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OPI Line 9 Brief

Evidence

Prepared by:

The Ontario Petroleum Institute

for the National Energy Board of Canada



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National Energy Board

Enbridge Pipelines Inc. - Line 9B Reversal and Line 9 Capacity Expansion

Hearing Order Number: OH-002-2013

WRITTEN EVIDENCE OF THE ONTARIO PETROLEUM INSTITUTE

1. The Ontario Petroleum Institute (OPI), an industry association founded in 1963, represents companies and individuals involved in oil and natural gas production, hydrocarbon storage, and salt/solution mining.

The OPI membership includes commercial oil and gas production companies, drilling contractors, well and oilfield services, geologists, geophysicists and engineers, environmental consultants, financial/legal services, land services, trades and utilities

2. Ontario oil and natural gas producers have been safely harvesting energy for 150 years. The industry is an important part of the Ontario economy producing energy primarily in southwestern Ontario.

3. Ontario commercial oil and natural gas producers have supplied energy through historical and modern methods to oil refineries since the 1860's, and to natural gas distributors since the early 1900's.

4. To remain viable contributors to the Ontario economy it requires that the producers' maintain their ability to market current and future oil production. All of the province's commercial production is currently sold in Ontario. The fluctuation in the price of oil in recent times has resulted in the industry seeking competitive alternatives to obtain the best price possible. It is estimated that 50% of all the potentially recoverable oil and natural gas located in southwestern Ontario reservoirs remains to be developed. Recovering this potential will require a significant financial investment for exploration and production. Producers' want a competitive market in which to sell and receive maximum returns on their investment.

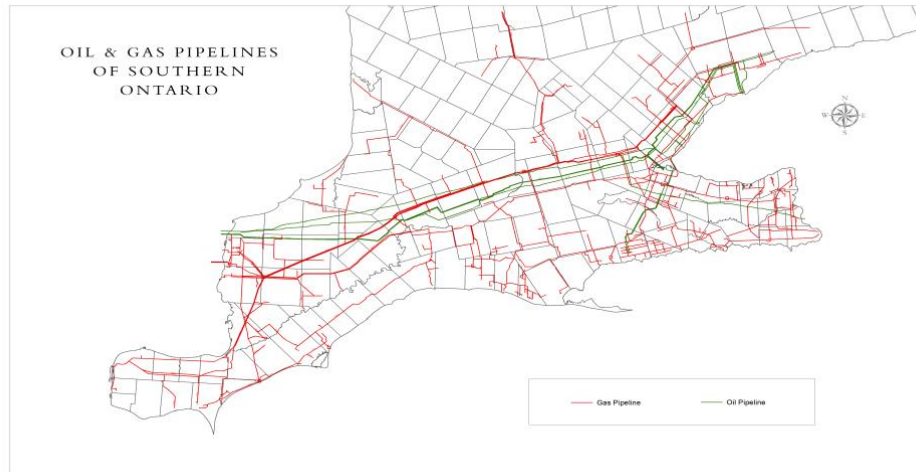
5. The reversal of the Enbridge Line 9 pipeline offers producers an enhanced competitive market alternative for current and future production. It benefits Canadian economic growth by opening up opportunities for market access to our natural resources and enhances the supply component in both the domestic and export markets.

6. The significance in Ontario launching the petroleum industry and commercial oil production 155 years ago cannot be understated. The list of firsts includes the first commercial oil well in North America, first North American petroleum company, first oil exchange. It was from this early discovery that drilling and refining techniques were developed.

7. Ontario natural gas producers have supplied energy to natural gas distributors – familiar names like Enbridge, Union Gas and Trans-Canada Pipelines since the early 1900's.

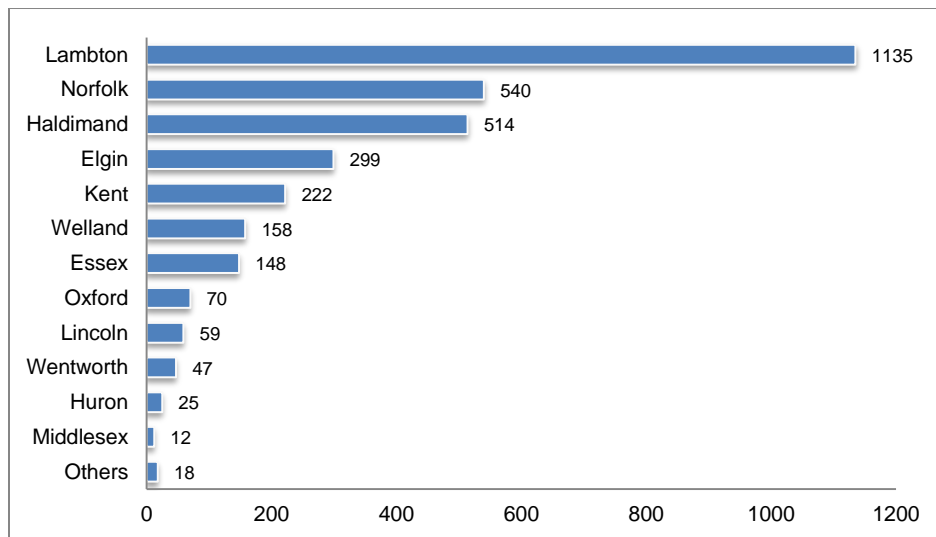
8. The OPI manages the Ontario Oil, Gas and Salt Resources Library, a resource centre for the industry providing information management relating to drill cuttings samples from over 13,100 wells, cores from over 1,027 wells, and file information on approximately 27,000 wells. The Library annually publishes a pool and pipelines map showing the network of pipelines across southwestern Ontario.

Oil and Natural Gas Pipelines of Southern Ontario



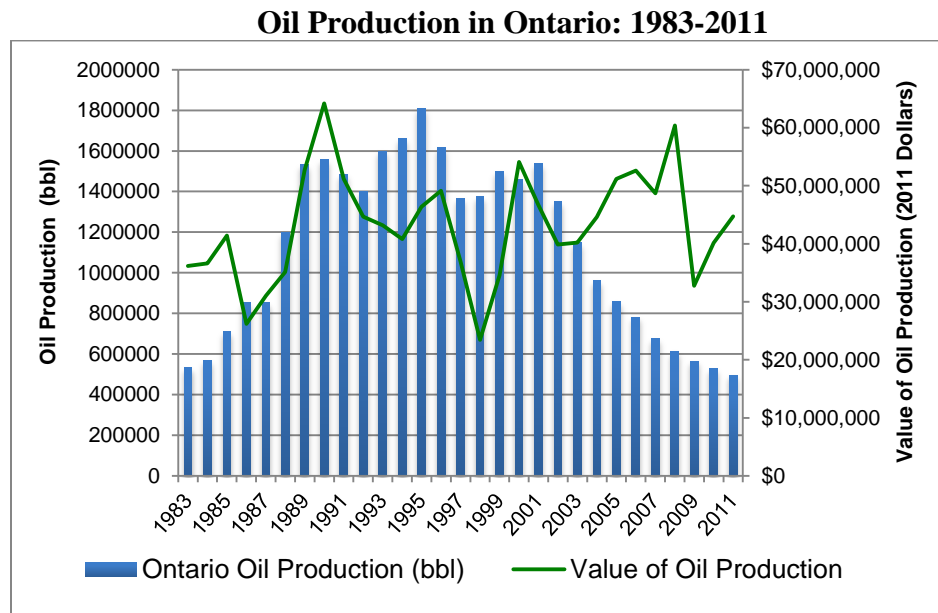
9. The oil and natural gas industry exists primarily in Southwestern Ontario where 134 companies operate in the commercial oil and natural gas business.

Location of Active Wells by Ontario County: 2012

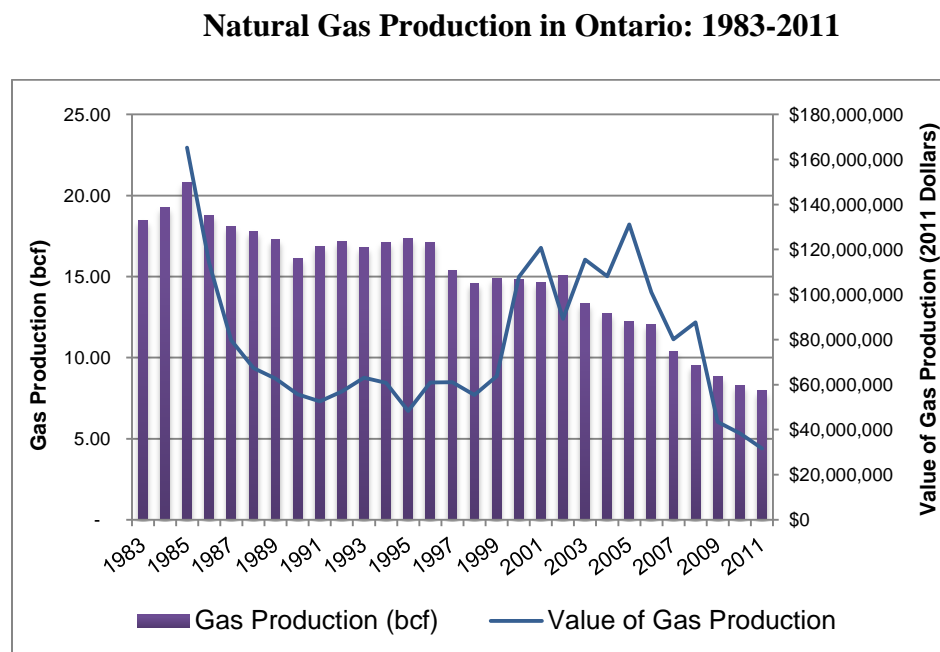


10. The value of production and storage in Ontario in 2012:

- 1,183 wells produced 76,113 m³ (478,000 barrels) of oil= \$38.3 million.



- 1,221 wells produced 220,300 m³ (7.8 bcf¹) of natural gas = \$21.6 million



- 6,900 million m³ (244 bcf) of natural gas storage capacity = \$1 billion in value
- 3.5 million m³ of hydrocarbon storage capacity = ± \$2 billion in value

Of the 1,183 oil wells 717 of these are classified as producing well from “historical oil fields”.

The estimated annual value of the oil and natural gas sector to the Ontario economy is \$4 billion.

¹ billion cubic feet

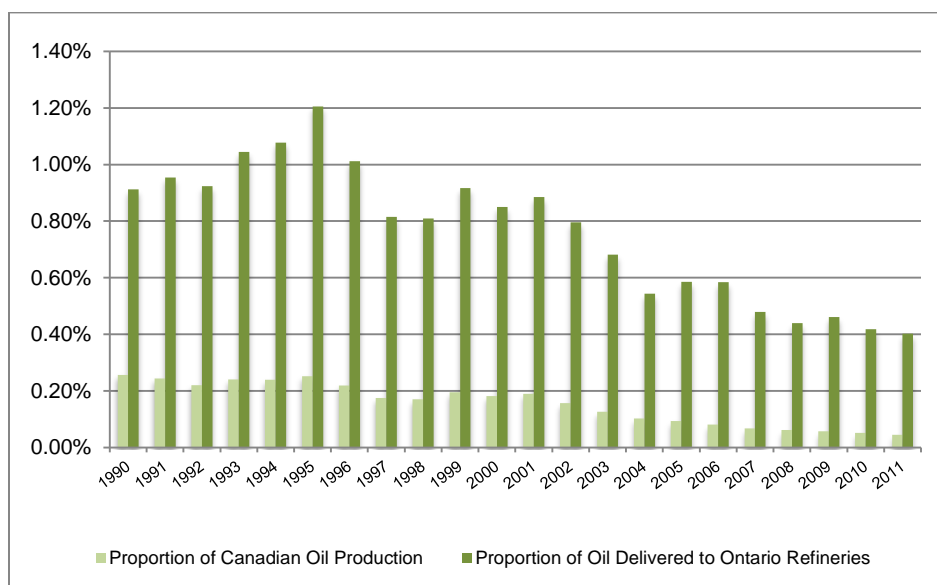
11. The Ontario Ministry of Natural Resources (MNR) regulates the industry through the Ontario Oil, Gas, and Salt Resources Act and associated regulations and standards, Regulation 245/97 and the Provincial Operating Standards, which are designed to ensure safe operations, protect the environment and the general public to ensure the safe extraction of Ontario's natural resources.

12. Ontario's commercial producers provide oil and natural gas to Imperial Oil, Enbridge and Union Gas.

Ontario has a unique marketing arrangement which has Imperial Oil essentially purchasing all of the province's crude oil production from Marcus Terminals Inc., a trucking company with terminal operations in Sarnia, Ontario.

13.

Proportion of Canadian Oil Production from Ontario



14. Changing market conditions have competitor companies looking for alternate sources of supply due mainly to the congestion created in the transportation network from increased crude oil production in the U.S. and western Canada. The net result – Canadian pipelines operating at peak capacity.

Further, discounted oil prices have a significant effect on company margins that impact the bottom line. This prompted Ontario producers in 2012 to look for an alternative market for oil.

15. The delivery of oil and natural gas in Ontario is done through two methods of transport: pipelines and tanker truck. A network of pipelines flow natural gas to distributors or, in some instances the natural gas produced is retained for local commercial use.

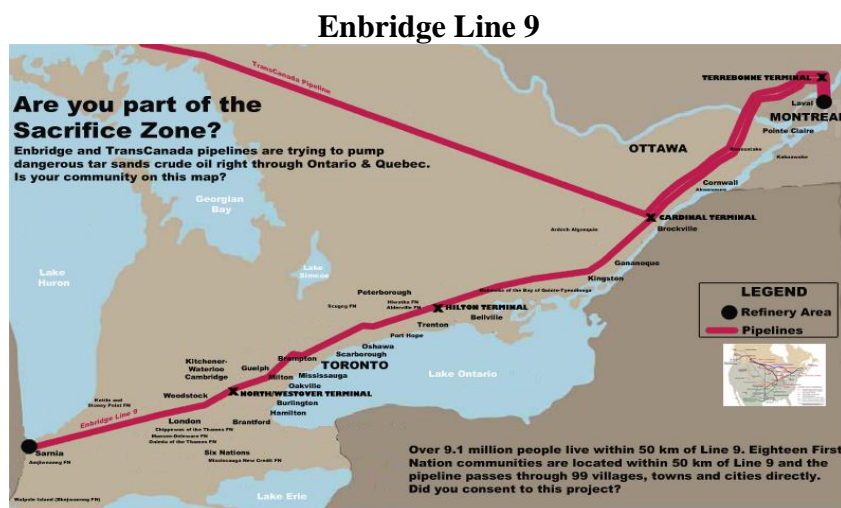
Marcus Terminals Inc. purchases crude oil directly from Ontario producers. Wellhead production is collected through gathering lines (pipelines) to battery sites, which in turn store the oil that is then transported by Marcus Terminal tanker trucks to their Sarnia storage facility prior to delivery by pipeline to Imperial Oil's Sarnia refinery.

16. It is generally understood, after 155 years of production, that 50% of the potentially recoverable oil and natural gas remains to be developed. Ontario currently imports the majority of its energy supply for power, heating and transportation.

The development of unconventional resources, which has progressed rapidly in the United States, has yet to be introduced into Ontario. Equivalent potential reserves including the Georgian Bay–Blue Mountain Formation that have been explored and/or exploited in other jurisdictions remain unevaluated in Ontario.

17. There are three essential market opportunities for Ontario crude oil: (1) east to refineries in Quebec and New Brunswick; (2) south into the United States; and (3) the continued sale to Ontario refineries.

Presently, option (3) is in effect.



18. The Ontario oil and natural gas industry has made a significant contribution to Ontario's economy, especially in southwestern Ontario. Since the beginning, an estimated 50,000 oil and gas wells have been drilled on land and offshore in Lake Erie.

Today the impact of this contribution to the energy needs of a significant number of Canadian consumers can be seen in many ways:

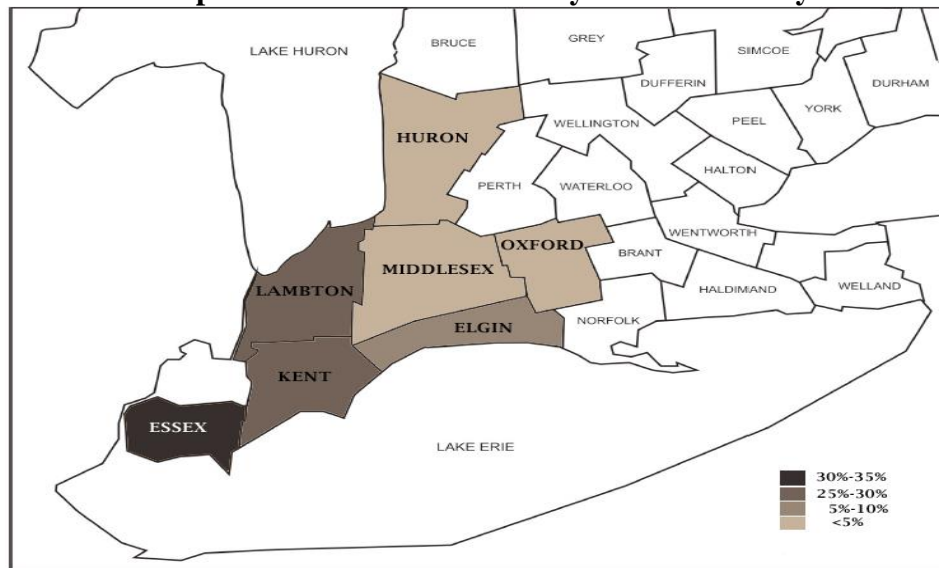
- Oil exploration and production
- World class oil refinery operations
- Natural gas exploration and production
- Natural gas underground storage
- Salt solution mining
- Hydrocarbon underground storage associated with the petrochemical industry

These producers are supported by drilling contractors, well and oilfield services, geologists and engineers as well as a range of professional consulting services. Exploration has resulted in the discovery of many producing oil and gas fields and natural gas storage pools.

An estimate of the oil and natural gas industry's contribution to the Ontario economy:

- Approximately 1,000 plus direct/indirect employed in exploration, production, storage and salt solution mining in Ontario
- Industry assets = \$650 million
- Personal total taxable income = \$55 million
- Services and goods purchased by the industry = \$90 million
- Lease payments and royalties paid to land owners and the crown = \$10.4 million
- Municipal taxes = \$4 million per year

Proportion of Oil Production by Ontario County



Proportion of Natural Gas Production by Ontario County

