



INVESTOR BRIEF: TSX, NYSE: ENB

CONTEXTUAL INFORMATION REGARDING REPORT ON LOBBYING SHAREHOLDER RESOLUTION FILED AT ENBRIDGE

VOTING INFORMATION

Meeting date: **May 3, 2023**
Proxy cut off date: Intermediaries must receive instructions
by **1:30 pm MNT on May 1, 2023.**
Voting information: [here](#)

NOTE: This is NOT a solicitation of your proxy; it simply provides contextual information from public sources regarding the proposal. Please do not send us your proxy card—we are not able to vote your proxies nor does this communication contemplate such an event. We recommend shareholders follow voting instructions provided in management's proxy mailing.

ABOUT INVESTORS FOR PARIS COMPLIANCE

Investors for Paris Compliance (I4PC) is a shareholder advocacy organization that works to hold Canadian publicly-listed companies accountable to their net zero commitments. More information can be found [here](#).

CONTACTS

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BACKGROUND

We are encouraged that Canadian energy companies like Enbridge are beginning to adopt net zero commitments. A net zero commitment is a critical first step for Enbridge to ensure long term shareholder value as it begins a process to reduce its emissions and position the company for success in the emerging low carbon economy. On the path to net zero by 2050, it is the actions to reduce emissions in the next decade that will make the most impact.

After Enbridge incurred considerable reputational and financial damage in the early 2000s from its failed Northern Gateway project, the company has been intentional in setting ESG goals to restore its reputation. These efforts have positioned Enbridge to take advantage of the financial instruments available through the growing ESG market.

Enbridge delivers the "midstream" part of the oil and gas value chain, connecting producers with consumers. Enbridge currently earns roughly 98% of its revenues and plans to make roughly 95% of its capital investments in business related to fossil fuels. The oil and gas sector contributes over 40% of anthropocentric GHG emissions,¹ giving it a large responsibility for contributing to global action on climate change.

1 <https://www.mckinsey.com/industries/oil-and-gas/our-insights/the-future-is-now-how-oil-and-gas-companies-can-decarbonize>



The rapid shift to low or zero GHG emitting energy technologies is advancing at a pace much faster than predicted.² This is accelerating the global energy transition, is driving down GHG emissions and supporting real progress towards achieving national net zero commitments.

Despite increased net zero commitments from oil and gas companies, it is widely recognised that this sectors' political lobbying on climate change is inconsistent with the efforts required to keep the world from experiencing dangerous temperature increases.³ Because of this, the assessment and reporting of the political activities and lobbying efforts of oil and gas companies has become a key issue for many investors.⁴

ENBRIDGE'S PROVOCATIVE POLITICAL ACTIVITIES

Enbridge states that it is an ESG leader⁵ that is serious about improving its performance. Yet there is ample evidence that Enbridge's political activities in the U.S. are creating legal, political and litigation risk. Enbridge is using aggressive actions that have clearly alienated key decision makers and related stakeholders.

Enbridge's ongoing battle with the State of Michigan raises significant questions about the risks the company is incurring. Since the 2018 rupture of the line 5 pipeline running on the bed of the Straits of Mackinac between Lake Huron and Lake Michigan, Enbridge has been embroiled in controversy and legal battles with the State of Michigan.

The ongoing legal challenge to discontinue the operation of Enbridge's line 5 pipeline⁶ remains in the headlines and keeps raising safety and environmental concerns about Enbridge's operations. Enbridge has stoked this controversy by running an active public relations campaign during the last state governor's election aimed to discredit Governor Whitmer during her re-election bid.⁷ This battle has escalated such that the Canadian government and the Biden administration⁸ have been become embroiled in the conflict.

- 2 I4PC Energy Disruption backgrounder <https://www.investorsforparis.com/Energy-Disruption>
- 3 <https://www.corporateknights.com/energy/canadian-oil-and-gas-industry-is-actively-lobbying-against-its-net-zero-targets-report/>
- 4 <https://climate-lobbying.com/about/supporters/>
- 5 https://www.enbridge.com/about-us/our-values/~/_/link.aspx?_id=731258F2FCC64B6983199A5E97224A1E&_z=z
- 6 <https://www.bridgemi.com/michigan-environment-watch/court-nessel-can-try-again-return-line-5-lawsuit-state-court>
- 7 <https://www.politico.com/news/2021/11/18/canadian-energy-company-gretchen-whitmer-campaign-522937>
- 8 <https://www.reuters.com/world/americas/canada-invokes-1977-pipeline-treaty-with-us-again-over-line-5-dispute-2022-08-29/>



Photo Credit: Sierra Club

There are continuing issues and risks associated with Enbridge's Line 3 expansion in Minnesota that was the site of one of the largest civil disobedience protests in recent U.S. history. While Enbridge funded the police action through an escrow account managed by the Minnesota Public Utilities Commission, there has been widespread media coverage that cast Enbridge in a negative light, damaging the company's public reputation.

In Michigan, Minnesota, and New York, Enbridge has participated in political front groups to advance its interests and to oppose the implementation of climate policy. These groups are "Great Lakes. Michigan Jobs"⁹, "Minnesotans for Line 3"¹⁰, and "New Yorkers for Affordable Energy"¹¹ The use of front groups creates mistrust as it appears that Enbridge does not wish to put its own brand on efforts to advance its interests and calls into question the company's stated commitment to net zero.

This type of political work by Enbridge while not illegal does create risk that has not been disclosed by Enbridge—in its "Trade Association Climate Review"¹² Enbridge does not assess and report on lobbying and political communications through these front groups. As a result, investors have an incomplete understanding of the company's political activities, particularly regarding those that cause controversy and create risk for the company.

Enbridge's political activities and lobbying are inconsistent with net zero action. InfluenceMap, an information provider to the CA100+, gave Enbridge a "D" grade for its climate-aligned lobbying and has also written an investor briefing¹³ related to this shareholder proposal. It comments on the conflict between Enbridge's stated support for climate action and energy transition and the many instances of open advocacy supporting fossil fuel infrastructure expansion.

Enbridge also financially supports U.S. politicians who have been active in opposing climate action, such as Joe Manchin. These political donations create increased reputational risk as Enbridge is sending mixed messages about its commitment to net zero and climate action.

- 9 https://www.facebook.com/ads/library/?active_status=all&ad_type=all&country=US&view_all_page_id=103481651030324&search_type=page&media_type=all
- 10 <https://www.desmog.com/2019/06/06/enbridge-minnesotans-line-3-front-group-oil-pipeline/>
- 11 <https://news.littlesis.org/2022/04/19/fossil-fuel-industry-mobilizes-front-group-to-weaken-ny-climate-law/>
- 12 <https://www.enbridge.com/-/media/Enb/Documents/Reports/Trade-Association-Climate-Review.pdf>
- 13 <https://ca100.influencemap.org/site//data/000/037/Enbridge-Resolution-Briefing-March23.pdf>

Photo Credit: Bridge Michigan
Bay Mills Line 5 Protest Mackinac City



PROPOSAL RATIONALE

The proposal can help Enbridge address significant material risks to its business. The Board performs a critical role in assuring that the company has a functional risk management system. With the evidence of a pattern of lobbying and political donations that are causing controversy and creating business risk for Enbridge, the Board has a duty to exercise greater due diligence and report on these risks:

1. **Business risk:** There is a massive amount of uncertainty and risk associated with Enbridge's business due to the company's fraught political relationship with the State of Michigan. The escalation of the battle to include the US and Canadian governments magnifies these risks and raises the stakes for this issue.
2. **Reputational risk.** As noted in the proposal's supporting statement and in the background section above, there is significant controversy from Enbridge's political activities. The ongoing negative coverage of Enbridge's activities has an impact on Enbridge's reputation.
3. **Governance Risk:** The board performs a critical role in assuring that the company has a functional risk management system. With the scale of issues Enbridge seems to be facing, it is prudent for the Board to assess and report on these risks.
4. **Transition Risk:** Its doubly problematic when political risks are being incurred to support projects that expand the delivery of fossil fuels, which is takes the company in the opposite direction from fulfilling its net zero commitment and responding to the accelerating clean energy transformation currently underway.



ENBRIDGE RESPONSE AND REBUTTAL

In its proxy circular (page 123-124) Enbridge includes the opposition statements to the proposals. We have written a more extensive rebuttal to this statement,¹⁴ but here are the most salient points:

- Enbridge mainly talks about its current lobbying disclosure practices without acknowledging that these same practices have not prevented the many controversies listed in the proposal's supporting statement.
- A key shortcoming is Enbridge's failure to disclose its activities via political front groups to shareholders, despite the risk that these groups entail.
- Enbridge has failed to address the main aspects of the proposal including how its assertive practices have clearly alienated key political and other stakeholders; how its political donations to climate obstructionists is inconsistent with its net zero commitment; and how it explains the "D" grade it is awarded on climate-aligned lobbying by InfluenceMap.

PEERS

Relative to its peers, there is perhaps no energy company in North America that has incurred more political controversy over the past few years than Enbridge. While the industry in general is rightly criticized for its overall lobbying against net zero,¹⁵ to stand out among this group in creating political risk is a sign of a failure of internal controls.

We note that this AGM season, Cenovus recommends voting FOR¹⁶ a similar proposal we filed at that company.

ENGAGEMENT WITH ENB

Enbridge has not engaged with us on this proposal. We also find evidence of bad faith by the company; in its proxy circular, Enbridge chose to present the proposal without spacing and in smaller italicized font, making it hard to read, unlike the company's response.

14 <https://www.investorsforparis.com/enbridge-lobbying-rebuttal/>

15 <https://influencemap.org/briefing/The-Canadian-Oil-and-Gas-Industry-and-Climate-Policy-14696>

16 Schedule C of Cenovus Management Proxy Circular <https://mc-ced23ebb-4707-4c95-9c94-3171-cdn-endpoint.azureedge.net/-/media/Project/WWW/docs/investors/2023/2023-management-information-circular.pdf>

THE SHAREHOLDER PROPOSAL

REPORT ON LOBBYING IN LINE WITH NET ZERO GHG TARGET

RESOLVED: Shareholders request that the Board produce a report, at reasonable cost and omitting proprietary information, examining whether Enbridge's pattern of lobbying and political donations in the U.S. is creating unnecessary business risk and is consistent with its net zero goal. The report should disclose evaluation criteria and external stakeholders consulted, if any.

SUPPORTING STATEMENT

In November 2021, Politico ran a story with the headline: "The Canadian energy company in the way of Whitmer's campaign,"¹⁷ accusing Enbridge of "trying to scuttle Michigan Gov. Gretchen Whitmer's re-election bid." She went on to win.

The story details "six-figure ad buys" by Enbridge advocating for the continued use of Line 5 directly and indirectly via front groups like 'Great Lakes. Michigan Jobs.'¹⁸ Enbridge has spent over US\$100,000 on lobbying in Michigan in each of the past four years.¹⁹

In Minnesota, Enbridge also used a front group during the Line 3 controversy – 'Minnesotans for Line 3'²⁰ which spent hundreds of thousands of dollars on advertising and tries to position itself as a grassroots organization but which the media discovered had Enbridge executives listed as responsible for TV ads.²¹

Enbridge caused international headlines²² for partially funding Minnesota police during enforcement actions against Line 3 protestors – nearly 900 people were arrested. The payments totalled US\$8.6 million and are now the subject of legal action alleging violation of due process and equal protection of protestors since the payments amount to third-party influence over law enforcement.²³

In New York, Enbridge serves on the steering committee of 'New Yorkers for Affordable Energy,'²⁴ a front group that has been accused²⁵ of lobbying against the implementation of New York State's *Climate Leadership and Community Protection Act*.

- 17 <https://www.politico.com/news/2021/11/18/canadian-energy-company-gretchen-whitmer-campaign-522937>
- 18 https://www.facebook.com/ads/library/?active_status=all&ad_type=all&country=US&view_all_page_id=103481651030324&search_type=page&media_type=all
- 19 https://miboecfr.nictusa.com/cgi-bin/cfr/lobby_detail.cgi?caller%3DSRCHRES%26last_match%3D50%26lobby_type%3D%2A%26lobby_name%3DENBRIDGE+ENERGY%26include%3Dactive%261%3D1%26lobby_id%3D11412%26last_match%3D0
- 20 <https://www.minnesotansforline3.com/>
- 21 <https://www.desmog.com/2019/06/06/enbridge-minnesotans-line-3-front-group-oil-pipeline/>
- 22 <https://www.theguardian.com/uk-news/2021/oct/05/line-3-pipeline-enbridge-paid-police-arrest-protesters>
- 23 <https://truthout.org/articles/sheriff-retaliates-against-lawyers-scrutinizing-arrests-of-water-protectors/>
- 24 <https://www.ny4affordableenergy.com/ourcoalition/>
- 25 <https://news.littlesis.org/2022/04/19/fossil-fuel-industry-mobilizes-front-group-to-weaken-ny-climate-law/>

Despite their prominence and controversial nature, none of Enbridge's activities with these front groups in Michigan, Minnesota, and New York have been disclosed by the company in investor materials.

Federally in the U.S., Enbridge has a pattern of donating to pro-fossil fuel politicians. In 2022 Enbridge's biggest donations were to Senator Joe Manchin²⁶ who achieved notoriety for single-handedly blocking national climate action²⁷, and Rep. Jack Bergman²⁸ who has a 10% pro-environment lifetime voting score from the League of Conservation Voters.²⁹

InfluenceMap scores Enbridge with a D on lobbying, saying the company remains "actively engaged with both local and regional energy policies in North America to promote fossil fuels in the energy mix."³⁰

Enbridge's pattern of lobbying and political expenditures in the U.S. is causing significant controversy and creating business risk associated with alienation of decision makers and key constituencies while appearing to be unaligned with its goal to achieve net zero. This pattern and lack of disclosure merits due consideration and oversight by the Enbridge Board.

This proposal is consistent with the investor-created Global Standard on Corporate Climate Lobbying.³¹

We respectfully request that shareholders vote FOR this proposal.

26 <https://disclosurespreview.house.gov/lc/lcxmlrelease/2022/MM/701046355.xml>

27 <https://www.theguardian.com/us-news/2022/jul/16/joe-manchin-biden-climate-democrats-climate-plans>

28 <https://disclosurespreview.house.gov/lc/lcxmlrelease/2022/YY/701075331.xml>

29 <https://scorecard.lcv.org/moc/jack-bergman>

30 <https://lobbymax.org/company/Enbridge-fa83bd6f5cc0d0fbd7aa37c2cbd4c527/projectlink/Enbridge-In-Climate-Change>

31 <https://climate-lobbying.com/>