



News Release

Inter Pipeline Fund Announces \$2.1 Billion Integrated Oil Sands Development Program

CALGARY, ALBERTA, JULY 31, 2012: Inter Pipeline Fund ("Inter Pipeline") (TSX: IPL.UN) announced today that it has entered into a binding Shipper Support Agreement to provide bitumen blend and diluent transportation services to three major oil sands projects owned by the FCCL Partnership ("FCCL"), a business venture between Cenovus Energy and ConocoPhillips. Based on this agreement, Inter Pipeline intends to proceed with integrated expansion plans on its Cold Lake and Polaris pipeline systems at a capital cost of approximately \$2.1 billion.

Inter Pipeline's expansion plans involve the provision of approximately 820,000 barrels per day ("b/d") of committed bitumen blend and diluent delivery capacity to FCCL through the construction of approximately 840 kilometres of new pipeline and seven new pump stations. These facilities will provide transportation service to existing FCCL projects at Foster Creek and Christina Lake, as well as the Narrows Lake project which is currently under development.

Inter Pipeline anticipates that the new facilities related to the Foster Creek and Christina Lake expansion projects will be operational in mid-2014 and those related to the Narrows Lake project will be operational in mid-2016.

"This is a major step forward in the development of Inter Pipeline's oil sands transportation business," commented David Fesyk, President and Chief Executive Officer. "Our planned investments on the Cold Lake and Polaris systems will create a strong, integrated network of large diameter pipelines capable of providing our regional oil sands customers with both bitumen blend and diluent service."

"We are very pleased to be working with high quality partners at Cenovus and ConocoPhillips in advancing this major capital program, Inter Pipeline's largest to date."

Shipper Support Agreement Under the Shipper Support Agreement, FCCL has agreed to provide \$225 million of cash funding commitments for the procurement of long lead-time materials, engineering costs, land procurement and regulatory activities. Inter Pipeline and FCCL are currently negotiating a series of detailed Transportation Service Agreements. These agreements are currently expected to be finalized by the end of 2012.

In the event that final, binding Transportation Service Agreements are not executed, Inter Pipeline will be reimbursed for up to \$225 million of incurred expenditures as per the terms of the Shipper Support Agreement.

Cold Lake and Polaris System Expansions Inter Pipeline plans to invest approximately \$2.1 billion in new transportation infrastructure to support bitumen production growth and diluent demand at FCCL's Foster Creek, Christina Lake and Narrows Lake oil sands developments.

On the Cold Lake pipeline system, two new pump stations will be added at the Foster Creek production site and a new pipeline connection will be built to the Narrows Lake oil sands development. In addition, the existing Foster Creek extension will be twinned with a new 36-inch diameter pipeline and the Cold Lake mainline from La Corey to Hardisty will be twinned with a new 42-inch diameter pipeline. In total, approximately 400 km of new pipeline will be added to the Cold Lake system and mainline capacity will increase from approximately 650,000 b/d to 1.2 million b/d. Capital costs associated with the Cold Lake expansion program are currently estimated at \$1.1 billion.

On the Polaris system, a major new 30-inch diameter pipeline will be constructed from the Edmonton area to the Christina Lake oil sands project. In addition to this approximately 340 km new-build project, 100 km of smaller diameter pipelines will be constructed to provide connections to the Foster Creek and Narrows Lake oil sands projects and several diluent receipt points at the Edmonton market hub. Upon completion, planned system configuration capacity will increase from 120,000 b/d to 820,000 b/d. Capital costs associated with the Polaris expansion program are currently estimated at \$1 billion.

A map of the proposed new connections to the Foster Creek, Christina and Narrows Lake Projects and a description of planned new construction activity are available on our website at www.interpipelinefund.com.

Commercial Terms

The Transportation Service Agreements now under development with FCCL are being structured to provide Inter Pipeline with stable and highly predictable cash flow. The intention is for Inter Pipeline to collect fixed annual payments under a long term ship-or-pay contract structure that will remain constant over the term of the agreements. Payments will not be impacted by commodity prices or pipeline throughputs below ship-or-pay commitment levels. All operating and sustaining capital requirements are intended to be recovered on a flow through basis.

Inter Pipeline's integrated oil sands expansion program will also provide significant incremental capacity in excess of FCCL's requirements. Inter Pipeline expects to capture certain capital efficiencies during the phased construction period, while retaining full rights to market surplus capacity to third parties.

This \$2.1 billion investment is expected to generate significant long term EBITDA and represents a highly accretive investment opportunity. Further economic information will be released upon execution of the Transportation Service Agreements.

"The long term transportation deal currently being advanced with FCCL will underpin Inter Pipeline's organic growth platform for the next three to four years," commented David Fesyk. "It will also introduce new sources of highly stable, long term cash flow."

Financing

Funding for Inter Pipeline's integrated oil sands development program is expected to be provided through a combination of debt and equity financing sources. At present, Inter Pipeline's financial position is supported by a strong balance sheet, investment grade credit ratings and excellent access to capital markets.

Inter Pipeline anticipates that capital commitments over the next four years will be met

through a combination of capacity available under existing committed credit facilities, undistributed cash flow from operations, the periodic issuance of new term debt and proceeds from existing distribution re-investment programs. Inter Pipeline does not expect the need for a material, underwritten equity offering to finance its funding obligations.

Inter Pipeline wholly owns the Polaris pipeline system and owns 85% of the Cold Lake pipeline system. The quoted \$2.1 billion funding obligation excludes the capital contribution from Inter Pipeline's 15% partner on the Cold Lake pipeline system.

Conference Call & Webcast

Inter Pipeline will hold a conference call and webcast today at 11:30 a.m. (Mountain Time) / 1:30 p.m. (Eastern Time) to discuss this announcement.

To participate in the conference call, please dial 866-226-1792 or 416-340-2216. A pass code is not required. A recording of the call will be available for replay until August 6, 2012, by dialing 800-408-3053 or 905-694-9451. The pass code for the replay is 3845964.

A webcast of the conference call can be accessed on Inter Pipeline's website at www.interpipelinefund.com by selecting "Investor Relations" then "Webcasts & Conference Calls". An archived version of the webcast will be available for approximately 90 days.

Inter Pipeline Fund

Inter Pipeline is a major petroleum transportation, natural gas liquids extraction, and bulk liquid storage 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, Denmark, 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

Pursuant to Inter Pipeline's limited partnership agreement dated October 9, 1997, as amended, all unitholders are required to be residents of Canada. A copy of the limited partnership agreement can be found at www.interpipelinefund.com by selecting "Corporate Governance". If a unitholder is a non-resident of Canada ("Non-Eligible Unitholder"), he will not be considered to be a member of the partnership effective the date the Class A Units were acquired. Inter Pipeline requires all Non-Eligible Unitholders to dispose of their Class A Units in accordance with the limited partnership agreement.

In most cases, a unitholder with an address outside of Canada will be a Non-Eligible Unitholder.

Contact Information

Investor Relations:

Jeremy Roberge
Vice President, Capital Markets
Email: jroberge@interpipelinefund.com
Tel: 403-290-6015 or 1-866-716-7473

Media Relations:

Tony Mate
Director, Corporate and Investor Communications
Email: tmate@interpipelinefund.com
Tel: 403-290-6166

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, timing and cost schedules of Polaris and Cold Lake capital projects, forward EBITDA estimates, and the expectation that binding Transportation Service Agreements will be executed. 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", "intends", 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, the risk of not finalizing firm transportation arrangements with FCCL, and the ability to access sufficient capital from internal and external sources. The impact of any one assumption, risk, uncertainty or other factor on a particular forward-looking statement is not determinable with certainty, as these are interdependent and Inter Pipeline's future course of action depends on management's assessment of all information available at the relevant time. You can find a discussion of 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 are not exhaustive, 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" and "cash flow" 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.