inter pipeline

News Release

Inter Pipeline Fund Executes Definitive Transportation Agreements for Previously Announced Major Integrated Oil Sands Development Program

CALGARY, ALBERTA, March 26, 2013: Inter Pipeline Fund ("Inter Pipeline") (TSX: IPL.UN) announced today that it has entered into binding agreements 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. Inter Pipeline first announced plans to integrate and expand its Cold Lake and Polaris pipeline systems on July 31, 2012.

Inter Pipeline's development plans include providing 500,000 barrels per day ("b/d") of committed bitumen blend capacity and 350,000 b/d of diluent 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 under development. A map of new connections to the FCCL projects and a description of planned construction activity are available on our website at www.interpipelinefund.com.

Inter Pipeline anticipates that new diluent delivery infrastructure for the Foster Creek and Christina Lake projects will become operational in mid 2014. Expanded bitumen blend transportation service for the Foster Creek project is expected to commence in early 2015. New bitumen blend and diluent delivery facilities for the Narrows Lake project are expected to enter service in mid 2017. Inter Pipeline currently forecasts this development program will cost $2.6 billion, up from a previous estimate of $2.2 billion due to changes in the scope of requested services and the further refinement of capital costs.

"The new long term contracts with FCCL will anchor Inter Pipeline's organic growth platform for the next four years," commented David Fesyk, President and Chief Executive Officer. "These investments will expand and strengthen our oil sands gathering business, while significantly increasing the portion of cash flow derived from high quality cost-of-service contracts."

Commercial Terms

The new transportation service agreements with FCCL are structured to provide Inter Pipeline with highly predictable cash flow. Inter Pipeline will receive fixed annual payments under long term ship-or-pay contracts which include recovery of all operating and sustaining capital costs. Furthermore, Inter Pipeline is not exposed to cost overrun risk related to capital invested to meet FCCL capacity requirements since fixed annual payments will be based on actual costs incurred.

The initial term of the agreements is 20 years with options to extend the term for a further 30 years.

Inter Pipeline's $2.6 billion investment will generate significant long term EBITDA. Beginning in mid 2014, the new diluent delivery facilities for the Foster Creek and Christina Lake projects should generate approximately $70 million in annualized EBITDA. By early 2015, annual EBITDA is expected to grow to approximately $210 million upon commissioning of new bitumen blend facilities for the Foster Creek project. Long term annual EBITDA is expected to range between $260 million and $290 million per year after diluent and bitumen blend facilities for the Narrows Lake project enter commercial service in mid 2017.

For perspective, Inter Pipeline's EBITDA in 2012 was approximately $570 million. When complete, the annual cash flow contribution from the integrated expansion program is expected to exceed 45% of current EBITDA. This illustrates the scale and materiality of Inter Pipeline's current expansion program relative to existing operations.

In aggregate, the $2.6 billion investment program is expected to be accretive to cash available for distribution by approximately 31 cents per unit on a long term average basis.

Inter Pipeline's integrated oil sands expansion program will also result in significant spare capacity in excess of FCCL's requirements. Inter Pipeline has retained full rights to market excess capacity to third parties.

Financing

Inter Pipeline anticipates that the majority of its capital commitments over the next four years will be met through a combination of capacity available under its existing committed credit facility, undistributed cash flow from operations, the periodic issuance of new term debt and proceeds from existing distribution re-investment programs. In addition, Inter Pipeline may supplement its capital requirements through the periodic issuance of comparatively small amounts of underwritten equity.

Inter Pipeline wholly owns the Polaris pipeline system and owns 85% of the Cold Lake pipeline system. The quoted $2.6 billion funding obligation excludes the capital contribution expected from Inter Pipeline's 15% partner on the Cold Lake pipeline system.

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.

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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, timing and cost schedules of Polaris and Cold Lake capital projects and forward EBITDA estimates. 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, 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.