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2018 Compliance Plan Overview

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Carbon Strategy



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2017 Cap and Trade - Retrospective



- Year One of Cap and Trade at Enbridge Gas Distribution was implemented smoothly
 - Administration and business systems in place on time and being sustained adequately
 - Governance processes appropriate and effective, whilst demonstrating flexibility
- Sustained communication with customers about Cap and Trade
 - As required by the Board's Framework
- Ongoing engagement and monitoring of Cap and Trade policy including Offset market development, California post-2020, the Pan-Canadian Framework.
- Ongoing engagement with the GreenON Fund to, where possible:
 - Apply for incremental energy efficiency; and,
 - Introduce new low carbon solutions (i.e. RNG, Geothermal).

2017 Lessons Learned



Summary

- Cap and Trade requires time and investment to establish and sustain.
- The learning curve in Ontario was enhanced by others' experiences in California and Quebec.
- Understanding policy development in own and linked jurisdictions is critical in better understanding the carbon market.
- In order to assess incremental opportunity of any type, existing market activity and conditions – a “baseline” – must be known.
- Where a Framework or economic analysis of investments exist they should be updated to reflect carbon costs as per the Board's Long Term Carbon Price Forecast (LCTPF).

Enbridge's 2018 Compliance Plan



Cost-effective, reasonable and optimized

- Enbridge filed its 2018 Compliance Plan on November 9, 2017.
- All key elements within the Board's Framework were addressed.
 - Volume and emission forecasts
 - Compliance option analysis and optimization of decision making
 - Risk identification and mitigation
 - Governance structure
 - Customer outreach
 - Program implementation
 - Costs and related deferral and variance accounts
- As per the Board's Framework, Enbridge will file its 2018 results and seek disposition of 2018 costs in its August 1, 2019 annual monitoring report.

2018 Compliance Planning

Assumptions/Knowns



- EGD's 2018 annual compliance obligation is 20.1 million tCO₂e.
- Cap and Trade remains in place in Ontario for 2018.
- The Ontario Offset Regulation is now final.
- Western Climate Initiative ("WCI") Linkage effective January 1, 2018.
- California Cap and Trade is now definitively extended post 2020.
- Enbridge is a related entity in WCI with Union Gas and Gazifère Inc.
- In the linked market, all WCI products are fungible.
- \$1.9 billion raised in 2017 via Cap and Trade in Ontario that will be invested in low carbon initiatives with a significant focus on energy efficiency.

2018 Planning Approach

External and Internal Inputs



Board's Cap and Trade Framework & Guiding Principles

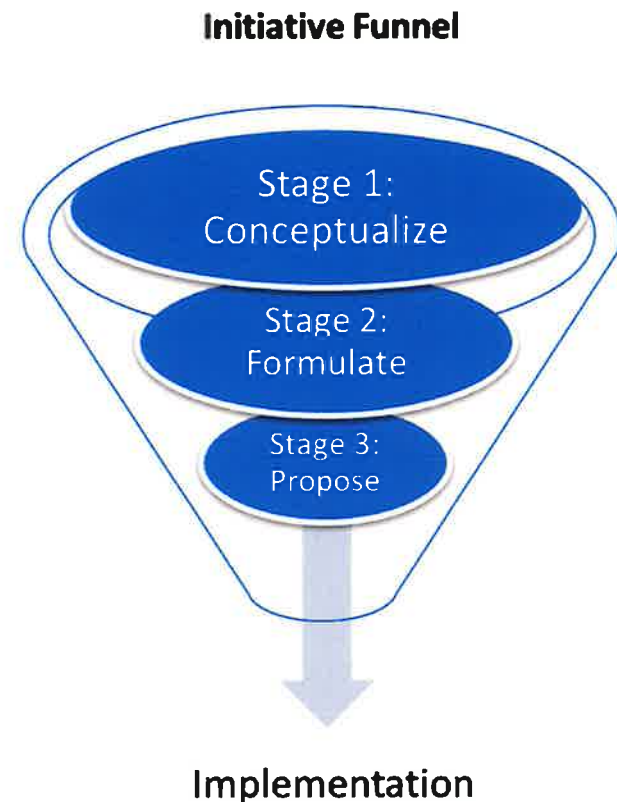
What's New in 2018?

- Use of the Marginal Abatement Cost Curve and Long Term Carbon Price Forecast provided by the Board.
- Expanded consideration of customer and facility related abatement including the introduction of an Abatement Construct.
 - A four-stage “Initiative Funnel”
 - Low Carbon Initiative Fund and,
 - 2 FTEs to assess and manage abatement initiatives
- A third party report around offsets.
- A proposal for RNG procurement.
- Incremental energy efficiency captured in volume and GHG forecasts.
- The addition of a working group in Enbridge’s Cap and Trade processes/governance.

Abatement Construct

And Four-Stage Initiative Funnel

- The Abatement Construct provides transparency and a consistent approach to planning around abatement.
- Includes complementary considerations to the Board's Guiding Principles.
- Mobilizes financial and people resources to enable abatement initiatives to come to fruition in compliance planning



Low Carbon Initiative Fund

- The Low Carbon Initiative Fund (“LCIF”) is intended to enable the identification and development of GHG reducing technologies to progress into future abatement opportunities for compliance purposes.
 - Up to \$2 million in available funds per year starting in 2018
 - Only actual costs being tracked in the GGEIDA
- Provides stable and predictable funding around low carbon initiatives
- Provides the benefit of leveraged funding – most government funds require a commitment of funding and/or in-kind contributions
- Current LCIF project identification is based on high level estimates

2018 Compliance Plan Asks

- Finding that the 2018 Compliance Plan is compliant with the Board's Framework and is a "reasonable" and "optimized" plan, including:
 - \$2 million LCIF
 - 2 additional FTE to assess and manage abatement initiatives
- Clearance of 2016 Administration Costs for Cap and Trade
- Approval of Final 2018 Cap and Trade Unit Rates
- Approval of 2018 Customer and Facility GHG Variance Accounts