Supply

Liquids supply from the WCSB is expected to increase significantly during the next ten years. Increases in conventional heavy oil and bitumen are expected to more than offset decreases in light crude volumes. Conventional oil reserves in Western Canada declined by 3.7% in 1999 to 3.5 billion barrels. Approximately 70% of 1999 conventional oil production was replaced, despite low exploration activity levels resulting from soft oil prices during 1999. Reserves from Alberta oil sands increased by 2.3 billion barrels to 5 billion barrels of developed, currently producing projects or projects on which significant expenditures are being incurred. It is estimated that there are 300 billion barrels of bitumen ultimately recoverable in the oil sands. The increase in heavy oil and bitumen reserves from the oil sands projects is supported by producers' proposed investments in the oil sands in northern Alberta.

Gas Transmission Pipelines

Alliance and Vector commenced service late in the fourth quarter of 2000. Thus, 2001 will be the first full year of operations for these pipelines.

Alliance Pipeline

Net earnings are expected to increase in 2001, as earnings in prior years were related to a lower average rate base. The Company's capital investment in Alliance was virtually complete at the end of 2000.

Vector Pipeline

Vector is expected to operate below its design capacity for the next three years. Consequently, earnings during this period will be at a level commensurate with throughput. Additional investments in Vector are expected to be minimal.

Supply and Demand for Natural Gas

Natural gas reserves in the WCSB decreased slightly in 1999 to 58.1 trillion cubic feet. Approximately 83% of natural gas production was replaced in 1999. Improved industry cash flow due to strong oil and gas prices has spurred extensive drilling programs resulting in a forecast 8,000 gas well completions in 2000. Demand for natural gas in North America is expected to grow at an annual rate of 2.3% until 2010. Over 75% of this growth will be for electricity generation requirements.

Northern Development

BP, Exxon and Phillips reached an agreement to jointly study the issues, opportunities and challenges of developing the pipeline transportation infrastructure to bring Alaskan gas supply to market. The four most prominent reserve owners in the Mackenzie Delta (Imperial Oil, Gulf Canada, Shell and Mobil) have been working on their own feasibility study to bring the gas supply to market. The Alaska producer study is considering two routes: a southern route and the over-the-top "northern" route, with the over-the-top route linking with the Mackenzie Delta project and bringing the combined supply to southern markets. Producer feasibility studies that will determine routing and timing, as well as the parties to be involved, are currently underway.

Over the past year, Enbridge has been very active with the producers, governments, aboriginal peoples and other stakeholders in both Alaska and Canada's Mackenzie Delta to ensure that they are aware of Enbridge's experience, strengths and ability to add value to any pipeline project that will bring northern gas to market.

Business Risks

Liquids Pipelines

Supply and Demand

Enbridge's liquids pipelines are dependent upon the supply of crude oil and other liquid hydrocarbons from Western Canada. Supply, in turn, is dependent upon a number of variables, one of which is the price of crude oil, which increased substantially during 2000. Drilling activity and production volumes have not responded as quickly. It is encouraging that producers have requested the second phase of Terrace and the extension of the Lakehead System, which suggests that increased volumes are anticipated.

Demand for WCSB crude oil and other hydrocarbons is affected by other sources of delivery into the same areas served by Enbridge's liquids pipelines. Existing pipeline capacity for the delivery of crude oil to the United States Midwest, the primary market served by Enbridge, exceeds current refining capacity. Historically, however, refiners have preferred Western Canadian light crude to other product. Volumes on Line 9, which transports light crude to Ontario from Montreal, Quebec, are replacing Canadian and U.S. domestic production and Gulf Coast imports in the Ontario market. These volumes were previously transported