

August 3, 2017

Michigan Pipeline Safety Advisory Board
7109 West Saginaw Highway
Lansing, MI
48917

Alternatives Analysis for the Straits Pipeline Comment from the Canadian Propane Association

Overview

The safety of the Enbridge Line 5 has been discussed in Michigan since 2010. A Michigan Petroleum Task Force was formed and in 2015, the Michigan Pipeline Safety Advisory Board (MPSAB) was created. The Board conducted an Independent Alternatives Analysis of Enbridge's Line 5 Pipelines crossing the Straits of Mackinac.

Published in 2017, the Alternatives Analysis is a systematic comparison of the feasibility, costs, benefits and risks of several alternatives, including, as a base case, continued operation of the existing Straits pipelines. Furthermore, an independent, detailed engineering evaluation of the existing pipelines and of their safe and reliable operating life was included in this report. And while the contractor was not charged with recommending a preferred alternative, the report provides the State, Enbridge and the public with information that is useful to help guide decisions about the future of the pipelines.

Based on the Alternatives Analysis and the evaluation of current practices and safety standards, the Canadian Propane Association (CPA) is of the view that the existing Line 5 demonstrates clearly and scientifically, that its continued operation is safe, reliable and the most cost-effective way to get energy to U.S and Canadian markets.

In addition, Enbridge Line 5 plays a crucial role in supplying energy, jobs and tax revenue to the Great Lakes region both in the United States and in Canada.

The Importance of Line 5

For the propane industry in the United States and Canada, the Enbridge Line 5 is a critical link for transporting natural gas liquids (NGLs, including propane) from their source to final markets in Michigan, Canada and surrounding US states.

The CPA understands from the Report that any changes to the operation of Line 5 will have a significantly negative impact on propane supplies into these markets; reducing available quantities due to lack of remaining infrastructure, increasing transportation fees and ultimately pushing up energy costs and greenhouse gas (GHG) emissions for all affected consumers. In addition, without Line 5, there could be a risk of unaccountable outages of energy in Michigan, Ohio and Ontario.

Without Line 5, shipping costs to Michigan and Sarnia for Alberta and Bakken crude and NGL's would increase by 40% to 60%, or roughly 10 to 14 cents per gallon, resulting in increased costs to consumers:

- Increased propane shipping costs of 12 cents per gallon would result in an average increase of residential propane price by at least 6%.
- Lack of pipeline access, and increased transportation costs could also result in Alberta and Bakken crude/propane supplies shifting to other refining and consuming centers.

An Integrated Energy Economy

While Line 5 is an important link for Canada, in an integrated North American energy market, Line 5 is more than a pipeline that moves energy resources into Canada. It provides vital oil and gas supplies for the Michigan market. In fact, 85% of homes in the Upper Peninsula and northern Michigan get their propane from the NGLs transported on Line 5.

Line 5 shipments of crude oil that is refined in Michigan and Ontario account for much of the propane used in the Lower Peninsula. Michigan receives over 50% of its propane supply (257.9 million gallons) from imports from Ontario's refining sector and NGL fractionators. In fact, 321,620 households in Michigan use propane as their primary space heating fuel. 20,690 of these are located in the Upper Peninsula (18.1 percent of all households), and 300,930 (8.1 percent of all households) are in the Lower Peninsula.

In 2015 Michigan consumed 459.9 million gallons of propane—29.6 million gallons in the Upper Peninsula and 430.3 million gallons in the Lower Peninsula. Of this, the vast majority—360.5 million gallons—was consumed in the residential sector for space heating, water heating, clothes drying, cooking, and other applications.

The propane industry, through the supply it receives from Line 5, is important to the prosperity of the Great Lakes regional economy in many ways, including creating jobs, generating revenue and taxes, and of course providing an affordable and low-emission energy fuel.

Safe and Reliable

For the CPA, safety and protecting the environment is a top priority. Pipelines are without a doubt the safest way to transport oil and gas. In addition, when compared to rail or road transportation, pipelines are the safest¹, most efficient and most cost-effective way of transporting energy resources.

Enbridge's Line 5 Straits of Mackinac crossing was built for an underwater environment, and still exceeds today's standards for pipeline safety. The twin pipelines under the Straits have not experienced any leaks in six decades of operation—a testament to their design, construction, and maintenance regimen. Furthermore:

- Line 5 has 24/7 monitoring and inspection by a dedicated team
- The energy industry has an ongoing commitment to safety, to the environment, to employees and to the wider community

¹ 2015, Kenneth P. Green and Taylor Jackson, Safety in the Transportation of Oil and Gas: Pipelines or Rail?, <https://www.fraserinstitute.org/article/pipelines-are-safest-way-transport-oil-and-gas>

The CPA has confidence in the Alternatives Analysis and the evaluation of the existing Line 5 along with current safety practices, all of which demonstrates clearly and scientifically, that the continued operation of Line 5 is safe, reliable and the most cost-effective way to get energy to U.S and Canadian markets.

Conclusion

Considering that the closure of Line 5 would have a significantly negative economic impact in the United States and in Canada, the CPA urges the Board to consider all the relevant facts including the independent safety evaluation of the Line 5 pipeline published in the Alternatives Analysis. The CPA hopes that the Board will conclude that Line 5 must continue to be a critical link for transporting propane into Michigan.

The CPA is available to assist the Advisory Board in any way that may be helpful. Please feel free to contact Allan Murphy, Vice-President, Government Relations at allamurphy@propane.ca or 613-683-2278.

Sincerely,

Nathalie St-Pierre
President & CEO
Canadian Propane Association

About the Canadian Propane Association

The CPA is the national association for Canada's propane industry, representing over 400-member companies in every region of the country. Many of these companies also operate the U.S. Our Mission is to champion propane and the propane industry in Canada, and to facilitate best practices, safety and a favourable business environment, through advocacy, training and emergency response.

CPA's member companies include: Producers, Wholesalers, Transporters, Retailers, Manufacturers, Distributors and Service Providers of Equipment and Appliances, Associated Industries.

Recognized for its low environmental impact by the Energy Policy Act of 2005, propane is one of the cleanest and most versatile fuels in existence. Propane's greenhouse gas (GHG) and particulate emissions are significantly lower than most other carbon-based fuels, such as gasoline, diesel and heating oil.