

Northern Gateway:

The need for Market Access

Date: June 14, 2016

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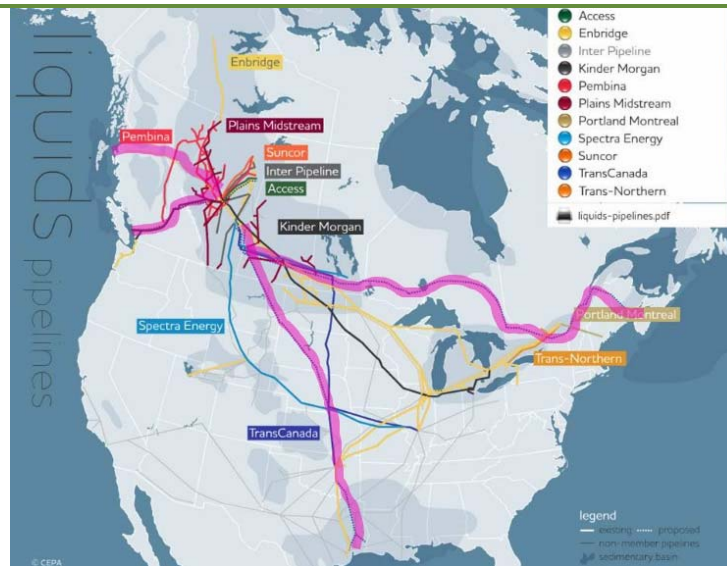


Overview

- Market Access
- Project Overview
- Advantages
- Local Benefits
- Challenges
- Where are we now?
- How can you get involved?



Market Access: Canada's Pipeline Landscape



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Oil Prices

Q: What is the price of oil today?

A: ~\$50 WTI

Q: What do we get for Canadian Oil?

A: ~\$38 for WCS



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Why is there a discount on Canadian Oil?

1. Canada does not have a pipeline that reaches tidal water so we can only sell to the USA (98-99%). We have no bargaining power
2. USA has multiple customers on where they choose to purchase their oil from
3. Canadian oil (WCS) is a heavier crude than some of the other plays around the world so it is easier (cheaper) to refine in the USA refineries



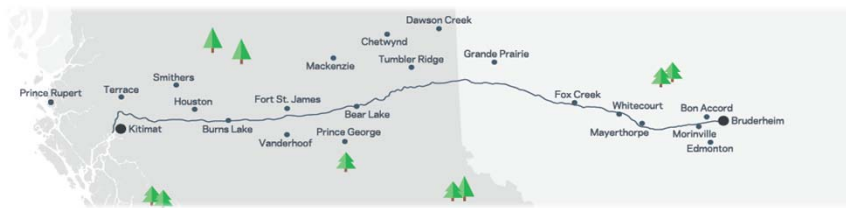
How do we achieve a better price for our oil?

- Market Access!
- There are 3 key benchmarks for oil price:
 - Western Canadian Select (Hardisty, AB) = ~ \$38
 - West Texas Intermediate (Cushing, OK) = ~ \$50
 - Brent (Global price) = ~ \$50
- * Prices as of June 6, 2016
- Project viability is not driven by price of oil



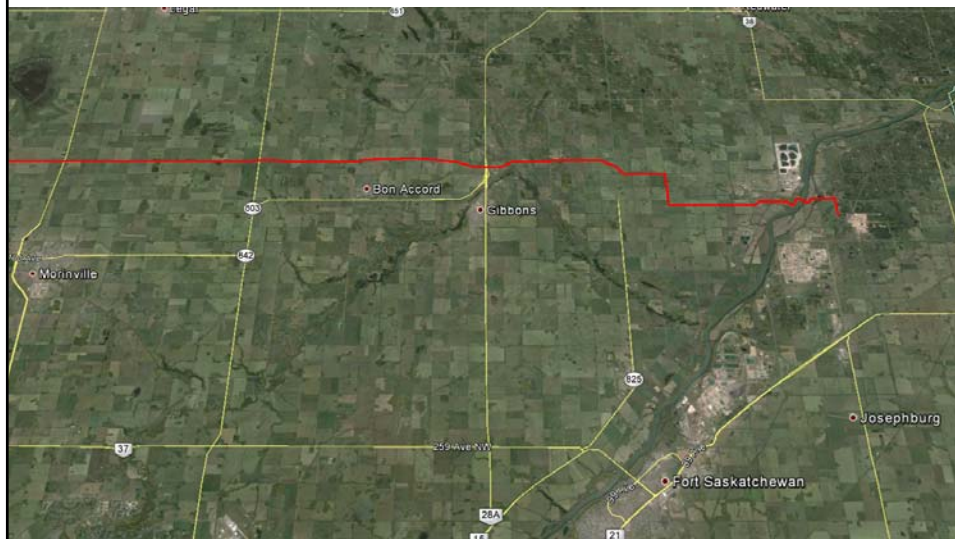
What is the Northern Gateway Project?

- 1,177 km pipeline (36 inch) from Bruderheim to Kitimat
- 525,000 barrels per day capacity to the coast
- Marine Terminal with 9+ million barrels of storage
- Very Large Crude Carriers (VLCC) out the Douglas Channel to Asian Market



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Northern Gateway Route



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Growing Optimism – 3 advantages

- **Aboriginal Equity Partners (AEP)** www.aepowners.ca
 - From 26-31 in the last 2 years
 - 33% ownership in the pipeline
- **VLCC Capability (2 million barrels)**
- **GIC approved project- Subject to 209 conditions**



Local Benefits

- **4000 construction jobs and 1000 long term jobs**
- **\$2 billion in local communities with at least \$1 billion going to First Nations and Metis owned businesses**
- **\$150M to local businesses in this area (Bruderheim to Whitecourt)**
- **Contribute \$98 billion in total tax revenue to local, provincial, and federal governments over the economic life of the project**

“When we spend and hire locally, the outcomes are mutually rewarding and beneficial” – Jim Bowers, Director of Supply Chain Management



Where are we now?

- One of the 209 conditions required us to start construction by December 2016. This is referred to as the “Sunset Clause”
- On May 6, 2016, we requested to the NEB to extend the time for commencement of construction to 2019

Key Challenges:

1. Clarity on legal and regulatory issues
 - Challenged in the Federal Court of Appeal
 - Moratorium on Tankers on the West Coast of BC
2. Market Uncertainty for our Shippers
3. First Nation support on the Coast



Why We Need More Time

- More time to build relationships
- Maintains the value of what we've built
- Receive legal clarity
- Complete 113 of the conditions required prior to construction
- A truly historic partnership is at risk



“If Northern Gateway receives the Sunset Extension, we will use the time to further our engagement with all stakeholders”

— John Carruthers, President Northern Gateway



Sunset Extension Request – Next Steps

- Northern Gateway filed its Extension Request on **May 6, 2016**
- The Board will accept public comments until **27 June 2016**.
- The Board will allow Northern Gateway and AEP to submit reply comments by **18 July 2016**.
- The Board will review all the information presented
- If the Board approves the request, it will not be effective until approved by GIC (Federal Cabinet)



How can I get involved?

- If you would like to demonstrate your support for the Northern Gateway's sunset extension you can submit a letter by E-filing, Fax or Mail

“The Board would be interested in hearing comments on those reasons, whether other issues should also be considered, and if additional information should be required. Interested parties are encouraged to provide any information that they recommend the Board consider in deciding on the request.”

- NEB

To find out more visit www.gatewayfacts.ca/support



Questions
