

# **Keyera Corp. (KEYUF) Q2 2024 Earnings Call Transcript**

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**Body**

Keyera Corp. (KEYUF)

Q2 2024 Earnings Conference Call

August 08, 2024 10:00 AM ET

Company Participants

Dan Cuthbertson - Director-Investor Relations

Dean Setoguchi - President & Chief Executive Officer

Eileen Marikar - Senior Vice President & Chief Financial Officer

Jamie Urquhart - Senior Vice President & Chief Commercial Officer

Jarrod Beztilny - Senior Vice President-Operations & Engineering

Conference Call Participants

Rob Hope - Scotiabank

Spiro Dounis - Citi

Robert Kwan - RBC Capital Markets

Robert Catellier - CIBC Capital Markets

Patrick Kenny - National Bank Financial

A.J. O'Donnell - TPH

Ben Pham - BMO

Presentation

Operator

Good morning. My name is Ina and I will be your conference operator today. At this time, I would like to welcome everyone to Keyera's 2024 Second Quarter Conference Call. [Operator Instructions]

Thank you. I would now like to turn the call over to Mr. Dan Cuthbertson, Director of Investor Relations. You may begin.

Dan Cuthbertson

Thanks and good morning. Joining me today will be Dean Setoguchi, President and CEO; Eileen Marikar, Senior Vice President and CFO; Jamie Urquhart, Senior Vice President and Chief Commercial Officer; and Jarrod Beztilny, Senior Vice President Operations and Engineering.

We will begin with some prepared remarks from Dean and, Eileen after which we will open the call to questions. I would like to remind listeners that some of the comments and answers we will be giving today relate to future events. These forward-looking statements are given as of today's date and reflect events or outcomes that management currently expects. In addition, we will refer to some non-GAAP financial measures. For additional information on non-GAAP measures and forward-looking statements, please refer to Keyera's public filings available on SEDAR and on our website.

With that, I'll turn the call over to Dean.

Dean Setoguchi

Thanks, Dan. Good morning everyone. Before we get started, I want to take this opportunity to acknowledge and thank the first responders who are working tirelessly to protect the people and communities who are affected by the ongoing wildfires in Western Canada. We wish everyone to stay safe.

Turning now to our quarterly results. Disciplined execution of our strategy is resulting in consistent growth in high-quality fee-for-service cash flow. This has allowed us to continue to deliver on our long history of sustainable dividend growth. Yesterday, we announced another dividend increase of 4% to $2.08 per share annually. This increase is also supported by a conservative payout ratio and a strong balance sheet. We remain on track to reach the upper end of our 6% to 7% EBITDA growth target out to 2025. Our Gathering and Processing segment delivered $102 million in realized margin. This result was supported by record throughput volumes in the North region.

Our Liquids Infrastructure segment delivered its second highest quarter ever with $133 million in realized margin. Driving this performance was the continued ramp-up of KAPS and growing demand for our fractionation storage and condensate businesses. Our Marketing segment continues to perform well generating $136 million in realized margin in the quarter. This includes the impact of a planned 6-week outage at AEF.

Due to strong year-to-date performance and market fundamentals, we're raising our marketing segment guidance to range between $450 million and $480 million of realized margin in 2024. Our Marketing segment has a distinct competitive advantage. Strong cash flow from this physical business has enabled us to consistently deliver above average after-tax corporate returns. This cash flow is then reinvested into long-life infrastructure projects, in turn driving growth in high-quality fee-for-service cash flow.

2024 will be a year of strong free cash flow generation following the completion of several major growth projects last year including KAPS. We continue to advance capital-efficient growth opportunities. These opportunities leverage and enhance our existing core asset position in Western Canada. They include a fractionation debottleneck, a new Frac III expansion and a KAPS Zone 4 extension.

We also continue to advance other opportunities and we'll speak to those when appropriate. With a strong balance sheet and an increased dividend, we will continue to balance disciplined capital investments with further increasing shareholder returns to maximize value.

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I'll turn it over to Eileen, who will provide an overview of our financial performance for the quarter and touch on the revised guidance for 2024.

Eileen Marikar

Thanks Dean. Adjusted EBITDA for the quarter was $326 million compared to $293 million for the same period last year. This result includes strong contributions from all three business segments. Distributable cash flow was $202 million or $0.88 per share compared to $207 million or $0.90 per share for the same period in 2023.

Net earnings were $142 million compared to $159 million for the same period last year. The decrease was due to higher depreciation and interest costs. We continue to maintain a strong financial position, exiting the quarter with net debt to adjusted EBITDA at 2 times below our targeted range of 2.5 times to 3 times. This positions us well to pursue an equity self-fund opportunities that will enhance shareholder value.

Moving on to our guidance for 2024. As Dean mentioned, we now expect our marketing segment to contribute between $450 million and $480 million of realized margin in 2024. This is up from our previous guidance of $430 million to $470 million. The increase considers year-to-date realized margins of $250 million and a strong outlook for market fundamentals.

Due to the increase in expected marketing contributions, cash taxes are now expected to range between $90 million and $100 million. This is up from $85 million to $95 million previously. Growth capital for 2024 remains unchanged at $80 million to $100 million. A reminder that, this includes $20 million to $40 million of capital that is contingent on the sanctioning of KAPS Zone 4, and advancing frac expansion opportunities at KFS.

To move ahead, these projects will need to generate a strong return supported by long-term contracts. Maintenance capital is now expected to range between $120 million and $140 million. This is up from $90 million to $110 million previously, mostly due to increased costs for turnaround activities, which are largely recoverable over the next several years.

I'll now turn it back to Dean.

Dean Setoguchi

Thanks, Eileen. The long-term outlook for volume growth in the basin remains strong. This growth will be supported by key developments, including TMX LNG Canada a growing petrochemical industry and increasing LPG exports off the West Coast of Canada. As an essential infrastructure service provider, Keyera will continue to play an important role in enabling business volume -- basin volume growth, while staying financially disciplined and maximizing value for customers and shareholders.

On behalf of Keyera's Board of Directors and Management team, I want to thank our employees, customers, shareholders, indigenous rights holders and other stakeholders for their continued support.

With that I'll turn it back to the operator for Q&A.

Question-and-Answer Session

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] One moment please for your first question. Your first question comes from the line of Rob Hope from Scotiabank. Please go ahead.

Q – Rob Hope

Good morning, everyone. First question is on the kind of three growth projects that you highlighted, being the two expansions like KFS as well as Zone 4. Can you give us an update on where we are in terms of contracting, as well as the engineering of these projects? And kind of what gating milestones, we should expect in the coming months ahead?

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Dean Setoguchi

Hi. Good morning, Rob. It's Dean and great questions. We're very excited about what we see in terms of opportunities for growth in this basin and what our company can do to help enable that. And certainly, we see continued growth in the Montney on both sides of the border. So first of all, with Zone4 we're still very excited about the prospects of extending our pipeline to the BC border. And again, I just do want to emphasize that customers really want competition. They see the value that we brought with our KAPS project Zones 1 to 3. And there's very good demand for again extending that pipeline to the BC border.

So, we continue to have discussions there. Obviously, they're commercially sensitive. But certainly, we think that we'll be getting to a decision here by the end of the year and we will provide an update on that when appropriate. I'd just say that, with KAPS in general, we now have an integrated system. So almost every deal that we are signing now, is an integrated deal where we're involving G&P, KAPS, frac and our downstream business. So a lot of this is all connected together. We see continued demand. Again, we really believe in the growth in the basin and how much NGL is going to get produced with that, and the need for our integrated service. So we are signing more contracts on our integrated system long-term, with good Take-or-Pays. We'll update that again when appropriate, just like we did earlier this year. But maybe I'll just turn it over to Jamie, to maybe speak a bit more about our frac expansion projects.

Jamie Urquhart

Yes. Thanks, Dean and thanks for the question Rob. So I can share that we're proceeding with ordering long leads for our Frac II expansion or debottleneck. And so a very positive momentum on that project, based on commercial support. And then, we are as we shared last quarter, proceeding with feed for Frac III. So from a timing perspective, we'll probably be in early 2025 before, we fully understand the costs. Though, we have made a decision around sort of the design and it's very similar in scope to our Frac II including, the debottlenecks. So we're certainly confident as we're talking to customers around what that project looks like and entails.

Q – Rob Hope

Thanks for that. And then just moving over to capital allocation, Eileen mentioned that the next wave of growth to be easily funded, with an equity self-funding model. Can you talk about kind of the conservatism based in your forecast just given the fact that the dividend was increased 4% below the kind of 7% EBITDA that you're tracking to as well as what would be needed for an NCIB to be put out there? Or are you seeing kind of the next wave of incremental growth coming at you sooner?

Dean Setoguchi

Thanks for the question Rob and that's a good one. Only thing I can say before I turn this over to Eileen is that we're in a great position to have a very strong balance sheet and it gives us a lot of optionality right now. So, I've talked a lot about growth opportunity in the basin. But in a Normal-Course Issuer Bid is also a possibility, but I'll turn it over to Eileen.

Eileen Marikar

Thanks. And thanks Rob. Yes, as it relates to the dividend, I mean, we are a dividend growth company and we're very proud of our long history of growing the dividend sustainably. We've never cut it before. So, we certainly have confidence in the dividend increase that we just announced. It is underpinned by growing fee-for-service cash flows. And the payout remains at the low end of our target range. So we like the flexibility that we have with both a strong balance sheet and the low payout.

Just kind of piggyback on what Dean said, with regard to the balance sheet and where leverage is today, it's truly a competitive advantage. Given the growth we see in the basin the financial strength we have now allows us to capture opportunities when they're available.

So as it relates to buybacks specifically, again, where we see the basin and growing and the opportunities that Dean has talked about, but opportunities beyond that we believe we can deliver really strong returns.

That said, we certainly understand the value proposition of buying back shares on an opportunistic basis. So and it's a very simple process to put in an NCIB in place. So it does remain an option. I'll just maybe just end with like the goal remains the same. It's to allocate capital to the highest value option of organic inorganic growth or through buying back shares.

Rob Hope

Thank you.

Operator

Thank you. And your next question comes from the line of Spiro Dounis from Citi. Please go ahead.

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Spiro Dounis

Thanks, operator. Good morning everybody. First question just wanted to touch on G&P volumes. It sounds like you hit record levels there in the North, but it sounds like producer curtailments in the South maybe drove a decline on overall volumes. So just curious how you're thinking about the cadence of shut-in since the rest of the year? And just given that the North generates a higher margin, should we expect that region to really kind of overcome any impact from shut-ins from here?

Dean Setoguchi

Good morning and that's a great question. Before I turn this over to Jamie, I think, it just really speaks to the value of our North Montney G&P plants, where it's driven off of condensate economics. So, again, we're seeing record volume growth up there. But in the South we're seeing some good developments too in the Duvernay, which is also going to be tied to more oil-weighted economics..

So, while we're seeing some temporary declines now we believe the gas price is going to firm up with LNG Canada coming on stream in the next 12 months and also a continued development of the Duvernay. But Jamie you can add your thoughts.

Jamie Urquhart

Yes. I think the only thing that I'd add to that is that we went through a pretty extensive recontracting process last year in the South and we're successful in getting some meaningful Take-or-Pays during that recontracting last year. So, although, we have seen producers shut in certainly the impact of that has been tempered quite significantly as a result of that recontracting effort last year. And we've been obviously telegraphed by the producers that have decided to shut in some volumes that they expect to bring those volumes back early in the fall in response to the expected increase in gas price which is meaningful obviously on the G&P side of our business, but also on the liquid side of our business because we are vertically integrated in our self G&P assets as well.

Dean Setoguchi

And maybe just one more thing to add. Just want to emphasize that 70% of our G&P margin is generated in the North -- in our North asset base; and 30% in South. So even though we saw some volume declines it doesn't have a material impact on our overall EBITDA.

Spiro Dounis

Great. Great. And I appreciate the color there. Second one maybe just going to KAPS quickly. Dean if I heard you right it sounds like you've been adding some contracted volumes in the background maybe not at a point yet where you're ready to kind of talk about it. But I guess we think about filling up that pipeline over time my understanding is that it's going to require some pump additions to get there. And so just curious are you able to say how many pumps are operational now and maybe how to think about the CapEx to sort of step change that capacity from here?

Dean Setoguchi

Right. Good question. And I would remind you too that we have -- part of the filling up of KAPS is also the -- is also the contracts we have already which step up over time. So in our KAPS volumes forecast that's included in our 6% to 7% EBITDA guidance out to 2025. But our volume profile grows right to the end of the decade and we're continuing to add on to that profile. So the great thing about KAPS it's the gift that will keep on growing for the next several years. But in terms of the cost of adding more pumping capacity maybe I'll just turn that over to Jarrod.

Jarrod Beztilny

I can speak to that. I think you're right that there certainly is the ability to continue to expand KAPS from the initial capacity. And it's always been the plan to take a phased approach to incrementally add the capacity over time as it's needed. So we have optionality to add multiple future pumping stations. And these will be at a much -- these will be much smaller scale capital projects relative to the original KAPS project.

In terms of timing it's really too early to provide specifics but I'd anticipate it will be ongoing through the end of the decade. And going about it this way allows us to manage that capital more effectively by only adding that incremental capacity as it's needed. So KAPS is a long-term asset that will play an important role enabling that long-term growth of the basin in our business and we look forward to that build-out.

Spiro Dounis

Great color. I will it there for today. Thanks everyone.

Jarrod Beztilny

Thank you. Have a good day.

Operator

And your next question comes from the line of Robert Kwan from RBC Capital Markets. Please go ahead.

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Robert Kwan

Thank you. Good morning. If you think about the ability that you've had to track volumes under the system you've added some new contracts to KAPS. I'm just wondering as the frac capacity gets tighter, do you feel you need whether it's the debottlenecks or KFS III is that going to be important for you to be able to attract incremental volumes onto KAPS? And if it is or just anywhere in the system you're really committed to deploying capital with long-term contracts themselves those take-or-pays generating the return. Do you feel that that's going to handcuff you going forward? Or put differently how steadfast are you to committing that new capital is going to be underpinned by long-term take-or-pay contracts generating that return and everything else is kind of gravy on top of that?

Dean Setoguchi

Yes. I'll try to answer your question and also pass it over to Jamie as well. But if I understand you correctly, I mean first of all I think the producers see the opportunity for just more condensate demand generally with TMX. And you've seen the robust volumes still in Line 3 even with TMX flowing. So, we're going to see some great growth here on the oil sands side of our business and condensate demand is going to continue to increase which is going to drive more development in that whole Montney fairway. So, that drives more demand for KAPS.

But you're right with it comes some C3+ or NGL mix. And it's not just us that has full frac so do our competitors. So, this is why we're putting a high urgency to advancing our two frac projects to have them on stream when the market needs it. And again we're seeing a greater willingness for producers to step up to contract for that capacity. But Jamie your thoughts?

James Urquhart

Yes, I can only add a little bit more Robert is as we think about the frac capacity additions we think about it in a phased manner, right? Like I mean so Frac II debottleneck will be coming online in 2026 and likely Frac III would be in the 2028 timeframe. That marries up nicely with respect to how we view the basin growth not just along the cash quarter but also as Dean alluded to down in our Southern region specifically around Rimbey.

Because remind everybody that's on the call that we've got 28000 barrels a day of frac capacity at the Rimbey gas plant which is full right now but it's full from lots of different we truck-in volumes. We do lots of different things to fill that capacity.

So, as we see growth around the Rimbey gas plant and we've got the Rimbey pipeline that connects Rimbey gas pant into the Fort Saskatchewan area, we've got a ton of optionality to be able to move liquids.

So, as we -- as Dean said, as we see that evolution and as we're getting more comfort around what the growth looks like across our entire asset base, that's going to give us the comfort based on commercial agreements that we put in place and that we're working on right now to be able to hopefully make that announcement around Frac III because we always stress that these have to be economic projects in order for us to sanction.

Robert Kwan

Got it. And so I guess just to clarify on the second part of my question. And Jamie maybe you just did it right there that if you're deploying capital into maybe a larger project like KFS III given the debottleneck probably less capital. But if you go ahead with KFS III in and of itself, that project is going to be underpinned by long-term take-or-pay contracts that get you to that attractive return?

Dean Setoguchi

Correct.

Robert Kwan

Perfect. The last question I got just is on the marketing guidance. You tended to be conservative as you put that forward. But one of the assumptions is that logistics remains smooth. So, I'm just wondering what's your take on the potential rail strike? And what does that do or not do to guidance?

James Urquhart

Yes. So, thanks again for the question, Robert. Yes. So, as we think about the rail strike, obviously, this has happened to the industry in the past. We -- one of our great strengths is that we have physical assets to be able to manage our business.

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And so as we think about that potential rail strike, we're proactively preparing for that potential outcome. And so that's where the value of on-site storage comes into play. We have significant on-site storage at the terminal that we load our iso-octane in particular. And we obviously have a lot of storage at KFS, as it pertains to loading propane railcars and ultimately butane as well. So we're -- we've got storage that we're going to utilize. And also we've got empty railcars and significant railcar storage at the terminal that we load iso-octane to make sure that we can continue to run AEF and hopefully minimize any impact that we would see as a result of a rail destruction.

Robert Kwan

That's great. Thank you.

Dean Setoguchi

Thank you.

Operator

Thank you. And your next question comes from the line of Robert Catellier from CIBC Capital Markets. Please go ahead.

Robert Catellier

Good morning. Thank you. I just wondered if you could follow on to that last answer. How long can you continue to operate during a rail strike based on your storage capacity, before there ends up being a financial impact?

Jamie Urquhart

Yeah. I think right now our estimate would be that at full rates at AEF, we'd be able to see a minimal impact to our financials for up to a 30-day disruption.

Robert Catellier

Okay. And just going back to capital allocation specifically, I'll start with the NCIB. How are you viewing NCIB in light of the financial position that you have obviously quite strong. And I'm just wondering if that -- the strength of our financial position and the recent market volatility increased the impetus to look at an NCIB or is a view that it's just easy enough to turn on that you can still afford to be patient?

Dean Setoguchi

That's a good question Rob. Eileen?

Eileen Marikar

Thanks, Robert. Yeah. As I said earlier, again, the financial strength we have is an advantage for us. The balance sheet strength where it's at. In terms of NCIB, specifically in buybacks, yeah, we certainly do understand the value of buying back shares on an opportunistic basis. So it is as you said a very simple process to put an NCIB in place. So it does remain an option.

Robert Catellier

Okay. And then...

Dean Setoguchi

Sorry, Robert. It's obviously something that we think about. And the one thing that we're committed to do is to add value per share for our shareholders. So we know that that's a tool that's out there and we've definitely had some discussions on it. Let's leave it at that.

Robert Catellier

Okay. Thanks, Dean. And then just moving to M&A. Just curious what the appetite is like for M&A in the context of being equity self-funded it's clear that your equity is self-funded for what you have on-the-go now. But would you look at M&A as having to honor the equity self-funded model? Or do you look at M&A as a discrete transaction that you'd look at the financing at that time?

Dean Setoguchi

Yeah. I mean without speaking specifically to anything on the M&A front. I'd just say that you can do the math. I mean we have tremendous optionality as Eileen spoke to with our balance sheet. So we can execute our growth projects. And if we see some good tuck-in opportunities that would enhance our integrated platform, we have the wherewithal to do a certain amount of that. I mean obviously, it's a question of the magnitude, but we do have a lot of financial wherewithal because of the strength of our balance sheet. So it's a great place to be. And again, we'll always be disciplined. And our goal is always to add and maximize shareholder value.

Robert Catellier

Okay. Last question for me. It just has to do with the maintenance capital revision. I'm curious, if it includes revised budgets for the Q3 turnarounds? Or is it really just based on the impacts you felt during the second quarter turnarounds.

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Dean Setoguchi

Yes. I'll turn that over to Jarrod.

Jarrod Beztilny

Yes it's a great question Robert. And maintenance capital is key for us in ensuring reliability of our operations and that's very important to our customers. So I'll speak to the main drivers for 2024, and also what we're doing to manage that spend going forward. So it is turnarounds that make up the bulk of that maintenance capital increase this year. And we've also had some other one-time maintenance activities arise across the portfolio. This year is our first full turnaround at Wapiti. So as we refined that scope and completed the planning, we've seen some drops increase there. And some of that is also one-time expenditures that are associated with it being our first turnaround there.

And as Eileen mentioned, most of that increased maintenance cap this year will be recoverable over the next two years. Now going forward, we'll continue to optimize that spend by extending turnaround intervals as far as we safely can and continuing to enhance our maintenance management programs and shift more to risk-based rather than time-based inspections. And these strategies will allow us to defer spending where it makes sense to do so. Maintenance cap's really important and it's certainly become a meaningful cost for us and one we'll work to drive down without compromising safety and reliability. But it really is the turnaround focus for the balance of the year that's driving that – the change that we communicated.

Robert Catellier

Okay. Thank you.

Dean Setoguchi

Thanks, Robert.

Operator

Thank you. And your next question comes from the line of Patrick Kenny from National Bank Financial. Please go ahead.

Patrick Kenny

Thank you. Good morning, everyone. Just on your ongoing portfolio optimization plan with G&P, even divested of a couple of gas plants so far this year. I'm wondering, if you're pursuing further consolidation of your G&P exposure in the South? And then on the flip side, given the excitement around Zone 4 and the Frac expansions, how you're viewing perhaps a need to beef up your G&P exposure in the North region, especially in light of some of the heightened competition in the area?

Dean Setoguchi

Hey, good morning, Patrick, great questions. First of all one thing that we're trying to do is just be uber-focused on our business and the growth of our platform. And some of the assets that we had – we've had for a long time are not integral to our business longer term. So we – this is where we're looking to optimize our portfolio.

As you know, we suspended several plants, several years ago and we did sell a couple of facilities as you saw in our last release. We'll continue to do that. Just again some of the smaller facilities that don't fit in our portfolio longer-term and we'll focus on our best and greatest growth opportunities.

Certainly, we see more opportunities in the North. As I said, we see tremendous growth in our basin out to the end of the decade. So a lot of that growth is going to happen disproportionately up in the Montney-Duvernay fairway. And we continue to look for opportunities, whether it'd be through acquisition or greenfield or brownfield opportunities to expand our platform up there. And integrate obviously, all the liquids that would come out of that into our KAPS and downstream service business.

Patrick Kenny

Got it. And I guess with power prices coming down through the quarter, looks like a bit of a tailwind for G&P margins. Can you just remind us how much of your power exposures flow through? And if this net tailwind might be enough to offset some of the near-term pressures here on margins in the South just based on kind of weaker drilling activity?

Dean Setoguchi

Jamie? Jamie is our power expert.

Jamie Urquhart

Yes. Great. An expert is a relative term, Patrick. Yeah, great question. Look, we've been very proactive in managing our power costs in the past. So I wouldn't want there to be a great expectation that you're going to see a significant margin improvement on the Gathering and Processing side, because we have through physical assets through some of the PPAs with renewables and with some financial hedging.

In my opinion, we've done a very good job of managing the volatility that we've seen for pricing over the last couple of years. So I do think that obviously lower power prices is a positive tailwind for industry and it will help us as well at certain facilities where we have more electric-intensive operations. But to repeat myself, we've consciously manage that in the past few years in my mind quite successfully.

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Dean Setoguchi

Patrick, maybe just to add on your comment about just our -- I think, it was just maybe margins and competitiveness in our South portfolio. I'd just add that, Jarrod's team is really working hard and specifically opportunities to reduce our cost profile and our South facilities. And again, I think they're making some good progress there.

Patrick Kenny

That's great. Maybe last one for me. Just given some of the progress lately that we've seen on the carbon capture front in the industrial heartland, just curious, if you had an update on where your partnerships are at with respect to participating in CCS, CO2 and Hydrogen transportation. Just any update on the cadence of some of your investment opportunities?

Dean Setoguchi

Yeah. I mean we -- Patrick, we said this before that we are very well positioned to provide low carbon services up in that -- especially in industrial heartland. I mean, we have a lot of assets up in that area already with pipe.

And we do have some specific pipes that can transport both carbon and hydrogen. So when the demand is there we can repurpose some of that infrastructure. Obviously, rail logistics for low carbon projects are important as well and we have assets that can help accommodate that.

We're still very -- we work very closely with Shell still. And I would remind you that the tie-in point for the carbon capture system is just on the North-East part of our Heartland lands. So it provides tremendous opportunities for us in the future. Jamie is there anything else you want to add?

Jamie Urquhart

No. I mean other than the fact that, during the quarter Shell announced sanctioning of the Atlas/Polaris project which is we're very positive in that as Dean said, given the proximity of the pipeline that feeds the well that disposes of that carbon.

So we continue to have conversations with Shell but also more importantly customers that might look to locate their low-carbon projects in the future on our Josephburg lands. And as Dean pointed out is that, the location of the land, but it's not just carbon it's water supply, it's the rail, Egress component and it's the connectivity that differentiates our piece of land up in the Heartland.

Patrick Kenny

And that's great. Thanks everybody. I'll leave it there.

Jamie Urquhart

Thank you.

Operator

Thank you. And your next question comes from the line of A.J. O'Donnell from TPH. Please go ahead.

A.J. O'Donnell

Hi. Good morning, guys. I just wanted to go back up to the Northern G&P and the strength that you were seeing there. Just wondering if the volumes are tracking in line or ahead of your expectations? Just any additional commentary you could provide would be greatly appreciated.

Dean Setoguchi

Thanks for your question. I'll turn that over to Jamie.

Jamie Urquhart

Yes. Thanks A.J. So yes, as you pointed out, it's really strong outcomes in the North G&P. And I would say that, yes, the growth that we've seen is in line with what we expected but it's extremely positive. We've always expected that certainly based on the expansion that we did at Pipestone that facility and that expansion is full. We're getting to the stage now with a small debottleneck project that we're going to do at the Wapiti gas plant during turnaround that we're expecting based on some deals that we've done that Wapiti is going to get close to full capacity if not at full capacity towards the back end of this year.

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And then, Dean alluded to the activity that we're seeing around Simonette and the meaningful conversations that we're having there. And so yes, our existing assets and then to Patrick's question before that, I believe it was Patrick, is around really focusing on the next opportunity up in the North in service of feeding volumes into KAPS and ultimately into our infrastructure down in the Fort Saskatchewan area.

A.J. O'Donnell

Okay. Thanks for that. Just one more from me. There's a couple of things that are going on in BC between the Blueberry River First Nation's tribe. Curious if -- what's happening there? Has any impact on discussions with your producers or could have any impact on volumes really downstream on your pipes and fracs? Thanks.

Dean Setoguchi

Thanks for the question. And where I think the -- it has the most relevance would be our Zone four project, our KAPS Zone four project where we would connect to the BC border and then into NorthRiver Midstream's proposed project in BC. And what I'd say is just first picture from a macro perspective, the geology is very good on the BC side of the border just like it is in Alberta. So we certainly see more development in BC.

Yes, there's still some challenges I think with producers the government and first the Blueberry group as well. But I believe that they will come to some resolution that might take a bit of time. But I do want to emphasize that the customers that we're talking to and the areas that we are focused on are outside of that -- or heart of that Blueberry area. So we still believe that our project is still very attractive and it's not really contingent on that resolution happening.

A.J. O'Donnell

Thanks for the color, guys. That's it for me.

Dean Setoguchi

Thank you very much.

Operator

Thank you. And your next question comes from the line of Ben Pham from BMO. Please go ahead.

Ben Pham

Hi. Thanks. Good morning. When you add up all the projects you've highlighted during this call the frac expansions, some greenfield stuff in the Montney. Are you able to share a total investment opportunity? And where returns can lie in that range that you've highlighted in the past?

Dean Setoguchi

Yes. Yes. So the question is just on the projects that we've discussed with our frac in Zone 4. Are they going to be in our investment return range? Yes. I'd just say that these are the ones that -- we're advancing and we're very I guess openly discussing them. I would say that behind the scenes are other opportunities that we're pursuing as well. And -- but maybe Eileen you can say specifically to the returns on these three projects?

Eileen Marikar

Yes. As we've said before, we've put out that 10% to 15% ROCE as a target and we certainly are looking to achieve the higher end of that range on a stand-alone basis. But it's also beyond that, it's the integrated nature of the returns and that's the key. I mean now we have the full system where we can attract returns and compound returns through the entire system including marketing and that's certainly our advantage. And when we think about these projects so the 6% to 7% EBITDA guidance that we had provided to 2025 that's outside of these projects. So adding these types of projects just help us to continue to extend the growth into the future.

Ben Pham

Can you also add -- my question too was also just total CapEx. Any way you can express it per annum or total? CapEx opportunity?

Eileen Marikar

We will likely provide a guidance in December once we get -- I think the big thing here is we're still waiting on cost information for whether it's Frac III the debottleneck as well as Zone 4. So we will provide an update on growth CapEx longer term a longer run rate for that with our December update.

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Ben Pham

Okay. And maybe can you -- there's been some rumblings of data centers coming to Alberta especially over the last week Fort Saskatchewan, Edmonton. Are you able to share from your side of things your Commercial group is there any discussions you've had? How do you think you're positioned? Is this more to South region that could benefit? And do you think this is something like a coal to gas sort of opportunity in terms of BCF per day?

Dean Setoguchi

Yes. I mean it's not something we can speak specifically about today, but we do think it's an opportunity. When you think about it, I mean we just have an abundance of natural gas, the cool ambient temperatures in Alberta certainly help with the data centers. In a lot of areas of Alberta. We have a great fiber optic network. So yes I mean certainly we look for opportunities where we can connect our system to high-value demand areas which could be more power to data centers.

Ben Pham

Okay. Got it. Thank you.

Dean Setoguchi

Thank you, very much. Have a good day.

Operator

Thank you. There are no further questions at this time. I will now hand the call back to Mr. Dan Cuthbertson for any closing remarks.

Dan Cuthbertson

Thank you very much everyone for joining us today. Please feel free to reach out to our Investor Relations team with any additional questions. And we hope everyone enjoys the rest of the summer. Thank you.

Operator

Thank you. And this concludes today's call. Thank you for participating. You may all disconnect.

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