**Hearing before the**

**House Oversight and Government Reform Committee**

**on**

**“America’s Energy Future Part II: A Blueprint for Domestic Energy Production”**

**Prepared Statement of**

**Kevin Hatfield, Senior Director, Gathering Systems**

**Enbridge Pipeline (ND) LLC**

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Mr. Chairman and members of the Committee, thank you for this opportunity to appear before you and to offer Enbridge’s views on the growing domestic oil supplies, such as those in western North Dakota, and the challenges in getting these new resources to market.

As you may know, Enbridge is a leader in energy delivery throughout the U.S. and Canada. As part of its crude oil delivery system Enbridge operates the longest crude oil pipeline system in the world. That system provides more than 2.5 million barrels per day (bpd) of crude oil to the major refinery markets located throughout the United States especially the upper Mid-West region to Cushing, Oklahoma – America’s heartland. With the recent acquisition of the Seaway Crude Pipeline System, along with partner Enterprise Products, the system now spans from northern Alberta to the western Gulf Coast refinery hub. Enbridge operates natural gas pipeline systems in the Gulf of Mexico, in shale gas plays in Texas and Oklahoma and as a partner in the Alliance Pipeline system seeks to expand gathering opportunities in the Bakken. As a distributor of energy, Enbridge owns and operates Canada's largest natural gas distribution company, and provides distribution services in Ontario, Quebec, New Brunswick and New York State. As a generator of energy, Enbridge has interests in almost 1,000 megawatts of renewable and alternative energy generating capacity and is expanding its interests in wind and solar energy, electric transmission, geothermal and hybrid fuel cells. Enbridge employs approximately 7,000 people, including more than 2,500 people in the U.S.

For more than sixty years, Enbridge has transported and delivered energy throughout North America, safely and reliably. Our job is to connect oil and gas supply with demand, and we do that through a network of pipelines and other transportation facilities. Over the next three years, Enbridge plans to invest another $11.8 billion in our energy generation, and transportation infrastructure, including $6.6 billion in the United States. These investments follow an equally impressive investment in over 1,500 miles of new pipelines along our Mainline System over the last five years. These opportunities would not be possible if not for the energy renaissance occurring in North America – including the Bakken here in North Dakota.

Here in North Dakota, Enbridge is celebrating its 50th Anniversary as a pipeline company through our acquisition of the Portal Pipeline Company. In 2005, the capacity of our North Dakota system, which extends into eastern Montana, was 80,000 bpd – quite inadequate for Bakken producer demand at that time. Enbridge has worked hard to catch up to the capacity demands since that time. After numerous capacity expansions Enbridge has increased capacity from that initial 80,000 bpd to 275,000 bpd today. In early 2013, Enbridge’s pipeline capacity from North Dakota will exceed 355,000 bpd. ***This represents a four-fold increase in pipeline capacity during the past seven years.***

However, pipeline projects, by their nature, are time intensive involving land acquisition, permitting and construction. Additional capacity is needed to meet producer demand in the interim, and so Enbridge has included rail transportation as part of its energy delivery portfolio to meet the additional demand capacity. Enbridge delivers crude oil via pipeline to third party rail facilities today, and in early 2013, will supply its own pipeline customers with Bakken crude rail exports through a new Enbridge rail terminal that will be jointly operated with the farmers of Berthold, North Dakota. This current example of close integration with the local community to safely and responsibly develop our projects is merely a reflection of the way Enbridge does things not only in North Dakota but throughout North America. It reflects Enbridge’s concern for the needs of our customers and those actively developing the Bakken resource by providing economical pipeline or rail “optionality” along with pipeline access to markets throughout the Great Lakes region, the Midcontinent, eastern Canada, the US East Coast, and the US Gulf Coast. Once Berthold Rail reaches full capacity in early 2013, Enbridge’s total rail export capacity will exceed 120,000 bpd, bringing our total export capacity for Bakken crude from North Dakota to more than 475,000 bpd.

Our Bakken Pipeline Expansion Project (“BPEP”) currently under construction reverses a cross-border pipeline so Bakken supplies can connect with the Canadian portion of our mainline system and, thus, reach most of the Mid-Continent’s refineries, adding another 145,000 bpd. Our next major pipeline expansion, the Sandpiper Expansion project, will be a new line constructed adjacent to our existing pipeline in North Dakota, and will add another 225,000 to 325,000 bpd in capacity at an estimated cost in excess of $2 billion. The target is for Sandpiper to be in service late 2014-2015.

In addition to broad support in North Dakota, Enbridge will need to work with existing shippers on our Enbridge Mainline System downstream of Clearbrook to develop expanded pipeline capacity from Clearbrook into Superior, Wisconsin, the Chicago area and beyond.

Specifically, as export capacity from North Dakota increased, the need for additional pipeline capacity downstream of Clearbrook, across the United States and to new markets became evident. In 2008, Enbridge’s Spearhead Pipeline project provided Bakken crude with its first access into Cushing, Oklahoma. In 2011, Enbridge acquired the Seaway Crude Pipeline System, and in May 2012, reversed the Seaway Pipeline to provide Bakken crude with its first pipeline access from Cushing to US Gulf refinery markets. Enbridge’s has announced additional expansion projects along these Spearhead and Seaway corridors that are under construction today. Also, Enbridge has announced pipeline expansions of its Great Lakes pipeline systems that include a new pipeline into Toledo, Ohio and the reversal of Line 9 into Montreal to provide access to refineries in eastern Canada. There also is a need for Bakken light crude in the Eastern seaboard area – particularly in the Philadelphia refinery markets. Enbridge is in the early stages of providing rail import capacity to these area refineries as an interim solution. It is likely that these rail imports may materialize into a pipeline into the area.

As I have stated earlier, pipelines provide the safest and most reliable means of transporting crude oil from the wellhead to the refinery markets. However, with opportunities to grow our infrastructure come challenges to build it. The biggest challenges include:

* Commercial certainty
* Regulatory timelines and approvals
* Public Scrutiny and acceptance

Commercial certainty:

Our discussions with shippers are aimed at developing the right-sized, right-priced, and right-timed expansion for take-away capacity into the future to connect to the right refineries in America. Whether the market supports Enbridge’s solution or others, one way or another we must address the need for capacity south of Clearbrook to link to refineries hungry for Bakken sweet crude supply. We must keep in mind that as a common carrier, we are obliged to provide service to all that can meet and fund our standards for delivery without discrimination. Our biggest challenge is the ability to extend beyond northern Minnesota to tap refinery markets in the Midcontinent and throughout the United States. To connect to refineries, Enbridge needs to complete expansions on our mainline system east of Clearbrook, MN. This link is critical to ensure Bakken crude will have access to refineries already connected to the Enbridge system in the Chicago, Detroit, Toledo and eastern Canada and areas, as well as access to refineries along the gulf coast, home of more than 50 percent of America’s refinery capacity. Part of that puzzle is now complete with the recent reversal of the Seaway Pipeline System and planned doubling of its capacity by mid-2014. Enbridge is now working with shippers to determine the best short term transportation solutions to extend to the East Coast and New England, including added capacity east of our current Michigan or Ohio destinations to extend as far as Pennsylvania and New Jersey - - home of refineries who are eager to tap Bakken supply and reduce their reliance on waterborne imports. While it may seem that meeting our customer’s needs should come easily, our customers – producers, marketers and refiners – sometimes compete, so designing a system expansion that can be agreed to by all interests can be challenging.

Regulatory Timelines and Approvals:

Interstate crude oil pipeline projects cross multiple state jurisdictions. Each state has its own regulatory regime and timelines. To give some perspective of a project timeline I would like to cite an example from one of our most recently completed large-scale projects.

The Southern Access project involved building a 42 inch pipeline from Superior, Wisconsin to Flanagan, Illinois, mostly in existing pipeline corridor. The first permit application was filed in June 2006, the last permit approval was received in April 2008, and the project was completed and in service in March 2009 – about 34 months. Inconsistent regulations and procedures of states in interstate type projects require companies to conservatively plan for longer lead times and can lead to economic uncertainty for a project. However, our goal of North American energy independence can only be realized with the support of federal and state governments in ensuring that regulatory processes are predicable, manageable and balance the impacts of such long projects with the undeniable benefits to the United States. If we Americans are able to reduce our dependence on imports from countries often unstable or less friendly to our interests, both our economy and our national interests are improved.

Public Scrutiny and Acceptance

Developing production areas such as the Bakken have brought much economic benefit. This activity has also brought many challenges to the communities impacted such as infrastructure needs, housing and highway safety to name a few. To address these concerns Enbridge has greatly enhanced its resources in:

* public outreach and education,
* open houses to describe current operations and proposed projects,
* outreach, education, coordination and support with our local EMS units,
* public awareness programs and
* community investment.

A direct result of our pipeline projects in North Dakota is reduced stress on the local roadways. As an example, Enbridge is expanding the western portion of its system by adding new facilities and pipeline or upgrading existing facilities that have the maximum design capacity to save approximately ***143,000 truck miles per day.***

Hopefully, you can agree that Enbridge’s commitment to the communities where we live, work and raise our families is as strong as our long history of providing safe and reliable pipeline transportation not only in North Dakota, but across North America, and that our commitment to continue to meet the challenge to pro-actively provide additional capacity to more markets is as solid as our past.

Again, thank you Mr. Chairman for this opportunity to testify before the Committee. I would be happy to answer any questions related to my testimony.