TC Energy reports strong second quarter 2024 operating and financial results

Southeast Gateway pipeline project achieves over 98 per cent offshore pipeline installation

CALGARY, Alberta – August 1, 2024 – TC Energy Corporation (TSX, NYSE: TRP) (TC Energy or the Company) released its second quarter results today. François Poirier, TC Energy's President and Chief Executive Officer commented, "During the first six months of 2024, we delivered 10 per cent year-over-year growth in comparable EBITDA[1] and approximately 35 per cent growth in segmented earnings." Poirier continued, "We continued to advance multiple strategic initiatives aimed at maximizing the long-term value of our assets and furthering our deleveraging efforts. We announced a historic equity ownership agreement that will enable Indigenous Communities to become owners in the NGTL and Foothills Systems, achieved a successful shareholder vote to spin off the Liquids Pipelines business and reached a five-year revenue requirement settlement on our NGTL System in Canada. Finally, our Southeast Gateway pipeline project in Mexico is making exceptional progress and we anticipate completing the offshore pipeline installation in the third quarter. This critical milestone means we are on-track to achieve commercial in-service by mid-2025. We remain steadfast in our execution against our clear set of 2024 strategic priorities."

Highlights

(All financial figures are unaudited and in Canadian dollars unless otherwise noted)

- Second quarter 2024 financial results:
  - Comparable earnings[1] of \$1.0 billion or \$0.94 per common share compared to \$1.0 billion or \$0.96 per common share in 2023 and net income attributable to common shares of \$1.0 billion or \$0.93 per common share compared to \$0.3 billion or \$0.24 per common share in second quarter 2023
  - Comparable EBITDA of \$2.7 billion compared to \$2.5 billion in 2023 and segmented earnings of \$2.0 billion compared to \$1.0 billion in second quarter 2023
- Reaffirming 2024 outlook:
  - **Comparable EBITDA** is expected to be \$11.2 to \$11.5 billion[2]
  - **Comparable earnings per common share** is expected to be lower than 2023[2] due to the net impact of higher net income attributable to non-controlling interests, partially offset by increased comparable EBITDA and higher AFUDC related to increased capital expenditures on the Southeast Gateway pipeline project
  - **Capital expenditures** are anticipated to be at the low end of \$8.0 to \$8.5 billion on a net basis after considering non-controlling interests
- TC Energy shareholders voted to approve the spinoff of the Liquids Pipelines business at our 2024 Annual and Special Meeting of shareholders
- Reached unanimous support from customers for a five-year negotiated revenue requirement settlement for the NGTL System that aligns with maximizing the value of our assets
- Announced approximately \$2.6 billion of asset divestitures relative to our \$3 billion asset divestiture program
  - Announced Canada's largest Indigenous equity ownership agreement that will enable Indigenous Communities to acquire a 5.34 per cent minority interest in NGTL and Foothills Systems for gross proceeds of \$1.0 billion
  - Completed the strategic alliance agreement with the CFE who became a partner in TGNH with a 13.01 per cent equity interest in our TGNH assets for cash proceeds of US\$340 million and non-cash consideration
- Completed a \$7.15 billion refinancing by Coastal GasLink LP in June 2024 of its existing construction credit facility through a private bond offering of senior secured notes to Canadian and U.S. investors
- Declared a quarterly dividend of \$0.96 per common share for the quarter ending September 30, 2024.

[1] Comparable EBITDA, comparable earnings and comparable earnings per common share are non-GAAP measures used throughout this news release. These measures do not have any standardized meaning under GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. The most directly comparable GAAP measures are Segmented earnings, Net income attributable to common shares and Net income per common share, respectively. For more information on non-GAAP measures, refer to the Non-GAAP Measures section of this news release.
[2] Prior to the potential impact of asset sales and the Liquids Pipelines business spinoff.

(millions of $, except per share amounts)	three months ended June 30 2024	three months ended June 30 2023	six months ended June 30 2024	six months ended June 30 2023
Income				
Net income (loss) attributable to common shares	**963**	250	**2,166**	1,563
per common share – basic	**$0.93**	$0.24	**$2.09**	$1.53
Segmented earnings (losses)				
Canadian Natural Gas Pipelines	**514**	(394)	**1,015**	17
U.S. Natural Gas Pipelines	**762**	715	**1,805**	1,794
Mexico Natural Gas Pipelines	**266**	182	**478**	436
Liquids Pipelines	**270**	273	**586**	449
Power and Energy Solutions	**220**	255	**472**	507
Corporate	**(26)**	(36)	**(84)**	(38)
Total segmented earnings (losses)	**2,006**	995	**4,272**	3,165
Comparable EBITDA				
Canadian Natural Gas Pipelines	**846**	780	**1,692**	1,520
U.S. Natural Gas Pipelines	**1,003**	925	**2,309**	2,192
Mexico Natural Gas Pipelines	**286**	193	**500**	365
Liquids Pipelines	**328**	363	**735**	680
Power and Energy Solutions	**227**	217	**547**	498
Corporate	**4**	(4)	**1**	(6)
Comparable EBITDA	**2,694**	2,474	**5,784**	5,249
Depreciation and amortization	**(717)**	(694)	**(1,436)**	(1,371)
Interest expense included in comparable earnings	**(843)**	(791)	**(1,680)**	(1,548)
Allowance for funds used during construction	**184**	148	**341**	279
Foreign exchange gains (losses), net included in comparable earnings	**(51)**	70	**(8)**	103
Interest income and other included in comparable earnings	**69**	52	**146**	94
Income tax (expense) recovery included in comparable earnings	**(190)**	(249)	**(523)**	(529)
Net (income) loss attributable to non-controlling interests included in comparable earnings	**(141)**	(6)	**(312)**	(17)
Preferred share dividends	**(27)**	(23)	**(50)**	(46)
Comparable earnings	**978**	981	**2,262**	2,214
Comparable earnings per common share	**$0.94**	$0.96	**$2.18**	$2.16
Cash flows				
Net cash provided by operations	**1,655**	1,510	**3,697**	3,584
Comparable funds generated from operations[i]	**1,826**	1,754	**4,262**	3,820
Capital spending[ii]	**1,591**	2,991	**3,488**	6,024
Acquisitions, net of cash acquired	**—**	(164)	**—**	(302)
Dividends declared				
per common share	**$0.96**	$0.93	**$1.92**	$1.86
Basic common shares outstanding (millions)				
– weighted average for the period	**1,037**	1,027	**1,037**	1,024
– issued and outstanding at end of period	**1,037**	1,029	**1,037**	1,029

i Comparable funds generated from operations is a non-GAAP measure used throughout this release. This measure does not have any standardized meaning under GAAP and therefore is unlikely to be comparable in similar measures presented by other companies. The most directly comparable GAAP measure is Net cash provided by operations. For more information on non-GAAP measures, refer to the Non-GAAP Measures section of this release.

ii Capital spending reflects cash flows associated with our Capital expenditures, Capital projects in development and Contributions to equity investments. Refer to Note 4, Segmented information, of our Condensed consolidated financial statements for additional information.

CEO Message

During the first six months of 2024, our assets continued to safely and reliably meet the growing energy demands of North America. As a result, for the first six months of 2024, we have delivered approximately 10 per cent growth in comparable EBITDA and approximately 35 per cent growth in segmented earnings compared to the first six months of 2023. The outlook for our business has never been stronger, providing accretive investment opportunities across our natural gas and power and energy solutions assets. Natural gas demand continues to reach record highs and our business is strategically positioned to continue to grow through five meaningful drivers:

- Next wave LNG growth that will feed exports from Canada, the U.S. and Mexico by 2025
- Continued demand growth and reliability requirements for utilities across the continent
- The increasing demands on power generation to support wide scale electrification, coal-fired retirements, and emerging energy needs
- Ensuring supply access; connecting North America's lowest cost basins to the largest demand markets
- Decarbonization, maintenance and modernization projects that support the safe and reliable delivery of record volumes.

By having a disciplined view on capital allocation and adhering to our net capital expenditure limit of $6 billion to $7 billion per year, we will purposefully select projects that are expected to maximize the spread between our risk-adjusted return and cost of capital, creating incremental value for our shareholders.

For the remainder of the year, we will seek to maximize the value of our assets through safety and operational excellence, maintain our focus on project execution, and continue our deleveraging efforts by progressing our asset divestiture program and streamlining our business through efficiency initiatives.

Operational highlights include:

- Total NGTL System receipts averaged 14.2 Bcf/d, up five per cent compared to second quarter 2023
  - NGTL System set an all-time record for total receipts on April 12, 2024 at 14.8 Bcf
- NGTL System set an all-time single day record for deliveries to power generators of more than 1.1 Bcf on July 18, 2024
- U.S. Natural Gas Pipelines (USNG) daily average flows were 26.2 Bcf/d, up three per cent compared to second quarter 2023
- USNG systems set second quarter average delivery records to power generators and LNG facilities of 2.8 Bcf/d and 3.3 Bcf/d, respectively
  - New all-time daily send out record to power plants of 5.2 Bcf on July 15, 2024
- Mexico Natural Gas Pipelines set an all-time delivery record of more than 4.0 Bcf on May 24, 2024
- The Keystone Pipeline System achieved 94 per cent operational reliability in the second quarter 2024
- Bruce Power achieved 78 per cent availability in second quarter 2024, taking into account planned outages on Units 5 to 8; average availability outlook for 2024 remains in the low-90 per cent range now that all planned maintenance is complete for 2024
- Cogeneration power plant fleet achieved 95.7 per cent availability in second quarter 2024.

We continue to **execute projects on-time and on-budget**. During the second quarter, we made significant progress on our **Southeast Gateway** pipeline project having achieved critical milestones and remain on track to reach commercial in-service by mid-2025. Offshore pipeline installation has now reached over 98 per cent, with completion of the deepwater section and approximately three kilometres of shallow water installation remaining. We anticipate the shallow water pipeline installation to be complete in third quarter 2024. We have also finished all three landfall sites, with construction of onshore facilities and final pipeline and tie-in activities progressing well. The **Bruce Power** Unit 3 Major Component Replacement (MCR) program continues to advance on plan for both cost and schedule and the Unit 4 MCR is expected to begin in early-2025. We expect to place approximately **$7 billion of projects** into service in 2024 and **$9 billion** in 2025. Year-to-date, $1.2 billion of natural gas capacity projects have been placed in service, including our Gillis Access project and projects on the NGTL System. The remaining projects expected to be placed into service this year is largely comprised of Coastal GasLink.

Coastal GasLink (CGL) achieved mechanical completion in November 2023 and continues to progress post-construction reclamation activities. Commercial in-service is expected to follow the completion of plant commissioning activities at the LNG Canada facility and upon receiving notice from LNG Canada. In June 2024, Coastal GasLink LP completed the largest private bond offering in Canadian history, a $7.15 billion refinancing of its existing construction credit facility through a private offering of senior secured notes, representing significant demand for Canadian energy infrastructure. Additionally, following a positive FID announcement by Cedar LNG joint venture partners, Haisla Nation and Pembina Pipeline Corporation, Coastal GasLink LP sanctioned the **Cedar Link project**, a $1.2 billion expansion of the CGL pipeline which is expected to enable the delivery of up to 0.4 Bcf/d of natural gas to Cedar LNG. Funding for the Cedar Link project will be provided through project-level credit facilities of up to $1.5 billion, and equity to be provided by Coastal GasLink LP partners, including us. We estimate our share of equity contributions to fund the project will be approximately $50 million.

We reached unanimous support from customers for a **five-year negotiated revenue requirement settlement** on the **NGTL System** commencing on January 1, 2025. The settlement maintains a return on equity of 10.1 per cent on 40 per cent deemed common equity and is expected to result in approximately $150 million to $200 million per year increase in comparable EBITDA through increased depreciation rates and incentive mechanisms. The settlement also enables an investment framework that supports allocating $3.27 billion of capital towards progression of a new multi-year growth plan. It is comprised of multiple projects that are subject to final company and regulatory approvals, with targeted in-service dates between 2027 and 2030. The completion of the multi-year growth plan will enable approximately 1.0 Bcf/d of incremental system throughput. We thank our customers for this collaborative process finding alignment to address evolving needs of both the industry and our business.

During the second quarter 2024, we progressed toward our **$3 billion asset divestiture target** and completed our strategic alliance agreement with the CFE, who became a partner in TGNH with a 13.01 per cent interest for cash proceeds of US$340 million and non-cash consideration. On July 30 2024, we announced Canada's largest Indigenous equity ownership agreement that will enable Indigenous Communities to collectively acquire a 5.34 per cent minority equity interest in the NGTL System and the Foothills Pipeline assets (together, Partnership Assets) for gross proceeds of $1.0 billion. This historic agreement is made possible by an equity loan guarantee provided by the Alberta Indigenous Opportunities Corporation in support of a newly formed Indigenous-owned investment partnership. Once finalized, the Communities will enter into definitive agreements as co-investors in the Partnership Assets. Investment in energy assets delivers access to long-term revenue sources, creating meaningful change for Indigenous Communities across Canada.

With these announcements, we are tracking to approximately **$2.6 billion** of asset sales that represents the majority of our $3 billion target prior to the end of the year. In combination with our asset divestiture plan, strong results in the first half of 2024, capital expenditures trending to the low end of our 2024 outlook and continued progress on our business efficiency initiatives, we are making significant progress towards our year end debt-to-EBITDA[3] target of 4.75 times, which represents the upper limit we will manage to going forward. Further, we remain committed to staying within our $6 billion to $7 billion annual net capital expenditure limit, with a bias to the lower end, in 2025 and beyond.

In June 2024, we received approval from our shareholders to **spin off the Liquids Pipelines business** (the spinoff Transaction), South Bow Corporation (South Bow). We believe spinning off South Bow will allow both companies to maximize the long-term value of their respective assets. We anticipate that the effective separation date will occur in early fourth quarter 2024. As two separate entities, each company will have the ability to focus on their distinct strategies and opportunity sets – delivering essential energy that the world relies on.

[3] Debt-to-EBITDA is a non-GAAP ratio. Adjusted debt and adjusted comparable EBITDA are non-GAAP measures used to calculate debt-to-EBITDA. See the Forward-looking information, Non-GAAP measures and Reconciliation sections for more information.

We released our **2024 Report on Sustainability** that details the company's overall sustainability performance and progress on our commitments. We reaffirm our role as part of a collective effort to advance a lower-emissions energy system that is affordable, reliable and secure, while working closely with our neighbours, customers, Indigenous peoples, and governments to build relationships and create mutually beneficial opportunities. Key highlights include:

- Reduced absolute methane emissions by 15 per cent between 2019 and 2023
- Invested $1.8 billion in 2023 with Indigenous and Native American suppliers in Canada and U.S., and launched a Canadian Indigenous Equity Framework
- Introduced a new target to increase the representation of women at the company by two per cent annually over the next three years.

Following the spinoff Transaction, **TC Energy** will continue to play a pivotal role in North America's energy future – and increasingly provide global energy solutions through our highly integrated natural gas delivery network. The demand for energy in North America and globally has never been greater, and we believe we are positioned to meet this demand while balancing energy security, affordability and sustainability through our critical infrastructure. We remain selective and strategic in allocating capital in order to maximize risk-adjusted shareholder returns and deliver long-term shareholder value.

Teleconference and Webcast

We will hold a teleconference and webcast on Thursday, August 1, 2024 at 6:30 a.m. (MDT) / 8:30 a.m. (EDT) to discuss our second quarter 2024 financial results and Company developments. Presenters will include François Poirier, President and Chief Executive Officer; Sean O'Donnell, Executive Vice-President and Chief Financial Officer; and other members of the executive leadership team.

Members of the investment community and other interested parties are invited to participate by calling **1-844-763-8274 (Canada/U.S.) or 1-647-484-8814 (International)**. No passcode is required. Please dial in 15 minutes prior to the start of the call. Alternatively, participants may pre-register for the call here. Upon registering, you will receive a calendar booking by email with dial in details and a unique PIN. This process will bypass the operator and avoid the queue. Registration will remain open until the end of the conference call.

A live webcast of the teleconference will be available on TC Energy's website at www.TCEnergy.com/events or via the following URL: https://www.gowebcasting.com/13394. The webcast will be available for replay following the meeting.

A replay of the teleconference will be available two hours after the conclusion of the call until midnight EDT on August 8, 2024. Please call 1-855-669-9658 (Canada/U.S.) or 1-412-317-0088 (International) and enter passcode 6645236#.

The unaudited interim Condensed consolidated financial statements and Management's Discussion and Analysis (MD&A) are available on our website at www.TCEnergy.com and will be filed today under TC Energy's profile on SEDAR+ at www.sedarplus.ca and with the U.S. Securities and Exchange Commission on EDGAR at www.sec.gov.

About TC Energy

We're a team of 7,000+ energy problem solvers working to move, generate and store the energy North America relies on. Today, we're delivering solutions to the world's toughest energy challenges – from innovating to deliver the natural gas that feeds LNG to global markets, to working to reduce emissions from our assets, to partnering with our neighbours, customers and governments to build the energy system of the future. It's all part of how we continue to deliver sustainable returns for our investors and create value for communities.

TC Energy's common shares trade on the Toronto (TSX) and New York (NYSE) stock exchanges under the symbol TRP.
To learn more, visit us at www.TCEnergy.com.

Forward-Looking Information

This release contains certain information that is forward-looking and is subject to important risks and uncertainties and is based on certain key assumptions. Forward-looking statements are usually accompanied by words such as "anticipate", "expect", "believe", "may", "will", "should", "estimate" or other similar words. Forward-looking statements in this document may include, but are not limited to, statements on the progress of Coastal GasLink and Southeast Gateway, including mechanical completion, offshore installations and in-service dates, expected comparable EBITDA and comparable earnings per common share and targeted debt-to-EBITDA leverage metrics for 2024, and the sources thereof, expectations with respect to the Cedar Link project, including the financing thereof, expectations with respect to Bruce Power, expectations with respect to our strategic priorities, including our multi-year growth plan for the NGTL System, and the execution thereof, our sustainability commitments, expectations with respect to our asset divestiture program, our expected net capital expenditures and dividend outlook and the spinoff Transaction, including timing and expectations with respect to TC Energy and South Bow following the completion of the spinoff Transaction. Our forward-looking information is subject to important risks and uncertainties and is based on certain key assumptions. Forward-looking statements and future-oriented financial information in this document are intended to provide TC Energy security holders and potential investors with information regarding TC Energy and its subsidiaries, including management's assessment of TC Energy's and its subsidiaries' future plans and financial outlook. All forward-looking statements reflect TC Energy's beliefs and assumptions based on information available at the time the statements were made and as such are not guarantees of future performance. As actual results could vary significantly from the forward-looking information, you should not put undue reliance on forward-looking information and should not use future-oriented information or financial outlooks for anything other than their intended purpose. We do not update our forward-looking information due to new information or future events, unless we are required to by law. For additional information on the assumptions made, and the risks and uncertainties which could cause actual results to differ from the anticipated results, refer to the most recent Quarterly Report to Shareholders and the 2023 Annual Report filed under TC Energy's profile on SEDAR+ at www.sedarplus.ca and with the U.S. Securities and Exchange Commission at www.sec.gov and the "Forward-looking information" section of our Report on Sustainability and our GHG Emissions Reduction Plan which are available on our website at www.TCEnergy.com.

Non-GAAP Measures

This release contains references to the following non-GAAP measures: comparable EBITDA, comparable earnings, comparable earnings per common share, comparable funds generated from operations and net capital expenditures. It also contains references to debt-to-EBITDA, a non-GAAP ratio, which is calculated using adjusted debt and adjusted comparable EBITDA, each of which are non-GAAP measures. These non-GAAP measures do not have any standardized meaning as prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities. These non-GAAP measures are calculated by adjusting certain GAAP measures for specific items we believe are significant but not reflective of our underlying operations in the period. These comparable measures are calculated on a consistent basis from period to period and are adjusted for specific items in each period, as applicable except as otherwise described in the Condensed consolidated financial statements and MD&A. Refer to: (i) each business segment for a reconciliation of comparable EBITDA to segmented earnings (losses); (ii) Consolidated results section for reconciliations of comparable earnings and comparable earnings per common share to Net income attributable to common shares and Net income per common share, respectively; and (iii) Financial condition section for a reconciliation of comparable funds generated from operations to Net cash provided by operations. Refer to the Non-GAAP Measures section of the MD&A in our most recent quarterly report for more information about the non-GAAP measures we use. The MD&A is included with, and forms part of, this release. The MD&A can be found on SEDAR+ at www.sedarplus.ca under TC Energy's profile.

With respect to non-GAAP measures used in the calculation of debt-to-EBITDA, adjusted debt is defined as the sum of Reported total debt, including Notes payable, Long-term debt, Current portion of long-term debt and Junior subordinated notes, as reported on our Consolidated balance sheet as well as Operating lease liabilities recognized on our Consolidated balance sheet and 50 per cent of Preferred shares as reported on our Consolidated balance sheet due to the debt-like nature of their contractual and financial obligations, less Cash and cash equivalents as reported on our Consolidated balance sheet and 50 per cent of Junior subordinated notes as reported on our Consolidated balance sheet due to the equity-like nature of their contractual and financial obligations. Adjusted comparable EBITDA is calculated as comparable EBITDA excluding operating lease costs recorded in Plant operating costs and other in our Consolidated statement of income and adjusted for Distributions received in excess of (income) loss from equity investments as reported in our Consolidated statement of cash flows which we believe is more reflective of the cash flows available to TC Energy to service our debt and other long-term commitments. We believe that debt-to-EBITDA provides investors with useful information as it reflects our ability to service our debt and other long-term commitments. See the Reconciliation section for reconciliations of adjusted debt and adjusted comparable EBITDA for the years ended December 31, 2022 and 2023.

Reconciliation

The following is a reconciliation of adjusted debt and adjusted comparable EBITDA[i].

	year ended December 31	
(millions of Canadian $)	**2023**	**2022**
Reported total debt	63,201	58,300
Management adjustments:		
Debt treatment of preferred shares[ii]	1,250	1,250
Equity treatment of junior subordinated notes[iii]	(5,144)	(5,248)
Cash and cash equivalents	(3,678)	(620)
Operating lease liabilities	459	433
Adjusted debt	56,088	54,115
Comparable EBITDA[iv]	10,988	9,901
Operating lease cost	118	106
Distributions received in excess of (income) loss from equity investments	(123)	(29)
Adjusted Comparable EBITDA	10,983	9,978
Adjusted Debt/Adjusted Comparable EBITDA[i]	5.1	5.4

i Adjusted debt and adjusted comparable EBITDA are non-GAAP measures. The calculations are based on management methodology. Individual rating agency calculations will differ.

ii 50 per cent debt treatment on $2.5 billion of preferred shares as of December 31, 2023.

iii 50 per cent equity treatment on $10.3 billion of junior subordinated notes as of December 31, 2023. U.S. dollar-denominated notes translated at December 31, 2023, U.S./Canada foreign exchange rate of 1.32.

iv Comparable EBITDA is a non-GAAP financial measure. See the Forward-looking information and Non-GAAP measures sections for more information.

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Quarterly report to shareholders

Second quarter 2024

Financial highlights

	three months ended June 30		six months ended June 30	
(millions of $, except per share amounts)	**2024**	**2023**	**2024**	**2023**
Income				
Revenues	**4,085**	3,830	**8,328**	7,758
Net income (loss) attributable to common shares	**963**	250	**2,166**	1,563
per common share – basic	**$0.93**	$0.24	**$2.09**	$1.53
Comparable EBITDA[1]	**2,694**	2,474	**5,784**	5,249
Comparable earnings	**978**	981	**2,262**	2,214
per common share	**$0.94**	$0.96	**$2.18**	$2.16
Cash flows				
Net cash provided by operations	**1,655**	1,510	**3,697**	3,584
Comparable funds generated from operations	**1,826**	1,754	**4,262**	3,820
Capital spending[2]	**1,591**	2,991	**3,488**	6,024
Acquisitions, net of cash acquired	**—**	(164)	**—**	(302)
Dividends declared				
per common share	**$0.96**	$0.93	**$1.92**	$1.86
Basic common shares outstanding (millions)				
– weighted average for the period	**1,037**	1,027	**1,037**	1,024
– issued and outstanding at end of period	**1,037**	1,029	**1,037**	1,029

1 Additional information on Segmented earnings (losses), the most directly comparable GAAP measure, can be found in the Consolidated results section.

2 Capital spending reflects cash flows associated with our Capital expenditures, Capital projects in development and Contributions to equity investments. Refer to Note 4, Segmented information, of our Condensed consolidated financial statements for additional information.

Management's discussion and analysis

July 31, 2024

This management's discussion and analysis (MD&A) contains information to help the reader make investment decisions about TC Energy Corporation (TC Energy). It discusses our business, operations, financial position, risks and other factors for the three and six months ended June 30, 2024 and should be read with the accompanying unaudited Condensed consolidated financial statements for the three and six months ended June 30, 2024, which have been prepared in accordance with U.S. GAAP.

This MD&A should also be read in conjunction with our December 31, 2023 audited Consolidated financial statements and notes and the MD&A in our 2023 Annual Report. Capitalized and abbreviated terms that are used but not otherwise defined herein are defined in our 2023 Annual Report. Certain comparative figures have been adjusted to reflect the current period's presentation.

FORWARD-LOOKING INFORMATION

We disclose forward-looking information to help the reader understand management's assessment of our future plans and financial outlook and our future prospects overall.

Statements that are ***forward looking*** are based on certain assumptions and on what we know and expect today and generally include words like ***anticipate, expect, believe, may, will, should, estimate*** or other similar words.

Forward-looking statements in this MD&A include information about the following, among other things:

- our financial and operational performance, including the performance of our subsidiaries
- expectations about strategies and goals for growth and expansion, including acquisitions
- expected cash flows and future financing options available along with portfolio management
- expectations about the new Liquids Pipelines Company, South Bow Corporation, following the anticipated completion of the proposed spinoff transaction of our Liquids Pipelines business (the spinoff Transaction) into a separate publicly listed company, including the management and credit ratings thereof
- expectations regarding the size, structure, timing, conditions and outcome of ongoing and future transactions, including the spinoff Transaction and our asset divestiture program
- expected dividend growth
- expected access to and cost of capital
- expected energy demand levels
- expected costs and schedules for planned projects, including projects under construction and in development
- expected capital expenditures, contractual obligations, commitments and contingent liabilities, including environmental remediation costs
- expected regulatory processes and outcomes
- statements related to our GHG emissions reduction goals
- expected outcomes with respect to legal proceedings, including arbitration and insurance claims
- expected impact of future tax and accounting changes
- commitments and targets contained in our Report on Sustainability and GHG Emissions Reduction Plan
- expected industry, market and economic conditions, including their impact on our customers and suppliers.

Forward-looking statements do not guarantee future performance. Actual events and results could be significantly different because of assumptions, risks or uncertainties related to our business or events that happen after the date of this MD&A.

Our forward-looking information is based on the following key assumptions and subject to the following risks and uncertainties:

Assumptions

- realization of expected benefits from acquisitions, divestitures, the spinoff Transaction and energy transition
- regulatory decisions and outcomes
- planned and unplanned outages and the use of our pipelines, power and storage assets
- integrity and reliability of our assets
- anticipated construction costs, schedules and completion dates
- access to capital markets, including portfolio management
- expected industry, market and economic conditions, including the impact of these on our customers and suppliers
- inflation rates, commodity and labour prices
- interest, tax and foreign exchange rates
- nature and scope of hedging.

Risks and uncertainties

- realization of expected benefits from acquisitions, divestitures, the spinoff Transaction and energy transition
- terms, timing and completion of the spinoff Transaction, including the timely receipt of all necessary approvals
- that market or other conditions are no longer favourable to completing the spinoff Transaction
- business disruption during the period prior to or directly following the spinoff Transaction
- our ability to successfully implement our strategic priorities, including the Focus Project, and whether they will yield the expected benefits
- our ability to implement a capital allocation strategy aligned with maximizing shareholder value
- operating performance of our pipelines, power generation and storage assets
- amount of capacity sold and rates achieved in our pipeline businesses
- amount of capacity payments and revenues from power generation assets due to plant availability
- production levels within supply basins
- construction and completion of capital projects
- cost, availability of, and inflationary pressures on, labour, equipment and materials
- availability and market prices of commodities
- access to capital markets on competitive terms
- interest, tax and foreign exchange rates
- performance and credit risk of our counterparties
- regulatory decisions and outcomes of legal proceedings, including arbitration and insurance claims
- our ability to effectively anticipate and assess changes to government policies and regulations, including those related to the environment
- our ability to realize the value of tangible assets and contractual recoveries
- competition in the businesses in which we operate
- unexpected or unusual weather
- acts of civil disobedience
- cybersecurity and technological developments
- sustainability-related risks
- impact of energy transition on our business
- economic conditions in North America, as well as globally
- global health crises, such as pandemics and epidemics, and the impacts related thereto.

You can read more about these factors and others in this MD&A and in other reports we have filed with Canadian securities regulators and the SEC, including the MD&A in our 2023 Annual Report.

As actual results could vary significantly from the forward-looking information, you should not put undue reliance on forward-looking information and should not use future-oriented information or financial outlooks for anything other than their intended purpose. We do not update our forward-looking statements due to new information or future events unless we are required to by law.

FOR MORE INFORMATION

You can find more information about TC Energy in our Annual Information Form and other disclosure documents, which are available on SEDAR+ (www.sedarplus.ca).

NON-GAAP MEASURES

This MD&A references the following non-GAAP measures:

- comparable EBITDA
- comparable EBIT
- comparable earnings
- comparable earnings per common share
- funds generated from operations
- comparable funds generated from operations
- net capital expenditures.

These measures do not have any standardized meaning as prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities. Discussions throughout this MD&A on the factors impacting comparable earnings are consistent with the factors that impact net income (loss) attributable to common shares, except where noted otherwise. Discussions throughout this MD&A on the factors impacting comparable earnings before interest, taxes, depreciation and amortization (comparable EBITDA) and comparable earnings before interest and taxes (comparable EBIT) are consistent with the factors that impact segmented earnings, except where noted otherwise.

Comparable measures

We calculate comparable measures by adjusting certain GAAP measures for specific items we believe are significant but not reflective of our underlying operations in the period. Except as otherwise described herein, these comparable measures are calculated on a consistent basis from period to period and are adjusted for specific items in each period, as applicable.

Our decision to adjust for a specific item in reporting comparable measures is subjective and made after careful consideration. We adjust for the following specific items:

- gains or losses on sales of assets or assets held for sale
- valuation allowances and adjustments resulting from changes in legislation and enacted tax rates
- legal, contractual, bankruptcy and other settlements, including non-recurring third-party settlements
- impairment of goodwill, plant, property and equipment, equity investments and other assets
- acquisition, integration and restructuring costs, including costs related to our Focus Project, the spinoff Transaction and the ownership transfer of the NGTL System from Nova Gas Transmission Ltd (NGTL Ltd.) to NGTL GP Ltd. (NGTL GP) on behalf of NGTL Limited Partnership (NGTL LP) (NGTL System Ownership Transfer)
- unrealized fair value adjustments related to risk management activities of Bruce Power's funds invested for post-retirement benefits
- unrealized gains and losses from changes in the fair value of derivatives related to financial and commodity price risk management activities.

We exclude from comparable measures the unrealized gains and losses from changes in the fair value of derivatives related to financial and commodity price risk management activities. These derivatives generally provide effective economic hedges but do not meet the criteria for hedge accounting. The changes in fair value, including our proportionate share of changes in fair value related to Bruce Power are recorded in net income. As these amounts do not accurately reflect the gains and losses that will be realized at settlement, we do not consider them reflective of our underlying operations.

In third quarter 2023, we announced plans to separate into two independent, investment-grade, publicly listed companies through the spinoff Transaction. On June 4, 2024, shareholders approved the spinoff Transaction and the effective date of the separation is expected to occur in early fourth quarter 2024. A separation management office was established to guide the successful coordination and governance between the two entities, including the development of a separation agreement and transition service agreement. Liquids Pipelines business separation costs related to the spinoff Transaction include internal costs related to separation activities, legal, tax, audit and other consulting fees, which are recognized in the results of our Liquids Pipelines and Corporate segments. These items have been excluded from comparable measures as we do not consider them reflective of our ongoing underlying operations.

TransCanada PipeLines Limited (TCPL) and Transportadora de Gas Natural de la Huasteca (TGNH) are party to an unsecured revolving credit facility. The loan receivable and loan payable are eliminated upon consolidation; however, due to differences in the currency that each entity reports its financial results, there is an impact to net income reflecting the translation of the loan receivable and payable to TC Energy's reporting currency. As the amounts do not accurately reflect what will be realized at settlement, we exclude from comparable measures the unrealized foreign exchange gains and losses on the loan receivable, as well as the corresponding unrealized foreign exchange gains and losses on the loan payable, net of non-controlling interest.

In 2023, we accrued an amount for environmental remediation costs related to the Milepost 14 incident. We have insurance policies in place and we believe that it remains probable that the majority of environmental remediation costs will be recovered under our existing insurance coverage. A portion of these insurance proceeds are collectible from our wholly-owned captive insurance subsidiary, which resulted in an impact to net income in the consolidated financial results of TC Energy in second quarter 2023. This amount has been excluded from comparable measures as it is not reflective of our ongoing underlying operations.

In 2022, TGNH and the CFE executed agreements which consolidate a number of operating and in-development natural gas pipelines in central and southeast Mexico under one TSA. As this TSA contains a lease, we have recognized amounts in net investment in leases on our Condensed consolidated balance sheet. In accordance with the requirements of U.S. GAAP, we have recognized an expected credit loss provision related to net investment in leases and certain contract assets in Mexico. The amount of this provision will fluctuate from period to period based on changing economic assumptions and forward-looking information. The provision is an estimate of losses that may occur over the duration of the TSA through 2055. As this provision, as well as a provision related to certain contract assets in Mexico, do not reflect losses or cash outflows that were incurred under this lease arrangement in the current period or from our underlying operations, we have excluded any unrealized changes, net of non-controlling interest, from comparable measures.

The following table identifies our non-GAAP measures against their most directly comparable GAAP measures:

Comparable measure	GAAP measure
comparable EBITDA	segmented earnings (losses)
comparable EBIT	segmented earnings (losses)
comparable earnings	net income (loss) attributable to common shares
comparable earnings per common share	net income (loss) per common share
funds generated from operations	net cash provided by operations
comparable funds generated from operations	net cash provided by operations
net capital expenditures	capital expenditures

Quantitative reconciliations of our comparable measures to their GAAP measures are found throughout this MD&A.

Comparable EBITDA and comparable EBIT

Comparable EBITDA represents segmented earnings (losses) adjusted for specific items described in the Comparable measures section above, excluding charges for depreciation and amortization. We use comparable EBITDA as a measure of our earnings from ongoing operations as it is a useful indicator of our performance and is also presented on a consolidated basis. Comparable EBIT represents segmented earnings (losses) adjusted for specific items and is an effective tool for evaluating trends in each segment. Refer to each business segment for a reconciliation to segmented earnings (losses).

Comparable earnings and comparable earnings per common share

Comparable earnings represents earnings attributable to common shareholders on a consolidated basis, adjusted for specific items described in the Comparable measures section above. Comparable earnings is comprised of segmented earnings (losses), Interest expense, AFUDC, Foreign exchange (gains) losses, net, Interest income and other, Income tax expense (recovery), Net income (loss) attributable to non-controlling interests and Preferred share dividends on our Condensed consolidated statement of income, adjusted for specific items. Refer to the Consolidated results section for reconciliations to Net income (loss) attributable to common shares and Net income (loss) per common share.

Funds generated from operations and comparable funds generated from operations

Funds generated from operations reflects net cash provided by operations before changes in operating working capital. The components of changes in working capital are disclosed in our 2023 Consolidated financial statements. We believe funds generated from operations is a useful measure of our consolidated operating cash flows because it excludes fluctuations from working capital balances, which do not necessarily reflect underlying operations in the same period, and is used to provide a consistent measure of the cash-generating ability of our businesses. Comparable funds generated from operations is adjusted for the cash impact of specific items described in the Comparable measures section above. Refer to the Financial condition section for a reconciliation to Net cash provided by operations.

Net capital expenditures

Net capital expenditures represents capital expenditures, including growth projects, maintenance capital expenditures, contributions to equity investments, and projects under development, adjusted for the portion attributed to non-controlling interests in the entities we control. We use net capital expenditures as we believe it is a useful measure of our cash flow used for capital reinvestment.

Consolidated results

(millions of $, except per share amounts)	three months ended June 30		six months ended June 30	
	2024	**2023**	**2024**	**2023**
Canadian Natural Gas Pipelines	**514**	(394)	**1,015**	17
U.S. Natural Gas Pipelines	**762**	715	**1,805**	1,794
Mexico Natural Gas Pipelines	**266**	182	**478**	436
Liquids Pipelines	**270**	273	**586**	449
Power and Energy Solutions	**220**	255	**472**	507
Corporate	**(26)**	(36)	**(84)**	(38)
Total segmented earnings (losses)	**2,006**	995	**4,272**	3,165
Interest expense	**(843)**	(791)	**(1,680)**	(1,553)
Allowance for funds used during construction	**184**	148	**341**	279
Foreign exchange gains (losses), net	**(67)**	169	**(40)**	276
Interest income and other	**69**	16	**146**	58
Income (loss) before income taxes	**1,349**	537	**3,039**	2,225
Income tax (expense) recovery	**(200)**	(258)	**(493)**	(599)
Net income (loss)	**1,149**	279	**2,546**	1,626
Net (income) loss attributable to non-controlling interests	**(159)**	(6)	**(330)**	(17)
Net income (loss) attributable to controlling interests	**990**	273	**2,216**	1,609
Preferred share dividends	**(27)**	(23)	**(50)**	(46)
Net income (loss) attributable to common shares	**963**	250	**2,166**	1,563
Net income (loss) per common share – basic	**$0.93**	$0.24	**$2.09**	$1.53

Net income (loss) attributable to common shares increased by $713 million or $0.69 per common share and $603 million or $0.56 per common share for the three and six months ended June 30, 2024 compared to the same periods in 2023. The following specific items were recognized in Net income (loss) attributable to common shares and were excluded from comparable earnings:

2024 results

- an after-tax gain of $63 million in second quarter 2024 related to the sale of non-core assets in U.S. Natural Gas Pipelines and Canadian Natural Gas Pipelines
- an after-tax unrealized foreign exchange loss of $3 million and unrealized foreign exchange gain of $52 million for the three and six months ended June 30, 2024 on the peso-denominated intercompany loan between TCPL and TGNH, net of non-controlling interest
- a $2 million and $17 million after-tax recovery for the three and six months ended June 30, 2024 on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico, net of non-controlling interest
- after-tax costs of $42 million for the three and six months ended June 30, 2024 related to the NGTL System Ownership Transfer
- an after-tax charge of $26 million and $39 million for the three and six months ended June 30, 2024 due to Liquids Pipelines business separation costs related to the spinoff Transaction
- an after-tax expense of $26 million related to a non-recurring third-party settlement in first quarter 2024
- an $8 million after-tax expense in first quarter 2024 related to Focus Project costs.

2023 results

- an after-tax impairment charge of $809 million and $838 million for the three and six months ended June 30, 2023 related to our equity investment in Coastal GasLink Pipeline Limited Partnership (Coastal GasLink LP)
- a $48 million after-tax charge as a result of the FERC Administrative Law Judge initial decision on Keystone issued in February 2023 in respect of a tolling-related complaint pertaining to amounts recognized from 2018 to 2022, which consists of a one-time, pre-tax charge of $57 million and accrued pre-tax carrying charges of $5 million
- a $36 million after-tax accrued insurance expense recorded in second quarter 2023 related to the Milepost 14 incident
- a $25 million after-tax expense related to Focus Project costs in second quarter 2023
- an after-tax unrealized foreign exchange loss of $9 million on the peso-denominated intercompany loan between TCPL and TGNH in second quarter 2023
- preservation and other costs for Keystone XL pipeline project assets of $4 million and $8 million after tax for the three and six months ended June 30, 2023
- an $8 million and $80 million after-tax recovery for the three and six months ended June 30, 2023 on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico.

Net income in both periods included unrealized gains and losses on our proportionate share of Bruce Power's fair value adjustment on funds invested for post-retirement benefits and derivatives related to its risk management activities, as well as unrealized gains and losses from changes in our risk management activities, all of which we exclude along with the above noted items, to arrive at comparable earnings. A reconciliation of Net income (loss) attributable to common shares to comparable earnings is shown in the following table.

RECONCILIATION OF NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHARES TO COMPARABLE EARNINGS

	three months ended June 30		six months ended June 30	
(millions of $, except per share amounts)	**2024**	2023	**2024**	2023
Net income (loss) attributable to common shares	**963**	250	**2,166**	1,563
Specific items (net of tax):				
(Gain) loss on sale of non-core assets	**(63)**	—	**(63)**	—
Foreign exchange (gains) losses, net – intercompany loan	**3**	9	**(52)**	9
Expected credit loss provision on net investment in leases and certain contract assets in Mexico	**(2)**	(8)	**(17)**	(80)
NGTL System ownership transfer costs	**42**	—	**42**	—
Liquids Pipelines business separation costs	**26**	—	**39**	—
Third-party settlement	**—**	—	**26**	—
Focus Project costs	**—**	25	**8**	25
Coastal GasLink impairment charge	**—**	809	**—**	838
Keystone regulatory decisions	**—**	—	**—**	48
Milepost 14 insurance expense	**—**	36	**—**	36
Keystone XL preservation and other	**—**	4	**—**	8
Bruce Power unrealized fair value adjustments	**(3)**	—	**1**	(6)
Risk management activities[1]	**12**	(144)	**112**	(227)
Comparable earnings	**978**	981	**2,262**	2,214
Net income (loss) per common share	**$0.93**	$0.24	**$2.09**	$1.53
Specific items (net of tax):				
(Gain) loss on sale of non-core assets	**(0.06)**	—	**(0.06)**	—
Foreign exchange (gains) losses, net – intercompany loan	**—**	0.01	**(0.05)**	0.01
Expected credit loss provision on net investment in leases and certain contract assets in Mexico	**—**	(0.01)	**(0.02)**	(0.08)
NGTL System ownership transfer costs	**0.04**	—	**0.04**	—
Liquids Pipelines business separation costs	**0.03**	—	**0.04**	—
Third-party settlement	**—**	—	**0.03**	—
Focus Project costs	**—**	0.02	**0.01**	0.02
Coastal GasLink impairment charge	**—**	0.79	**—**	0.82
Keystone regulatory decisions	**—**	—	**—**	0.05
Milepost 14 insurance expense	**—**	0.03	**—**	0.03
Keystone XL preservation and other	**—**	0.01	**—**	0.01
Bruce Power unrealized fair value adjustments	**—**	—	**—**	(0.01)
Risk management activities	**—**	(0.13)	**0.10**	(0.22)
Comparable earnings per common share	**$0.94**	$0.96	**$2.18**	$2.16

1 Risk management activities	three months ended June 30		six months ended June 30	
(millions of $)	**2024**	2023	**2024**	2023
U.S. Natural Gas Pipelines	**(40)**	24	**(63)**	73
Liquids Pipelines	**37**	—	**36**	5
Canadian Power	**3**	(13)	**60**	(21)
U.S. Power	**(7)**	—	**(11)**	1
Natural Gas Storage	**20**	73	**(70)**	61
Foreign exchange	**(31)**	108	**(102)**	182
Income tax attributable to risk management activities	**6**	(48)	**38**	(74)
Total unrealized gains (losses) from risk management activities	**(12)**	144	**(112)**	227

COMPARABLE EBITDA TO COMPARABLE EARNINGS

Comparable EBITDA represents segmented earnings (losses) adjusted for the specific items described above and excludes charges for depreciation and amortization. For further information on our reconciliation of comparable EBITDA to segmented earnings (losses) refer to the financial results section for each business segment.

	three months ended June 30		six months ended June 30	
(millions of $, except per share amounts)	**2024**	2023	**2024**	2023
Comparable EBITDA				
Canadian Natural Gas Pipelines	**846**	780	**1,692**	1,520
U.S. Natural Gas Pipelines	**1,003**	925	**2,309**	2,192
Mexico Natural Gas Pipelines	**286**	193	**500**	365
Liquids Pipelines	**328**	363	**735**	680
Power and Energy Solutions	**227**	217	**547**	498
Corporate	**4**	(4)	**1**	(6)
Comparable EBITDA	**2,694**	2,474	**5,784**	5,249
Depreciation and amortization	**(717)**	(694)	**(1,436)**	(1,371)
Interest expense included in comparable earnings	**(843)**	(791)	**(1,680)**	(1,548)
Allowance for funds used during construction	**184**	148	**341**	279
Foreign exchange gains (losses), net included in comparable earnings	**(51)**	70	**(8)**	103
Interest income and other included in comparable earnings	**69**	52	**146**	94
Income tax (expense) recovery included in comparable earnings	**(190)**	(249)	**(523)**	(529)
Net (income) loss attributable to non-controlling interests included in comparable earnings	**(141)**	(6)	**(312)**	(17)
Preferred share dividends	**(27)**	(23)	**(50)**	(46)
Comparable earnings	**978**	981	**2,262**	2,214
Comparable earnings per common share	**$0.94**	$0.96	**$2.18**	$2.16

Comparable EBITDA – 2024 versus 2023

Comparable EBITDA increased by $220 million for the three months ended June 30, 2024 compared to the same period in 2023 primarily due to the net effect of the following:

- increased EBITDA in Canadian Natural Gas Pipelines mainly due to higher flow-through costs and increased rate-base earnings on the NGTL System and Foothills
- increased U.S. dollar-denominated EBITDA from Mexico Natural Gas Pipelines primarily due to higher equity earnings from Sur de Texas as a result of the impact of peso-denominated financial exposure and lower income tax expense, as well as incremental earnings from the lateral section of the Villa de Reyes pipeline which was placed in service in third quarter 2023
- increased U.S. dollar-denominated EBITDA from U.S. Natural Gas Pipelines as a result of incremental earnings from projects placed in service, higher realized margins related to our U.S. natural gas marketing business, additional contract sales and increased equity earnings, partially offset by higher operational costs, reflective of increased system utilization across our footprint
- increased Power and Energy Solutions EBITDA mainly attributable to higher contributions from our U.S. marketing business and higher earnings from Canadian Power primarily due to lower natural gas fuel costs and trading activities, net of lower realized power prices, partially offset by increased business development costs and reduced contributions from Bruce Power due to lower generation and increased outage costs associated largely with planned outages
- decreased EBITDA from Liquids Pipelines primarily due to lower margins from liquids marketing activities, partially offset by higher volumes on the Keystone Pipeline System
- the positive foreign exchange impact of a stronger U.S. dollar on the Canadian dollar equivalent comparable EBITDA in our U.S. dollar-denominated operations. U.S. dollar-denominated comparable EBITDA increased by US$84 million compared to 2023 which was translated at a rate of 1.37 in 2024 versus 1.34 in 2023. Refer to the Foreign exchange section for additional information.

Comparable EBITDA increased by $535 million for the six months ended June 30, 2024 compared to the same period in 2023 primarily due to the net effect of the following:

- increased EBITDA in Canadian Natural Gas Pipelines mainly due to higher flow-through costs and increased rate-base earnings on the NGTL System and Foothills
- increased U.S. dollar-denominated EBITDA from Mexico Natural Gas Pipelines primarily due to higher equity earnings from Sur de Texas as a result of the impact of peso-denominated financial exposure and lower income tax expense, as well as incremental earnings from the lateral section of the Villa de Reyes pipeline which was placed in service in third quarter 2023
- increased U.S. dollar-denominated EBITDA from U.S. Natural Gas Pipelines as a result of incremental earnings from projects placed in service, additional contract sales and increased equity earnings, partially offset by higher operational costs, reflective of increased system utilization across our footprint, lower commodity prices related to our mineral rights business and lower realized margins related to our U.S. natural gas marketing business
- increased EBITDA from Liquids Pipelines primarily due to higher volumes on the Keystone Pipeline System, partially offset by lower margins from liquids marketing activities
- increased Power and Energy Solutions EBITDA mainly attributable to higher realized Alberta natural gas storage spreads, partially offset by lower realized power prices, net of lower natural gas fuel costs in Canadian Power, increased business development costs and reduced contributions from Bruce Power
- the positive foreign exchange impact of a stronger U.S. dollar on the Canadian dollar equivalent comparable EBITDA in our U.S. dollar-denominated operations. U.S. dollar-denominated comparable EBITDA increased by US$206 million compared to 2023 which was translated at a rate of 1.36 in 2024 versus 1.35 in 2023. Refer to the Foreign exchange section for additional information.

Due to the flow-through treatment of certain costs including income taxes, financial charges and depreciation in our Canadian rate-regulated pipelines, changes in these costs impact our comparable EBITDA despite having no significant effect on net income.

Comparable earnings – 2024 versus 2023

Comparable earnings decreased by $3 million or $0.02 per common share for the three months ended June 30, 2024 compared to the same period in 2023 and was primarily the net effect of:

- changes in comparable EBITDA described above
- higher net income attributable to non-controlling interests primarily due to the sale of a 40 per cent non-controlling equity interest in Columbia Gas Transmission, LLC (Columbia Gas) and Columbia Gulf Transmission, LLC (Columbia Gulf) in fourth quarter 2023
- the impact of hedging activities to manage our foreign exchange exposure to net liabilities in Mexico, partially offset by the revaluation of our peso-denominated net monetary liabilities to U.S. dollars, derivatives used to manage our net exposure to foreign exchange rate fluctuations on U.S. dollar-denominated income and a net realized gain on the partial repayment of the peso-denominated intercompany loan between TCPL and TGNH
- higher interest expense primarily due to long-term debt issuances, net of maturities and the foreign exchange impact from a stronger U.S. dollar on translation of U.S. dollar-denominated interest expense, partially offset by reduced levels of short-term borrowings and higher capitalized interest
- higher depreciation and amortization reflecting expansion facilities and new projects placed in service and the acquisition of Blue Cloud Wind Farm in second quarter 2023
- lower income tax expense due to the impact of our Mexico foreign exchange exposure and lower flow-through income taxes, partially offset by lower foreign income tax rate differentials
- higher AFUDC primarily due to spending on the Southeast Gateway pipeline project, partially offset by projects placed in service
- higher interest income and other due to higher interest earned on short-term investments.

Comparable earnings increased by $48 million or $0.02 per common share for the six months ended June 30, 2024 compared to the same period in 2023 primarily due to the net effect of the following:

- changes in comparable EBITDA described above
- higher net income attributable to non-controlling interests primarily due to the sale of a 40 per cent non-controlling equity interest in Columbia Gas and Columbia Gulf in fourth quarter 2023
- higher interest expense primarily due to long-term debt issuances, net of maturities and the foreign exchange impact from a stronger U.S. dollar on translation of U.S. dollar-denominated interest expense, partially offset by reduced levels of short-term borrowings and higher capitalized interest
- the impact of hedging activities to manage our foreign exchange exposure to net liabilities in Mexico, partially offset by the revaluation of our peso-denominated net monetary liabilities to U.S. dollars, derivatives used to manage our net exposure to foreign exchange rate fluctuations on U.S. dollar-denominated income and a net realized gain on the partial repayment of the peso-denominated intercompany loan between TCPL and TGNH
- higher depreciation and amortization reflecting expansion facilities and new projects placed in service and the acquisitions of Fluvanna Wind Farm and Blue Cloud Wind Farm (Texas Wind Farms) in 2023
- higher AFUDC primarily due to spending on the Southeast Gateway pipeline project, partially offset by projects placed in service
- higher interest income and other due to higher interest earned on short-term investments
- lower income tax expense primarily due to the impact of our Mexico foreign exchange exposure, partially offset by lower foreign income tax rate differentials.

Comparable earnings per common share for the three and six months ended June 30, 2024 reflect the dilutive effect of common shares issued in 2023.

Outlook

Comparable EBITDA and comparable earnings

Our overall comparable EBITDA and comparable earnings per common share outlooks for 2024 remain consistent with our 2023 Annual Report. Our outlook does not take into consideration the impact of the spinoff Transaction. Shareholders of TC Energy approved the spinoff Transaction; however, it remains subject to receipt of necessary regulatory approvals and satisfaction of other customary closing conditions.

We continue to monitor developments in energy markets, our construction projects, regulatory proceedings and progress on the remainder of our asset divestiture program for any potential impacts on our 2024 comparable EBITDA and comparable earnings per common share.

Consolidated capital expenditures

Our expected total capital expenditures for 2024 as outlined in our 2023 Annual Report remain materially unchanged.

Capital program

We are developing quality projects under our capital program. These long-life infrastructure assets are supported by long-term commercial arrangements with creditworthy counterparties and/or regulated business models that are expected to generate significant growth in earnings and cash flows. In addition, many of these projects are expected to advance our goals to reduce our own carbon footprint, as well as that of our customers.

Our capital program consists of approximately $31 billion of secured projects that represent commercially supported, committed projects that are either under construction or are in, or preparing to, commence the permitting stage.

Three years of maintenance capital expenditures for our businesses are included in the Secured projects table. Maintenance capital expenditures on our regulated Canadian and U.S. natural gas pipelines are added to rate base on which we have the opportunity to earn a return and recover these expenditures through current or future tolls, which is similar to our capacity capital projects on these pipelines. Tolling arrangements in our Liquids Pipelines business provide for the recovery of maintenance capital expenditures.

During the six months ended June 30, 2024, we placed approximately $1.2 billion of natural gas pipeline capacity projects into service along our extensive North American asset footprint. In addition, approximately $0.9 billion of maintenance capital expenditures were incurred.

All projects are subject to cost and timing adjustments due to factors including weather, market conditions, route refinement, land acquisition, permitting conditions, scheduling and timing of regulatory permits, as well as other potential restrictions and uncertainties, including inflationary pressures on labour and materials. Amounts exclude capitalized interest and AFUDC, where applicable.

In addition to our secured projects, we are pursuing a portfolio of quality projects in various stages of development across each of our business units as discussed in our 2023 Annual Report. Projects under development have greater uncertainty with respect to timing and estimated project costs and are subject to corporate and regulatory approvals, unless otherwise noted. While each business segment also has additional areas of focus for further ongoing business development activities and growth opportunities, new opportunities will be assessed within our capital allocation framework in order to fit within our annual capital expenditure parameters. As these projects advance and reach necessary milestones they will be included in the Secured projects table below. Refer to the Recent developments section for updates to our secured projects and projects under development.

Secured projects

Estimated and incurred project costs referred to in the following table include 100 per cent of the capital expenditures related to projects within entities that we own or partially own and fully consolidate, as well as our share of equity contributions to fund projects within our equity investments, primarily Coastal GasLink and Bruce Power.

(billions of $)	Expected in-service date	Estimated project cost	Project costs incurred at June 30, 2024
Canadian Natural Gas Pipelines			
NGTL System	2024	0.7	0.6
	2026+	0.8	0.1
Coastal GasLink Pipeline[1,2]	2024/2028	5.5	4.7
Regulated maintenance capital expenditures	2024-2026	2.3	0.3
U.S. Natural Gas Pipelines			
Modernization and other[3]	2024-2026	US 1.7	US 1.0
Delivery market projects	2025	US 1.3	US 0.2
Heartland project	2027	US 0.9	—
Other capital	2024-2028	US 1.1	US 0.3
Regulated maintenance capital expenditures	2024-2026	US 2.2	US 0.4
Mexico Natural Gas Pipelines			
Villa de Reyes – south section[4]	—	US 0.4	US 0.3
Tula[5]	—	US 0.4	US 0.3
Southeast Gateway	2025	US 4.5	US 3.2
Liquids Pipelines			
Blackrod Connection project	2026	0.3	—
Recoverable maintenance capital expenditures	2024-2026	0.2	—
Power and Energy Solutions			
Bruce Power – Unit 3 MCR	2026	1.1	0.7
Bruce Power – Unit 4 MCR	2028	0.9	0.2
Bruce Power – life extension[6]	2024-2027	1.8	0.8
Other			
Non-recoverable maintenance capital expenditures[7]	2024-2026	0.4	0.1
		26.5	**13.2**
Foreign exchange impact on secured projects[8]		**4.6**	**2.1**
Total secured projects (Cdn$)		**31.1**	**15.3**

1 Mechanical completion was achieved in November 2023. Commercial in-service of the Coastal GasLink pipeline will occur after completion of plant commissioning activities at the LNG Canada facility and upon receiving notice from LNG Canada. Refer to the Recent developments – Canadian Natural Gas Pipelines section for additional information.

2 The estimated project cost includes our share of anticipated partner equity contributions for the Cedar Link project of $50 million, with a planned in-service date of 2028.

3 Includes 100 per cent of the capital expenditures related to our modernization program on Columbia Gas, as well as certain large-scope maintenance projects across our U.S. natural gas pipelines footprint due to their discrete nature and timing for regulatory recovery.

4 We are working with the CFE on completing the remaining section of the Villa de Reyes pipeline. The in-service date will be determined upon resolution of outstanding stakeholder issues. Refer to the Recent developments – Mexico Natural Gas Pipelines section for additional information.

5 Estimated project cost as per contracts signed in 2022 as part of the TGNH strategic alliance between TC Energy and the CFE. We continue to evaluate the development and completion of the Tula pipeline, with the CFE, subject to a future FID and updated cost estimate. Refer to the Recent developments – Mexico Natural Gas Pipelines section for additional information.

6 Reflects amounts to be invested under the Asset Management program, other life extension projects and the incremental uprate initiative.

7 Includes non-recoverable maintenance capital expenditures from all segments and are primarily related to our Mexico, Power and Energy Solutions and other assets.

8 Reflects U.S./Canada foreign exchange rate of 1.37 at June 30, 2024.

Canadian Natural Gas Pipelines

The following is a reconciliation of comparable EBITDA and comparable EBIT (our non-GAAP measures) to segmented earnings (losses) (the most directly comparable GAAP measure).

	three months ended June 30		six months ended June 30	
(millions of $)	**2024**	2023	**2024**	2023
NGTL System	**598**	553	**1,199**	1,075
Canadian Mainline	**195**	194	**383**	379
Other Canadian pipelines[1]	**53**	33	**110**	66
Comparable EBITDA	**846**	780	**1,692**	1,520
Depreciation and amortization	**(342)**	(331)	**(687)**	(647)
Comparable EBIT	**504**	449	**1,005**	873
Specific items:				
Gain (loss) on sale of non-core assets	**10**	—	**10**	—
Coastal GasLink impairment charge	**—**	(843)	**—**	(856)
Segmented earnings (losses)	**514**	(394)	**1,015**	17

1 Includes results from Foothills, Ventures LP, Great Lakes Canada and our proportionate share of income related to investments in TQM and Coastal GasLink, as well as general and administrative and business development costs related to our Canadian Natural Gas Pipelines.

For the three months ended June 30, 2024, Canadian Natural Gas Pipelines segmented earnings were $514 million compared to segmented losses of $394 million for the same period in 2023. Canadian Natural Gas Pipelines segmented earnings for the six months ended June 30, 2024 increased by $998 million compared to the same period in 2023. These amounts included the following specific items which have been excluded from our calculation of comparable EBITDA and comparable EBIT:

- a pre-tax gain on sale of a non-core asset of $10 million in second quarter 2024
- a pre-tax impairment charge of $843 million and $856 million for the three and six months ended June 30, 2023, respectively, related to our equity investment in Coastal GasLink LP. Refer to Note 6, Coastal GasLink, of our Condensed consolidated financial statements for additional information.

Net income and comparable EBITDA for our rate-regulated Canadian natural gas pipelines are primarily affected by our approved ROE, investment base, the level of deemed common equity and incentive earnings. Changes in depreciation, financial charges and income taxes also impact comparable EBITDA, but do not have a significant impact on net income as they are almost entirely recovered in revenues on a flow-through basis.

NET INCOME AND AVERAGE INVESTMENT BASE

	three months ended June 30		six months ended June 30	
(millions of $)	**2024**	2023	**2024**	2023
Net income				
NGTL System	**197**	191	**392**	381
Canadian Mainline	**60**	57	**115**	111
Average investment base				
NGTL System			**19,413**	18,714
Canadian Mainline			**3,635**	3,666

Net income for the NGTL System increased by $6 million and $11 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 mainly due to a higher average investment base resulting from continued system expansions. The NGTL System is operating under the 2020-2024 Revenue Requirement Settlement which includes an approved ROE of 10.1 per cent on 40 per cent deemed common equity. This settlement provides the NGTL System the opportunity to increase depreciation rates if tolls fall below specified levels and an incentive mechanism for certain operating costs where variances from projected amounts are shared with our customers.

Net income for the Canadian Mainline increased by $3 million and $4 million for the three and six months ended June 30, 2024 compared to the same periods in 2023. The Canadian Mainline is operating under the 2021-2026 Mainline Settlement which includes an approved ROE of 10.1 per cent on 40 per cent deemed common equity and an incentive to decrease costs and increase revenues on the pipeline under a beneficial sharing mechanism with our customers.

COMPARABLE EBITDA

Comparable EBITDA for Canadian Natural Gas Pipelines increased by $66 million and $172 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 due to the net effect of:

- higher flow-through income taxes, depreciation and financial charges, as well as higher rate-base earnings on the NGTL System due to continued system expansions
- higher flow-through income taxes, financial charges and depreciation, as well as higher rate-base earnings on Foothills primarily due to the NGTL System/Foothills West Path Delivery Program completed during 2023.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by $11 million and $40 million for the three and six months ended June 30, 2024 compared to the same periods in 2023, primarily reflecting incremental depreciation on the NGTL System from expansion facilities that were placed in service.

U.S. Natural Gas Pipelines

The following is a reconciliation of comparable EBITDA and comparable EBIT (our non-GAAP measures) to segmented earnings (losses) (the most directly comparable GAAP measure).

	three months ended June 30		six months ended June 30	
(millions of US$, unless otherwise noted)	**2024**	2023	**2024**	2023
Columbia Gas[1]	**366**	359	**804**	754
ANR	**137**	134	**326**	326
Columbia Gulf[1]	**59**	49	**121**	108
Great Lakes	**41**	31	**110**	85
GTN	**39**	47	**94**	100
Portland[1]	**25**	25	**52**	54
Other U.S. pipelines[2]	**66**	43	**194**	199
Comparable EBITDA	**733**	688	**1,701**	1,626
Depreciation and amortization	**(175)**	(174)	**(353)**	(349)
Comparable EBIT	**558**	514	**1,348**	1,277
Foreign exchange impact	**206**	177	**482**	444
Comparable EBIT (Cdn$)	**764**	691	**1,830**	1,721
Specific items:				
Gain (loss) on sale of non-core assets	**38**	—	**38**	—
Risk management activities	**(40)**	24	**(63)**	73
Segmented earnings (losses) (Cdn$)	**762**	715	**1,805**	1,794

1 Includes non-controlling interest. Refer to the Corporate section for additional information.

2 Reflects comparable EBITDA from our ownership in our mineral rights business (CEVCO), North Baja, Gillis Access, Tuscarora, Bison, Crossroads and our share of equity income from Northern Border, Iroquois, Millennium and Hardy Storage, our U.S. natural gas marketing business, as well as general and administrative and business development costs related to our U.S. Natural Gas Pipelines.

U.S. Natural Gas Pipelines segmented earnings increased by $47 million and $11 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 and included the following specific items which have been excluded from our calculation of comparable EBITDA and comparable EBIT:

- a pre-tax gain on sale of a non-core asset of $38 million in second quarter 2024
- unrealized gains and losses from changes in the fair value of derivatives related to our U.S. natural gas marketing business.

A stronger U.S. dollar for the three and six months ended June 30, 2024 had a positive impact on the Canadian dollar equivalent segmented earnings from our U.S. dollar-denominated operations compared to the same periods in 2023. Refer to the Foreign exchange section for additional information.

Earnings from our U.S. Natural Gas Pipelines operations are generally affected by contracted volume levels, volumes delivered and the rates charged, as well as by the cost of providing services. Columbia Gas and ANR results are also affected by the contracting and pricing of their natural gas storage capacity and incidental commodity sales. Natural gas pipeline and storage volumes and revenues are generally higher in the winter months because of the seasonal nature of the business.

Comparable EBITDA for U.S. Natural Gas Pipelines increased by US$45 million and US$75 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 and was primarily due to the net effect of:

- incremental earnings from growth and modernization projects placed in service, as well as increased earnings from additional contract sales on ANR and Great Lakes
- increased equity earnings from Iroquois and Northern Border
- lower realized earnings related to our U.S. natural gas marketing business primarily due to lower margins for the six months ended June 30, 2024
- decreased earnings due to higher operational costs, reflective of increased system utilization across our footprint
- decreased earnings from our mineral rights business mainly due to lower commodity prices.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by US$1 million and US$4 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 due to new projects placed in service.

Mexico Natural Gas Pipelines

The following is a reconciliation of comparable EBITDA and comparable EBIT (our non-GAAP measures) to segmented earnings (losses) (the most directly comparable GAAP measure).

	three months ended June 30		six months ended June 30	
(millions of US$, unless otherwise noted)	**2024**	2023	**2024**	2023
TGNH[1,2]	**61**	57	**124**	113
Topolobampo	**39**	39	**78**	79
Guadalajara	**15**	16	**30**	33
Mazatlán	**18**	18	**34**	33
Sur de Texas[3]	**77**	14	**102**	12
Comparable EBITDA	**210**	144	**368**	270
Depreciation and amortization	**(17)**	(17)	**(34)**	(33)
Comparable EBIT	**193**	127	**334**	237
Foreign exchange impact	**70**	44	**120**	84
Comparable EBIT (Cdn$)	**263**	171	**454**	321
Specific item:				
Expected credit loss provision on net investment in leases and certain contract assets in Mexico[2]	**3**	11	**24**	115
Segmented earnings (losses) (Cdn$)	**266**	182	**478**	436

1 TGNH includes the operating sections of the Tamazunchale, Villa de Reyes and Tula pipelines.
2 Includes non-controlling interest. Refer to the Corporate section for additional information.
3 Represents equity income from our 60 per cent interest and fees earned from the construction and operation of the pipeline.

Mexico Natural Gas Pipelines segmented earnings increased by $84 million and $42 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 and included a recovery of $3 million and $24 million, respectively (2023 – recovery of $11 million and $115 million, respectively), on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico, which has been excluded from our calculation of comparable EBITDA and comparable EBIT. Refer to Note 14, Risk management and financial instruments, of our Condensed consolidated financial statements for additional information.

A stronger U.S. dollar for the three and six months ended June 30, 2024 had a positive impact on the Canadian dollar equivalent segmented earnings from our U.S. dollar-denominated operations in Mexico compared to the same periods in 2023. Refer to the Foreign exchange section for additional information.

Comparable EBITDA for Mexico Natural Gas Pipelines increased by US$66 million and US$98 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 due to the net effect of:

- higher equity earnings primarily due to the foreign exchange impacts on the revaluation of peso-denominated liabilities as a result of a weaker Mexican peso and lower income tax expense. We use foreign exchange derivatives to manage the peso-denominated exposure, the impact of which is recognized in Foreign exchange (gains) losses, net in the Condensed consolidated statement of income. Refer to the Foreign exchange section for additional information
- higher earnings in TGNH primarily related to the lateral section of the Villa de Reyes pipeline which was placed in commercial service in third quarter 2023.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization was generally consistent for the three and six months ended June 30, 2024 compared to the same periods in 2023.

Liquids Pipelines

The following is a reconciliation of comparable EBITDA and comparable EBIT (our non-GAAP measures) to segmented earnings (losses) (the most directly comparable GAAP measure).

	three months ended June 30		six months ended June 30	
(millions of $)	**2024**	2023	**2024**	2023
Keystone Pipeline System	**313**	347	**704**	649
Intra-Alberta pipelines[1]	**17**	17	**34**	35
Other	**(2)**	(1)	**(3)**	(4)
Comparable EBITDA	**328**	363	**735**	680
Depreciation and amortization	**(86)**	(85)	**(171)**	(169)
Comparable EBIT	**242**	278	**564**	511
Specific items:				
Liquids Pipelines business separation costs	**(9)**	—	**(14)**	—
Keystone regulatory decisions	**—**	—	**—**	(57)
Keystone XL preservation and other	**—**	(5)	**—**	(10)
Risk management activities	**37**	—	**36**	5
Segmented earnings (losses)	**270**	273	**586**	449
Comparable EBITDA denominated as follows:				
Canadian dollars	**94**	94	**194**	185
U.S. dollars	**172**	199	**399**	366
Foreign exchange impact	**62**	70	**142**	129
Comparable EBITDA	**328**	363	**735**	680

1 Intra-Alberta pipelines include Grand Rapids and White Spruce.

Liquids Pipelines segmented earnings decreased by $3 million and increased by $137 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 and included the following specific items which have been excluded from our calculation of comparable EBITDA and comparable EBIT:

- a pre-tax charge of $9 million and $14 million for the three and six months ended June 30, 2024 (2023 – nil) incurred due to Liquids Pipelines business separation costs related to the spinoff Transaction. Refer to the Recent developments – Liquids Pipelines section for additional information
- a $57 million pre-tax charge recorded in first quarter 2023 as a result of the FERC Administrative Law Judge initial decision issued in February 2023 in respect of a tolling-related complaint pertaining to amounts recognized from 2018 to 2022
- pre-tax preservation and other costs of $5 million and $10 million for the three and six months ended June 30, 2023 related to the preservation and storage of the Keystone XL pipeline project assets
- unrealized gains and losses from changes in the fair value of derivatives related to our liquids marketing business.

A stronger U.S. dollar for the three and six months ended June 30, 2024 had a positive impact on the Canadian dollar equivalent segmented earnings from our U.S. operations compared to the same periods in 2023. Refer to the Foreign exchange section for additional information.

Comparable EBITDA for Liquids Pipelines decreased by $35 million and increased by $55 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 primarily due to the net effect of:

- lower margins from liquids marketing activities, primarily in second quarter 2024, in part due to the commencement of incremental WCSB egress capacity
- higher contribution from uncontracted volumes on the Keystone Pipeline System in 2024 compared to 2023 as a result of Milepost 14 incident-related capacity impacts in 2023
- higher throughput on the U.S. Gulf Coast section of the Keystone Pipeline System driven by an increase in contracted volumes.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization was generally consistent for the three and six months ended June 30, 2024 compared to the same periods in 2023.

Power and Energy Solutions

The following is a reconciliation of comparable EBITDA and comparable EBIT (our non-GAAP measures) to segmented earnings (losses) (the most directly comparable GAAP measure).

(millions of $)	three months ended June 30		six months ended June 30	
	2024	**2023**	**2024**	**2023**
Bruce Power[1]	**150**	159	**331**	334
Canadian Power	**87**	80	**168**	182
Natural Gas Storage and other[2]	**(10)**	(22)	**48**	(18)
Comparable EBITDA	**227**	217	**547**	498
Depreciation and amortization	**(27)**	(22)	**(53)**	(40)
Comparable EBIT	**200**	195	**494**	458
Specific items:				
Bruce Power unrealized fair value adjustments	**4**	—	**(1)**	8
Risk management activities	**16**	60	**(21)**	41
Segmented earnings (losses)	**220**	255	**472**	507

1 Represents our share of equity income from Bruce Power.
2 Includes non-controlling interest in the Texas Wind Farms, which is comprised of Class A Membership Interests. Refer to the Corporate section for additional information.

Power and Energy Solutions segmented earnings decreased by $35 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 and included the following specific items which have been excluded from our calculation of comparable EBITDA and comparable EBIT:

- our proportionate share of Bruce Power's unrealized gains and losses on funds invested for post-retirement benefits and risk management activities
- unrealized gains and losses from changes in the fair value of derivatives used to reduce commodity exposures.

Comparable EBITDA for Power and Energy Solutions increased by $10 million and $49 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 primarily due to the net effect of:

- increased Natural Gas Storage and other results due to higher realized Alberta natural gas storage spreads primarily in first quarter 2024 and higher contributions from our U.S. marketing business, partially offset by increased business development costs in second quarter 2024
- increased Canadian Power financial results for the three months ended June 30, 2024 were primarily from higher contributions from trading activities. Lower realized power prices, net of lower natural gas fuel costs, partially offset the positive second quarter trading activities and resulted in decreased financial results for the six months ended June 30, 2024
- reduced contributions from Bruce Power primarily due to lower generation and increased operating and outage costs, partially offset by a higher contract price and realized gains on funds invested for post-retirement benefits and risk management activities in first quarter 2024. Refer to the Bruce Power section for additional information.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by $5 million and $13 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 primarily due to the acquisition of the Texas Wind Farms in the first half of 2023.

BRUCE POWER

The following is our proportionate share of the components of comparable EBITDA and comparable EBIT.

	three months ended June 30		six months ended June 30	
(millions of $, unless otherwise noted)	**2024**	**2023**	**2024**	**2023**
Items included in comparable EBITDA and comparable EBIT are comprised of:				
Revenues[1]	**487**	473	**1,012**	979
Operating expenses	**(244)**	(239)	**(497)**	(475)
Depreciation and other	**(93)**	(75)	**(184)**	(170)
Comparable EBITDA and comparable EBIT[2]	**150**	159	**331**	334
Bruce Power – other information				
Plant availability[3,4]	**78%**	94%	**85%**	95%
Planned outage days[4]	**116**	13	**160**	13
Unplanned outage days	**15**	13	**21**	38
Sales volumes (GWh)[5]	**4,685**	4,841	**10,226**	10,241
Realized power price per MWh[6]	**$102**	$98	**$98**	$95

1 Net of amounts recorded to reflect operating cost efficiencies shared with the IESO, if applicable.

2 Represents our 48.3 per cent ownership interest and internal costs supporting our investment in Bruce Power. Excludes unrealized gains and losses on funds invested for post-retirement benefits and risk management activities.

3 The percentage of time the plant was available to generate power, regardless of whether it was running.

4 Excludes MCR outage days.

5 Sales volumes include deemed generation, if applicable.

6 Calculation based on actual and deemed generation. Realized power price per MWh includes realized gains and losses from contracting activities and cost flow-through items. Excludes unrealized gains and losses on contracting activities and non-electricity revenues.

In second quarter, planned maintenance was completed on Units 5 to 8 with no further planned maintenance in 2024.

Corporate

The following is a reconciliation of comparable EBITDA and comparable EBIT (our non-GAAP measures) to segmented earnings (losses) (the most directly comparable GAAP measure).

	three months ended June 30		six months ended June 30	
(millions of $)	**2024**	2023	**2024**	2023
Comparable EBITDA and comparable EBIT	**4**	(4)	**1**	(6)
Specific items:				
Third-party settlement	**—**	—	**(34)**	—
Liquids Pipelines business separation costs	**(20)**	—	**(31)**	—
Focus Project costs	**—**	(32)	**(10)**	(32)
NGTL System ownership transfer costs	**(10)**	—	**(10)**	—
Segmented earnings (losses)	**(26)**	(36)	**(84)**	(38)

Corporate segmented losses decreased by $10 million and increased by $46 million for the three and six months ended June 30, 2024 compared to the same periods in 2023. Corporate segmented losses included the following specific items, which have been excluded from our calculation of comparable EBITDA and comparable EBIT:

- a pre-tax expense of $34 million (US$25 million) in first quarter 2024 related to a non-recurring third-party settlement
- a pre-tax charge of $20 million and $31 million for the three and six months ended June 30, 2024 (2023 – nil) from Liquids Pipelines business separation costs related to the spinoff Transaction. Refer to the Recent developments – Liquids Pipelines section for additional information
- a pre-tax charge of $10 million for the six months ended June 30, 2024 (2023 - $32 million) related to Focus Project costs. Refer to the Recent developments – Corporate section for additional information
- pre-tax costs of $10 million related to the NGTL System Ownership Transfer. Refer to the Recent developments – Corporate section for additional information.

Comparable EBITDA and comparable EBIT for Corporate increased by $8 million and $7 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 primarily due to U.S. state tax refunds.

INTEREST EXPENSE

	three months ended June 30		six months ended June 30	
(millions of $)	**2024**	2023	**2024**	2023
Interest expense on long-term debt and junior subordinated notes				
Canadian dollar-denominated	**(220)**	(231)	**(445)**	(441)
U.S. dollar-denominated	**(470)**	(397)	**(944)**	(761)
Foreign exchange impact	**(172)**	(136)	**(338)**	(264)
	(862)	(764)	**(1,727)**	(1,466)
Other interest and amortization expense	**(47)**	(69)	**(87)**	(154)
Capitalized interest	**66**	42	**134**	72
Interest expense included in comparable earnings	**(843)**	(791)	**(1,680)**	(1,548)
Specific item:				
Keystone regulatory decisions	**—**	—	**—**	(5)
Interest expense	**(843)**	(791)	**(1,680)**	(1,553)

Interest expense increased by $52 million and $127 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 and included accrued carrying charges of $5 million for the six months ended June 30, 2023 as a result of a pre-tax charge related to the FERC Administrative Law Judge initial decision on Keystone, which has been removed from our calculation of Interest expense included in comparable earnings.

Interest expense included in comparable earnings increased by $52 million and $132 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 primarily due to the net effect of:

- long-term debt issuances, net of maturities. Refer to the Financial Condition section for additional information
- the foreign exchange impact from a stronger U.S. dollar on translation of U.S. dollar-denominated interest expense
- reduced levels of short-term borrowings
- higher capitalized interest, largely due to funding related to our investment in Coastal GasLink LP.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

	three months ended June 30		six months ended June 30	
(millions of $)	**2024**	**2023**	**2024**	**2023**
Canadian dollar-denominated	**8**	20	**17**	53
U.S. dollar-denominated	**128**	95	**238**	167
Foreign exchange impact	**48**	33	**86**	59
Allowance for funds used during construction	**184**	148	**341**	279

AFUDC increased by $36 million and $62 million for the three and six months ended June 30, 2024 compared to the same periods in 2023. The decrease in Canadian dollar-denominated AFUDC is primarily related to NGTL System expansion projects placed in service during 2023. The increase in U.S. dollar-denominated AFUDC is mainly the result of capital expenditures on the Southeast Gateway pipeline project, partially offset by the suspension of AFUDC on the assets under construction for the Tula pipeline project due to the delay of an FID.

FOREIGN EXCHANGE GAINS (LOSSES), NET

	three months ended June 30		six months ended June 30	
(millions of $)	**2024**	**2023**	**2024**	**2023**
Foreign exchange gains (losses), net included in comparable earnings	**(51)**	70	**(8)**	103
Specific items:				
Foreign exchange gains (losses), net – intercompany loan[1]	**15**	(9)	**70**	(9)
Risk management activities	**(31)**	108	**(102)**	182
Foreign exchange gains (losses), net	**(67)**	169	**(40)**	276

1 Includes non-controlling interest. Refer to Net (income) loss attributable to non-controlling interests for additional information.

Foreign exchange losses were $67 million and $40 million for the three and six months ended June 30, 2024 compared to foreign exchange gains of $169 million and $276 million in the same periods in 2023. The following specific items have been removed from our calculation of Foreign exchange gains (losses), net included in comparable earnings:

- unrealized foreign exchange gains and losses on the peso-denominated intercompany loan between TCPL and TGNH
- unrealized gains and losses from changes in the fair value of derivatives used to manage our foreign exchange risk. Refer to the Financial risks and financial instruments section for additional information.

Foreign exchange losses included in comparable earnings were $51 million and $8 million for the three and six months ended June 30, 2024 compared to foreign exchange gains of $70 million and $103 million in the same periods in 2023. The changes were primarily due to the net effect of:

- realized losses in 2024 compared to realized gains in 2023 on derivatives used to manage our foreign exchange exposure to net liabilities in Mexico
- foreign exchange gains in 2024 compared to foreign exchange losses in 2023 on the revaluation of our peso-denominated net monetary liabilities to U.S. dollars
- lower net realized losses on derivatives used to manage our net exposure to foreign exchange rate fluctuation on U.S. dollar-denominated income
- a net realized gain in second quarter 2024 on the partial repayment of the peso-denominated intercompany loan between TCPL and TGNH.

INTEREST INCOME AND OTHER

	three months ended June 30		six months ended June 30	
(millions of $)	**2024**	**2023**	**2024**	**2023**
Interest income and other included in comparable earnings	**69**	52	**146**	94
Specific item:				
Milepost 14 insurance expense	**—**	(36)	**—**	(36)
Interest income and other	**69**	16	**146**	58

Interest income and other increased by $53 million and $88 million for the three and six months ended June 30, 2024 compared to the same periods in 2023, and included a $36 million accrued insurance expense in second quarter 2023 related to the Milepost 14 incident, which has been removed from our calculation of Interest income and other included in comparable earnings.

Interest income and other included in comparable earnings increased by $17 million and $52 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 due to higher interest earned on short-term investments and the change in fair value of other restricted investments.

INCOME TAX (EXPENSE) RECOVERY

(millions of $)	three months ended June 30 2024	three months ended June 30 2023	six months ended June 30 2024	six months ended June 30 2023
Income tax (expense) recovery included in comparable earnings	**(190)**	(249)	**(523)**	(529)
Specific items:				
Gain (loss) on sale of non-core assets	**15**	—	**15**	—
Expected credit loss provision on net investment in leases and certain contract assets in Mexico	**(1)**	(3)	**(7)**	(35)
NGTL System ownership transfer costs	**(32)**	—	**(32)**	—
Liquids Pipelines business separation costs	**3**	—	**6**	—
Third-party settlement	**—**	—	**8**	—
Focus Project costs	**—**	7	**2**	7
Coastal GasLink impairment charge	**—**	34	**—**	18
Keystone regulatory decisions	**—**	—	**—**	14
Keystone XL preservation and other	**—**	1	**—**	2
Bruce Power unrealized fair value adjustments	**(1)**	—	**—**	(2)
Risk management activities	**6**	(48)	**38**	(74)
Income tax (expense) recovery	**(200)**	(258)	**(493)**	(599)

Income tax expense decreased by $58 million and $106 million for the three and six months ended June 30, 2024 compared to the same periods in 2023. The income tax impacts on specified items referenced throughout the MD&A have been removed from our calculation of Income tax expense included in comparable earnings.

Income tax expense included in comparable earnings decreased by $59 million for three months ended June 30, 2024 compared to the same period in 2023 primarily due to the impact of our Mexico foreign exchange exposure and lower flow-through income taxes, partially offset by lower foreign income tax rate differentials.

Income tax expense included in comparable earnings decreased by $6 million for the six months ended June 30, 2024 compared to the same period in 2023 primarily due to the impact of our Mexico foreign exchange exposure, partially offset by lower foreign income tax rate differentials.

NET (INCOME) LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

(millions of $)	Non-Controlling Interests Ownership at June 30, 2024	three months ended June 30 2024	three months ended June 30 2023	six months ended June 30 2024	six months ended June 30 2023
Columbia Gas and Columbia Gulf	40.0%	**(129)**	—	**(290)**	—
Portland Natural Gas Transmission System	38.3%	**(11)**	(10)	**(23)**	(21)
Texas Wind Farms[1]	—	**9**	4	**11**	4
TGNH	13.01%	**(10)**	—	**(10)**	—
Net (income) loss attributable to non-controlling interests included in comparable earnings		**(141)**	(6)	**(312)**	(17)
Specific item:					
Foreign exchange (gains) losses, net – intercompany loan	13.01%	**(18)**	—	**(18)**	—
Net (income) loss attributable to non-controlling interests		**(159)**	(6)	**(330)**	(17)

1 Tax equity investors own 100 per cent of the Class A Membership Interests, to which a percentage of earnings, tax attributes and cash flows are allocated. We own 100 per cent of the Class B Membership Interests.

During the three months ended June 30, 2024, the CFE became a partner in TGNH with a 13.01 per cent equity interest in TGNH. Refer to the Recent developments – Mexico Natural Gas Pipelines section for additional information.

Net income attributable to non-controlling interests increased by $153 million and $313 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 and includes the non-controlling interest portion of the unrealized foreign exchange gains and losses on the TGNH peso-denominated intercompany loan payable to TCPL, which has been removed from our calculation of Net (income) loss attributable to non-controlling interests included in comparable earnings.

Net income attributable to non-controlling interests included in comparable earnings increased by $135 million and $295 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 primarily due to the sale of a 40 per cent non-controlling equity interest in Columbia Gas and Columbia Gulf to Global Infrastructure Partners in fourth quarter 2023 and the 13.01 per cent non-controlling equity interest in TGNH to the CFE, which was completed in second quarter 2024.

PREFERRED SHARE DIVIDENDS

(millions of $)	three months ended June 30 2024	three months ended June 30 2023	six months ended June 30 2024	six months ended June 30 2023
Preferred share dividends	**(27)**	(23)	**(50)**	(46)

Preferred share dividends increased by $4 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 primarily due to the dividend rate reset on Series 7 preferred shares on April 30, 2024.

Foreign exchange

FOREIGN EXCHANGE RELATED TO U.S. DOLLAR-DENOMINATED OPERATIONS

Certain of our businesses generate all or most of their earnings in U.S. dollars and, since we report our financial results in Canadian dollars, changes in the value of the U.S. dollar against the Canadian dollar directly affect our comparable EBITDA and also impact comparable earnings. As our U.S. dollar-denominated operations continue to grow, this exposure increases. A portion of the U.S. dollar-denominated comparable EBITDA exposure is naturally offset by U.S. dollar-denominated amounts below comparable EBITDA within Depreciation and amortization, Interest expense and other income statement line items. A portion of the remaining exposure is actively managed on a rolling forward basis up to three years using foreign exchange derivatives; however, the natural exposure beyond that period remains. The net impact of the U.S. dollar movements on comparable earnings during the three and six months ended June 30, 2024 after considering natural offsets and economic hedges was not significant.

The components of our financial results denominated in U.S. dollars are set out in the table below, which include our U.S. and Mexico Natural Gas Pipelines operations, along with the majority of our Liquids Pipelines business.

PRE-TAX U.S. DOLLAR-DENOMINATED INCOME AND EXPENSE ITEMS

	three months ended June 30		six months ended June 30	
(millions of US$)	**2024**	2023	**2024**	2023
Comparable EBITDA				
U.S. Natural Gas Pipelines	**733**	688	**1,701**	1,626
Mexico Natural Gas Pipelines	**210**	144	**368**	270
Liquids Pipelines	**172**	199	**399**	366
	1,115	1,031	**2,468**	2,262
Depreciation and amortization	**(241)**	(240)	**(486)**	(480)
Interest expense on long-term debt and junior subordinated notes	**(470)**	(397)	**(944)**	(761)
Allowance for funds used during construction	**128**	95	**238**	167
Net (income) loss attributable to non-controlling interests included in comparable earnings and other	**(112)**	(13)	**(238)**	(44)
	420	476	**1,038**	1,144
Average exchange rate – U.S. to Canadian dollars	**1.37**	1.34	**1.36**	1.35

FOREIGN EXCHANGE RELATED TO MEXICO NATURAL GAS PIPELINES

Changes in the value of the Mexican peso against the U.S. dollar can affect our comparable earnings as a portion of our Mexico Natural Gas Pipelines monetary assets and liabilities are peso-denominated, while our financial results are denominated in U.S. dollars for our Mexico operations. These peso-denominated balances are revalued to U.S. dollars, creating foreign exchange gains and losses that are included in Income (loss) from equity investments, Foreign exchange (gains) losses, net and Net (income) loss attributable to non-controlling interests in the Condensed consolidated statement of income.

In addition, foreign exchange gains or losses calculated for Mexico income tax purposes on the revaluation of U.S. dollar-denominated monetary assets and liabilities result in a peso-denominated income tax exposure for these entities, leading to fluctuations in Income from equity investments and Income tax expense. This exposure increases as our U.S. dollar-denominated net monetary liabilities grow.

The above exposures are managed using foreign exchange derivatives, although some unhedged exposure remains. The impacts of the foreign exchange derivatives are recorded in Foreign exchange (gains) losses, net in the Condensed consolidated statement of income. Refer to the Financial risks and financial instruments section for additional information.

The period end exchange rates for one U.S. dollar to Mexican pesos were as follows:

June 30, 2024	**18.28**
June 30, 2023	17.15
December 31, 2023	16.91
December 31, 2022	19.50

A summary of the impacts of transactional foreign exchange gains and losses from changes in the value of the Mexican peso against the U.S. dollar and associated derivatives is set out in the table below:

	three months ended June 30		**six months ended June 30**	
(millions of $)	**2024**	**2023**	**2024**	**2023**
Comparable EBITDA - Mexico Natural Gas Pipelines[1]	**55**	(29)	**45**	(74)
Foreign exchange gains (losses), net included in comparable earnings	**(45)**	99	**(1)**	172
Income tax (expense) recovery included in comparable earnings	**62**	(62)	**40**	(113)
Net (income) loss attributable to non-controlling interests included in comparable earnings[2]	**(4)**	—	**(4)**	—
	68	8	**80**	(15)

1 Includes the foreign exchange impacts from the Sur de Texas joint venture recorded in Income from equity investments in the Condensed consolidated statement of income.

2 Represents the non-controlling interest portion related to TGNH. Refer to the Corporate section for additional information.

Recent developments

CANADIAN NATURAL GAS PIPELINES

NGTL System

In the six months ended June 30, 2024, the NGTL System placed approximately $0.5 billion of capacity projects in service.

2023 NGTL System Intra-Basin Expansion

The NGTL System Intra-Basin Expansion consists of new pipeline and compressor stations and is underpinned by new firm-service contracts with 15-year terms. All assets have been placed in service, with a capital cost for the expansion of $0.5 billion.

NGTL System Revenue Requirement Settlement and Multi-Year Growth Plan

On July 31, 2024, we approved capital allocation for a multi-year growth plan for expansion facilities on the NGTL System. We have also reached unanimous support from customers for a five-year negotiated revenue requirement settlement commencing on January 1, 2025.

The settlement enables an investment framework that supports our Board of Directors' approval to allocate approximately $3.3 billion of capital towards progression of a new multi-year growth plan. It is comprised of multiple distinct projects with targeted in-service dates between 2027 and 2030 that are subject to final company and regulatory approvals. The completion of the multi-year growth plan will enable approximately 1.0 Bcf/d of incremental system throughput.

The settlement maintains an ROE of 10.1 per cent on 40 per cent deemed common equity while increasing NGTL System depreciation rates, with an incentive that allows the NGTL System the opportunity to further increase depreciation rates if tolls fall below specified levels, or if growth projects are undertaken. The settlement introduces a new incentive mechanism to reduce both physical emissions and emissions compliance costs, which builds on the incentive mechanism for certain operating costs where variances from projected amounts and emissions savings are shared with our customers. A provision for review exists in the settlement if tolls exceed a pre-determined level or if final company approvals of the multi-year growth plan are not obtained. We have filed an application with the CER requesting approval of the settlement.

Sale of Equity Interest in the NGTL System and Foothills Pipeline Assets

On July 30, 2024, we announced that we have entered into an agreement to sell a 5.34 per cent minority equity interest (Agreement) in the NGTL System and the Foothills Pipeline assets (together, Partnership Assets) to an Indigenous-owned investment partnership for a gross purchase price of $1.0 billion. The Agreement is backed by the Alberta Indigenous Opportunities Corporation (AIOC) and was negotiated by a consortium committee (Consortium) representing specific Indigenous Communities across Alberta, British Columbia and Saskatchewan (Communities).

The AIOC will provide the Communities with a $1.0 billion equity loan guarantee to support the newly-formed Indigenous-owned investment partnership. Once finalized, the Communities will enter into definitive agreements as co-investors in the Partnership Assets through the Indigenous-owned investment partnership.

The Consortium will present the Agreement to the Communities for review, and each independent Community will determine their participation in the opportunity, exercising their right to self-determination. Following the review, the Communities will commence formal authorization of their participation. The transaction and transaction size are not contingent on any given Community, nor on all Communities, electing to participate.

The transaction is expected to close in third quarter 2024, subject to receipt of Band Council and Settlement Resolutions by participating Communities and financing.

Coastal GasLink

Coastal GasLink Pipeline

Post-construction reclamation activities remain underway and are expected to continue through 2024. The project remains on track with its cost estimate of approximately $14.5 billion. Commercial in-service of the Coastal GasLink pipeline will occur after completion of plant commissioning activities at the LNG Canada facility and upon receiving notice from LNG Canada.

Coastal GasLink LP continues to pursue cost recovery, including certain arbitration proceedings which involve claims by, and the defense of certain claims against, Coastal GasLink LP. With the exception of the settlement with SA Energy Group, these claims have not yet been conclusively determined, but our expectation is that these proceedings are likely to result in cost recoveries. Refer to Note 16, Commitments, contingencies and guarantees, of our Condensed consolidated financial statements for additional information.

In June 2024, Coastal GasLink LP successfully completed a $7.15 billion refinancing of its existing construction credit facility through a private bond offering of senior secured notes to Canadian and U.S. investors. Proceeds from the offering were used to repay the majority of the outstanding $8.0 billion balance on Coastal GasLink LP's construction credit facility. The remaining balance on the credit facility was settled through the use of proceeds from the unwinding of interest rate swap agreements associated with hedging the underlying interest rate exposure.

Cedar Link

In June 2024, Coastal GasLink LP sanctioned the Cedar Link project following an announcement by Cedar LNG joint venture partners, Haisla Nation and Pembina Pipeline Corporation, of a positive FID for the construction of the Cedar LNG project, a proposed floating liquefied natural gas facility to be constructed in Kitimat, B.C.

The Cedar Link project is an expansion of the Coastal GasLink pipeline that is expected to enable delivery of up to 0.4 Bcf/d of natural gas to the Cedar LNG facility. With an estimated cost of $1.2 billion, the expansion project includes the addition of a new compressor station, connector pipeline and meter station to Coastal GasLink's existing pipeline infrastructure.

Funding for the expansion will be provided through project-level credit facilities of up to $1.5 billion, secured by Coastal GasLink LP in June 2024, and equity funding to be provided by Coastal GasLink LP partners, including us. The incremental funds available through the project-level credit facilities and potential cash AFUDC payments provide additional contingency to mitigate future funding requirements for Coastal GasLink LP should costs exceed initial estimates of $1.2 billion. Each of the LNG Canada participants and Cedar LP have an independent option, exercisable within 90 days of FID, to elect to make cash AFUDC payments on a quarterly basis throughout construction. To the extent these options are exercised, funds available through project-level credit facilities will be reduced from $1.5 billion to a maximum of $1.3 billion. We estimate our share of equity contributions required to fund the Cedar Link project will be approximately $50 million. All major regulatory permits have been received and construction began in July 2024. The planned in-service date for the Cedar Link project is 2028, subject to the completion of plant commissioning activities at the Cedar LNG facility.

U.S. NATURAL GAS PIPELINES

Portland Natural Gas Transmission System

On March 4, 2024, we announced that TC Energy and its partner Northern New England Investment Company, Inc., a subsidiary of Énergir L.P. (Énergir), entered into a purchase and sale agreement to sell Portland Natural Gas Transmission System (PNGTS) to BlackRock, through a fund managed by its Diversified Infrastructure business, and investment funds managed by Morgan Stanley Infrastructure Partners (the Purchaser), for expected proceeds of approximately $1.5 billion (US$1.1 billion), which includes the Purchaser's assumption of US$250 million of Senior Notes outstanding at PNGTS. The transaction is expected to close in third quarter 2024, subject to regulatory approvals and customary closing conditions. Refer to Note 8, Assets held for sale, of our Condensed consolidated financial statements for additional information.

Gillis Access Project

In March 2024, the Gillis Access project, a 68 km (42 mile) greenfield pipeline system that connects gas production sourced from the Gillis hub to downstream markets in southeast Louisiana, was placed in service. The capital cost of this project was approximately US$0.3 billion.

MEXICO NATURAL GAS PIPELINES

TGNH Strategic Alliance with the CFE

In 2022, we announced a strategic alliance with Mexico's state-owned electric utility, the CFE, and we reached an FID to develop and construct the Southeast Gateway pipeline, a 1.3 Bcf/d, 715 km (444 mile) offshore natural gas pipeline to serve the southeast region of Mexico with an expected in-service by mid-2025 and an estimated project cost of US$4.5 billion.

We continue to work with our partner, the CFE, to complete the south section of the Villa de Reyes pipeline. The in-service date will be determined upon resolution of outstanding stakeholder issues. Additionally, we continue to evaluate the development and completion of the Tula pipeline with the CFE, which is subject to a future FID. Due to the delay of an FID, recording AFUDC on the assets under construction for the Tula pipeline project was suspended in late 2023.

In accordance with the terms of our strategic alliance, during the three months ended June 30, 2024, upon the CFE's equity injection of US$340 million as well as non-cash consideration in recognition of the completion of certain contractual obligations, including land acquisition and permitting support, the CFE became a partner in TGNH with a 13.01 per cent equity interest in TGNH. Provided that CFE's contractual commitments are met related to land acquisition, community relations and permitting support, the CFE's equity in TGNH would build up to a maximum of 15 per cent upon the in-service of Southeast Gateway pipeline. Refer to Note 15, TGNH Strategic Alliance, of our Condensed consolidated financial statements for additional information.

LIQUIDS PIPELINES

Spinoff of Liquids Pipelines Business

In 2023, we announced plans to separate into two independent, investment-grade, publicly listed companies through the proposed spinoff of our Liquids Pipelines business into its own entity named South Bow Corporation (South Bow). On June 4, 2024, shareholders of TC Energy approved the spinoff Transaction. Under the spinoff Transaction, common shareholders of TC Energy as of the record date to be established for the spinoff Transaction will receive, in exchange for each TC Energy share, one new TC Energy share and 0.2 of a South Bow common share. The spinoff has received the requisite tax rulings in Canada and the U.S. and remains subject to receipt of necessary regulatory approvals and satisfaction of other customary closing conditions. We anticipate that the effective separation date will occur in early fourth quarter 2024.

We have incurred pre-tax Liquids Pipelines business separation costs related to the spinoff Transaction of $29 million ($26 million after tax) and $45 million ($39 million after tax) for the three and six months ended June 30, 2024, respectively. For the three and six months ended June 30, 2024, separation costs of $9 million and $14 million, respectively, were included in the results of our Liquids Pipelines business segment and $20 million and $31 million, respectively, were included in the Corporate segment. These costs have been excluded from comparable measures.

At closing of the spinoff Transaction, TC Energy and South Bow will enter into a separation agreement providing that TC Energy expects to indemnify South Bow for 86 per cent of total net liabilities and costs associated with the Milepost 14 incident and the existing variable toll disputes on the Keystone Pipeline System (excluding any future impacts to the variable toll) subject to a maximum liability to South Bow of $30 million for those two matters. Any amounts that may ultimately be payable in respect of these liabilities and costs above the current accrued amount are indeterminable at this time.

Blackrod Connection Project

We are developing the Blackrod Connection project, which will consist of a 25 km (16 mile) crude oil pipeline and a 25 km (16 mile) natural gas lateral; and associated facilities to provide crude oil transportation from International Petroleum Corporation's Blackrod project to the Grand Rapids Pipeline System. The expected total capital cost of the project is approximately $0.3 billion with a targeted in-service date of early 2026. The Blackrod Connection project is supported by long-term committed contracts.

Final FERC Decision

In 2019 and 2020, three Keystone customers initiated complaints before FERC and the CER regarding certain costs within the variable toll calculation. In February 2023, FERC released its initial decision in respect of the complaint, which addressed previously charged tolls between 2018 and 2022. On July 25, 2024, FERC released its Order on Initial Decision (Order) in respect of the complaint. We continue to assess the impact of this Order, with amounts to be finalized upon submission of a compliance filing in third quarter 2024; however, we do not expect it to have a material impact on our financial statements.

NAFTA Claim Request for Arbitration

In 2021, TC Energy filed a Request for Arbitration to formally initiate a legacy North American Free Trade Agreement (NAFTA) claim to recover economic damages resulting from the revocation of the Presidential Permit for the Keystone XL pipeline project. The U.S. objected on the basis that the transition provisions under the United States-Mexico-Canada Agreement (USMCA) that protect investments made while NAFTA was in force apply only in connection with actions taken before July 1, 2020, when USMCA replaced NAFTA. The arbitral Tribunal adjudicating the claim issued a split decision on July 12, 2024, in which the majority of the panel agreed with the U.S. position and concluded that it did not have jurisdiction to hear TC Energy's claim. TC Energy is currently assessing the decision to determine whether there are grounds to challenge it.

CORPORATE

NGTL System Ownership Transfer

On April 1, 2024, ownership of the NGTL System was transferred from Nova Gas Transmission Ltd. to NGTL GP Ltd. on behalf of NGTL Limited Partnership as part of an ordinary course corporate reorganization to support business optimization and facilitate future minority ownership of the NGTL System, including participation from Indigenous groups. Refer to the Recent developments – Canadian Natural Gas Pipelines section for additional information. The reorganization will not impact the operations of the NGTL System. As a limited partnership, NGTL LP is not subject to Canadian corporate income taxes. The related income tax obligations are those of the partners.

For the three and six months ended June 30, 2024, we incurred costs of $42 million after tax related to the NGTL System Ownership Transfer, which has been excluded from our calculation of comparable measures.

2016 Columbia Pipeline Acquisition Lawsuit

In 2023, the Delaware Chancery Court (the Court) issued its decision in the class action lawsuit commenced by former shareholders of Columbia Pipeline Group Inc. (CPG) related to the acquisition of CPG by TC Energy in 2016. The Court found that the former CPG executives breached their fiduciary duties, that the former CPG Board breached its duty of care in overseeing the sale process and that TC Energy aided and abetted those breaches.

On May 15, 2024, the Court allocated responsibility for the total sale process damages of US$398 million in the amount of 50 per cent to the former Columbia CEO and CFO, collectively, and 50 per cent to TC Energy. Pursuant to the Final Order and Judgment (Final Judgment), TC Energy's allocated share of the sale process claim damages is US$199 million, plus US$153 million in interest as of June 14, 2024. The Court also entered judgment related to a disclosure claim for which TC Energy's allocated share of damages is US$84 million, plus US$64 million in interest as of June 14, 2024. The damages for the two claims are not cumulative and TC Energy would only be required to pay the greater of the sale process damages and disclosure claim damages after final determination of those amounts on appeal.

TC Energy disagrees with many of the Court's findings and believes the Court's ruling departs from established Delaware law. TC Energy has filed a notice of appeal of the Court's decision and anticipates that the appeal will conclude by mid-2025. During the appeal process, in lieu of paying the judgment, TC Energy posted an appeal bond in the amount of US$380 million, which approximates the amount of the Final Judgment plus nine months of post-judgment interest. Our legal assessment is that it is not probable that TC Energy will incur a loss upon completion of the appeal process, and therefore, we have not accrued a provision for this claim at June 30, 2024.

2023 Canada Federal Budget

On March 28, 2023, the Canadian Federal Government delivered its 2023 Budget. As part of this budget, several changes were announced to interest deductibility rules, global minimum tax proposals and other tax measures. On June 20, 2024, two pieces of Canadian legislation, Bill C-59 and Bill C-69 were enacted into law, which, among other things, included the excessive interest and financing expenses limitation (EIFEL) rules and the Global Minimum Tax Act. We do not expect a material impact on our financial performance and cash flows as a result of the new legislation.

Appointment of Executive Vice-President and CFO

On April 3, 2024, we announced that the Board of Directors appointed Sean O'Donnell, previously Senior Vice-President, Capital Markets and Corporate Planning, to succeed Joel Hunter as Executive Vice-President and Chief Financial Officer effective May 15, 2024.

Focus Project

In late 2022, we launched the Focus Project to identify opportunities to improve safety, productivity and cost-effectiveness. To date, we have identified a broad set of opportunities expected to further enhance safety, as well as improve operational and financial performance over the long term.

Certain initiatives have been implemented and we expect to continue designing and implementing additional initiatives beyond 2024, with benefits in the form of enhanced productivity and cost-effectiveness expected to be realized in the future.

For the six months ended June 30, 2024 we have incurred pre-tax costs of $22 million (2023 – $69 million) for the Focus Project primarily related to severance costs, of which $10 million (2023 – $32 million primarily external consulting) was recorded in Plant operating costs and other in the Condensed consolidated statement of income and was removed from comparable amounts. An additional $10 million for the six months ended June 30, 2024 (2023 – $15 million) was recorded in Plant operating costs and other with offsetting revenues related to costs recoverable through regulatory and commercial tolling structures, the net effect of which had no impact on net income. As at June 30, 2024, $2 million (2023 – $22 million) was allocated to capital projects.

Asset Divestiture Program

The announced sale of our ownership interest in PNGTS in first quarter 2024, the CFE's equity injection resulting in a 13.01 per cent equity interest in TGNH in second quarter 2024, as well as the announced sale of an equity interest in the NGTL System and Foothills Pipeline assets on July 30, 2024, collectively contribute to our deleveraging goal. We continue to evaluate incremental capital rotation opportunities within our $3 billion asset divestiture program to further strengthen our financial position.

Financial condition

We strive to maintain financial strength and flexibility in all parts of the economic cycle. We rely on our operating cash flows to sustain our business, pay dividends and fund a portion of our growth. In addition, we access capital markets and engage in portfolio management activities to meet our financing needs and to manage our capital structure and credit ratings.

We believe that we have the financial capacity to fund our existing capital program through predictable cash flows from operations, access to capital markets, portfolio management activities, joint ventures, asset-level financing, cash on hand and substantial committed credit facilities. Annually, in the fourth quarter, we renew and extend our credit facilities as required.

At June 30, 2024, our current assets totaled $10.5 billion and current liabilities amounted to $13.8 billion, leaving us with a working capital deficit of $3.3 billion compared to a deficit of $0.4 billion at December 31, 2023. Our working capital deficiency is considered to be in the normal course of business and is managed through:

- our ability to generate predictable cash flows from operations
- a total of $9.8 billion of TCPL committed revolving credit facilities, of which $8.2 billion of short-term borrowing capacity remains available, net of $1.6 billion backstopping outstanding commercial paper balances, and arrangements for a further $2.0 billion of demand credit facilities, of which $1.0 billion remains available as of June 30, 2024
- additional $1.5 billion of committed revolving credit facilities at certain of our subsidiaries and affiliates, which were undrawn as of June 30, 2024
- access to capital markets, including through securities issuances, incremental credit facilities, portfolio management activities and DRP, if deemed appropriate.

CASH PROVIDED BY OPERATING ACTIVITIES

	three months ended June 30		six months ended June 30	
(millions of $)	**2024**	**2023**	**2024**	**2023**
Net cash provided by operations	**1,655**	1,510	**3,697**	3,584
Increase (decrease) in operating working capital	**172**	177	**516**	117
Funds generated from operations	**1,827**	1,687	**4,213**	3,701
Specific items:				
Liquids Pipelines business separation costs, net of current income tax	**27**	—	**42**	—
(Gain) loss on sale of non-core assets, net of current income tax	**(39)**	—	**(39)**	—
Third-party settlement, net of current income tax	**—**	—	**26**	—
NGTL System ownership transfer costs	**10**	—	**10**	—
Focus Project costs, net of current income tax	**—**	27	**9**	27
Keystone regulatory decisions, net of current income tax	**—**	—	**—**	48
Milepost 14 insurance expense	**—**	36	**—**	36
Keystone XL preservation and other, net of current income tax	**—**	4	**—**	8
Current income tax (recovery) expense on risk management activities	**1**	—	**1**	—
Comparable funds generated from operations	**1,826**	1,754	**4,262**	3,820

Net cash provided by operations

Net cash provided by operations increased by $145 million and $113 million for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023 primarily due to higher funds generated from operations and timing of working capital changes.

Comparable funds generated from operations

Comparable funds generated from operations, a non-GAAP measure, helps us assess the cash generating ability of our businesses by excluding the timing effects of working capital changes, as well as the cash impact of our specific items.

Comparable funds generated from operations increased by $72 million and $442 million for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023 primarily due to increased comparable EBITDA, higher distributions received from operating activities of our equity investments, which includes receipt of a $200 million distribution from Coastal GasLink LP related to an incentive payment that TC Energy accrued in December 2023, partially offset by higher interest expense and realized losses in 2024 compared to realized gains in 2023 on derivatives used to manage our exposure to net liabilities in Mexico that give rise to foreign exchange gains and losses.

CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES

	three months ended June 30		six months ended June 30	
(millions of $)	**2024**	**2023**	**2024**	**2023**
Capital spending				
Capital expenditures	**(1,333)**	(2,018)	**(2,912)**	(3,903)
Capital projects in development	**(13)**	(26)	**(33)**	(104)
Contributions to equity investments	**(245)**	(947)	**(543)**	(2,017)
	(1,591)	(2,991)	**(3,488)**	(6,024)
Loans to affiliate (issued) repaid, net	**—**	—	**—**	250
Acquisitions, net of cash acquired	**—**	(164)	**—**	(302)
Proceeds from sale of assets, net of transaction costs	**48**	—	**48**	—
Other distributions from equity investments	**—**	—	**30**	16
Keystone XL contractual recoveries	**3**	5	**5**	5
Deferred amounts and other	**(143)**	(120)	**(133)**	9
Net cash (used in) provided by investing activities	**(1,683)**	(3,270)	**(3,538)**	(6,046)

Capital expenditures in 2024 were incurred primarily for the development of the Southeast Gateway pipeline, Columbia Gas and ANR projects, as well as maintenance capital expenditures. Lower capital expenditures in 2024 compared to 2023 reflect reduced spending on expansion of the NGTL System and Columbia Gas projects.

Contributions to equity investments decreased in 2024 compared to 2023 mainly due to lower contributions to Coastal GasLink LP, as well as reduced draws on the subordinated loan by Coastal GasLink LP which are accounted for as in-substance equity contributions.

CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES

(millions of $)	three months ended June 30		six months ended June 30	
	2024	**2023**	**2024**	**2023**
Notes payable issued (repaid), net	**1,181**	(1,429)	**1,558**	(3,654)
Long-term debt issued, net of issue costs	**(1)**	1,442	**661**	8,453
Long-term debt repaid	**(1,258)**	(350)	**(1,662)**	(460)
Disposition of equity interest, net of transaction costs	**464**	—	**426**	—
Dividends and distributions paid	**(1,103)**	(628)	**(2,374)**	(1,363)
Contributions from non-controlling interest	**5**	—	**5**	—
Common shares issued, net of issue costs	**—**	1	**—**	4
Net cash (used in) provided by financing activities	**(712)**	(964)	**(1,386)**	2,980

Dividends and distributions paid increased in 2024 compared to 2023 mainly due to the impact of common shares issued from treasury under the DRP in 2023, as well as higher distributions paid in 2024 as a result of the sale of a 40 per cent non-controlling equity interest in Columbia Gas and Columbia Gulf to Global Infrastructure Partners in fourth quarter 2023.

Long-term debt issued

The following table outlines significant long-term debt issuances in the six months ended June 30, 2024:

(millions of Canadian $, unless otherwise noted) **Company**	**Issue date**	**Type**	**Maturity date**	**Amount**	**Interest rate**
Columbia Pipelines Holding Company LLC					
	January 2024	Senior Unsecured Notes	January 2034	US 500	5.68%

Long-term debt repaid/retired

The following table outlines significant long-term debt repaid in the six months ended June 30, 2024:

(millions of Canadian $, unless otherwise noted) **Company**	**Repayment date**	**Type**	**Amount**	**Interest rate**
TransCanada PipeLines Limited				
	June 2024	Medium Term Notes	750	Floating
ANR Pipeline Company				
	February 2024	Senior Unsecured Notes	US 125	7.38%
Nova Gas Transmission Ltd.				
	March 2024	Debentures	100	9.90%
TC Energía Mexicana, S. de R.L. de C.V.				
	Various	Senior Unsecured Term Loan	US 265	Floating
	Various	Senior Unsecured Revolving Credit Facility	US 185	Floating

DIVIDENDS

On July 31, 2024, we declared quarterly dividends on our common shares of $0.96 per share payable on October 31, 2024 to shareholders of record at the close of business on September 27, 2024.

SHARE INFORMATION

At July 26, 2024, we had approximately 1.0 billion issued and outstanding common shares and approximately 7 million outstanding options to buy common shares, of which 5 million were exercisable.

Shareholders of the Series 7 preferred shares had the option to convert to Series 8 preferred shares by providing notice on or before April 15, 2024. As the total number of Series 7 preferred shares tendered for conversion did not meet the established threshold, no Series 7 preferred shares were subsequently converted into Series 8 preferred shares.

CREDIT FACILITIES

At July 26, 2024, we had a total of $9.9 billion of TCPL committed revolving credit facilities, of which $7.6 billion of short-term borrowing capacity remains available, net of $2.3 billion backstopping outstanding commercial paper balances. We also have arrangements in place for a further $2.0 billion of demand credit facilities, of which $1.0 billion remains available.

CONTRACTUAL OBLIGATIONS

Capital expenditure commitments at June 30, 2024 have decreased by approximately $0.6 billion from those reported at December 31, 2023, reflecting normal course fulfillment of construction contracts.

There were no material changes to our contractual obligations in second quarter 2024 or to payments due in the next five years or thereafter. Refer to our 2023 Annual Report for additional information about our contractual obligations.

Financial risks and financial instruments

We are exposed to various financial risks and have strategies, policies and limits in place to manage the impact of these risks on our earnings, cash flows and, ultimately, shareholder value.

Risk management strategies, policies and limits are designed to ensure our risks and related exposures are in line with our business objectives and risk tolerance.

Refer to our 2023 Annual Report for additional information about the risks we face in our business which have not changed materially since December 31, 2023, other than as noted within this MD&A.

INTEREST RATE RISK

We utilize both short- and long-term debt to finance our operations which exposes us to interest rate risk. We typically pay fixed rates of interest on our long-term debt and floating rates on short-term debt including our commercial paper programs and amounts drawn on our credit facilities. A small portion of our long-term debt bears interest at floating rates. In addition, we are exposed to interest rate risk on financial instruments and contractual obligations containing variable interest rate components. We actively manage our interest rate risk using interest rate derivatives.

FOREIGN EXCHANGE RISK

Certain of our businesses generate all or most of their earnings in U.S. dollars and, since we report our financial results in Canadian dollars, changes in the value of the U.S. dollar against the Canadian dollar directly affect our comparable EBITDA and may also impact comparable earnings.

A portion of our Mexico Natural Gas Pipelines monetary assets and liabilities are peso-denominated, while our Mexico operations' financial results are denominated in U.S. dollars. Therefore, changes in the value of the Mexican peso against the U.S. dollar can affect our comparable earnings. In addition, foreign exchange gains or losses calculated for Mexico income tax purposes on the revaluation of U.S. dollar-denominated monetary assets and liabilities result in a peso-denominated income tax exposure for these entities, leading to fluctuations in Income (loss) from equity investments and Income tax expense (recovery) in the Condensed consolidated statement of income.

We actively manage a portion of our foreign exchange risk using foreign exchange derivatives. We hedge a portion of our net investment in foreign operations (on an after-tax basis) with U.S. dollar-denominated debt, cross-currency interest rate swaps and foreign exchange options, as appropriate.

COUNTERPARTY CREDIT RISK

We have exposure to counterparty credit risk in a number of areas including:

- cash and cash equivalents
- accounts receivable and certain contractual recoveries
- available-for-sale assets
- fair value of derivative assets
- net investment in leases and certain contract assets in Mexico.

Market events causing disruptions in global energy demand and supply may contribute to economic uncertainties impacting a number of our customers. While the majority of our credit exposure is to large creditworthy entities, we maintain close monitoring and communication with those counterparties experiencing greater financial pressures. Refer to our 2023 Annual Report for more information about the factors that mitigate our counterparty credit risk exposure.

We review financial assets carried at amortized cost for impairment using the lifetime expected loss of the financial asset at initial recognition and throughout the life of the financial asset. We use historical credit loss and recovery data, adjusted for our judgment regarding current economic and credit conditions, along with reasonable and supportable forecasts to determine any impairment, which is recognized in Plant operating costs and other. At June 30, 2024, we had no significant credit risk concentrations and no significant amounts past due or impaired. We recorded a pre-tax recovery of $3 million and $24 million on the expected credit loss provision on the TGNH net investment in leases and certain contract assets in Mexico for the three and six months ended June 30, 2024, respectively (2023 – pre-tax recovery of $11 million and $115 million, respectively). Refer to Note 14, Risk management and financial instruments, of our Condensed consolidated financial statements for additional information.

We have significant credit and performance exposure to financial institutions that hold cash deposits and provide committed credit lines and letters of credit that help manage our exposure to counterparties and provide liquidity in commodity, foreign exchange and interest rate derivative markets. Our portfolio of financial sector exposure consists primarily of highly-rated investment grade, systemically important financial institutions.

LIQUIDITY RISK

Liquidity risk is the risk that we will not be able to meet our financial obligations as they come due. We manage our liquidity risk by continuously forecasting our cash flows and ensuring we have adequate cash balances, cash flows from operations, committed and demand credit facilities and access to capital markets to meet our operating, financing and capital expenditure obligations under both normal and stressed economic conditions.

RELATED PARTY TRANSACTIONS

Related party transactions are conducted in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Coastal GasLink LP

We hold a 35 per cent equity interest in Coastal GasLink LP and have been contracted to develop, construct and operate the Coastal GasLink pipeline.

TC Energy Subordinated Loan Agreement

TC Energy has a subordinated loan agreement with Coastal GasLink LP under which draws by Coastal GasLink LP will fund the remaining $0.8 billion (December 31, 2023 – $0.9 billion) equity requirement related to the estimated capital cost to complete the Coastal GasLink pipeline. At June 30, 2024, the total capacity committed by TC Energy and Coastal GasLink LP under this subordinated loan agreement was $3.4 billion.

Any amounts outstanding on this loan will be repaid by Coastal GasLink LP to TC Energy, once final project costs are known, which will be determined after the pipeline is placed in service. Coastal GasLink LP partners, including TC Energy, will contribute equity to Coastal GasLink LP to ultimately fund Coastal GasLink LP's repayment of this subordinated loan to TC Energy. We expect that, in accordance with contractual terms, these additional equity contributions will be predominantly funded by TC Energy but will not result in a change to our 35 per cent ownership. The total amount drawn on this loan at June 30, 2024 was $2,570 million (December 31, 2023 – $2,520 million). The carrying value of this loan was $550 million at June 30, 2024 (December 31, 2023 – $500 million) due to the impairment charges recognized to date.

Subordinated Demand Revolving Credit Facilities

We have subordinated demand revolving credit facilities with Coastal GasLink LP to provide additional short-term liquidity and funding flexibility to the project. The facilities bear interest at floating market-based rates and have capacity of $120 million with outstanding balances of nil at June 30, 2024 (December 31, 2023 – nil).

FINANCIAL INSTRUMENTS

With the exception of Long-term debt and Junior subordinated notes, our derivative and non-derivative financial instruments are recorded on the balance sheet at fair value unless they were entered into and continue to be held for the purpose of receipt or delivery in accordance with our normal purchase and sales exemptions and are documented as such. In addition, fair value accounting is not required for other financial instruments that qualify for certain accounting exemptions.

Derivative instruments

We use derivative instruments to reduce volatility associated with fluctuations in commodity prices, interest rates and foreign exchange rates. Derivative instruments, including those that qualify and are designated for hedge accounting treatment, are recorded at fair value.

The majority of derivative instruments that are not designated or do not qualify for hedge accounting treatment have been entered into as economic hedges to manage our exposure to market risk and are classified as held-for-trading. Changes in the fair value of held-for-trading derivative instruments are recorded in net income in the period of change. This may expose us to increased variability in reported operating results since the fair value of the held-for-trading derivative instruments can fluctuate significantly from period to period.

The recognition of gains and losses on derivatives for Canadian natural gas regulated pipeline exposures is determined through the regulatory process. Gains and losses arising from changes in the fair value of derivatives accounted for as part of RRA, including those that qualify for hedge accounting treatment, are expected to be refunded or recovered through the tolls charged by us. As a result, these gains and losses are deferred as regulatory liabilities or regulatory assets and are refunded to or collected from the ratepayers in subsequent years when the derivative settles.

Balance sheet presentation of derivative instruments

The balance sheet presentation of the fair value of derivative instruments were as follows:

(millions of $)	June 30, 2024	December 31, 2023
Other current assets	**846**	1,285
Other long-term assets	**161**	155
Accounts payable and other	**(832)**	(1,143)
Other long-term liabilities	**(215)**	(106)
	(40)	191

Unrealized and realized gains (losses) on derivative instruments

The following summary does not include hedges of our net investment in foreign operations.

(millions of $)	three months ended June 30 2024	three months ended June 30 2023	six months ended June 30 2024	six months ended June 30 2023
Derivative Instruments Held for Trading[1]				
Unrealized gains (losses) in the period				
Commodities	**8**	72	**(21)**	130
Foreign exchange	**(31)**	108	**(102)**	182
Realized gains (losses) in the period				
Commodities	**156**	142	**358**	330
Foreign exchange	**(98)**	82	**(47)**	139
Derivative Instruments in Hedging Relationships				
Realized gains (losses) in the period				
Commodities	**15**	(23)	**18**	(12)
Interest rate	**(14)**	(10)	**(27)**	(16)

1 Realized and unrealized gains (losses) on held-for-trading derivative instruments used to purchase and sell commodities are included on a net basis in Revenues. Realized and unrealized gains (losses) on foreign exchange held-for-trading derivative instruments are included on a net basis in Foreign exchange (gains) losses, net in the Condensed consolidated statement of income.

For further details on our non-derivative and derivative financial instruments, including classification assumptions made in the calculation of fair value and additional discussion of exposure to risks and mitigation activities, refer to Note 14, Risk management and financial instruments, of our Condensed consolidated financial statements.

Other information

CONTROLS AND PROCEDURES

Management, including our President and CEO and our CFO, evaluated the effectiveness of our disclosure controls and procedures as at June 30, 2024, as required by the Canadian securities regulatory authorities and by the SEC and concluded that our disclosure controls and procedures are effective at a reasonable assurance level.

There were no changes in second quarter 2024 that had or are likely to have a material impact on our internal controls over financial reporting.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICY CHANGES

When we prepare financial statements that conform with U.S. GAAP, we are required to make estimates and assumptions that affect the timing and amounts we record for our assets, liabilities, revenues and expenses because these items may be affected by future events. We base the estimates and assumptions on the most current information available, using our best judgment. We also regularly assess the assets and liabilities themselves. In addition to the items discussed below, refer to our 2023 Annual Report for a listing of critical accounting estimates.

Impairment of goodwill

Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate it might be impaired. We can initially make this assessment based on qualitative factors. If we conclude that it is not more likely than not that the fair value of the reporting unit is greater than its carrying value, we will then perform a quantitative goodwill impairment test.

In the determination of the fair value utilized in the quantitative goodwill impairment test performed in 2023 for the Columbia reporting unit, we performed a discounted cash flow analysis using projections of future cash flows and applied a risk-adjusted discount rate and terminal value multiple which involved significant estimates and judgments. It was determined that the fair value of the Columbia reporting unit exceeded its carrying value, including goodwill. Although goodwill was not impaired, the estimated fair value in excess of the carrying value was less than 10 per cent. There is a risk that reductions in future cash flow forecasts and adverse changes in other key assumptions could result in a future impairment of a portion of the goodwill balance relating to Columbia.

Accounting changes

Our significant accounting policies have remained unchanged since December 31, 2023 other than as described in Note 2, Accounting changes, of our Condensed consolidated financial statements. A summary of our significant accounting policies is included in our 2023 Annual Report.

Quarterly results

SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA

	2024		2023				2022	
(millions of $, except per share amounts)	Second	First	Fourth	Third	Second	First	Fourth	Third
Revenues	**4,085**	4,243	4,236	3,940	3,830	3,928	4,041	3,799
Net income (loss) attributable to common shares	**963**	1,203	1,463	(197)	250	1,313	(1,447)	841
Comparable earnings	**978**	1,284	1,403	1,035	981	1,233	1,129	1,068
Per share statistics:								
Net income (loss) per common share – basic	**$0.93**	$1.16	$1.41	($0.19)	$0.24	$1.29	($1.42)	$0.84
Comparable earnings per common share	**$0.94**	$1.24	$1.35	$1.00	$0.96	$1.21	$1.11	$1.07
Dividends declared per common share	**$0.96**	$0.96	$0.93	$0.93	$0.93	$0.93	$0.90	$0.90

FACTORS AFFECTING QUARTERLY FINANCIAL INFORMATION BY BUSINESS SEGMENT

Quarter-over-quarter revenues and net income fluctuate for reasons that vary across our business segments. In addition to the factors below, our revenues and segmented earnings (losses) are impacted by fluctuations in foreign exchange rates, mainly related to our U.S. dollar-denominated operations and our peso-denominated exposure. Refer to the Foreign exchange section for additional information.

In our Canadian Natural Gas Pipelines, U.S. Natural Gas Pipelines and Mexico Natural Gas Pipelines segments, except for seasonal fluctuations in short-term throughput volumes on U.S. pipelines, quarter-over-quarter revenues and segmented earnings (losses) generally remain relatively stable during any fiscal year. Over the long term, however, they fluctuate because of:

- regulatory decisions
- negotiated settlements with customers
- newly constructed assets being placed in service
- acquisitions and divestitures
- natural gas marketing activities and commodity prices
- developments outside of the normal course of operations
- certain fair value adjustments
- provisions for expected credit losses on net investment in leases and certain contract assets in Mexico.

In Liquids Pipelines, quarter-over-quarter revenues and segmented earnings (losses) are affected by:

- regulatory decisions
- newly constructed assets being placed in service
- acquisitions and divestitures
- demand for uncontracted transportation services
- liquids marketing activities and commodity prices
- developments outside of the normal course of operations
- certain fair value adjustments.

In Power and Energy Solutions, quarter-over-quarter revenues and segmented earnings (losses) are affected by:

- weather
- customer demand
- newly constructed assets being placed in service
- acquisitions and divestitures
- market prices for natural gas and power
- capacity prices and payments
- power marketing and trading activities
- planned and unplanned plant outages
- developments outside of the normal course of operations
- certain fair value adjustments.

FACTORS AFFECTING FINANCIAL INFORMATION BY QUARTER

We calculate comparable measures by adjusting certain GAAP measures for specific items we believe are significant but not reflective of our underlying operations in the period. Except as otherwise described herein, these comparable measures are calculated on a consistent basis from period to period and are adjusted for specific items in each period, as applicable.

We exclude from comparable measures the unrealized gains and losses from changes in the fair value of derivatives related to financial and commodity price risk management activities. These derivatives generally provide effective economic hedges but do not meet the criteria for hedge accounting. We also exclude from comparable measures our proportionate share of the unrealized gains and losses from changes in the fair value of Bruce Power's funds invested for post-retirement benefits and derivatives related to its risk management activities. These changes in fair value are recorded in net income. As these amounts do not accurately reflect the gains and losses that will be realized at settlement, we do not consider them reflective of our underlying operations.

In second quarter 2024, comparable earnings also excluded:

- an after-tax gain of $63 million in second quarter 2024 related to the sale of non-core assets in U.S. Natural Gas Pipelines and Canadian Natural Gas Pipelines
- an after-tax unrealized foreign exchange loss of $3 million on the peso-denominated intercompany loan between TCPL and TGNH, net of non-controlling interest
- a $2 million after-tax recovery on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico, net of non-controlling interest
- after-tax costs of $42 million related to the NGTL System Ownership Transfer
- an after-tax charge of $26 million due to Liquids Pipelines business separation costs related to the spinoff Transaction.

In first quarter 2024, comparable earnings also excluded:

- an after-tax unrealized foreign exchange gain of $55 million on the peso-denominated intercompany loan between TCPL and TGNH
- a $15 million after-tax recovery on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico
- an after-tax expense of $26 million related to a non-recurring third-party settlement
- an after-tax charge of $13 million due to Liquids Pipelines business separation costs related to the spinoff Transaction
- an $8 million after-tax expense related to Focus Project costs.

In fourth quarter 2023, comparable earnings also excluded:

- a $74 million income tax recovery related to a revised assessment of the valuation allowance and non-taxable capital losses on our equity investment in Coastal GasLink LP
- an $18 million after-tax recovery related to the net impact of a U.S. minimum tax recovery on the 2021 Keystone XL asset impairment charge and other and a gain on the sale of Keystone XL project assets, partially offset by adjustments to the estimate for contractual and legal obligations related to termination activities
- an after-tax unrealized foreign exchange loss of $55 million on the peso-denominated intercompany loan between TCPL and TGNH
- a $25 million after-tax loss on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico
- an after-tax charge of $23 million due to Liquids Pipelines business separation costs related to the spinoff Transaction
- a $9 million after-tax expense related to Focus Project costs
- carrying charges of $4 million after tax as a result of a charge related to the FERC Administrative Law Judge initial decision on Keystone issued in February 2023 in respect of a tolling-related complaint pertaining to amounts recognized from 2018 to 2022
- preservation and other costs for Keystone XL pipeline project assets of $4 million after tax.

In third quarter 2023, comparable earnings also excluded:

- an after-tax impairment charge of $1,179 million related to our equity investment in Coastal GasLink LP
- a $14 million after-tax expense related to Focus Project costs
- an after-tax charge of $11 million due to Liquids Pipelines business separation costs related to the spinoff Transaction
- preservation and other costs for Keystone XL pipeline project assets of $2 million after tax
- an after-tax net unrealized foreign exchange gain of $20 million on the peso-denominated intercompany loan between TCPL and TGNH.

In second quarter 2023, comparable earnings also excluded:

- an after-tax impairment charge of $809 million related to our equity investment in Coastal GasLink LP
- a $36 million after-tax accrued insurance expense related to the Milepost 14 incident
- a $25 million after-tax expense related to Focus Project costs
- an after-tax net unrealized foreign exchange loss of $9 million on the peso-denominated intercompany loan between TCPL and TGNH
- preservation and other costs for Keystone XL pipeline project assets of $4 million after tax
- an $8 million after-tax recovery on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico.

In first quarter 2023, comparable earnings also excluded:

- a $72 million after-tax recovery on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico
- $48 million after-tax charge as a result of the FERC Administrative Law Judge initial decision on Keystone issued in February 2023 in respect of a tolling-related complaint pertaining to amounts recognized from 2018 to 2022 which consists of a one-time pre-tax charge of $57 million and accrued pre-tax carrying charges of $5 million
- an after-tax impairment charge of $29 million related to our equity investment in Coastal GasLink LP
- preservation and other costs for Keystone XL pipeline project assets of $4 million after tax.

In fourth quarter 2022, comparable earnings also excluded:

- an after-tax impairment charge of $2.6 billion related to our equity investment in Coastal GasLink LP
- a $64 million after-tax expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico
- a $20 million after-tax charge due to the CER decision on Keystone issued in December 2022 in respect of a tolling-related complaint pertaining to amounts reflected in 2021 and 2020
- preservation and other costs for Keystone XL pipeline project assets of $8 million after tax
- a $5 million after-tax net expense related to the 2021 Keystone XL asset impairment charge and other due to a U.S. minimum tax, partially offset by the gain on the sale of Keystone XL project assets and reduction to the estimate for contractual and legal obligations related to termination activities
- a $1 million income tax expense for the settlement related to prior years' income tax assessments in Mexico.

In third quarter 2022, comparable earnings also excluded:

- preservation and other costs for Keystone XL pipeline project assets of $3 million after tax.

Condensed consolidated statement of income

(unaudited - millions of Canadian $, except per share amounts)	three months ended June 30		six months ended June 30	
	2024	**2023**	**2024**	**2023**
Revenues				
Canadian Natural Gas Pipelines	**1,417**	1,297	**2,801**	2,526
U.S. Natural Gas Pipelines	**1,468**	1,376	**3,140**	3,085
Mexico Natural Gas Pipelines	**217**	207	**431**	412
Liquids Pipelines	**758**	682	**1,492**	1,220
Power and Energy Solutions	**225**	268	**464**	515
	4,085	3,830	**8,328**	7,758
Income (Loss) from Equity Investments	**341**	248	**697**	551
Impairment of Equity Investment	**—**	(843)	**—**	(856)
Operating and Other Expenses				
Plant operating costs and other	**1,330**	1,216	**2,563**	2,273
Commodity purchases resold	**185**	108	**340**	195
Property taxes	**236**	222	**462**	449
Depreciation and amortization	**717**	694	**1,436**	1,371
	2,468	2,240	**4,801**	4,288
Net Gain (Loss) on Sale of Assets	**48**	—	**48**	—
Financial Charges				
Interest expense	**843**	791	**1,680**	1,553
Allowance for funds used during construction	**(184)**	(148)	**(341)**	(279)
Foreign exchange (gains) losses, net	**67**	(169)	**40**	(276)
Interest income and other	**(69)**	(16)	**(146)**	(58)
	657	458	**1,233**	940
Income (Loss) before Income Taxes	**1,349**	537	**3,039**	2,225
Income Tax Expense (Recovery)				
Current	**111**	115	**261**	227
Deferred	**89**	143	**232**	372
	200	258	**493**	599
Net Income (Loss)	**1,149**	279	**2,546**	1,626
Net income (loss) attributable to non-controlling interests	**159**	6	**330**	17
Net Income (Loss) Attributable to Controlling Interests	**990**	273	**2,216**	1,609
Preferred share dividends	**27**	23	**50**	46
Net Income (Loss) Attributable to Common Shares	**963**	250	**2,166**	1,563
Net Income (Loss) per Common Share				
Basic and diluted	**$0.93**	$0.24	**$2.09**	$1.53
Weighted Average Number of Common Shares (millions)				
Basic	**1,037**	1,027	**1,037**	1,024
Diluted	**1,037**	1,027	**1,037**	1,024

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income

	three months ended June 30		six months ended June 30	
(unaudited - millions of Canadian $)	**2024**	**2023**	**2024**	**2023**
Net Income (Loss)	**1,149**	279	**2,546**	1,626
Other Comprehensive Income (Loss), Net of Income Taxes				
Foreign currency translation gains and losses on net investment in foreign operations	**224**	(469)	**697**	(493)
Change in fair value of net investment hedges	**(3)**	15	**(12)**	25
Change in fair value of cash flow hedges	**20**	(17)	**28**	(18)
Reclassification to net income of (gains) losses on cash flow hedges	**(2)**	7	**(2)**	41
Other comprehensive income (loss) on equity investments	**(27)**	64	**64**	(7)
	212	(400)	**775**	(452)
Comprehensive Income (Loss)	**1,361**	(121)	**3,321**	1,174
Comprehensive income (loss) attributable to non-controlling interests	**290**	1	**696**	12
Comprehensive Income (Loss) Attributable to Controlling Interests	**1,071**	(122)	**2,625**	1,162
Preferred share dividends	**27**	23	**50**	46
Comprehensive Income (Loss) Attributable to Common Shares	**1,044**	(145)	**2,575**	1,116

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated statement of cash flows

(unaudited - millions of Canadian $)	three months ended June 30 2024	three months ended June 30 2023	six months ended June 30 2024	six months ended June 30 2023
Cash Generated from Operations				
Net income (loss)	**1,149**	279	**2,546**	1,626
Depreciation and amortization	**717**	694	**1,436**	1,371
Deferred income taxes	**89**	143	**232**	372
(Income) loss from equity investments	**(341)**	(248)	**(697)**	(551)
Impairment of equity investment	**—**	843	**—**	856
Distributions received from operating activities of equity investments	**436**	293	**981**	598
Employee post-retirement benefits funding, net of expense	**4**	(9)	**8**	(22)
Net (gain) loss on sale of assets	**(48)**	—	**(48)**	—
Equity allowance for funds used during construction	**(120)**	(96)	**(220)**	(180)
Unrealized (gains) losses on financial instruments	**24**	(180)	**124**	(312)
Expected credit loss provision	**(3)**	(9)	**(23)**	(115)
Other	**(80)**	(23)	**(126)**	58
(Increase) decrease in operating working capital	**(172)**	(177)	**(516)**	(117)
Net cash provided by operations	**1,655**	1,510	**3,697**	3,584
Investing Activities				
Capital expenditures	**(1,333)**	(2,018)	**(2,912)**	(3,903)
Capital projects in development	**(13)**	(26)	**(33)**	(104)
Contributions to equity investments	**(245)**	(947)	**(543)**	(2,017)
Loans to affiliate (issued) repaid, net	**—**	—	**—**	250
Acquisitions, net of cash acquired	**—**	(164)	**—**	(302)
Proceeds from sale of assets, net of transaction costs	**48**	—	**48**	—
Other distributions from equity investments	**—**	—	**30**	16
Keystone XL contractual recoveries	**3**	5	**5**	5
Deferred amounts and other	**(143)**	(120)	**(133)**	9
Net cash (used in) provided by investing activities	**(1,683)**	(3,270)	**(3,538)**	(6,046)
Financing Activities				
Notes payable issued (repaid), net	**1,181**	(1,429)	**1,558**	(3,654)
Long-term debt issued, net of issue costs	**(1)**	1,442	**661**	8,453
Long-term debt repaid	**(1,258)**	(350)	**(1,662)**	(460)
Disposition of equity interests, net of transaction costs	**464**	—	**426**	—
Dividends on common shares	**(996)**	(588)	**(1,961)**	(1,239)
Dividends on preferred shares	**(24)**	(24)	**(47)**	(46)
Contributions from non-controlling interests	**5**	—	**5**	—
Distributions to non-controlling interests	**(82)**	(15)	**(364)**	(36)
Distributions on Class C Interests	**(1)**	(1)	**(2)**	(42)
Common shares issued, net of issue costs	**—**	1	**—**	4
Net cash (used in) provided by financing activities	**(712)**	(964)	**(1,386)**	2,980
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	**8**	(36)	**57**	(47)
Increase (Decrease) in Cash and Cash Equivalents, Including Cash Balances Classified as Assets Held for Sale	**(732)**	(2,760)	**(1,170)**	471
Cash balances classified as assets held for sale	**13**	—	**(34)**	—
Increase (Decrease) in Cash and Cash Equivalents	**(719)**	(2,760)	**(1,204)**	471
Cash and Cash Equivalents - Beginning of period	**3,193**	3,851	**3,678**	620
Cash and Cash Equivalents - End of period	**2,474**	1,091	**2,474**	1,091

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated balance sheet

(unaudited - millions of Canadian $)		June 30, 2024	December 31, 2023
ASSETS			
Current Assets			
Cash and cash equivalents		**2,474**	3,678
Accounts receivable		**4,025**	4,209
Inventories		**1,015**	982
Assets held for sale		**683**	—
Other current assets		**2,263**	2,503
		10,460	11,372
Plant, Property and Equipment	net of accumulated depreciation of $37,750 and $36,602, respectively	**83,649**	80,569
Net Investment in Leases		**2,357**	2,263
Equity Investments		**10,922**	10,314
Restricted Investments		**2,843**	2,636
Regulatory Assets		**2,563**	2,330
Goodwill		**12,991**	12,532
Other Long-Term Assets		**2,181**	3,018
		127,966	125,034
LIABILITIES			
Current Liabilities			
Notes payable		**1,563**	—
Accounts payable and other		**6,303**	6,987
Dividends payable		**1,011**	979
Accrued interest		**856**	913
Current portion of long-term debt		**3,685**	2,938
Liabilities related to assets held for sale		**382**	—
		13,800	11,817
Regulatory Liabilities		**5,068**	4,806
Other Long-Term Liabilities		**1,097**	1,015
Deferred Income Tax Liabilities		**7,767**	8,125
Long-Term Debt		**49,146**	49,976
Junior Subordinated Notes		**10,594**	10,287
		87,472	86,026
EQUITY			
Common shares, no par value		**30,002**	30,002
Issued and outstanding:	June 30, 2024 – 1,037 million shares December 31, 2023 – 1,037 million shares		
Preferred shares		**2,499**	2,499
Retained earnings (Accumulated deficit)		**(2,839)**	(2,997)
Accumulated other comprehensive income (loss)		**458**	49
Controlling Interests		**30,120**	29,553
Non-Controlling Interests		**10,374**	9,455
		40,494	39,008
		127,966	125,034

Commitments, Contingencies and Guarantees (Note 16)

Variable Interest Entities (Note 17)

Subsequent Event (Note 18)

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated statement of equity

	three months ended June 30		six months ended June 30	
(unaudited - millions of Canadian $)	**2024**	**2023**	**2024**	**2023**
Common Shares				
Balance at beginning of period	**30,002**	29,264	**30,002**	28,995
Shares issued:				
Dividend reinvestment and share purchase plan	**—**	362	**—**	628
Exercise of stock options	**—**	1	**—**	4
Balance at end of period	**30,002**	29,627	**30,002**	29,627
Preferred Shares				
Balance at beginning and end of period	**2,499**	2,499	**2,499**	2,499
Additional Paid-In Capital				
Balance at beginning of period	**—**	725	**—**	722
Issuance of stock options, net of exercises	**4**	3	**4**	6
Disposition of equity interests, net of transaction costs	**(33)**	—	**(22)**	—
Reclassification of additional paid-in capital deficit to retained earnings (accumulated deficit)	**29**	—	**18**	—
Balance at end of period	**—**	728	**—**	728
Retained Earnings (Accumulated Deficit)				
Balance at beginning of period	**(2,777)**	1,182	**(2,997)**	819
Net income (loss) attributable to controlling interests	**990**	273	**2,216**	1,609
Common share dividends	**(996)**	(956)	**(1,992)**	(1,908)
Preferred share dividends	**(27)**	(23)	**(48)**	(44)
Reclassification of additional paid-in capital deficit to retained earnings (accumulated deficit)	**(29)**	—	**(18)**	—
Balance at end of period	**(2,839)**	476	**(2,839)**	476
Accumulated Other Comprehensive Income (Loss)				
Balance at beginning of period	**377**	903	**49**	955
Other comprehensive income (loss) attributable to controlling interests	**102**	(395)	**430**	(447)
Impact of non-controlling interest	**(21)**	—	**(21)**	—
Balance at end of period	**458**	508	**458**	508
Equity Attributable to Controlling Interests	**30,120**	33,838	**30,120**	33,838
Equity Attributable to Non-Controlling Interests				
Balance at beginning of period	**9,573**	222	**9,455**	126
Disposition of equity interests	**588**	—	**582**	—
Other comprehensive income (loss) attributable to non-controlling interests	**131**	(5)	**366**	(5)
Net income (loss) attributable to non-controlling interests	**159**	6	**330**	17
Contributions from non-controlling interests	**5**	—	**5**	—
Distributions declared to non-controlling interests	**(82)**	(15)	**(364)**	(36)
Non-controlling interests on acquisition of Texas Wind Farms	**—**	116	**—**	222
Balance at end of period	**10,374**	324	**10,374**	324
Total Equity	**40,494**	34,162	**40,494**	34,162

See accompanying Notes to the Condensed consolidated financial statements.

Notes to Condensed consolidated financial statements

(unaudited)

1. BASIS OF PRESENTATION

These Condensed consolidated financial statements of TC Energy Corporation (TC Energy or the Company) have been prepared by management in accordance with U.S. GAAP. The accounting policies applied are consistent with those outlined in TC Energy's annual audited Consolidated financial statements for the year ended December 31, 2023, except as described in Note 2, Accounting changes. Capitalized and abbreviated terms that are used but not otherwise defined herein are identified in TC Energy's 2023 Annual Report.

These Condensed consolidated financial statements reflect adjustments, all of which are normal recurring adjustments that are, in the opinion of management, necessary to reflect fairly the financial position and results of operations for the respective periods. These Condensed consolidated financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the 2023 audited Consolidated financial statements included in TC Energy's 2023 Annual Report. Certain comparative figures have been adjusted to reflect the current period's presentation.

Earnings for interim periods may not be indicative of results for the fiscal year in certain of the Company's segments primarily due to:

- Natural gas pipelines segments – the timing of regulatory decisions and negotiated rate case settlements as well as seasonal fluctuations in short-term throughput volumes on U.S. pipelines and marketing activities
- Liquids Pipelines – fluctuations in throughput volumes on the Keystone Pipeline System and marketing activities
- Power and Energy Solutions – the impacts of seasonal weather conditions on customer demand, market supply and prices of natural gas and power as well as maintenance outages in certain of the Company's investments in electrical power generation plants and Canadian non-regulated natural gas storage facilities and marketing activities.

In addition to the factors mentioned above, revenues and segmented earnings are impacted by fluctuations in foreign exchange rates, mainly related to the Company's U.S. dollar-denominated operations and Mexican peso-denominated exposure.

Use of Estimates and Judgments

In preparing these Condensed consolidated financial statements, TC Energy is required to make estimates and assumptions that affect both the amount and timing of recording assets, liabilities, revenues and expenses since the determination of these items may be dependent on future events. The Company uses the most current information available and exercises careful judgment in making these estimates and assumptions. In the opinion of management, these Condensed consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the Company's significant accounting policies included in the annual audited Consolidated financial statements for the year ended December 31, 2023, except as described in Note 2, Accounting changes.

2. ACCOUNTING CHANGES

Changes in Accounting Policies for 2024

Leases

In March 2023, the FASB issued new guidance that clarified the accounting for leasehold improvements associated with common control leases. This new guidance was effective January 1, 2024 and did not have a material impact on the Company's consolidated financial statements.

Future Accounting Changes

Income Taxes

In December 2023, the FASB issued new guidance to enhance the transparency and decision usefulness of income tax disclosures through improvements to the rate reconciliation and income taxes paid information. The guidance also includes certain other amendments to improve the effectiveness of income tax disclosures. This new guidance is effective for the annual period beginning January 1, 2025. The guidance is applied prospectively with retrospective application permitted. Early adoption is permitted for annual financial statements not yet issued. The Company does not expect this guidance to have a material impact on the Company's condensed consolidated financial statements.

Segment Reporting

In November 2023, the FASB issued new guidance to improve disclosures about a public entity's reportable segments and address requests from investors for additional, more detailed information about a reportable segment's expenses. The guidance is effective for annual periods beginning January 1, 2024 and interim periods beginning January 1, 2025. Early adoption is permitted and the guidance is applied retrospectively. The Company is currently assessing the impact of the standard on the Company's condensed consolidated financial statements.

3. SPINOFF OF LIQUIDS PIPELINES BUSINESS

In 2023, TC Energy announced plans to separate into two independent, investment-grade, publicly listed companies through the proposed spinoff of its Liquids Pipelines business (the spinoff Transaction). The name of the new Liquids Pipelines business will be South Bow Corporation (South Bow). Under the spinoff Transaction, common shareholders of TC Energy as of the record date to be established for the spinoff Transaction will receive, in exchange for each TC Energy share, one new TC Energy share and 0.2 of a South Bow common share.

On June 4, 2024, shareholders of TC Energy approved the spinoff Transaction. TC Energy expects that the effective separation date will occur in early fourth quarter 2024.

4. SEGMENTED INFORMATION

three months ended June 30, 2024 (unaudited - millions of Canadian $)	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Liquids Pipelines	Power and Energy Solutions	Corporate[1]	Total
Revenues	1,417	1,468	217	758	225	—	4,085
Intersegment revenues	—	24	—	—	49	(73) [2]	—
	1,417	1,492	217	758	274	(73)	4,085
Income (loss) from equity investments[3]	5	66	100	16	154	—	341
Plant operating costs and other[3]	(497)	(434)	(28)	(248)	(170)	47 [2]	(1,330)
Commodity purchases resold	—	(31)	—	(144)	(10)	—	(185)
Property taxes	(79)	(130)	—	(26)	(1)	—	(236)
Depreciation and amortization	(342)	(239)	(23)	(86)	(27)	—	(717)
Net gain (loss) on sale of assets	10	38	—	—	—	—	48
Segmented Earnings (Losses)	514	762	266	270	220	(26)	2,006
Interest expense							(843)
Allowance for funds used during construction							184
Foreign exchange gains (losses), net							(67)
Interest income and other							69
Income (Loss) before Income Taxes							1,349
Income tax (expense) recovery							(200)
Net Income (Loss)							1,149
Net (income) loss attributable to non-controlling interests							(159)
Net Income (Loss) Attributable to Controlling Interests							990
Preferred share dividends							(27)
Net Income (Loss) Attributable to Common Shares							963
Capital Spending[4]							
Capital expenditures	239	453	605	27	11	(2)	1,333
Capital projects in development	—	1	—	—	12	—	13
Contributions to equity investments	65	—	—	—	180	—	245
	304	454	605	27	203	(2)	1,591

1 Includes intersegment eliminations.

2 The Company records intersegment sales at contracted rates. For segmented reporting, these transactions are included as Intersegment revenues in the segment providing the service and Plant operating costs and other in the segment receiving the service. These transactions are eliminated on consolidation. Intersegment profit is recognized when the product or service has been provided to third parties or otherwise realized.

3 The Mexico Natural Gas Pipelines segment includes a recovery of $3 million on the ECL provision with respect to the net investment in leases associated with the in-service TGNH pipelines. Income (loss) from equity investments includes nil on the ECL provision for contract assets related to Sur de Texas. There was no change in the ECL provision for contract assets related to certain other Mexico natural gas pipelines.

4 Included in investing activities in the Condensed consolidated statement of cash flows.

three months ended June 30, 2023 (unaudited - millions of Canadian $)	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Liquids Pipelines	Power and Energy Solutions	Corporate[1]	Total
Revenues	1,297	1,376	207	682	268	—	3,830
Intersegment revenues	—	25	—	—	22	(47) [2]	—
	1,297	1,401	207	682	290	(47)	3,830
Income (loss) from equity investments	5	56	13	18	156	—	248
Impairment of equity investment	(843)	—	—	—	—	—	(843)
Plant operating costs and other[3]	(446)	(392)	(16)	(211)	(162)	11 [2]	(1,216)
Commodity purchases resold	—	—	—	(102)	(6)	—	(108)
Property taxes	(76)	(116)	—	(29)	(1)	—	(222)
Depreciation and amortization	(331)	(234)	(22)	(85)	(22)	—	(694)
Segmented Earnings (Losses)	(394)	715	182	273	255	(36)	995
Interest expense							(791)
Allowance for funds used during construction							148
Foreign exchange gains (losses), net							169
Interest income and other							16
Income (Loss) before Income Taxes							537
Income tax (expense) recovery							(258)
Net Income (Loss)							279
Net (income) loss attributable to non-controlling interests							(6)
Net Income (Loss) Attributable to Controlling Interests							273
Preferred share dividends							(23)
Net Income (Loss) Attributable to Common Shares							250
Capital Spending[4]							
Capital expenditures	701	539	715	11	41	11	2,018
Capital projects in development	5	—	—	—	21	—	26
Contributions to equity investments	744	—	—	—	203	—	947
	1,450	539	715	11	265	11	2,991

1 Includes intersegment eliminations.

2 The Company records intersegment sales at contracted rates. For segmented reporting, these transactions are included as Intersegment revenues in the segment providing the service and Plant operating costs and other in the segment receiving the service. These transactions are eliminated on consolidation. Intersegment profit is recognized when the product or service has been provided to third parties or otherwise realized.

3 The Mexico Natural Gas Pipelines segment includes a recovery of $8 million on the ECL provision with respect to the net investment in leases associated with the in-service TGNH pipelines and a recovery of $1 million on the ECL provision for contract assets related to certain other Mexico natural gas pipelines.

4 Included in investing activities in the Condensed consolidated statement of cash flows.

six months ended June 30, 2024 (unaudited - millions of Canadian $)	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Liquids Pipelines	Power and Energy Solutions	Corporate[1]	Total
Revenues	2,801	3,140	431	1,492	464	—	8,328
Intersegment revenues	—	50	—	—	49	(99) [2]	—
	2,801	3,190	431	1,492	513	(99)	8,328
Income (loss) from equity investments[3]	11	192	130	33	331	—	697
Plant operating costs and other[3]	(963)	(824)	(37)	(460)	(294)	15 [2]	(2,563)
Commodity purchases resold	—	(66)	—	(252)	(22)	—	(340)
Property taxes	(157)	(246)	—	(56)	(3)	—	(462)
Depreciation and amortization	(687)	(479)	(46)	(171)	(53)	—	(1,436)
Net gain (loss) on sale of assets	10	38	—	—	—	—	48
Segmented Earnings (Losses)	1,015	1,805	478	586	472	(84)	4,272
Interest expense							(1,680)
Allowance for funds used during construction							341
Foreign exchange gains (losses), net							(40)
Interest income and other							146
Income (Loss) before Income Taxes							3,039
Income tax (expense) recovery							(493)
Net Income (Loss)							2,546
Net (income) loss attributable to non-controlling interests							(330)
Net Income (Loss) Attributable to Controlling Interests							2,216
Preferred share dividends							(50)
Net Income (Loss) Attributable to Common Shares							2,166
Capital Spending[4]							
Capital expenditures	580	1,037	1,220	44	28	3	2,912
Capital projects in development	—	1	—	—	32	—	33
Contributions to equity investments	177	—	—	—	366	—	543
	757	1,038	1,220	44	426	3	3,488

1 Includes intersegment eliminations.

2 The Company records intersegment sales at contracted rates. For segmented reporting, these transactions are included as Intersegment revenues in the segment providing the service and Plant operating costs and other in the segment receiving the service. These transactions are eliminated on consolidation. Intersegment profit is recognized when the product or service has been provided to third parties or otherwise realized.

3 The Mexico Natural Gas Pipelines segment includes a recovery of $21 million on the ECL provision with respect to the net investment in leases associated with the in-service TGNH pipelines and a recovery of $2 million on the ECL provision for contract assets related to certain other Mexico natural gas pipelines. Income (loss) from equity investments includes a recovery of $1 million on the ECL provision for contract assets related to Sur de Texas.

4 Included in investing activities in the Condensed consolidated statement of cash flows.

six months ended June 30, 2023 (unaudited - millions of Canadian $)	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Liquids Pipelines	Power and Energy Solutions	Corporate[1]	Total
Revenues	2,526	3,085	412	1,220	515	—	7,758
Intersegment revenues	—	51	—	—	22	(73) [2]	—
	2,526	3,136	412	1,220	537	(73)	7,758
Income (loss) from equity investments	10	164	4	32	341	—	551
Impairment of equity investment	(856)	—	—	—	—	—	(856)
Plant operating costs and other[3]	(863)	(801)	64	(388)	(320)	35 [2]	(2,273)
Commodity purchases resold	—	—	—	(186)	(9)	—	(195)
Property taxes	(153)	(234)	—	(60)	(2)	—	(449)
Depreciation and amortization	(647)	(471)	(44)	(169)	(40)	—	(1,371)
Segmented Earnings (Losses)	17	1,794	436	449	507	(38)	3,165
Interest expense							(1,553)
Allowance for funds used during construction							279
Foreign exchange gains (losses), net							276
Interest income and other							58
Income (Loss) before Income Taxes							2,225
Income tax (expense) recovery							(599)
Net Income (Loss)							1,626
Net (income) loss attributable to non-controlling interests							(17)
Net Income (Loss) Attributable to Controlling Interests							1,609
Preferred share dividends							(46)
Net Income (Loss) Attributable to Common Shares							1,563
Capital Spending[4]							
Capital expenditures	1,523	1,141	1,101	24	97	17	3,903
Capital projects in development	8	—	—	—	96	—	104
Contributions to equity investments	1,644	—	—	—	373	—	2,017
	3,175	1,141	1,101	24	566	17	6,024

1 Includes intersegment eliminations.

2 The Company records intersegment sales at contracted rates. For segmented reporting, these transactions are included as Intersegment revenues in the segment providing the service and Plant operating costs and other in the segment receiving the service. These transactions are eliminated on consolidation. Intersegment profit is recognized when the product or service has been provided to third parties or otherwise realized.

3 The Mexico Natural Gas Pipelines segment includes a recovery of $103 million on the ECL provision with respect to the net investment in leases associated with the in-service TGNH pipelines and a recovery of $12 million on the ECL provision for contract assets related to certain other Mexico natural gas pipelines. Income (loss) from equity investments includes an expense of $2 million on the ECL provision for contract assets related to Sur de Texas.

4 Included in investing activities in the Condensed consolidated statement of cash flows.

Total Assets by Segment

(unaudited - millions of Canadian $)	June 30, 2024	December 31, 2023
Canadian Natural Gas Pipelines	**30,258**	29,782
U.S. Natural Gas Pipelines	**52,881**	50,499
Mexico Natural Gas Pipelines	**14,084**	12,003
Liquids Pipelines	**15,810**	15,490
Power and Energy Solutions	**9,543**	9,525
Corporate	**5,390**	7,735
	127,966	125,034

5. REVENUES

Disaggregation of Revenues

The following tables summarize total Revenues for the three and six months ended June 30, 2024 and 2023:

three months ended June 30, 2024 (unaudited - millions of Canadian $)	**Canadian Natural Gas Pipelines**	**U.S. Natural Gas Pipelines**	**Mexico Natural Gas Pipelines**	**Liquids Pipelines**	**Power and Energy Solutions**	**Total**
Revenues from contracts with customers						
Capacity arrangements and transportation	**1,413**	**1,259**	**110**	**574**	**—**	**3,356**
Power generation	**—**	**—**	**—**	**—**	**54**	**54**
Natural gas storage and other[1,2]	**4**	**212**	**30**	**—**	**106**	**352**
	1,417	**1,471**	**140**	**574**	**160**	**3,762**
Sales-type lease income	**—**	**—**	**77**	**—**	**—**	**77**
Other revenues[3]	**—**	**(3)**	**—**	**184**	**65**	**246**
	1,417	**1,468**	**217**	**758**	**225**	**4,085**

1 The Canadian Natural Gas Pipelines segment includes $4 million of fee revenues from an affiliate related to development and construction of the Coastal GasLink pipeline project, which is 35 per cent owned by TC Energy.

2 The Mexico Natural Gas Pipelines segment includes $25 million of revenues generated from non-lease components for the provision of operating and maintenance services with respect to sales-type leases on the in-service TGNH pipelines.

3 Other revenues include income from the Company's marketing activities and financial instruments. Refer to Note 14, Risk management and financial instruments, for additional information. Additionally, other revenues include $30 million of operating lease income.

three months ended June 30, 2023 (unaudited - millions of Canadian $)	**Canadian Natural Gas Pipelines**	**U.S. Natural Gas Pipelines**	**Mexico Natural Gas Pipelines**	**Liquids Pipelines**	**Power and Energy Solutions**	**Total**
Revenues from contracts with customers						
Capacity arrangements and transportation	1,289	1,153	109	536	—	3,087
Power generation	—	—	—	—	117	117
Natural gas storage and other[1,2]	8	203	29	—	105	345
	1,297	1,356	138	536	222	3,549
Sales-type lease income	—	—	69	—	—	69
Other revenues[3]	—	20	—	146	46	212
	1,297	1,376	207	682	268	3,830

1 The Canadian Natural Gas Pipelines segment includes $8 million of fee revenues from an affiliate related to development and construction of the Coastal GasLink pipeline project, which is 35 per cent owned by TC Energy.

2 The Mexico Natural Gas Pipelines segment includes $22 million of revenues generated from non-lease components for the provision of operating and maintenance services with respect to sales-type leases on the in-service TGNH pipelines.

3 Other revenues include income from the Company's marketing activities and financial instruments. Refer to Note 14, Risk management and financial instruments, for additional information. Additionally, other revenues include $30 million of operating lease income.

six months ended June 30, 2024 (unaudited - millions of Canadian $)	**Canadian Natural Gas Pipelines**	**U.S. Natural Gas Pipelines**	**Mexico Natural Gas Pipelines**	**Liquids Pipelines**	**Power and Energy Solutions**	**Total**
Revenues from contracts with customers						
Capacity arrangements and transportation	**2,791**	**2,675**	**217**	**1,166**	**—**	**6,849**
Power generation	**—**	**—**	**—**	**—**	**154**	**154**
Natural gas storage and other[1,2]	**10**	**426**	**61**	**3**	**188**	**688**
	2,801	**3,101**	**278**	**1,169**	**342**	**7,691**
Sales-type lease income	**—**	**—**	**153**	**—**	**—**	**153**
Other revenues[3]	**—**	**39**	**—**	**323**	**122**	**484**
	2,801	**3,140**	**431**	**1,492**	**464**	**8,328**

1 The Canadian Natural Gas Pipelines segment includes $10 million of fee revenues from an affiliate related to development and construction of the Coastal GasLink pipeline project, which is 35 per cent owned by TC Energy.

2 The Mexico Natural Gas Pipelines segment includes $49 million of revenues generated from non-lease components for the provision of operating and maintenance services with respect to sales-type leases on the in-service TGNH pipelines.

3 Other revenues include income from the Company's marketing activities and financial instruments. Refer to Note 14, Risk management and financial instruments, for additional information. Additionally, other revenues include $61 million of operating lease income.

six months ended June 30, 2023 (unaudited - millions of Canadian $)	**Canadian Natural Gas Pipelines**	**U.S. Natural Gas Pipelines**	**Mexico Natural Gas Pipelines**	**Liquids Pipelines**	**Power and Energy Solutions**	**Total**
Revenues from contracts with customers						
Capacity arrangements and transportation	2,510	2,503	218	974	—	6,205
Power generation	—	—	—	—	233	233
Natural gas storage and other[1,2]	16	448	62	1	214	741
	2,526	2,951	280	975	447	7,179
Sales-type lease income	—	—	132	—	—	132
Other revenues[3]	—	134	—	245	68	447
	2,526	3,085	412	1,220	515	7,758

1 The Canadian Natural Gas Pipelines segment includes $16 million of fee revenues from an affiliate related to development and construction of the Coastal GasLink pipeline project, which is 35 per cent owned by TC Energy.

2 The Mexico Natural Gas Pipelines segment includes $49 million of revenues generated from non-lease components for the provision of operating and maintenance services with respect to sales-type leases on the in-service TGNH pipelines.

3 Other revenues include income from the Company's marketing activities and financial instruments. Refer to Note 14, Risk management and financial instruments, for additional information. Additionally, other revenues include $62 million of operating lease income.

Contract Balances

(unaudited - millions of Canadian $)	June 30, 2024	December 31, 2023	Affected line item on the Condensed consolidated balance sheet
Receivables from contracts with customers	**1,626**	1,832	Accounts receivable
Contract assets	**213**	151	Other current assets
Long-term contract assets	**528**	457	Other long-term assets
Contract liabilities[1]	**66**	69	Accounts payable and other
Long-term contract liabilities	**11**	12	Other long-term liabilities

1 During the six months ended June 30, 2024, $44 million (2023 – $37 million) of revenues were recognized that were included in contract liabilities and long-term contract liabilities at the beginning of the period.

Contract assets and long-term contract assets primarily relate to the Company's right to revenues for services completed but not invoiced at the reporting date on long-term committed capacity natural gas pipelines contracts. The change in contract assets is primarily related to the transfer to Accounts receivable when these rights become unconditional and the customer is invoiced, as well as the recognition of additional revenues that remain to be invoiced. Contract liabilities and long-term contract liabilities primarily represent unearned revenue for contracted services.

Future Revenues from Remaining Performance Obligations

As at June 30, 2024, future revenues from long-term pipeline capacity arrangements and transportation as well as natural gas storage and other contracts extending through 2055 are approximately $22.6 billion, of which approximately $4.0 billion is expected to be recognized during the remainder of 2024.

6. COASTAL GASLINK

Subordinated Loan Agreement

Committed capacity under the subordinated loan agreement between TC Energy and Coastal GasLink Pipeline Limited Partnership (Coastal GasLink LP) was \$3.4 billion with a balance outstanding of \$2.6 billion at June 30, 2024 (December 31, 2023 – \$3.4 billion and \$2.5 billion, respectively).

Any amounts outstanding on the loan will be repaid by Coastal GasLink LP to TC Energy once final project costs are known, which will be determined after the pipeline is placed in service. Coastal GasLink LP partners, including TC Energy, will contribute equity to Coastal GasLink LP to ultimately fund Coastal GasLink LP's repayment of this subordinated loan to TC Energy. The Company expects that these additional equity contributions will be predominantly funded by TC Energy.

Amounts drawn under the subordinated loan agreement are accounted for as in-substance equity contributions and are presented as Contributions to equity investments on the Company's Condensed consolidated statement of cash flows. Interest and principal repayments on this loan, which are expected to be predominantly funded by TC Energy, will be accounted for as an equity investment distribution to the Company once received.

In the three and six months ended June 30, 2024, draws of nil and \$50 million (2023 – \$708 million and \$785 million, net of repayments, respectively) were made by Coastal GasLink LP under the subordinated loan agreement. The table below reflects the changes in the carrying value of this loan receivable balance.

(unaudited - millions of Canadian \$)	
Outstanding balance at December 31, 2023	**2,520**
Impairment in prior years	**(2,020)**
Issuances in the six months ended June 30, 2024	**50**
Outstanding balance at June 30, 2024	**550**

Subordinated Demand Revolving Credit Facility Agreement

On June 25, 2024, the Company amended its subordinated demand revolving credit facility agreement with Coastal GasLink LP, adding a new facility to provide short-term liquidity and funding flexibility for the Cedar Link project. The new facility has a capacity of \$20 million and bears interest at a floating market-based rate. Facilities available through this agreement have a combined capacity of \$120 million (December 31, 2023 – \$100 million) with no outstanding balances at June 30, 2024.

Impairment of Equity Investment in Coastal GasLink LP

In the three and six months ended June 30, 2024, no impairment charges were recorded (2023 – pre-tax impairment charges of \$843 million and \$856 million, respectively) as there were no events or changes in circumstances since December 31, 2023 indicating a significant adverse impact on the estimated fair value of the Company's investment in Coastal GasLink LP.

Between December 31, 2022 and September 30, 2023, with the expectation that additional equity contributions under the subordinated loan agreement will be predominantly funded by TC Energy, the Company completed valuation assessments for the year ended December 31, 2022 and the first three quarters of 2023. For each period in which an assessment was performed, the Company concluded that the fair value of its investment in Coastal GasLink LP was below its carrying value and that these were other-than-temporary impairments. As a result, the cumulative pre-tax impairment charge recognized at June 30, 2024 is \$5,148 million (\$4,586 million after tax).

At June 30, 2024, the carrying value of the Company's investment was \$567 million (December 31, 2023 – \$294 million), which reflects the balance of amounts, net of impairments, drawn on the subordinated loan and other changes to TC Energy's equity investment.

At June 30, 2024, TC Energy expects approximately \$0.9 billion in additional funding related to the capital cost estimates to complete the Coastal GasLink pipeline and the Cedar Link project.

7. INCOME TAXES

Effective Tax Rates

The effective income tax rates were 16 per cent and 27 per cent for the six months ended June 30, 2024 and 2023, respectively. The decrease in the effective income tax rate was primarily due to an unrealized non-taxable capital loss from the Coastal GasLink LP impairment in 2023, the impact of Mexico foreign exchange exposure and higher net income attributable to non-controlling interests, partially offset by lower foreign income tax rate differentials in 2024.

8. ASSETS HELD FOR SALE

Portland Natural Gas Transmission System

On March 4, 2024, the Company announced that TC Energy and its partner Northern New England Investment Company, Inc., a subsidiary of Énergir L.P. (Énergir), entered into a purchase and sale agreement to sell Portland Natural Gas Transmission System (PNGTS) to BlackRock, through a fund managed by its Diversified Infrastructure business and investment funds managed by Morgan Stanley Infrastructure Partners (the Purchaser), for expected proceeds of approximately $1.5 billion (US$1.1 billion), including the Purchaser's assumption of US$250 million of Senior Notes outstanding at PNGTS, which is currently consolidated on the Company's Condensed consolidated balance sheet.

The cash proceeds will be split pro-rata according to the current PNGTS ownership interests (TC Energy – 61.7 per cent, Énergir – 38.3 per cent) and will be paid at closing, subject to certain customary adjustments. The transaction is expected to close in third quarter 2024, subject to the receipt of regulatory approvals and customary closing conditions.

At June 30, 2024, the related assets and liabilities classified as held for sale were as follows:

(unaudited - millions of Canadian $)	**June 30, 2024**
Assets Held for Sale	
Current assets	**59**
Plant, property and equipment	**624**
	683
Liabilities Related to Assets Held for Sale	
Current liabilities	**24**
Long-term debt, net	**342**
Other long-term liabilities	**16**
	382

9. KEYSTONE ENVIRONMENTAL PROVISION

In December 2022, a pipeline incident occurred in Washington County, Kansas on the Keystone Pipeline System. At December 31, 2023, the Company had accrued a life-to-date environmental liability of $794 million, before expected insurance recoveries and not including potential fines and penalties which continue to be indeterminable. For the six months ended June 30, 2024, amounts paid for the environmental remediation liability were $75 million (2023 – $433 million). The remaining balance reflected in Accounts payable and other and Other long-term liabilities on the Company's Condensed consolidated balance sheet was $50 million and $10 million, respectively at June 30, 2024 (December 31, 2023 – $122 million and $9 million, respectively).

The expected recovery of the remaining estimated environmental remediation costs recorded in Other current assets and Other long-term assets were $126 million and $35 million, respectively at June 30, 2024 (December 31, 2023 – $150 million and $33 million, respectively). An additional $36 million was accrued in 2023, which is to be recovered from TC Energy's wholly-owned captive insurance subsidiary. This amount was recorded as an expense in Interest income and other in the Condensed consolidated statement of income. For the six months ended June 30, 2024, the Company received $28 million (2023 – $194 million) from its insurance policies related to the costs for environmental remediation.

10. LONG-TERM DEBT

Long-Term Debt Issued

Long-term debt issued by the Company in the six months ended June 30, 2024 included the following:

(unaudited - millions of Canadian $, unless otherwise noted)					
Company	**Issue date**	**Type**	**Maturity date**	**Amount**	**Interest rate**
Columbia Pipelines Holding Company LLC					
	January 2024	Senior Unsecured Notes	January 2034	US 500	5.68%

Long-Term Debt Repaid/Retired

Long-term debt repaid by the Company in the six months ended June 30, 2024 included the following:

(unaudited - millions of Canadian $, unless otherwise noted)				
Company	**Repayment date**	**Type**	**Amount**	**Interest rate**
TransCanada PipeLines Limited				
	June 2024	Medium Term Notes	750	Floating
ANR Pipeline Company				
	February 2024	Senior Unsecured Notes	US 125	7.38%
Nova Gas Transmission Ltd.				
	March 2024	Debentures	100	9.90%
TC Energía Mexicana, S. de R.L. de C.V.				
	Various	Senior Unsecured Term Loan	US 265	Floating
	Various	Senior Unsecured Revolving Credit Facility	US 185	Floating

Capitalized Interest

In the three and six months ended June 30, 2024, TC Energy capitalized interest related to capital projects of $66 million and $134 million, respectively (2023 – $42 million and $72 million, respectively).

11. COMMON SHARES AND PREFERRED SHARES

The Board of Directors of TC Energy declared quarterly dividends as follows:

	three months ended June 30		six months ended June 30	
(unaudited - Canadian $, rounded to two decimals)	**2024**	**2023**	**2024**	**2023**
per common share	**0.96**	0.93	**1.92**	1.86
per Series 1 preferred share	**0.22**	0.22	**0.43**	0.43
per Series 2 preferred share	**0.43**	0.40	**0.86**	0.78
per Series 3 preferred share	**0.11**	0.11	**0.21**	0.21
per Series 4 preferred share	**0.39**	0.36	**0.78**	0.70
per Series 5 preferred share	**0.12**	0.12	**0.24**	0.24
per Series 6 preferred share	**0.41**	0.37	**0.82**	0.73
per Series 7 preferred share	**0.37**	0.24	**0.62**	0.49
per Series 9 preferred share	**0.24**	0.24	**0.47**	0.47
per Series 11 preferred share	**0.21**	0.21	**0.21**	0.21

Shareholders of the Series 7 preferred shares had the option to convert to Series 8 preferred shares by providing notice on or before April 15, 2024. As the total number of Series 7 preferred shares tendered for conversion did not meet the established threshold, no Series 7 preferred shares were subsequently converted into Series 8 preferred shares.

12. OTHER COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Components of other comprehensive income (loss), including the portion attributable to non-controlling interests and related tax effects, were as follows:

three months ended June 30, 2024 (unaudited - millions of Canadian $)	**Before tax amount**	**Income tax (expense) recovery**	**Net of tax amount**
Foreign currency translation gains and losses on net investment in foreign operations	**222**	**2**	**224**
Change in fair value of net investment hedges	**(3)**	**—**	**(3)**
Change in fair value of cash flow hedges	**25**	**(5)**	**20**
Reclassification to net income of (gains) losses on cash flow hedges	**(2)**	**—**	**(2)**
Other comprehensive income (loss) on equity investments	**(36)**	**9**	**(27)**
Other Comprehensive Income (Loss)	**206**	**6**	**212**

three months ended June 30, 2023 (unaudited - millions of Canadian $)	**Before tax amount**	**Income tax (expense) recovery**	**Net of tax amount**
Foreign currency translation gains and losses on net investment in foreign operations	(461)	(8)	(469)
Change in fair value of net investment hedges	20	(5)	15
Change in fair value of cash flow hedges	(22)	5	(17)
Reclassification to net income of (gains) losses on cash flow hedges	10	(3)	7
Other comprehensive income (loss) on equity investments	86	(22)	64
Other Comprehensive Income (Loss)	(367)	(33)	(400)

six months ended June 30, 2024 (unaudited - millions of Canadian $)	**Before tax amount**	**Income tax (expense) recovery**	**Net of tax amount**
Foreign currency translation gains and losses on net investment in foreign operations	**692**	**5**	**697**
Change in fair value of net investment hedges	**(15)**	**3**	**(12)**
Change in fair value of cash flow hedges	**36**	**(8)**	**28**
Reclassification to net income of (gains) losses on cash flow hedges	**(2)**	**—**	**(2)**
Other comprehensive income (loss) on equity investments	**84**	**(20)**	**64**
Other Comprehensive Income (Loss)	**795**	**(20)**	**775**

six months ended June 30, 2023 (unaudited - millions of Canadian $)	**Before tax amount**	**Income tax (expense) recovery**	**Net of tax amount**
Foreign currency translation gains and losses on net investment in foreign operations	(484)	(9)	(493)
Change in fair value of net investment hedges	33	(8)	25
Change in fair value of cash flow hedges	(23)	5	(18)
Reclassification to net income of (gains) losses on cash flow hedges	54	(13)	41
Other comprehensive income (loss) on equity investments	(9)	2	(7)
Other Comprehensive Income (Loss)	(429)	(23)	(452)

The changes in AOCI by component, net of tax, were as follows:

three months ended June 30, 2024 (unaudited - millions of Canadian $)	**Currency translation adjustments**	**Cash flow hedges**	**Pension and other post-retirement benefit plans adjustments**	**Equity investments**	**Total**
AOCI balance at April 1, 2024	**(88)**	**(27)**	**(55)**	**547**	**377**
Other comprehensive income (loss) before reclassifications[1]	**111**	**20**	**—**	**(23)**	**108**
Amounts reclassified from AOCI	**—**	**(2)**	**—**	**(4)**	**(6)**
Net current period other comprehensive income (loss)	**111**	**18**	**—**	**(27)**	**102**
Impact of non-controlling interest[2]	**(21)**	**—**	**—**	**—**	**(21)**
AOCI balance at June 30, 2024	**2**	**(9)**	**(55)**	**520**	**458**

1 Other comprehensive income (loss) before reclassifications on currency translation adjustments is net of non-controlling interest gains of $131 million (2023 – losses of $5 million).

2 Represents the AOCI attributable to Comisión Federal de Electricidad's (CFE) 13.01 per cent non-controlling equity interest in TGNH.

six months ended June 30, 2024 (unaudited - millions of Canadian $)	**Currency translation adjustments**	**Cash flow hedges**	**Pension and other post-retirement benefit plans adjustments**	**Equity investments**	**Total**
AOCI balance at January 1, 2024	**(317)**	**(35)**	**(55)**	**456**	**49**
Other comprehensive income (loss) before reclassifications[1]	**340**	**28**	**—**	**72**	**440**
Amounts reclassified from AOCI[2]	**—**	**(2)**	**—**	**(8)**	**(10)**
Net current period other comprehensive income (loss)	**340**	**26**	**—**	**64**	**430**
Impact of non-controlling interest[3]	**(21)**	**—**	**—**	**—**	**(21)**
AOCI balance at June 30, 2024	**2**	**(9)**	**(55)**	**520**	**458**

1 Other comprehensive income (loss) before reclassifications on currency translation adjustments is net of non-controlling interest gains of $366 million (2023 – losses of $5 million).

2 Gains related to cash flow hedges reported in AOCI and expected to be reclassified to net income in the next 12 months are estimated to be $10 million ($8 million after tax) at June 30, 2024. These estimates assume constant commodity prices, interest rates and foreign exchange rates over time; however, the amounts reclassified will vary based on the actual value of these factors at the date of settlement.

3 Represents the AOCI attributable to CFE's 13.01 per cent non-controlling equity interest in TGNH.

Details about reclassifications out of AOCI into the Condensed consolidated statement of income were as follows:

	three months ended June 30		**six months ended June 30**		
(unaudited - millions of Canadian $)	**2024**	**2023**	**2024**	**2023**	**Affected line item in the Condensed consolidated statement of income**[1]
Cash flow hedges					
Commodities	**5**	(7)	**8**	(48)	Revenues (Power and Energy Solutions)
Interest rate	**(3)**	(3)	**(6)**	(6)	Interest expense
	2	(10)	**2**	(54)	Total before tax
	—	3	**—**	13	Income tax (expense) recovery
	2	(7)	**2**	(41)	Net of tax
Equity investments					
Equity income (loss)	**5**	5	**10**	11	Income (loss) from equity investments
	(1)	(1)	**(2)**	(3)	Income tax (expense) recovery
	4	4	**8**	8	Net of tax

1 All amounts in parentheses indicate expenses to the Condensed consolidated statement of income.

13. EMPLOYEE POST-RETIREMENT BENEFITS

The components of the net benefit cost (recovery) recognized for the Company's pension benefit plans and other post-retirement benefit plans were as follows:

	three months ended June 30				six months ended June 30			
	Pension benefit plans		Other post-retirement benefit plans		Pension benefit plans		Other post-retirement benefit plans	
(unaudited - millions of Canadian $)	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Service cost[1]	**27**	23	**1**	—	**55**	46	**1**	1
Other components of net benefit cost (recovery)[1]								
Interest cost	**40**	40	**3**	4	**80**	79	**7**	8
Expected return on plan assets	**(63)**	(58)	**(4)**	(4)	**(125)**	(117)	**(7)**	(8)
Amortization of regulatory asset	**—**	—	**(1)**	—	**—**	—	**(1)**	—
	(23)	(18)	**(2)**	—	**(45)**	(38)	**(1)**	—
Net Benefit Cost (Recovery)	**4**	5	**(1)**	—	**10**	8	**—**	1

1 Service cost and other components of net benefit cost (recovery) are included in Plant operating costs and other in the Condensed consolidated statement of income.

14. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk Management Overview

TC Energy has exposure to market risk and counterparty credit risk and has strategies, policies and limits in place to manage the impact of these risks on its earnings, cash flows and, ultimately, shareholder value.

Counterparty Credit Risk

TC Energy’s exposure to counterparty credit risk includes its cash and cash equivalents, accounts receivable and certain contractual recoveries, available-for-sale assets, the fair value of derivative assets, net investment in leases and certain contract assets in Mexico.

Market events causing disruptions in global energy demand and supply may contribute to economic uncertainties impacting a number of TC Energy's customers. While the majority of the Company's credit exposure is to large creditworthy entities, TC Energy maintains close monitoring and communication with those counterparties experiencing greater financial pressures. Refer to TC Energy's 2023 Annual Report for more information about the factors that mitigate the Company's counterparty credit risk exposure.

The Company reviews financial assets carried at amortized cost for impairment using the lifetime expected loss of the financial asset at initial recognition and throughout the life of the financial asset. TC Energy uses historical credit loss and recovery data, adjusted for management's judgment regarding current economic and credit conditions, along with reasonable and supportable forecasts to determine any impairment, which is recognized in Plant operating costs and other.

For the three and six months ended June 30, 2024, the Company recorded a recovery of $3 million and $21 million, respectively (2023 – $8 million and $103 million, respectively) on the ECL provision before tax with respect to the net investment in leases associated with the in-service TGNH pipelines and a recovery of nil and $2 million, respectively (2023 – $1 million and $12 million, respectively) on the ECL provision for contract assets related to certain other Mexico natural gas pipelines. At June 30, 2024, the balance of the ECL provision was $58 million (December 31, 2023 – $76 million) with respect to the net investment in leases associated with the in-service TGNH pipelines and $2 million (December 31, 2023 – $4 million) related to certain other Mexico natural gas pipelines. For the three and six months ended June 30, 2024, Income (loss) from equity investments includes a recovery of nil and $1 million, respectively (2023 – nil and expense of $2 million, respectively) on the ECL provision for contract assets related to TC Energy's equity investment in Sur de Texas. The ECL provision is driven primarily by a probability of default measure for the counterparty, which is calculated using information published by an external third party.

At June 30, 2024, the Company had no significant credit losses, other than the ECL provisions noted above and there were no significant credit risk concentrations or amounts past due or impaired.

TC Energy has significant credit and performance exposure to financial institutions that hold cash deposits and provide committed credit lines and letters of credit that help manage the Company's exposure to counterparties and provide liquidity in commodity, foreign exchange and interest rate derivative markets. TC Energy's portfolio of financial sector exposure consists primarily of highly-rated investment grade, systemically important financial institutions.

Net Investment in Foreign Operations

The Company hedges a portion of its net investment in foreign operations (on an after-tax basis) with U.S. dollar-denominated debt, cross-currency interest rate swaps and foreign exchange options as appropriate.

The fair values and notional amounts for the derivatives designated as a net investment hedge were as follows:

	June 30, 2024		December 31, 2023	
(unaudited - millions of Canadian $, unless otherwise noted)	Fair value[1,2]	Notional amount	Fair value[1,2]	Notional amount
U.S. dollar foreign exchange options (maturing 2024)	**1**	**US 400**	8	US 1,000
U.S. dollar cross-currency interest rate swaps (maturing 2025)	**(4)**	**US 100**	2	US 200
	(3)	**US 500**	10	US 1,200

1 Fair value equals carrying value.

2 No amounts have been excluded from the assessment of hedge effectiveness.

The notional amounts and fair values of U.S. dollar-denominated debt designated as a net investment hedge were as follows:

(unaudited - millions of Canadian $, unless otherwise noted)	June 30, 2024	December 31, 2023
Notional amount	**29,400 (US 21,500)**	27,800 (US 21,100)
Fair value	**28,400 (US 20,800)**	26,600 (US 20,200)

Non-Derivative Financial Instruments

Fair value of non-derivative financial instruments

Available-for-sale assets are recorded at fair value which is calculated using quoted market prices where available including the Company's LMCI equity securities which are classified in Level I of the fair value hierarchy. Certain other non-derivative financial instruments included in Cash and cash equivalents, Accounts receivable, Other current assets, Restricted investments, Net investment in leases, Other long-term assets, Notes payable, Accounts payable and other, Dividends payable, Accrued interest and Other long-term liabilities have carrying amounts that approximate their fair value due to the nature of the item or the short time to maturity.

Credit risk has been taken into consideration when calculating the fair value of non-derivative financial instruments.

Balance sheet presentation of non-derivative financial instruments

The following table details the fair value of non-derivative financial instruments, excluding those where carrying amounts approximate fair value and would be classified in Level II of the fair value hierarchy:

	June 30, 2024		December 31, 2023	
(unaudited - millions of Canadian $)	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt, including current portion[1,2,3]	**(53,173)**	**(52,307)**	(52,914)	(52,815)
Junior subordinated notes	**(10,594)**	**(10,058)**	(10,287)	(9,217)
	(63,767)	**(62,365)**	(63,201)	(62,032)

1 The carrying amount of long-term debt at June 30, 2024 includes $342 million (fair value of $290 million) in Liabilities related to assets held for sale on the Company's Condensed consolidated balance sheet related to the sale of PNGTS.

2 Long-term debt is recorded at amortized cost, except for US$3.0 billion (December 31, 2023 – US$2.0 billion) that is attributed to hedged risk and recorded at fair value.

3 Net income (loss) for the three and six months ended June 30, 2024 included unrealized gains of $44 million and $127 million, respectively (2023 – unrealized gains of $68 million and $13 million, respectively) for fair value adjustments attributable to the hedged interest rate risk associated with interest rate swap fair value hedging relationships. There were no other unrealized gains or losses from fair value adjustments to the non-derivative financial instruments.

Available-for-sale assets summary

The following tables summarize additional information about the Company's restricted investments that were classified as available-for-sale assets:

	June 30, 2024		December 31, 2023	
(unaudited - millions of Canadian $)	LMCI restricted investments	Other restricted investments[1]	LMCI restricted investments	Other restricted investments[1]
Fair values of fixed income securities[2,3]				
Maturing within 1 year	**—**	**48**	1	35
Maturing within 1-5 years	**4**	**229**	8	241
Maturing within 5-10 years	**1,425**	**—**	1,340	—
Maturing after 10 years	**104**	**—**	102	—
Fair value of equity securities[2,4]	**1,005**	**58**	883	50
	2,538	**335**	2,334	326

1 Other restricted investments have been set aside to fund insurance claim losses to be paid by the Company's wholly-owned captive insurance subsidiary.
2 Available-for-sale assets are recorded at fair value and included in Other current assets and Restricted investments on the Company's Condensed consolidated balance sheet.
3 Classified in Level II of the fair value hierarchy.
4 Classified in Level I of the fair value hierarchy.

	June 30, 2024		June 30, 2023	
(unaudited - millions of Canadian $)	LMCI restricted investments[1]	Other restricted investments[2]	LMCI restricted investments[1]	Other restricted investments[2]
Net unrealized gains (losses) in the period				
three months ended	**46**	**2**	(8)	2
six months ended	**105**	**5**	95	4
Net realized gains (losses) in the period[3]				
three months ended	**(13)**	**1**	(10)	—
six months ended	**(15)**	**1**	(17)	—

1 Unrealized and realized gains (losses) arising from changes in the fair value of LMCI restricted investments impact the subsequent amounts to be collected through tolls to cover future pipeline abandonment costs. As a result, the Company records these gains and losses as regulatory liabilities or regulatory assets.
2 Unrealized and realized gains (losses) on other restricted investments are included in Interest income and other in the Condensed consolidated statement of income.
3 Realized gains (losses) on the sale of LMCI restricted investments are determined using the average cost basis.

Derivative Instruments

Fair value of derivative instruments

The fair value of foreign exchange and interest rate derivatives has been calculated using the income approach which uses period-end market rates and applies a discounted cash flow valuation model. The fair value of commodity derivatives has been calculated using quoted market prices where available. In the absence of quoted market prices, third-party broker quotes or other valuation techniques have been used. The fair value of options has been calculated using the Black-Scholes pricing model. Credit risk has been taken into consideration when calculating the fair value of derivative instruments. Unrealized gains and losses on derivative instruments are not necessarily representative of the amounts that will be realized on settlement.

In some cases, even though the derivatives are considered to be effective economic hedges, they do not meet the specific criteria for hedge accounting treatment or are not designated as a hedge and are accounted for at fair value with changes in fair value recorded in net income in the period of change. This may expose the Company to increased variability in reported earnings because the fair value of the derivative instruments can fluctuate significantly from period to period.

The recognition of gains and losses on derivatives for Canadian natural gas regulated pipeline exposures is determined through the regulatory process. Gains and losses arising from changes in the fair value of derivatives accounted for as part of rate-regulated accounting, including those that qualify for hedge accounting treatment, are expected to be refunded or recovered through the tolls charged by the Company. As a result, these gains and losses are deferred as regulatory liabilities or regulatory assets and are refunded to or collected from the rate payers in subsequent years when the derivative settles.

Balance sheet presentation of derivative instruments

The balance sheet classification of the fair value of derivative instruments was as follows:

at June 30, 2024 (unaudited - millions of Canadian $)	**Cash flow hedges**	**Fair value hedges**	**Net investment hedges**	**Held for trading**	**Total fair value of derivative instruments**[1]
Other current assets					
Commodities[2]	**22**	**—**	**—**	**806**	**828**
Foreign exchange	**—**	**—**	**1**	**17**	**18**
	22	**—**	**1**	**823**	**846**
Other long-term assets					
Commodities[2]	**16**	**—**	**—**	**134**	**150**
Foreign exchange	**—**	**—**	**—**	**8**	**8**
Interest rate	**—**	**3**	**—**	**—**	**3**
	16	**3**	**—**	**142**	**161**
Total Derivative Assets	**38**	**3**	**1**	**965**	**1,007**
Accounts payable and other					
Commodities[2]	**—**	**—**	**—**	**(748)**	**(748)**
Foreign exchange	**—**	**—**	**(4)**	**(33)**	**(37)**
Interest rate	**—**	**(47)**	**—**	**—**	**(47)**
	—	**(47)**	**(4)**	**(781)**	**(832)**
Other long-term liabilities					
Commodities[2]	**—**	**—**	**—**	**(115)**	**(115)**
Foreign exchange	**—**	**—**	**—**	**(6)**	**(6)**
Interest rate	**—**	**(94)**	**—**	**—**	**(94)**
	—	**(94)**	**—**	**(121)**	**(215)**
Total Derivative Liabilities	**—**	**(141)**	**(4)**	**(902)**	**(1,047)**
Total Derivatives	**38**	**(138)**	**(3)**	**63**	**(40)**

1 Fair value equals carrying value.

2 Includes purchases and sales of power, natural gas, liquids and emission credits.

at December 31, 2023 (unaudited - millions of Canadian $)	Cash flow hedges	Fair value hedges	Net investment hedges	Held for trading	Total fair value of derivative instruments[1]
Other current assets					
Commodities[2]	9	—	—	1,195	1,204
Foreign exchange	—	—	10	71	81
	9	—	10	1,266	1,285
Other long-term assets					
Commodities[2]	3	—	—	86	89
Foreign exchange	—	—	—	30	30
Interest rate	—	36	—	—	36
	3	36	—	116	155
Total Derivative Assets	12	36	10	1,382	1,440
Accounts payable and other					
Commodities[2]	(1)	—	—	(1,110)	(1,111)
Foreign exchange	—	—	—	(14)	(14)
Interest rate	—	(18)	—	—	(18)
	(1)	(18)	—	(1,124)	(1,143)
Other long-term liabilities					
Commodities[2]	—	—	—	(75)	(75)
Foreign exchange	—	—	—	(2)	(2)
Interest rate	—	(29)	—	—	(29)
	—	(29)	—	(77)	(106)
Total Derivative Liabilities	(1)	(47)	—	(1,201)	(1,249)
Total Derivatives	11	(11)	10	181	191

1 Fair value equals carrying value.

2 Includes purchases and sales of power, natural gas and liquids.

The majority of derivative instruments held for trading have been entered into for risk management purposes and all are subject to the Company's risk management strategies, policies and limits. These include derivatives that have not been designated as hedges or do not qualify for hedge accounting treatment but have been entered into as economic hedges to manage the Company's exposures to market risk.

Derivatives in fair value hedging relationships

The following table details amounts recorded on the Condensed consolidated balance sheet in relation to cumulative adjustments for fair value hedges included in the carrying amount of the hedged liabilities:

	Carrying amount		Fair value hedging adjustments[1]	
(unaudited - millions of Canadian $)	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Long-term debt	**(3,969)**	(2,630)	**138**	11

1 At June 30, 2024 and December 31, 2023, adjustments for discontinued hedging relationships included in these balances were nil.

Notional and maturity summary

The maturity and notional amount or quantity outstanding related to the Company's derivative instruments excluding hedges of the net investment in foreign operations was as follows:

at June 30, 2024 (unaudited)	Power	Natural gas	Liquids	Emission credits	Foreign exchange	Interest rate
Net sales (purchases)[1]	**10,223**	**85**	**(28)**	**(333)**	**—**	**—**
Millions of U.S. dollars	**—**	**—**	**—**	**—**	**5,256**	**3,000**
Millions of Mexican pesos	**—**	**—**	**—**	**—**	**16,250**	**—**
Maturity dates	**2024-2044**	**2024-2029**	**2024-2025**	**2024**	**2024-2026**	**2030-2049**

1 Volumes for power, natural gas, liquids and emission credit derivatives are in GWh, Bcf, MMBbls and thousand metric tonnes CO_2, respectively.

at December 31, 2023 (unaudited)	Power	Natural gas	Liquids	Foreign exchange	Interest rate
Net sales (purchases)[1]	9,209	50	(7)	—	—
Millions of U.S. dollars	—	—	—	4,978	2,000
Millions of Mexican pesos	—	—	—	20,000	—
Maturity dates	2024-2044	2024-2029	2024	2024-2026	2030-2034

1 Volumes for power, natural gas and liquids derivatives are in GWh, Bcf and MMBbls, respectively.

Unrealized and Realized Gains (Losses) on Derivative Instruments

The following summary does not include hedges of the net investment in foreign operations:

	three months ended June 30		six months ended June 30	
(unaudited - millions of Canadian $)	2024	2023	2024	2023
Derivative Instruments Held for Trading[1]				
Unrealized gains (losses) in the period				
Commodities	**8**	72	**(21)**	130
Foreign exchange	**(31)**	108	**(102)**	182
Realized gains (losses) in the period				
Commodities	**156**	142	**358**	330
Foreign exchange	**(98)**	82	**(47)**	139
Derivative Instruments in Hedging Relationships				
Realized gains (losses) in the period				
Commodities	**15**	(23)	**18**	(12)
Interest rate	**(14)**	(10)	**(27)**	(16)

1 Realized and unrealized gains (losses) on held-for-trading derivative instruments used to purchase and sell commodities are included on a net basis in Revenues. Realized and unrealized gains (losses) on foreign exchange held-for-trading derivative instruments are included on a net basis in Foreign exchange (gains) losses, net in the Condensed consolidated statement of income.

Derivatives in cash flow hedging relationships

The components of OCI (Note 12) related to the change in fair value of derivatives in cash flow hedging relationships before tax were as follows:

	three months ended June 30		six months ended June 30	
(unaudited - millions of Canadian $, pre-tax)	**2024**	**2023**	**2024**	**2023**
Gains (losses) in fair value of commodity derivative instruments recognized in OCI[1]	**25**	(22)	**36**	(23)

1 No amounts have been excluded from the assessment of hedge effectiveness.

Effect of fair value and cash flow hedging relationships

The following table details amounts presented in the Condensed consolidated statement of income in which the effects of fair value or cash flow hedging relationships were recorded:

	three months ended June 30		six months ended June 30	
(unaudited - millions of Canadian $)	**2024**	**2023**	**2024**	**2023**
Fair Value Hedges				
Interest rate contracts[1]				
Hedged items	**(40)**	(23)	**(70)**	(46)
Derivatives designated as hedging instruments	**(14)**	(10)	**(27)**	(16)
Cash Flow Hedges				
Reclassification of gains (losses) on derivative instruments from AOCI to Net income (loss)[2,3]				
Commodities[4]	**5**	(7)	**8**	(48)
Interest rate[1]	**(3)**	(3)	**(6)**	(6)

1 Presented within Interest expense in the Condensed consolidated statement of income.

2 Refer to Note 12, Other comprehensive income (loss) and Accumulated other comprehensive income (loss), for the components of OCI related to derivatives in cash flow hedging relationships.

3 There are no amounts recognized in earnings that were excluded from effectiveness testing.

4 Presented within Revenues (Power and Energy Solutions) in the Condensed consolidated statement of income.

Offsetting of derivative instruments

The Company enters into derivative contracts with the right to offset in the normal course of business as well as in the event of default. TC Energy has no master netting agreements; however, similar contracts are entered into containing rights to offset. The Company has elected to present the fair value of derivative instruments with the right to offset on a gross basis on the Condensed consolidated balance sheet. The following tables show the impact on the presentation of the fair value of derivative instrument assets and liabilities had the Company elected to present these contracts on a net basis:

at June 30, 2024 (unaudited - millions of Canadian $)	**Gross derivative instruments**	**Amounts available for offset**[1]	**Net amounts**
Derivative instrument assets			
Commodities	**978**	**(796)**	**182**
Foreign exchange	**26**	**(14)**	**12**
Interest rate	**3**	**(1)**	**2**
	1,007	**(811)**	**196**
Derivative instrument liabilities			
Commodities	**(863)**	**796**	**(67)**
Foreign exchange	**(43)**	**14**	**(29)**
Interest rate	**(141)**	**1**	**(140)**
	(1,047)	**811**	**(236)**

1 Amounts available for offset do not include cash collateral pledged or received.

at December 31, 2023 (unaudited - millions of Canadian $)	**Gross derivative instruments**	**Amounts available for offset**[1]	**Net amounts**
Derivative instrument assets			
Commodities	1,293	(1,099)	194
Foreign exchange	111	(16)	95
Interest rate	36	(5)	31
	1,440	(1,120)	320
Derivative instrument liabilities			
Commodities	(1,186)	1,099	(87)
Foreign exchange	(16)	16	—
Interest rate	(47)	5	(42)
	(1,249)	1,120	(129)

1 Amounts available for offset do not include cash collateral pledged or received.

With respect to the derivative instruments presented above, the Company provided cash collateral of $126 million and letters of credit of $53 million at June 30, 2024 (December 31, 2023 – $149 million and $83 million, respectively) to its counterparties. At June 30, 2024, the Company held cash collateral of less than $1 million and $21 million letters of credit (December 31, 2023 – less than $1 million and $15 million, respectively) from counterparties on asset exposures.

Credit-risk-related contingent features of derivative instruments

Derivative contracts entered into to manage market risk often contain financial assurance provisions that allow parties to the contracts to manage credit risk. These provisions may require collateral to be provided if a credit-risk-related contingent event occurs, such as a downgrade in the Company's credit rating to non-investment grade. The Company may also need to provide collateral if the fair value of its derivative financial instruments exceeds pre-defined exposure limits.

Based on contracts in place and market prices at June 30, 2024, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was $7 million (December 31, 2023 – $3 million), for which the Company has provided no collateral in the normal course of business. If the credit-risk-related contingent features in these agreements were triggered on June 30, 2024, the Company would have been required to provide collateral equal to the fair value of the related derivative instruments discussed above. Collateral may also need to be provided should the fair value of derivative instruments exceed pre-defined contractual exposure limit thresholds.

The Company has sufficient liquidity in the form of cash and undrawn committed revolving credit facilities to meet these contingent obligations should they arise.

Fair Value Hierarchy

The Company's financial assets and liabilities recorded at fair value have been categorized into three categories based on a fair value hierarchy.

Levels	How fair value has been determined
Level I	Quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. An active market is a market in which frequency and volume of transactions provides pricing information on an ongoing basis.
Level II	This category includes interest rate and foreign exchange derivative assets and liabilities where fair value is determined using the income approach and commodity derivatives where fair value is determined using the market approach. Inputs include published exchange rates, interest rates, interest rate swap curves, yield curves and broker quotes from external data service providers.
Level III	This category includes long-dated commodity transactions in certain markets where liquidity is low. The Company uses the most observable inputs available or alternatively long-term broker quotes or negotiated commodity prices that have been contracted for under similar terms in determining an appropriate estimate of these transactions. Where appropriate, these long-dated prices are discounted to reflect the expected pricing from the applicable markets. There is uncertainty caused by using unobservable market data which may not accurately reflect possible future changes in fair value.

The fair value of the Company's derivative assets and liabilities measured on a recurring basis, including both current and non-current portions, were categorized as follows:

at June 30, 2024 (unaudited - millions of Canadian $)	Quoted prices in active markets (Level I)	Significant other observable inputs (Level II)[1]	Significant unobservable inputs (Level III)[1]	Total
Derivative instrument assets				
Commodities	**666**	**264**	**48**	**978**
Foreign exchange	**—**	**26**	**—**	**26**
Interest rate	**—**	**3**	**—**	**3**
Derivative instrument liabilities				
Commodities	**(650)**	**(168)**	**(45)**	**(863)**
Foreign exchange	**—**	**(43)**	**—**	**(43)**
Interest rate	**—**	**(141)**	**—**	**(141)**
	16	**(59)**	**3**	**(40)**

1 There were no transfers from Level II to Level III for the six months ended June 30, 2024.

at December 31, 2023 (unaudited - millions of Canadian $)	**Quoted prices in active markets (Level I)**	**Significant other observable inputs (Level II)[1]**	**Significant unobservable inputs (Level III)[1]**	**Total**
Derivative instrument assets				
Commodities	1,054	229	10	1,293
Foreign exchange	—	111	—	111
Interest rate	—	36	—	36
Derivative instrument liabilities				
Commodities	(1,002)	(163)	(21)	(1,186)
Foreign exchange	—	(16)	—	(16)
Interest rate	—	(47)	—	(47)
	52	150	(11)	191

1 There were no transfers from Level II to Level III for the year ended December 31, 2023.

The Company has entered into contracts to sell 50 MW of power commencing in 2025 with terms ranging from 15 to 20 years provided from specified renewable sources in the Province of Alberta. The fair value of these contracts is classified in Level III of the fair value hierarchy and is based on the assumption that the contract volumes will be sourced approximately 80 per cent from wind generation, 10 per cent from solar generation and 10 per cent from the market.

The following table presents the net change in fair value of derivative assets and liabilities classified as Level III of the fair value hierarchy:

	three months ended June 30		**six months ended June 30**	
(unaudited - millions of Canadian $)	**2024**	**2023**	**2024**	**2023**
Balance at beginning of period	**41**	(9)	**(11)**	(11)
Net gains (losses) included in Net income (loss)	**(38)**	(6)	**17**	(5)
Transfers to Level II	**—**	—	**(3)**	1
Net gains (losses) included in OCI	**—**	(1)	**—**	(1)
Balance at end of period[1]	**3**	(16)	**3**	(16)

1 For the three and six months ended June 30, 2024, there were unrealized losses of $38 million and gains $17 million, respectively, recognized in Revenues attributed to derivatives in the Level III category that were held at June 30, 2024 (2023 – unrealized losses of $6 million and $5 million, respectively).

15. TGNH STRATEGIC ALLIANCE

Mexico Natural Gas Pipelines

Transportadora de Gas Natural de la Huasteca (TGNH)

During the three months ended June 30, 2024, in accordance with the terms of the Company's strategic alliance, and in exchange for cash and non-cash consideration of $561 million (US$411 million), the CFE became a partner in TGNH with a 13.01 per cent equity interest in TGNH. The transaction was accounted for as an equity transaction of which $588 million was recognized in Non-controlling interests and $21 million was recognized as AOCI attributable to the CFE's non-controlling interest. The difference between these amounts and the consideration received was recorded as a reduction to Additional paid-in capital of $27 million.

16. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments

Capital expenditure commitments at June 30, 2024 have decreased by approximately $0.6 billion from those reported at December 31, 2023, reflecting normal course fulfillment of construction contracts.

Contingencies

TC Energy and its subsidiaries are subject to various legal proceedings, arbitrations and actions arising in the normal course of business. The Company assesses all legal matters on an ongoing basis, including those of its equity investments, to determine if they meet the requirements for disclosure or accrual of a contingent loss. With the potential exception of the matters discussed below, it is the opinion of management that the ultimate resolution of such proceedings and actions will not have a material impact on the Company's consolidated financial position or results of operations. The claims below are material and there is a reasonable possibility of loss; however, they have not been assessed as probable and a reasonable estimate of loss cannot be made.

Coastal GasLink LP

Coastal GasLink LP is in dispute with a number of contractors related to construction of the Coastal GasLink pipeline. Material legal matters pertaining to Coastal GasLink are summarized as follows:

SA Energy Group

Coastal GasLink LP and SA Energy Group (SAEG), one of the prime construction contractors on the Coastal GasLink pipeline, have reached a mutually acceptable resolution to their disputes. The settlement is not an admission of liability by either party and the parties have mutually released their respective claims in arbitration. Details of the arbitration and the settlement are confidential, but the settlement did not result in any additional payments to SAEG and did not have an impact on TC Energy's financial statements.

Pacific Atlantic Pipeline Construction Ltd.

Coastal GasLink LP is in arbitration with one of its previous prime contractors, Pacific Atlantic Pipeline Construction Ltd. (PAPC). Coastal GasLink LP terminated its contract with PAPC for cause, due to the failure of PAPC to complete work as scheduled and made a demand on the parental guarantee for payment of the guaranteed obligations. Following Coastal GasLink LP’s demand on the guarantee, in August 2022, PAPC initiated arbitration. As of November 2023, PAPC purports to seek at least $428 million in damages for wrongful termination for cause, termination damages and payments alleged to be outstanding. Coastal GasLink LP disputes the merits of PAPC’s claims and has counterclaimed against PAPC and its parent company and guarantor, Bonatti S.p.A., citing delays and failures by PAPC to perform and manage work in accordance with the terms of its contract. Coastal GasLink LP estimates its damages to be $1.2 billion. Arbitration is scheduled to proceed in November 2024. At June 30, 2024, the final outcome of this matter cannot be reasonably estimated.

Separately, Coastal GasLink LP has drawn on a $117 million irrevocable standby letter of credit (LOC) provided by PAPC based on a bona fide belief that Coastal GasLink LP’s damages are in excess of the face value of the LOC. PAPC applied for an injunction restraining Coastal GasLink LP from drawing on the LOC pending the completion of the arbitration between Coastal GasLink LP, PAPC and Bonatti S.p.A., but was unsuccessful. Coastal GasLink LP is now able to use the recovered LOC funds. PAPC and Bonatti S.p.A have amended their original claims to seek additional damages in relation to the draw on the LOC. The amount claimed has not been articulated, beyond the $117 million. The parties have agreed that the issue of damages arising from Coastal GasLink LP's draw on the LOC will be determined, if necessary, at a date subsequent to the November 2024 hearing in order to preserve the November 2024 hearing dates.

Macro Spiecapag Coastal GasLink Joint Venture

Coastal GasLink LP is in a dispute with one of its prime contractors, Macro Spiecapag Coastal GasLink Joint Venture (MSJV). In May 2021, Coastal GasLink LP terminated a portion of the work under its contract with MSJV. MSJV continued as prime contractor for the remaining portion of the work; however, it did not complete the remaining work as scheduled. MSJV claims compensation for the termination and certain costs which were rejected by Coastal GasLink LP. MSJV's global claims against Coastal GasLink LP are approximately $426 million. Coastal GasLink LP disputes the merits of MSJV's claims and claims damages in the approximate amount of $560 million arising from costs it incurred and the delay. A notice of arbitration has not been served. At June 30, 2024, the final outcome of this matter cannot be reasonably estimated.

2016 Columbia Pipeline Acquisition Lawsuit

In 2023, the Delaware Chancery Court (the Court) issued its decision in the class action lawsuit commenced by former shareholders of Columbia Pipeline Group Inc. (CPG) related to the acquisition of CPG by TC Energy in 2016. The Court found that the former CPG executives breached their fiduciary duties, that the former CPG Board breached its duty of care in overseeing the sale process and that TC Energy aided and abetted those breaches.

On May 15, 2024, the Court allocated responsibility for the total sale process damages of US$398 million in the amount of 50 per cent to the former Columbia CEO and CFO, collectively, and 50 per cent to TC Energy. Pursuant to the Final Order and Judgment (Final Judgment), TC Energy's allocated share of the sale process claim damages is US$199 million, plus US$153 million in interest as of June 14, 2024. The Court also entered judgment related to a disclosure claim for which TC Energy's allocated share of damages is US$84 million, plus US$64 million in interest as of June 14, 2024. The damages for the two claims are not cumulative and TC Energy would only be required to pay the greater of the sale process damages and disclosure claim damages after final determination of those amounts on appeal.

TC Energy disagrees with many of the Court's findings and believes the Court's ruling departs from established Delaware law. TC Energy has filed a notice of appeal of the Court's decision and anticipates that the appeal will conclude by mid-2025. The Company's legal assessment is that it is not probable that TC Energy will incur a loss upon completion of the appeal process, and therefore, the Company has not accrued a provision for this claim at June 30, 2024. During the appeal process, in lieu of paying the judgment, TC Energy posted an appeal bond in the amount of US$380 million, which approximates the amount of the Final Judgment plus nine months of post-judgment interest.

NAFTA Claim Request for Arbitration

In 2021, TC Energy filed a Request for Arbitration to formally initiate a legacy North American Free Trade Agreement (NAFTA) claim to recover economic damages resulting from the revocation of the Presidential Permit for the Keystone XL pipeline project. The U.S. objected on the basis that the transition provisions under the United States-Mexico-Canada Agreement (USMCA) that protect investments made while NAFTA was in force apply only in connection with actions taken before July 1, 2020, when USMCA replaced NAFTA. The arbitral Tribunal adjudicating the claim issued a split decision on July 12, 2024, in which the majority of the panel agreed with the U.S. position and concluded that it did not have jurisdiction to hear TC Energy's claim. TC Energy is currently assessing the decision to determine whether there are grounds to challenge it.

Guarantees

TC Energy and its partner on the Sur de Texas pipeline, IEnova, have jointly guaranteed the financial performance of the entity which owns the pipeline. Such agreements include a guarantee and a letter of credit which are primarily related to the delivery of natural gas.

TC Energy and its joint venture partner on Bruce Power, BPC Generation Infrastructure Trust, have each severally guaranteed certain contingent financial obligations of Bruce Power related to a lease agreement and contractor and supplier services.

The Company and its partners in certain other jointly-owned entities have either (i) jointly and severally, (ii) jointly or (iii) severally guaranteed the financial performance of these entities. Such agreements include guarantees and letters of credit which are primarily related to construction services and the payment of liabilities. For certain of these entities, any payments made by TC Energy under these guarantees in excess of its ownership interest are to be reimbursed by its partners.

The carrying value of these guarantees has been included in Other long-term liabilities on the Condensed consolidated balance sheet. Information regarding the Company's guarantees is as follows:

		June 30, 2024		**December 31, 2023**	
(unaudited - millions of Canadian $)	**Term**	**Potential exposure[1]**	**Carrying value**	**Potential exposure[1]**	**Carrying value**
Sur de Texas	Renewable to 2053	**89**	**—**	97	—
Bruce Power	Renewable to 2065	**88**	**—**	88	—
Other jointly-owned entities	to 2043	**81**	**3**	80	3
		258	**3**	265	3

1 TC Energy's share of the potential estimated current or contingent exposure.

17. VARIABLE INTEREST ENTITIES

Consolidated VIEs

A significant portion of the Company's assets are held through VIEs in which the Company holds a 100 per cent voting interest, the VIE meets the definition of a business and the VIE's assets can be used for general corporate purposes. The consolidated VIEs whose assets cannot be used for purposes other than for the settlement of the VIE's obligations, or are not considered a business, were as follows:

(unaudited - millions of Canadian $)	June 30, 2024	December 31, 2023
ASSETS		
Current Assets		
Cash and cash equivalents	**336**	190
Accounts receivable	**755**	476
Inventories	**195**	90
Assets held for sale	**683**	—
Other current assets	**189**	49
	2,158	805
Plant, Property and Equipment[1]	**47,495**	27,649
Restricted Investments	**879**	—
Equity Investments	**838**	823
Regulatory Assets	**38**	12
Goodwill	**455**	439
Intangible and Other Assets	**14**	—
	51,877	29,728
LIABILITIES		
Current Liabilities		
Accounts payable and other	**1,415**	1,135
Accrued interest	**174**	210
Liabilities Related to Assets Held for Sale	**383**	—
Current portion of long-term debt	**595**	28
	2,567	1,373
Regulatory Liabilities	**1,131**	280
Other Long-Term Liabilities	**92**	56
Deferred Income Tax Liabilities	**23**	22
Long-Term Debt	**10,699**	11,388
	14,512	13,119

1 On April 1, 2024, the NGTL System was classified as a VIE when its ownership was transferred from Nova Gas Transmission Ltd. to NGTL GP Ltd. on behalf of NGTL Limited Partnership.

Non-Consolidated VIEs

The carrying value of these VIEs and the maximum exposure to loss as a result of the Company's involvement with these VIEs are as follows:

(unaudited - millions of Canadian $)	June 30, 2024	December 31, 2023
Balance Sheet Exposure		
Equity investments		
Bruce Power	**6,387**	6,241
Coastal GasLink	**567**	294
Other pipeline equity investments	**1,102**	1,117
Off-Balance Sheet Exposure[1]		
Bruce Power	**1,973**	1,538
Coastal GasLink[2]	**855**	855
Other pipeline equity investments	**219**	58
Maximum Exposure to Loss	**11,103**	10,103

1 Includes maximum potential exposure to guarantees and future funding commitments.

2 TC Energy is contractually obligated to fund the capital costs to complete Phase I of the Coastal GasLink pipeline by funding the remaining equity requirements of Coastal GasLink LP through capacity on the subordinated loan agreement with Coastal GasLink LP until final project costs are determined. At June 30, 2024, the total capacity committed by TC Energy under this subordinated loan agreement was $3,375 million (December 31, 2023 – $3,375 million). The outstanding balance on this subordinated loan at June 30, 2024 was $2,570 million, reducing the Company's funding commitment under the subordinated loan agreement to $805 million. Refer to Note 6, Coastal GasLink for additional information.
In addition to the subordinated loan agreement, TC Energy has entered into a new equity contribution agreement to fund a maximum of $50 million for its proportionate share of the equity requirements related to the Cedar Link project.

18. SUBSEQUENT EVENT

Sale of Equity Interest in the NGTL System and Foothills Pipeline Assets

On July 30, 2024, TC Energy announced that it has entered into an agreement to sell a 5.34 per cent minority equity interest (Agreement) in the NGTL System and the Foothills Pipeline assets (together, Partnership Assets) to an Indigenous-owned investment partnership for a gross purchase price of $1.0 billion. The Agreement is backed by the Alberta Indigenous Opportunities Corporation (AIOC) and was negotiated by a consortium committee (Consortium) representing specific Indigenous Communities across Alberta, British Columbia and Saskatchewan (Communities).

The AIOC will provide the Communities with a $1.0 billion equity loan guarantee to support the newly-formed Indigenous-owned investment partnership. Once finalized, the Communities will enter into definitive agreements as co-investors in the Partnership Assets through the Indigenous-owned investment partnership.

The Consortium will present the Agreement to the Communities for review, and each independent Community will determine their participation in the opportunity, exercising their right to self-determination. Following the review, the Communities will commence formal authorization of their participation. The transaction and transaction size are not contingent on any given Community, nor on all Communities, electing to participate.

The transaction is expected to close in third quarter 2024, subject to receipt of Band Council and Settlement Resolutions by participating Communities and financing.