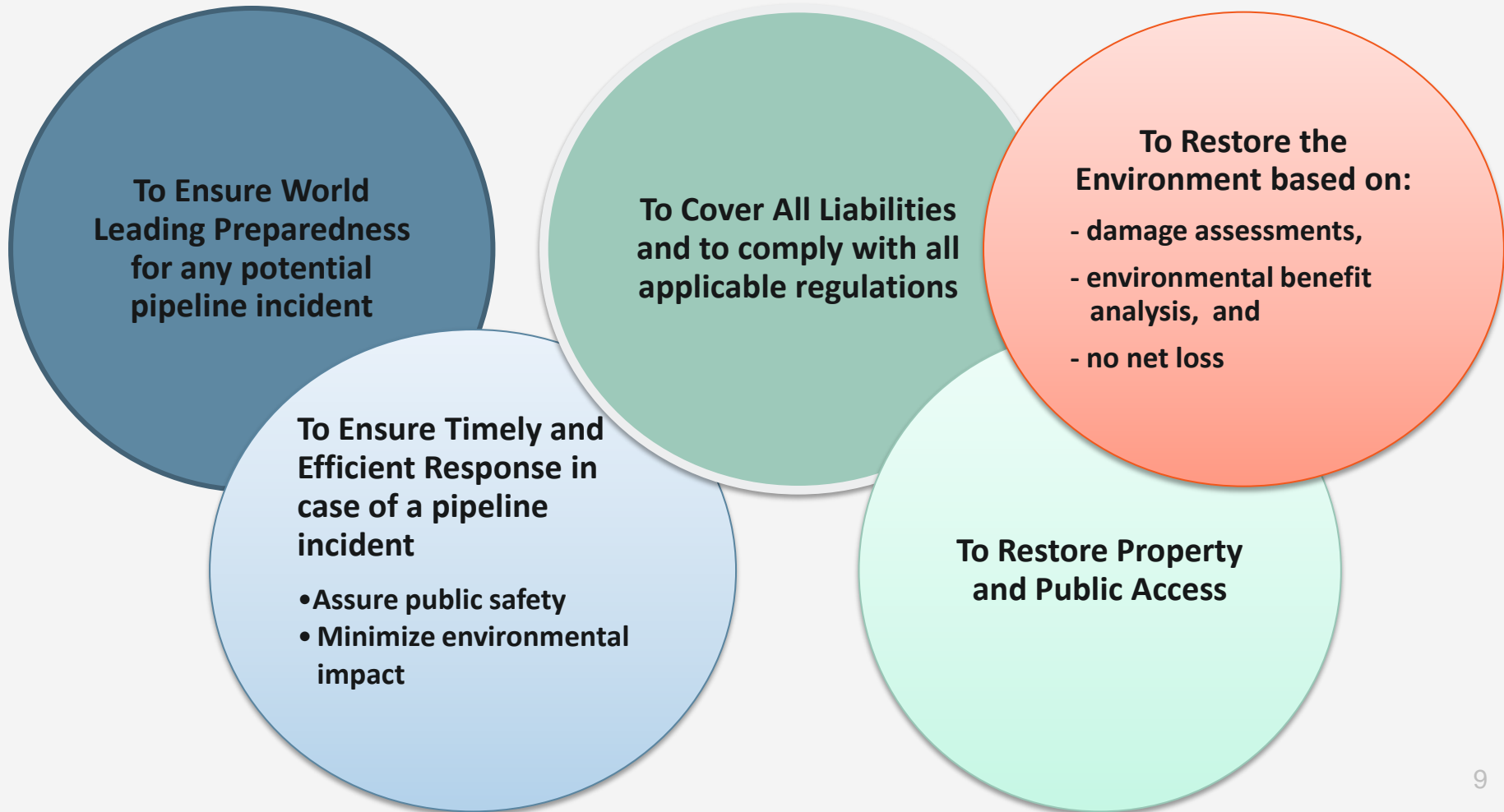
legend
— CEPA member pipelines
..... proposed pipelines
— non-member pipelines
★ proposed LNG Terminal
sedimentary basin

CEPA provides this map “as is” for information purposes only and does not make any guarantee or warranties concerning the accuracy or completeness of the information contained in the map



Internal Funding & Insurance

Why is Funding Required?



Guaranteed Response – Immediate and in the Longer Term

- ◆ Funding is already available to cover immediate & long term needs
 - Immediate mobilization of people and equipment including air lifting if necessary – command centre set up
 - Immediate action to protect the public including evacuations and logistical support as required
- ◆ CEPA companies take responsibility for all phases of emergency response remediation and reclamation
- ◆ CEPA companies are large, well capitalized, financially secure organizations
 - Regulation ensures financial strength and tolls cover adequate insurance coverage



10

Depth of Coverage – Insurance Provisions & Company Assets

- ◆ Existing multi-million dollar insurance coverage for incidents ranges up to \$800M for each company
- ◆ Addresses all eventualities, including (but not limited to): cleanup, remediation, compensation
- ◆ Insurance costs are a normal part of our cost structure and considered in toll arrangements
- ◆ Multi-tiered policies generally in place to cover pollution, liability and damages
- ◆ Reviewed & recalibrated annually by each company to ensure adequacy and certainty of coverage

Funding Mechanism & Response Capabilities are already in place.



Track Record

12

We Take Responsibility

**Strong Legacy &
Commitment to the
Future**

**Endorse the Polluter-Pay
principle**

Capacity to respond

**Focused on
Improvement –
Leadership &
Management Systems**

**Member companies
take responsibility for
releases from their
assets (regardless of
culpability)**

**Ensure proper clean up
and remediation**

**Regulatory monitoring
and reporting post
incident ensures
completion**

The public has never and will never be on the hook for clean up.

Excellent Reliability

Oil & Refined Products

1,511,112,428,000 L
- 8,322,000 L

1,511,104,106,000 L

Natural Gas

1,775,500,000,000 M³
- 28,908,000 M³

1,775,471,092,000 M³

 99.99945%

 99.99837%

○ Transported

● Spilled/Released

● Transported safely

L = Litres

M³ = Cubic Metres

Source: CEPA member data 2002 - 2011

14

Response Readiness

- ◆ Key Focus – Oversight by Regulators & Routinely Exercised
- ◆ Continuous Improvement Efforts Unfolding:
 - Cross-Industry
 - Intra-Industry
- ◆ Inclusive of first responders, key stakeholders and local authorities, including First Nations



We first do every thing in our power to prevent ~ then we strive relentlessly to protect the public & the environment.

15

Western Canadian Spill Services

- ◆ Additional resource augmenting internal company resources
- ◆ Non-profit organization owned and directed by shareholders
- ◆ Nearly 600 members that are licensees of wells and pipelines in jurisdictional area (Alberta and North East BC)
- ◆ Membership fees consist of a base annual fee plus a scaled fee per well or kilometre of pipeline
- ◆ Ensure adequate training and maintain spill response equipment
- ◆ Successful model that could be expanded in support of continuous improvement



Concluding Remarks



- ◆ Existing Capabilities are Already Strong
 - Dedicated, well-established companies
 - Deeply committed to Health, Safety & Environment
 - Strong and responsible Regulatory Oversight
 - Funding & Capability to Respond is Assured

- ◆ Dedicated to Continuous Improvement
 - Keen desire to apply science & World Leading Practices
 - We can learn from and improve upon organizations like WCSS
 - Engagement of Cross-Industry partners, first responders, key stakeholders and First Nations peoples

For more information please contact:

The Canadian Energy Pipeline Association

(403) 221-8777

aboutpipelines.com