Decision in Brief:

Enbridge Application for Mainline Contracting

The Commission of the Canada Energy Regulator concluded that if long-term contracting were allowed on the Canadian Mainline, access to the pipeline would change suddenly and dramatically. Overall, Western Canadian oil producers could suffer too many negative consequences.

Background

For almost 70 years, the Enbridge Canadian Mainline has been moving oil across Canada. It's the longest oil pipeline in Canada, stretching from Alberta to the U.S. border in Manitoba and re-entering Canada in Ontario. The Mainline connects Canadian producers to refineries and other pipelines in both Canada and the U.S. It also ships the most petroleum products of any Canadian pipeline at about three million barrels each day. That's around 70 per cent of Canada's total ability to ship oil from Western Canada to market.

This means that oil from almost all producers in Western Canada is regularly shipped on the Mainline.

Application

Pipeline capacity in Western Canada has been limited for years, with shippers competing for space to move their product. Enbridge highlighted that additional challenges resulting from the energy transition have caused an uncertain environment for oil producers. The company said its proposal would decrease risks for itself and its customers given uncertainty in Canada's oil industry.

In the application, Enbridge applied for two main things: to be able to enter into long-term shipping contracts and a new tolling methodology for the Mainline. For the new contracting proposal, shippers could reserve up to 90 per cent of the pipeline's capacity for a minimum of eight years to a maximum of 20 years. This model would leave as little as 10 per cent available for monthly shipments for those without a long-term contract. If approved, it would have been a significant change for the industry since Enbridge has used a 100 per cent unreserved model since it began operating.

For the tolling request, Enbridge was trying to establish pricing to go along with the new service. For those with contracts, the longer the contract and larger the volume, the greater overall discount companies would receive. Those without long-term contracts would pay more.

An important part of the application was whether Enbridge's proposal met its obligation for "common carriage." The CER Act says that an oil pipeline company must provide service to anyone who wants to ship their products on the pipeline, within reason. Enbridge proposed an open season (where potential shippers would have the opportunity to sign-up for long-term contracts) as a transparent way to offer the long-term contracts. Along with the 10 per cent uncommitted capacity, Enbridge argued this would meet its common carrier obligation.

Decision

The Commission considered many factors while making its decision. It found that, in this case, having up to 90 per cent of pipeline capacity locked into long-term contracts would dramatically change access to the pipeline. The Commission also found that negative impacts would affect certain groups more than others, so it could not support the overall application.

Similarly, the Commission felt that the overall tolling framework would excessively favour shippers that signed long-term contracts. In the end, the Commission did not approve either the tolling or the contracting portions of the application.

Positions

Supported the Application

A number of refiners and integrated companies who own refineries that are typically either directly or indirectly connected to the Enbridge Mainline. For example, Cenovus, Imperial Oil, BP Products,Motiva and United Refining Company.

Position: Seeking long-term certainty of access and largely fixed tolls and reduced risk because of reserved space on the pipeline.

Opposed the Application

Oil producers of various sizes; companies that source oil from smaller producers to sell, the Government of Saskatchewan and some refiners largely reliant on the Mainline. For example,Suncor, CNRL, MEG Energy, TOTAL, Shell Canada Limited, Co-op Refinery, and the Explorers and Producers Association of Canada.

Position: Seeking additional pipeline capacity out of Western Canada, which the application does not provide, as well as just and reasonable tolls. The constrained pipeline capacity problem would be made worse for many parties by reducing uncommitted access, and could negatively impact crude oil prices.

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