

ENBRIDGE INVESTOR'S MEMO

ABOUT SHAREHOLDERS FOR PARIS COMPLIANCE

Investors for Paris Compliance (I4PC) is a shareholder advocacy organization that works with investors to hold publicly traded Canadian companies accountable to their net zero commitments.

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VOTE FOR THE I4PC SHAREHOLDER PROPOSAL AT THE ENBRIDGE AGM

Meeting date: **May 4, 2022**

Proxy cut-off date: **1:30pm MDT, May 2, 2022**

NOTE: This is not a solicitation of authority to vote your proxy. Please DO NOT send us your proxy card; I4PC is not able to vote your proxies, nor does this communication contemplate such an event. I4PC urges shareholders to vote FOR its shareholder proposal at Enbridge following the instructions provided on management's proxy mailing.

THE SHAREHOLDER PROPOSAL

Investors for Paris Compliance (I4PC) has submitted a shareholder proposal to be considered at Enbridge Corporation's 2022 annual general meeting of shareholders. The resolved clause of the resolution is as follows:

Resolved: Shareholders request that Enbridge by the end of 2022 strengthen its net zero commitment such that the commitment is consistent with a science-based, net zero target.

The full resolution together with the supporting statement can be found in the Appendix. Enbridge has made a net zero commitment that superficially appears to illustrate an understanding of the energy transition and a commitment to reduce their ghg emissions. However, Enbridge's current net zero plan is not consistent with the principles of a Paris-aligned, science-based net zero commitment.

The resolution asks Enbridge to strengthen its net zero commitment to be consistent with what needs to be included in credible, science-based net zero commitments:

- Align capital expenditures with a science-based net zero target
- Account for all Scope 3 emissions (from the value chain)
- Develop an absolute ghg emission reduction target for 2030
- Develop, communicate, and implement a decarbonisation strategy

Adopting a Paris-aligned, science-based net zero commitment is critical if Enbridge wishes to manage the risks and opportunities associated with the transition to a low-carbon economy that ensures a reliable chance of the world remaining within 1.5°C global warming.

BACKGROUND

- What constitutes corporate climate action has shifted dramatically in the past few years with the adoption of the Paris Agreement and the scientific consensus that action is needed by all countries and all sectors to avoid the worst of climate change. The Paris Agreement's 1.5°C limit requires approximately halving global GHG emissions by 2030 against a 2019 baseline.¹
- Assessing what is real and credible action can be difficult as companies are taking diverse approaches, and there is only now emerging work to provide clear guidance for evaluating companies' efforts.
- A range of stakeholders (investors, government, partners, and the public) around the world are calling for companies to take responsibility for the impact of their activities. Companies around the world are responding and taking action to address climate change.
- Science-based net zero principles have emerged from organizations such as Science Based Targets Initiative (SBTi), the Institutional Investors Group on Climate Change (IIGCC), and Climate Action 100+ (CA 100+) to provide strong guidance for creating net-zero commitments that are consistent with a Paris Agreement-aligned future. These have been summarized in the below table, which assesses Enbridge's current net-zero plan.



"Net-zero has rapidly moved to the mainstream yet the definition of net-zero itself, as well as the path to get there, has been interpreted in different, and often inconsistent ways. In the absence of a common definition, targets can differ in terms of the sources of emissions included, the depth and speed at which emissions are reduced, and the timeframe of the target. This has fuelled confusion and accusations of greenwashing." – SBTi [Why set a science-based net-zero target?](#)

¹ According to the IPCC's 2018 special report, a reduction in global CO₂ emissions of approximately 45% from 2010 levels by 2030, and then net-zero global CO₂ emissions by around 2050 is required. According to the 2021 IEA Net-Zero by 2050 report, a 43% reduction of CO₂ emissions would be needed by 2030 from 2019 levels for a 50% chance of limiting global warming to 1.5°C, with no or limited overshoot. For a greater chance of success, steeper emissions would be required.

SCIENCE-BASED NET ZERO PRINCIPLE	ENBRIDGE'S PERFORMANCE
<p>Set a target for 2030 that results in absolute reductions</p> <ul style="list-style-type: none"> • 2030 target must be consistent with the Paris Agreement's target of halving global GHG emissions by 2030 against a 2019 baseline • Intensity targets can be used if companies also report on the equivalent absolute reduction and that it meets the 50% reduction level. 	<p>Enbridge only has a 35% intensity based emission reduction target for 2030 which lacks the ambition required to halve their absolute emissions.</p>
<p>Scope 3 emissions include in company GHG targets</p> <ul style="list-style-type: none"> • For companies in sectors with emissions where more than 50% of the overall emissions come from Scope 3 (e.g. O&G sector) the companies must account for the Scope 3 emissions of the product they are selling and distributing. 	<p>Enbridge has failed to include Scope 3 emissions in its GHG targets and net zero commitment. As Enbridge's scope 3 emissions are 79% of its overall emissions (as reported in Enbridge's 2021 CDP report), it surpasses the 50% threshold.</p>
<p>Primary focus on reducing company emission</p> <ul style="list-style-type: none"> • Companies must focus on reducing their own emissions first. • If additional reductions are necessary then offsets can be used with the use of nature-based offsets being problematic and should not be the primary offset source. 	<p>Enbridge has further work to do in improving its efforts to reduce its own emissions as part of a science-based net zero plan. As a result, it would be too early for the company to start purchasing offsets.</p> <p>Additionally, Enbridge has focused on nature-based solution offsets as their primary offset source.</p>
<p>Low carbon capital expenditures</p> <ul style="list-style-type: none"> • Companies' need to explicitly commit to align capital expenditure plans with the Paris Agreement • This re-alignment means companies shift investments away from emissions-producing activities and towards investments in emissions-reducing activities. 	<p>Over 80% of Enbridge's current capital expenditure is being invested in high emitting assets that will increase emissions (gas and oil/liquids pipelines and infrastructure).</p> <p>Its Line 3 pipeline project is adding 193 million tons of carbon dioxide (CO₂) to the atmosphere—as much as a dozen, large coal-fired power plants emit in a year.</p>

- Science-based net zero commitments provide a necessary framework for companies to manage the large opportunities and risks associated with the economic and political shifts associated with a 1.5°C future. Companies need to explicitly commit to align capital expenditure plans with these targets. This re-alignment means companies shift investments away from high carbon activities and towards investments in low and zero carbon activities.
- A recently released [report](#) by the New Climate Institute and Carbon Market Watch finds that 25 of the world's most valuable companies have net-zero plans that are much weaker than they appear. The report indicates that nearly half of the 25 businesses do not have specific commitments to reduce emissions by their target net-zero year, and the remaining 13 plan to cut emissions across the value chain by 40% on average instead of achieving net-zero as their pledges suggest.
- Much like these companies our review of Enbridge's net-zero commitment shows that they are also not achieving a science-based net-zero commitment.



Enbridge does not use science-based net zero principles such as absolute emission reduction target of 45% by 2030, accounting for Scope 3 emissions in its targets, or aligning its capital expenditures with the Paris Agreement

THE GLOBAL ENERGY TRANSFORMATION

- There is a global energy transformation occurring that will completely change our energy systems. These shifts are driven by the need to act on climate change combined with geopolitical and economic opportunities that exist with the shift to a low-carbon economy.
- For the O&G sector, the IEA's Net Zero Emissions [scenario](#) has stated that the transformation will see oil and gas production decline by about 3–4% per year with no need for the development of new oil or gas fields after 2021.
- Recently released data from Bloomberg [reports](#) that global investment in low-carbon energy transition hit \$755 Billion which was a 27% rise over 2020 levels. To achieve net zero, Bloomberg reports that investment needs to roughly triple, to average \$2.1 trillion per annum between 2022–2025, and doubling again to an average of \$4.2 trillion between 2026 and 2030.
- The O&G sector lags in [making clean energy investments](#) but there are signs investment is increasing, although not at the same level as its business-as-usual investment. As part of the O&G sector's overall capital expenditure, clean energy investment rose to 4% of capital allocation in 2021 as compared to only around 1% in 2020.
- Fossil fuel supply challenges in Europe resulting from the Ukrainian conflict is accelerating action to secure more energy while not sacrificing their climate goals. Demand for fossil fuels beyond 2023 could be driven down as a result of the conflict as Europe fast tracks its energy de-carbonization efforts—renewables could [replace two-thirds](#) of Russian gas imports by 2025 with the remaining gas demand being met from other regions without building new gas infrastructure.
- For Enbridge, these changes in the global energy transformation have potentially dramatic impacts as its current business is primarily focused on the declining oil and gas part of our energy system. The elements of a science-based net zero commitment would create the foundation for the company to understand and communicate to its investors the risks and opportunities it faces with this global energy transformation.



Over 80% of Enbridge's current capital expenditure is being invested in high emitting assets that will increase emissions (gas and oil/liquids pipelines and infrastructure). For example, its Line 3 pipeline project is adding 193 million tons of carbon dioxide (CO₂) to the atmosphere—as much as a dozen, large coal-fired power plants emit in a year.

REASONS FOR SUPPORT

Here are the reasons to vote in favour of this proposal:

1. Mitigate growing climate risk

The challenge for Enbridge and its investors rests with how quickly an incumbent like Enbridge can pivot to low carbon investments that meet tomorrow's clean energy demand and reduce the company's overall emissions.

Enbridge is making investments in solar, wind and other potential low carbon projects. However, scale matters as our analysis shows that 15% of Enbridge's capital investment between 2021–24 will be in these low-carbon projects while over 80% of its investment will continue growing overall ghg emissions as the investments are in traditional fossil fuel infrastructure. Considering the projected dramatic decreases in O&G supply and demand, clear climate policy direction we believe that Enbridge's current capital expenditure is increasing the company's carbon exposure and risk.

A delayed pivot jeopardizes the future financial viability of Enbridge with its fossil fuel pipeline assets at risk of being underutilized with decreasing fossil fuel demand and supply. Switching more quickly to different products (hydrogen, CO₂) in these pipelines is a potential action that can be planned for today by making the additional capital investment to make the pipelines hydrogen or CO₂ ready.

2. Alignment with commitments from investors and banks

Many of Enbridge's investors are signatories to the various financial sectors net zero initiatives that exist ([Net Zero Banking Alliance](#), [Net Zero Asset Managers](#)). Some key, shared commitments in these initiatives include:

- Take account and manage scope 1 and 2 and include and manage Scope 3 emissions where significant/material, as they are in the oil and gas sector.
- Set targets to reduce absolute emissions from investments to 50% by 2030 and net zero by 2050.

For signatories to achieve their commitments, their clients will need to achieve them too. A clear area for alignment is clients setting aligned net zero goals. As we have recently seen, work by [leading banks and investors](#) to quantify their financed emissions has relied heavily on estimates. Having a science-based net zero commitment is critical as it creates the foundation and impetus for the work needed to acquire and manage the data that is required. Managing risk is difficult based on estimates, so clients with improved net zero ambition and reporting will reduce investor uncertainty and risk.

Many of Enbridge's investors have made science-based net zero commitments. Ultimately, to fulfill their own climate commitments these investors will seek investments in companies who also have science-based net zero commitments.



ENBRIDGE RESPONSE, WITH REBUTTALS

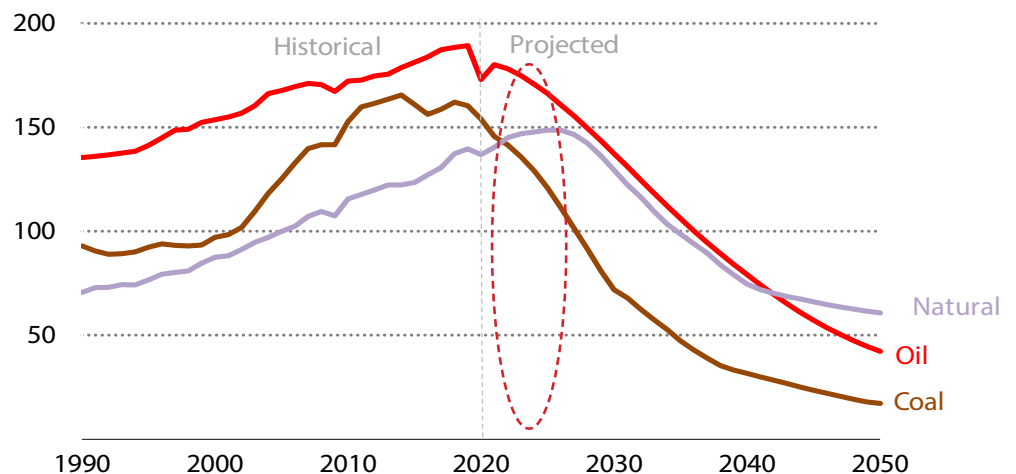
Here are Enbridge's arguments against our shareholder proposal (found in its [proxy circular](#)) together with our rebuttals:

Enbridge's net zero and interim 2030 targets are already based on science and aligned with the objectives of the Paris Agreement: This is untrue once you actually examine what alignment with science-based or the Paris Agreement actually entails. As stated above, Enbridge is not meeting these essential science-based net zero principles.

There is no science-based net zero guidance for mid-stream companies: The lack of specific guidance for companies in Enbridge's sector has not hampered Enbridge from making their initial net zero commitment. As stated in their response to our proposal, they have used the SBTi target tool and methodology in setting their interim targets. They have in fact only used part of the tool as there are sections which provide guidance for estimating scope 3 emissions, and developing a 2030 absolute emission reduction target. We see Enbridge's familiarity with part of this science-based tool as a great first step towards fully committing to implementing a science-based net zero approach.

Enbridge is making investments in clean, low carbon technologies such as renewable power, renewable natural gas, hydrogen and carbon capture: As stated above, over 80% of Enbridge's current capital expenditure is being invested in high emitting assets that will increase emissions (gas and oil/liquids pipelines and infrastructure). Enbridge has made some renewable investment in Europe but has not yet started to make investments in other low carbon technologies beyond [pilot projects in renewable natural gas and/or hydrogen](#). Enbridge needs to commit to aligning its capital expenditures with a science-based 2030 target of reducing absolute emissions by 45%. Those low carbon capital expenditures will provide growth opportunities for the company while reducing risk and exposure in a de-carbonizing economy.

There will be demand for liquids and fuels even in 2050: Demand for O&G is set to drop significantly as our world moves towards meeting the Paris agreement. As discussed above, in the IEA's Net Zero scenario demand for O&G drops significantly from 2020 production levels even in the next 5–10 years (see figure below).



Source: Figure 3.2 International Energy Agency (2021), Net Zero by 2050, IEA

Instead of using net zero scenarios Enbridge cites the IEA's **Announced Pledges Scenario** as evidence for the belief that there will be future growth in demand for oil and gas products. Unfortunately, the IEA's announced pledges scenario is not consistent with Paris agreement and science-based net zero commitment **resulting** in 2.1 °C of warming by the end of the century.

PEERS

Enbridge is not on par with leading O&G companies' **net zero commitments**. While still having a long way to go, companies like Total, BP and Eni have committed to absolute 2030 emission reductions goals, account for full life cycle emissions including Scope 3, and cover all parts of the companies' global activities. Recently, Canadian Natural Resources **committed** to including Scope 3 emissions in public disclosure reporting.

ENGAGEMENT

Investors for Paris Compliance met with Enbridge on four occasions. There was good dialogue and discussion about the elements in our proposal. It is apparent that Enbridge is aware of science-based net zero principles, yet the company will not yet commit to these principles.

In advocating for Enbridge to commit to science-based net zero principles, we believe it will expand Enbridge's strategic vision and scope to be better prepared for the de-carbonization of our economy. We have been clear that we believe their current strategy has serious risks in a de-carbonizing world and that adopting a science-based net zero commitment would position the company for growth in the new economy.

APPENDIX

INVESTORS *for* PARIS COMPLIANCE

December 2, 2021

Corporate Secretary, Enbridge Inc.
200, 425 – 1st Street SW, Calgary,
Alberta, Canada T2P 3L8
corporatesecretary@enbridge.com

To Whom It May Concern:

Please accept this shareholder proposal for consideration at the next annual shareholder's meeting.

This proposal is submitted by shareholder DI Foundation at #3-530 Trutch Street, Victoria, BC, V8V 4C4 who hold 75 shares that have been held for over six months. They have held shares that exceed the threshold for filing a proposal since 2019. We are happy to provide proof of ownership if requested.

DI Foundation is represented in this matter by Investors for Paris Compliance, an organization dedicated to shareholder advocacy at 185-911 Yates St, Suite 561, Victoria, BC, V8V 4Y9 For further correspondence regarding the proposal, please direct communications to the signatory below at duncan@investors4paris.com or at 403-999-2036. We are open to dialogue on the proposal.

Yours sincerely,



Duncan Kenyon
Director, Corporate Engagement

Enclosure: shareholder proposal

SCIENCE-BASED NET ZERO TARGET

Resolved: Shareholders request that Enbridge by the end of 2022 strengthen its net zero commitment such that the commitment is consistent with a science-based, net zero target.

Supporting Statement

Achieving net zero represents a significant challenge and opportunity for Enbridge and requires a commitment to transform its business. A science-based, net zero commitment illustrates to investors and other stakeholders that Enbridge understands the financial and reputation risks, and the opportunities that exist in the fast-paced transition to a low carbon economy.

As the Climate Action 100+ report on Enbridge¹ shows, the company has made a first step towards a 2050 net zero target. But to be consistent with the principles of a science-based net zero commitment Enbridge needs to strengthen its net zero commitment. Clear guidance is emerging in new standards (e.g. Net Zero Standard for Oil and Gas², The Science Based Targets initiative³) on what needs to be included in credible, science-based net zero commitments:

- Align capital expenditures with a science-based net zero target
- Account for all Scope 3 emissions (from the value chain)⁴
- Develop an absolute ghg emission reduction target for 2030
- Develop, communicate, and implement a decarbonisation strategy

A science-based net zero commitment is critical in illustrating that Enbridge understands that the change occurring in our energy systems must be much swifter and transformative than commonly understood. For example, the IEA's World Energy Outlook 2021⁵ states net zero means "no new oil and gas fields are required beyond those already approved for development" in conjunction with a historic investment surge in clean technologies with a significant role for the oil and gas industry's expertise as it "fits well with technologies such as hydrogen; carbon capture, utilization and storage; and offshore wind⁶."

Currently, Enbridge's net zero commitment falls short in the following ways:

- Capital investment is still heavily weighted towards gas and liquids infrastructure⁷ while only being "positioned for low-carbon opportunities⁸"
- Use of an intensity-based target for 2030 instead of an absolute one
- Failure to adequately measure and target Scope 3 emissions in its net zero commitment. (Enbridge measures avoidance of some Scope 3 emissions but does not measure Scope 3 emissions)⁹.

As North America's largest midstream company, Enbridge needs to lead by developing a science-based net zero commitment that would illustrate to investors and stakeholders that the company understands the risks, opportunities, and speed of the transition to a low carbon energy system.

We urge shareholders to vote FOR this proposal.

ENDNOTES—APPENDIX

- 1 <https://www.climateaction100.org/company/enbridge-inc/>
- 2 <https://www.iigcc.org/resource/net-zero-standard-for-oil-and-gas-companies/>
- 3 <https://sciencebasedtargets.org/>
- 4 SBTi recommends scope 3 emissions be included for companies with scope 3 emissions that represent >40% of overall emissions
<https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf>
- 5 <https://www.iea.org/reports/world-energy-outlook-2021>
- 6 <https://www.iea.org/reports/net-zero-by-2050>
- 7 2021-23 capital investment: 31%: liquids pipelines: 50% gas transmission and distribution; and 19% renewable power generation https://www.enbridge.com/investment-center/reports-and-sec-filings/~media/Enb/Documents/Investor%20Relations/2021/2021_Q3_Supplemental_Package_FINAL.pdf
- 8 Enbridge Investment Community Presentation (August 2021)
<https://www.enbridge.com/~media/Enb/Documents/Investor%20Relations/2021/Enbridge%20Investment%20Community%20Presentation%20August%202021.pdf>
- 9 https://www.enbridge.com/~media/Enb/Documents/About%20Us/Net_Zero_by_2050.pdf?la=en

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