

Inter Pipeline to Build Canada's First Integrated Propane Dehydrogenation and Polypropylene Complex

CALGARY, ALBERTA, December 18, 2017: Inter Pipeline Ltd. ("Inter Pipeline") (TSX: IPL) is pleased to announce that its board of directors has authorized the construction of a world-scale integrated propane dehydrogenation (PDH) and polypropylene (PP) plant. The facilities, collectively referred to as the Heartland Petrochemical Complex, are estimated to cost \$3.5 billion in aggregate and will be located in Strathcona County, Alberta near Inter Pipeline's Redwater Olefinic Fractionator.

The Heartland Petrochemical Complex will be designed to convert locally sourced, low-cost propane into 525,000 tonnes per year of polypropylene, a high value, easy to transport plastic used in the manufacturing of a wide range of finished products. Construction of the complex will continue in early 2018 with completion scheduled for late 2021.

"Alberta is an ideal location to construct a world-scale propane based petrochemical operation," commented Christian Bayle, Inter Pipeline's President and Chief Executive Officer. "Driven by attractive feedstock and utility costs, the Heartland Complex is expected to be one of the lowest cost polypropylene producers in North America. This dynamic should result in attractive profit margins given the premium pricing this plastic currently receives in the North American market."

"We're excited to see this new investment that will create thousands of good-paying, value-added jobs and help diversify Alberta's economy," said Margaret McCuaig-Boyd, Alberta's Minister of Energy. "Moving ahead with this world-class facility shows our Petrochemicals Diversification Program is working to attract new investment and make life better for Albertans by creating new economic opportunities."

Investment Highlights

- This \$3.5 billion project represents the single largest capital investment in Inter Pipeline's history
- Upon completion, the project is estimated to generate approximately \$450 million to \$500 million of long-term annual average EBITDA and be accretive to future funds from operations per share
- Inter Pipeline has secured initial binding commercial support for the project from certain counterparties through take-or-pay arrangements
- Facility design is well advanced with approximately \$400 million invested to date in engineering, procurement and early civil works

Project Description

The PDH facility will be designed to convert approximately 22,000 barrels per day of propane into 525,000 tonnes per year of polymer grade propylene. Propane feedstock for the PDH plant will be sourced from Inter Pipeline's Redwater Olefinic Fractionator as well as several other third party fractionators in the region.

Detailed engineering for the plant was awarded to Fluor Corporation in 2013 and is now approximately 85 percent complete. Inter Pipeline has also completed early civil work at the site in preparation for facility construction activities in early 2018.

The integrated PP plant will utilize propylene from the PDH plant to produce 525,000 tonnes of polypropylene per year. Linde Engineering was awarded the front end

engineering design contract for this facility in 2017, and work is currently approximately 70 percent complete. Construction of this component of the complex is scheduled to begin in the second half of 2018.

Other construction activities associated with the project include product storage facilities and rail loading assets to facilitate the transport of polypropylene pellets to various North American markets.

“This investment represents the largest organic growth project in our history, and a key part of Inter Pipeline’s growth strategy,” added Bayle. “The Heartland Complex is highly complementary to our existing natural gas liquid processing activities and is structured to provide a new source of material long-term cash flow.”

Commercial Terms

Inter Pipeline is conducting a two phase contracting process to underpin this investment. Phase 1, which has been completed, resulted in Inter Pipeline securing certain take-or-pay contracts with an average term of 9 years. Phase 2 contracting will commence in early 2018 with the objective of securing between 70 and 85 percent of total petrochemical processing capacity under take-or-pay contracts over the next four years.

Inter Pipeline intends to utilize the remaining uncontracted plant processing capacity for its own commercial purposes.

The take-or-pay agreements are structured to provide a fixed return on capital payment to Inter Pipeline, plus a recovery of variable and fixed operating and transportation costs. Inter Pipeline has no exposure to propane or polypropylene commodity price fluctuations under these agreements.

When contracting is complete and the complex is in operation, Inter Pipeline expects to earn approximately \$450 million to \$500 million per year in long-term average annual EBITDA. This represents a strong return on invested capital and is expected to be accretive to forecast funds from operations per share.

Inter Pipeline will also benefit from \$200 million of royalty credits received from the Government of Alberta’s Petrochemical Diversification Program. The credits were provided in support of the construction of the propane dehydrogenation plant and will be monetized over a three-year period once the complex is operational.

Financing

Funding for this petrochemical facility 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 an existing \$1.5 billion committed credit facility, undistributed cash flow from operations, the periodic issuance of new term debt, hybrid debt securities and proceeds from existing dividend re-investment programs. Inter Pipeline does not expect the need for material, underwritten equity offerings to finance its funding obligations.

Investor Presentation

For further information on the Heartland Petrochemical Complex please refer to a slide presentation available on Inter Pipeline’s website at www.interpipeline.com.

Inter Pipeline Ltd.

Inter Pipeline is a major petroleum transportation, natural gas liquids processing, and bulk liquid storage business based in Calgary, Alberta, Canada. Inter Pipeline owns and operates energy infrastructure assets in western Canada and Europe. Inter Pipeline is a member of the S&P/TSX 60 Index and its common shares trade on the Toronto Stock Exchange under the symbol IPL. www.interpipeline.com

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Disclaimer

Certain information contained herein may constitute forward-looking statements that involve known and unknown risks, assumptions, uncertainties and other factors. Forward-looking statements in this news release include, but are not limited to, statements regarding: the design and continued construction of the Heartland Petrochemical Complex and the timing and completion of the PDH and PP facilities and the potential benefits to be derived from those facilities including, without limitation, potential profit margin, long-term average EBITDA, cash flow and funds from operations per share accretion levels; the contracting process to secure take-or-pay contracts for the Heartland Petrochemical Complex; and the ability to fund the financing for the facilities by way of debt or equity financings. Readers are cautioned not to place undue reliance on forward-looking statements, as such statements are not guarantees of future performance. 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Such assumptions, risks, uncertainties and other factors include, but are not limited to, risks and assumptions associated with operations, such as Inter Pipeline's ability to successfully implement its strategic initiatives and achieve expected benefits, including the construction of the Heartland Petrochemical Complex; further development of its oil sands pipeline systems; assumptions concerning operational reliability; the availability and price of labour and construction materials; the status, credit risk and continued existence of customers having contracts with Inter Pipeline and its affiliates; availability of energy commodities; volatility of and assumptions regarding prices of energy commodities; competitive factors including competition from third-parties in the areas in which Inter Pipeline operates or intends to operate, pricing pressures and supply and demand in the natural gas, propane and oil transportation, ethane transportation and natural gas liquids extraction and storage industries; assumptions based upon Inter Pipeline's current guidance including projected future EBITDA levels; fluctuations in currency and interest rates; inflation; the ability to access sufficient capital from internal and external sources including debt and equity capital; risks and uncertainties associated with Inter Pipeline's ability to maintain its current level of cash dividends to its shareholders; risks inherent in Inter Pipeline's Canadian and foreign operations; risks of war, hostilities, civil insurrection, instability and political and economic conditions in or affecting countries in which Inter Pipeline and its affiliates operate; severe weather conditions; terrorist threats; risks associated with technology; Inter Pipeline's ability to generate sufficient cash flow from operations to meet its current and future obligations; general economic and business conditions; the potential delays of and costs of overruns on construction projects, including, but not limited to Inter Pipeline's current projects and future expansions of Inter Pipeline's pipeline systems and processing facilities; risks associated with the failure to finalize formal agreements with counterparties in circumstances where letters of intent or similar agreements have been executed and announced by Inter Pipeline; Inter Pipeline's ability to make capital investments and the amounts of capital investments; changes in laws and regulations, including environmental, regulatory and taxation laws, and the interpretation of such changes to Inter Pipeline's business; the risks associated with existing and potential future lawsuits and regulatory actions against Inter Pipeline and its affiliates; increases in maintenance, operating or financing costs; availability of adequate levels of insurance; difficulty in obtaining necessary regulatory approvals and maintenance of support of such approvals; and such other risks and uncertainties described from time to time in Inter Pipeline's reports and filings with the Canadian securities authorities. 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Non-GAAP Financial Measures

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