inter pipeline

News Release

Inter Pipeline Fund Announces 2011 Capital Expenditure Program

CALGARY, ALBERTA, JANUARY 20, 2011: Inter Pipeline Fund ("Inter Pipeline") (TSX: IPL.UN) announced today its planned capital expenditure program for 2011. Inter Pipeline plans to invest approximately $223 million in total capital, with $205 million forecast for organic growth projects and $18 million for sustaining capital projects. Capital expenditures in Inter Pipeline's oil sands transportation business segment are expected to account for approximately 70% of forecast growth capital in 2011.

In 2011, Inter Pipeline will again direct the majority of capital expenditures toward the oil sands transportation business segment. Overall spending levels are forecast to be lower than in 2010 due to reduced spending on the Corridor expansion project as it nears completion. Reductions in Corridor capital spending will be partially offset by spending increases related to development of the Polaris and Cold Lake pipeline systems.

Inter Pipeline's capital program for 2011 reflects continued dynamic growth and a positive outlook for the business. The fundamentals of Inter Pipeline's four business segments remain strong, and major organic growth projects currently underway will materially increase future cash flow. Projects including the Corridor capacity expansion project, development of the Polaris pipeline system, and expansion of the Cold Lake pipeline system are collectively forecast to increase Inter Pipeline's long-term EBITDA by over $200 million per year once in service, representing an increase of approximately 60% over forecast 2010 levels.

Capital Expenditure Summary

(millions)	2011 Forecast	2010 Forecast
Growth Capital		
Oil Sands Transportation*	$143	$296
NGL Extraction*	46	4
Bulk Liquid Storage	11	18
Conventional Oil Pipelines	5	5
Total Growth Capital	205	323
Sustaining Capital	18	16
Total Capital	$223	$339

* Represents Inter Pipeline's proportional ownership interest in the Cold Lake pipeline system and the Empress V NGL extraction facility

Oil Sands Transportation

In 2011, Inter Pipeline will continue to focus growth capital expenditures on pipeline projects within the oil sands transportation business segment. A total of $143 million in growth capital is planned for the year on the Corridor, Cold Lake, and Polaris systems.

In 2011, construction on the Polaris pipeline system will account for most of the capital expenditures in the oil sands segment. The Polaris system will transport diluent to the Kearl oil sands project owned by ExxonMobil and Imperial Oil, and to the Sunrise oil sands project owned by Husky Oil Operations Limited and BP Energy Canada. Total capital required to complete the Kearl and Sunrise projects is approximately $150 million, with $105 million to be spent in 2011. Beginning in 2012, the Polaris pipeline will provide 60,000 b/d of diluent transportation capacity for the Kearl oil sands project. Starting in late 2013, the Polaris pipeline will provide 30,000 b/d of capacity for the Sunrise project. Inter Pipeline anticipates future volume growth on the Polaris system from the potential phased expansions of the Kearl project, the Sunrise project and other third party opportunities.

Approximately $25 million in growth capital expenditures will be directed toward the Cold Lake pipeline system in 2011. About $11 million of the total will be spent on preliminary engineering and development work to expand the Cold Lake main line for future anticipated volume growth as part of a multi-year expansion program. Remaining growth capital expenditures will expand and upgrade existing connections and facilities on the Cold Lake system.

The $1.8 billion capacity expansion project on the Corridor pipeline system, which will increase bitumen blend capacity from 300,000 barrels per day (b/d) to approximately 465,000 b/d, is nearing completion. In 2010, a new 42-inch diameter blend pipeline was placed into service. Final commissioning activities are now focused on a 20-inch products line between Edmonton and Shell's Scotford upgrader. Forecast capital expenditures in 2011 of $13 million relate to these final commissioning activities and a pipeline right of way maintenance project. As per contract, the Corridor expansion project began generating incremental revenue on January 1, 2011.

NGL Extraction

Growth capital expenditures within the NGL extraction business segment are forecast at $46 million for 2011, primarily related to a product quality improvement project. Inter Pipeline plans to construct a liquids sweetening unit and related piping at the Cochrane NGL extraction facility, which will reduce sulphur levels in the propane-plus product stream. Improving product quality is expected to ensure continued access to premium-priced markets for Inter Pipeline's propane-plus sales from the Cochrane facility. In 2011, approximately $40 million will be directed toward this project, which is expected to cost roughly $50 million in total and be completed early in 2012.

Remaining growth capital expenditures are related to small-scale efficiency improvement projects at the Cochrane and Empress extraction plants.

Bulk Liquid Storage

In the bulk liquid storage segment, Inter Pipeline expects to spend approximately $11 million on growth capital projects in 2011. Of the total, about $4 million will be spent on the overhaul of tanks and pipelines to extend their useful life. Much of the remainder will be incurred to advance several growth projects underway relating to new oil storage and gasoline blending contracts. These projects involve tank modifications and a new mixing system to enable the receipt, storage and redelivery of gasoline and gasoline blends.

Conventional Oil Pipelines

In the conventional oil pipeline segment, Inter Pipeline expects to incur approximately $5 million in growth capital expenditures in 2011. Battery connection projects in the Princess area on the Bow River pipeline system and near Kerrobert on the Mid Saskatchewan pipeline system account for the majority of planned expenditures. The new connections are required to handle production increases arising from the use of new horizontal drilling and completion technologies on established oil fields that are in close proximity to Inter Pipeline's conventional systems.

Sustaining Capital

Inter Pipeline expects to incur roughly $18 million of sustaining capital costs in 2011. In the bulk liquid storage segment, approximately $6 million will be incurred to meet ongoing safety, compliance and asset renewal requirements. Approximately $5 million will be allocated to the NGL extraction business segment to complete various reliability and safety upgrades.

Remaining capital expenditures include $4 million for smaller projects in the oil sands transportation and conventional oil pipeline segments and $3 million for corporate related expenditures such as information system upgrades.

Inter Pipeline Fund

Inter Pipeline is a major petroleum transportation, bulk liquid storage and natural gas liquids extraction business based in Calgary, Alberta, Canada. Structured as a publicly traded limited partnership, Inter Pipeline owns and operates energy infrastructure assets in western Canada, the United Kingdom, Germany and Ireland. Additional information about Inter Pipeline can be found at www.interpipelinefund.com

Inter Pipeline is a member of the S&P/TSX Composite Index. Class A Units trade on the Toronto Stock Exchange under the symbol IPL.UN.

Eligible Investors

Only persons who are residents of Canada, or if partnerships, are Canadian partnerships, in each case for purposes of the Income Tax Act (Canada) are entitled to purchase and own Class A Units of Inter Pipeline.

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Disclaimer

Certain information contained herein may constitute forward-looking statements that involve risks and uncertainties. Forward-looking statements in this news release include, but are not limited to, statements regarding the potential cash flow contributions from growth projects currently under development. Readers are cautioned not to place undue reliance on forward-looking statements. Such information, although considered reasonable by the General Partner of Inter Pipeline at the time of preparation, may later prove to be incorrect and actual results may differ materially from those anticipated in the statements made. For this purpose, any statements that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements often contain terms such as "may", "will", "should", "anticipate", "expects" and similar expressions. Such risks and uncertainties include, but are not limited to, risks associated with operations, such as loss of markets, regulatory matters, environmental risks, industry competition, potential delays and cost overruns of construction projects, including the Corridor pipeline system expansion project, and the ability to access sufficient capital from internal and external sources. You can find a discussion of those risks and uncertainties in Inter Pipeline's securities filings at www.sedar.com. The forward-looking statements contained in this news release are made as of the date of this document, and, except to the extent required by applicable securities laws and regulations, Inter Pipeline assumes no obligation to update or revise forward-looking statements made herein or otherwise, whether as a result of new information, future events, or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary note.

All dollar values are expressed in Canadian dollars unless otherwise noted.

Non-GAAP Financial Measures

Certain financial measures referred to in this news release, namely "EBITDA", are not measures recognized by GAAP. These non-GAAP financial measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities. Investors are cautioned that these non-GAAP financial measures should not be construed as alternatives to other measures of financial performance calculated in accordance with GAAP.