

OFFSET PROCUREMENT STRATEGY

1. This evidence sets out Enbridge's strategy for the procurement of offsets.
2. Offset credits represent investment in real, verified emission reduction projects, and a cost-effective option for Enbridge to meet the Company's Cap and Trade compliance obligation.
3. The Ontario Compliance Offset Credits Regulation Proposal was released by the Ministry of Environment and Climate Change ("MOECC") in November 2016 with a draft Ontario Offsets Regulation and one associated offset protocol being released September 2017. Enbridge anticipates that a final Ontario Offset Regulation will be released late this year along with at least one final offset protocol. The Company also anticipates that the remaining twelve offset protocols¹ identified by the Ontario government will be released over the coming year or so.
4. Enbridge has been actively reviewing and providing comments, where opportunities existed, to offset policy documents including the Ontario Offset Credits Regulation and draft offset protocols. Enbridge has attended, where limited resources permit, offset stakeholder input webinars held by the Climate Action Reserve on behalf of the Ontario government.
5. Enbridge looks forward to an abundant supply of Ontario offsets so that it may invest back into the communities it serves. Enbridge believes that investing in

¹ The 13 protocols being developed for Ontario are listed in the Climate Action Reserve presentation available at <http://www.climateactionreserve.org/wp-content/uploads/2017/01/Adapting-Offset-Protocols-for-Ontario-Québec-and-Other-Jurisdictions-.pdf>

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Ontario offset credits will be critical to the development of a low-carbon economy. It also sees numerous co-benefits. For example, projects involving the use of waste to create energy – such as those converting landfill gas, anaerobic digestion and wastewater treatment facility feedstocks to renewable natural gas (“RNG”) – have the added benefit of driving a circular economy. Furthermore, Northern Ontario projects – such as carbon sequestration through forestry projects – may provide support for Indigenous communities.

6. Enbridge understands that offsets from California or Québec are fully fungible and can be used against Enbridge’s compliance obligation once linkage has occurred as expected on January 1, 2018. The Company will only invest in offset credits which are eligible towards meeting a carbon obligation in the Ontario Cap and Trade program, although the Company is hopeful that there will be an opportunity at some point in the future for a pan-Canadian approach to offset credits.
7. Under the current Cap and Trade regulation in Ontario, a capped participant can submit up to 8% of its obligation for the compliance period in the form of offset credits.
8. Enbridge recognizes the complexity and depth of information in the offset market. As such, the Company thought that it was prudent to gain insights and advice from a recognized and experienced consultant in the offset market. As discussed in Exhibit C, Tab 1, Schedule 1, Enbridge obtained an offset strategy from ClearBlue Markets (“ClearBlue” or the “Consultant”). ClearBlue was selected because of their past experience working at a large Utility in the area of carbon as well as hands on experience with numerous offset projects globally in respect of both offset

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procurement and protocol development. One of the consultants at ClearBlue was a member of the United Nations Framework Convention on Climate Change (“UNFCCC”) Clean Development Mechanism (“CDM”) Small-Scale Working Group for seven consecutive years.²

9. ClearBlue’s Offset Strategy report (the “Report”) is filed as Appendix A to this Exhibit. The report is structured in two parts: the first part provides information which can be placed on the public record, while the second part is the Consultant’s opinion on offset procurement and strategy, which is market confidential as defined by the Board’s Framework.
10. Enbridge has developed its offset strategy, which is outlined below, based on the insights gained, the technical expertise of Enbridge’s Carbon Strategy team and ClearBlue’s Report, and the Board’s Guiding Principles.

The remaining information in this Exhibit has been filed in confidence with the Ontario Energy Board.

² The UNFCCC is the body that is responsible for approving offset protocols that are utilized in the European Emissions Trading Scheme.

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