

Keyera Approves KAPS - A Montney Condensate & NGL Pipeline System

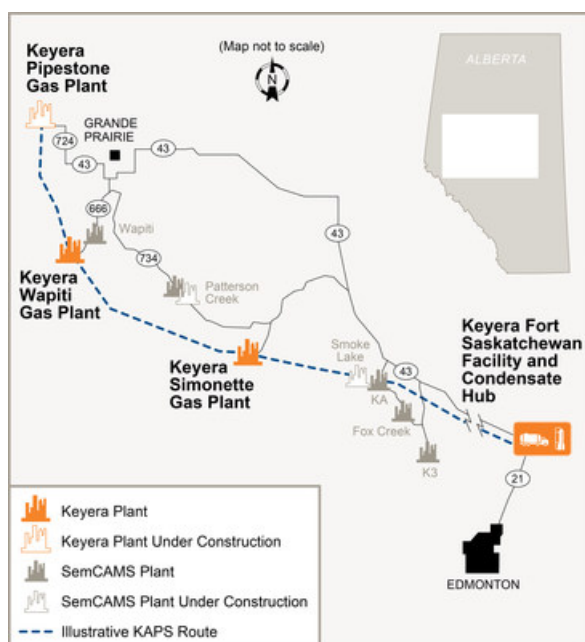
CALGARY, May 14, 2019 /CNW/ - Keyera Corp. (TSX:KEY) ("Keyera") is pleased to announce it is proceeding with the development of the Key Access Pipeline System ("KAPS"), a natural gas liquids ("NGL") and condensate pipeline system that will transport growing Montney and Duvernay production in northwestern Alberta to Fort Saskatchewan. Keyera has partnered with SemCAMS Midstream ULC, owned jointly by SemGroup Corporation® and KKR, to develop this open-access system with initial connections into Keyera's fractionation assets and condensate system in Fort Saskatchewan.

This project is highly desired by industry as it provides an additional and alternative transportation solution to deliver production from Alberta's liquids-rich developments to market. KAPS is expected to be operational in the first half of 2022 and provide Keyera with secure, long-term, take-or-pay revenues and strong project returns. The project is expected to generate an annual return on capital of between 10% and 15% starting in 2024. KAPS is also an important link between Keyera's growing gathering and processing franchise in northwestern Alberta and its strong liquids infrastructure network at Fort Saskatchewan, creating a platform for significant future opportunities.

Keyera and SemCAMS Midstream ULC ("SemCAMS") will develop this world-class pipeline under a 50/50 joint venture agreement. Keyera and SemCAMS will have nine gas plants operating in northwestern Alberta by 2022 with access to approximately 2.25 billion cubic feet per day of natural gas processing capacity and 130,000 barrels per day of condensate handling facilities. This new joint venture replaces the arrangement between Keyera and Wolf Midstream that was signed in late 2018.

Highly Contracted Project with Growth Opportunities

The project is anchored by multiple long-term agreements, averaging 14 years in length with 75% take-or-pay commitments, as well as specific facility and area dedications. The customer base for KAPS is broad and includes meaningful commitments from investment grade counterparties. The firm volume commitments over the length of the agreements make up over 60% of the initial aggregate capacity of the pipeline system. Several discussions are ongoing with additional producers for incremental volumes and Keyera and SemCAMS will collaborate as they pursue additional volume commitments. Should the industry require more capacity, KAPS can be cost-effectively expanded with additional pump stations.



KAPS Illustrative Route (CNW Group/Keyera Corp.)

Based on the current scope, KAPS will consist of a 16-inch pipeline for condensate and a 12-inch pipeline for NGL mix. KAPS will initially be constructed from northwest of Grande Prairie to Keyera's Fort Saskatchewan Fractionation and Storage Facility ("KFS"). Along this route, KAPS will initially be connected to Keyera's Pipestone, Wapiti and Simonette gas plants and several third party gas plants with volume commitments to KAPS. Shippers will also have direct access to Keyera's condensate hub that offers unmatched connectivity for transporting condensate to high-value diluent markets. Keyera will construct and operate the pipeline system.

The cost of the pipeline system is currently estimated at \$1.3 billion, or \$650 million net to Keyera. With the majority of the capital investment expected to occur during the second half of 2020 and into 2021, Keyera plans to fund its 50 percent ownership interest without issuing additional common equity, apart from the existing DRIP program. The project does not change Keyera's 2019 capital guidance estimated between \$800 million and \$900 million. As Keyera funds its entire current capital program, it may consider issuing term debt, hybrid notes or preferred shares.

"We are excited and pleased to develop this highly desired alternative transportation solution along with our partner SemCAMS Midstream," said David Smith, Keyera's President and CEO. "We are confident in the outlook for this condensate rich region in northwestern Alberta and we thank our customers for their endorsement and commitment to our solution. Keyera is dedicated to developing this pipeline system in a responsible manner for all stakeholders."

Benefits of KAPS to Keyera

KAPS is a strategic asset that will connect Keyera's NGL business in Fort Saskatchewan to its gathering and processing assets located in a key region of the Western Canada Sedimentary Basin. KAPS is expected to:

- Generate stable, long-term, take-or-pay, fee-for-service revenues;
- Increase Keyera's overall competitive position, allowing the company to attract additional volumes to its Pipestone, Wapiti and Simonette gas plants;
- Improve the integration of Keyera's value chain, allowing the company to attract additional volumes to its downstream infrastructure that includes liquids transportation, condensate services, NGL fractionation, storage and terminalling, and marketing;
- Create a platform for numerous future investment opportunities that could include additional gas and condensate processing investments, new NGL infrastructure or other value added services; and
- Provide long-term growth for Keyera.

Benefits of KAPS to Customers

KAPS is a transportation solution highly desired by industry and is expected to:

- Provide a competitive transportation alternative for moving NGL and condensate from the liquids-rich Montney and Duvernay developments in northwestern Alberta to Alberta's liquids hub in Fort Saskatchewan;
- Enhance customer condensate netbacks with direct access to Keyera's industry-leading condensate network that includes storage and connections to all major delivery pipelines servicing Alberta's oil sands resource; and
- Increase the liquids takeaway capacity from the region, ensuring customers can grow their volumes.

About Keyera

Keyera Corp. (TSX:KEY) operates an integrated Canadian-based midstream business with extensive interconnected assets and depth of expertise in delivering midstream energy solutions. Its

predominantly fee-for-service based business consists of natural gas gathering and processing; natural gas liquids processing, transportation, storage and marketing; iso-octane production and sales; and an industry-leading condensate system in the Edmonton/Fort Saskatchewan area of Alberta. Keyera strives to provide high quality, value-added services to its customers across North America and is committed to conducting its business ethically, safely and in an environmentally and financially responsible manner.

About SemCAMS Midstream

SemCAMS Midstream ULC is a gathering and processing business that provides midstream solutions from the wellhead to the wholesale market place in Western Canada. As one of Alberta's largest licensed gas processors, SemCAMS Midstream owns and operates six gas processing plants located in the heart of the Western Canadian Sedimentary Basin with combined licensed capacity of approximately 2 billion cubic feet per day. Strategically positioned to accept production out of the Montney and Duvernay area, the assets include more than 700 miles of natural gas gathering and transportation pipelines as well as oil gathering and emulsion. SemCAMS Midstream is based in Calgary, Alberta and is a joint venture between SemGroup Corporation® (NYSE: SEMG) and KKR.

About SemGroup Corporation® and KKR

SemGroup Corporation® moves energy across North America through a network of pipelines, processing plants, refinery-connected storage facilities and deep-water marine terminals. KKR is a leading global investment firm that manages multiple alternative asset classes including private equity, energy, infrastructure, real estate and credit, with strategic partners that manage hedge funds.

Forward-Looking Statements & Non-GAAP Financial Measures

This news release contains forward-looking statements based on Keyera's and SemCAMS' current expectations and assumptions relating to KAPS, their businesses, the environment in which they operate and their future operations and performance of their assets. As these forward-looking statements depend upon future events, actual outcomes may differ materially depending on factors such as: producer drilling plans and results in the region to be served; obtaining all necessary approvals and consents for KAPS and all associated facilities; securing appropriate rights-of-way for KAPS; producer interest in the services being offered; construction and input costs; construction scheduling variables; availability of construction crews and engineering services; ability to source required parts and equipment; future operating results of the assets; Keyera's and SemCAMS' ability to execute their strategic initiatives; weather conditions; commodity supply/demand balances and prices; activities of producers, competitors, customers, business partners and others; overall economic conditions; access to capital and financing alternatives; operational risks associated with natural gas processing and NGL extraction; regulatory approvals for future plant expansion opportunities; and potential delays or changes in plans with respect to development projects or capital expenditures or the results therefrom; the legislative, regulatory and tax environment; and other known or unknown factors. There can be no assurance that the results or developments anticipated by Keyera or SemCAMS will be realized or that they will have the expected consequences for or effects on Keyera and SemCAMS.

In addition to the factors referenced above, Keyera's and SemCAMS' expectations with respect to future returns associated with KAPS are based on a number of assumptions, estimates and projections that have been developed based on past experience and anticipated trends, including but not limited to: capital cost estimates assuming no material unforeseen costs; timing for completion of growth capital projects; customer performance of contractual obligations; reliability of production profiles; commodity prices, margins and volumes; tax and interest rates; availability of capital at attractive prices; and no changes in regulatory or approval requirements, including no delay in securing any outstanding regulatory approvals.

All forward-looking statements contained in this news release are expressly qualified by this

cautionary statement. Readers are cautioned that they should not unduly rely on these forward-looking statements and that the information contained in the forward-looking statements may not be appropriate for other purposes. Further, readers are cautioned that the forward-looking statements in this news release speak only as of the date hereof. Keyera does not undertake any obligation to update forward-looking statements except as required by securities law.

This news release also includes a financial measure, annual return on capital, that is not determined in accordance with Generally Accepted Accounting Principles ("GAAP"). Annual return on capital for the KAPS project is defined as expected annual operating margin divided by the estimated capital cost for the development of the project.

For further information about non-GAAP measures and the factors affecting forward-looking statements and management's assumptions and analysis thereof, see "Non-GAAP Financial Measures" and "Forward-Looking Statements" in Management's Discussion and Analysis included in Keyera's 2019 First Quarter Report as well as Keyera's Annual Information Form dated February 21, 2019, filed on SEDAR at www.sedar.com and available on the Keyera website at www.keyera.com.

Additional Information

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