inter pipeline

News Release

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

Contact Information

Investor Relations:
Jeremy Roberge
Vice President, Capital Markets
Email: investorrelations@interpipeline.com
Tel: 403-290-6015 or 1-866-716-7473

Media Relations:
Breanne Oliver
Manager Corporate Communications
Email: mediarelations@interpipeline.com
Tel: 587-475-1118

Disclaimer

Non-GAAP Financial Measures

Certain financial measures referred to in this news release 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.