2016 Plains All American Annual Unitholder Letter

March 13, 2017

Dear Fellow Unitholders,

2016 can best be described as having two different story lines. First, PAA's operating and financial performance fell short of the full-year guidance furnished at the beginning of the year despite taking aggressive steps to compete in extremely challenging crude oil market conditions. More importantly, PAA executed several strategic actions that improved PAA's overall positioning to successfully manage through the current industry downturn and position PAA for future growth as the industry recovers.

The Environment In 2016

Investor sentiments and producer activity levels generally followed oil prices throughout the year. Accordingly, the overall environment for the crude oil and MLP sectors was highly unfavorable for the first six months of 2016, modestly recovered over the next five months and then strengthened in relative terms throughout December in response to positive OPEC actions. Equity markets followed a similar path.

At the beginning of 2016, producers reduced their 2016 capital budgets relative to prior indications. As a result, the lower 48 onshore oil rig count declined to approximately 300 rigs in May 2016; roughly half of year-end 2015 levels. Reduced activity levels adversely impacted expected crude oil production volumes which, in conjunction with pressures associated with minimum volume commitments ("MVCs"), intensified competition for the marginal barrel for gathering, marketing and transport and exacerbated the already severe pressure on margins.

PAA's 2016 Performance

PAA reported Adjusted Net Income Attributable to PAA, Adjusted EBITDA and Distributable Cash Flow of approximately $1.1 billion, $2.2 billion and $1.4 billion, respectively, but nonetheless fell short of the targeted results we furnished at the start of the year.

At the segment level, Segment Adjusted EBITDA in our fee-based Transportation and Facilities segments increased 10% over 2015 largely as a result of completed pipeline projects, MVC step-ups on existing contracts and lower operating costs. Conversely, Segment Adjusted EBITDA in our Supply and Logistics segment decreased 37% over 2015 principally as a result of intense competitive pressures resulting in both crude oil and NGL margin compression. As a result of these two factors, fee-based Segment Adjusted EBITDA increased from 74% of total Segment Adjusted EBITDA in 2015 to 83% in 2016.

Although 2016 operating and financial performance was below guidance, PAA delivered on a number of positive actions that included raising capital in a challenging environment, orchestrating a complex simplification transaction and executing a number of transactions that reduced risk and lowered leverage. PAA also advanced a number of multi-year efforts to improve our efficiency, lower operating costs and enhance our focus on safe, compliant and reliable operations.

Specific actions include:

- Executing a $1.6 billion convertible preferred transaction on terms considered by us to be fair and reasonable during challenging and volatile market conditions;

- Completing a complex simplification transaction that significantly reduced PAA's cost of equity capital and improved PAA's positioning for the future;

- Initiating and completing $550 million of non-core asset sales at attractive multiples and advancing discussions on an additional $670 million of asset sale transactions that are now fully contracted and either have already closed or are expected to close during the first half of 2017;

- Entering into various joint venture transactions that reduced risk and the level of PAA's capital commitments;

- Executing a $1.4 billion capital expansion program generally on time and on budget;

- Raising approximately $805 million of common equity at attractive prices;

- Executing a strategic acquisition of NGL assets in Canada; and positioning PAA to close, in early 2017, a $1.2 billion acquisition of the Alpha Crude Connector, a strategic crude oil gathering system located in the Northern Delaware Basin; and

- Initiating a review to challenge and reduce operating costs to adapt and strengthen PAA's organization for the future.

Recognizing 2016's unit price performance follows weak relative performance in 2015, PAA and PAGP's unitholders realized a total return of 56% and 51% in 2016, respectively, reinforcing the positive impacts of the actions described above. This compares with 2016 total returns for the AMZ MLP, S&P 500 and Dow Jones Industrial Average indexes of 18%, 12% and 17%, respectively.

Outlook for 2017 and Beyond

Over the last several months, there has been a meaningful increase to the lower 48 onshore rig count, particularly in the Permian Basin, where PAA has its largest asset concentration. The most recent lower 48 onshore oil rig count was approximately 610 rigs, up approximately 100% from the lows reached last May. Notably, there are more rigs working in the Permian Basin as there are in the five other largest U.S. crude oil regions combined.

Additionally, producers have continued to improve their overall efficiency both in the drilling and completion phases, which has lowered the crude oil price necessary to sustain economic development programs and have also been delineating and extending known producing horizons and the areal extent of the resource base. As a result, many producers are demonstrating their level of conviction by increasing their acreage holdings within their respective core areas. Importantly, these producers have been financing their purchases with equity issuances and are generally keeping their balance sheets in a healthy position to support ongoing drilling objectives.

Although the increased activity is encouraging, there is a delay between activity and sustained production increases and we anticipate that the first six to nine months of 2017 will remain challenging. However, for a number of reasons we are expecting meaningful improvement in the fourth quarter of 2017 that will continue throughout 2018 and beyond.

Specifically, we expect crude oil production in the Permian Basin, the area of PAA's largest asset base and most operating leverage, to increase approximately 18 to 20% during 2017. This development, combined with the completion in mid-to-late 2017 of several fee-based projects underpinned by contractual support, positions PAA to realize a meaningful improvement in performance during 2018. PAA's 2017 full-year guidance targets an increase in 2017 Adjusted EBITDA of approximately 9% over 2016. Additionally, we expect to enter 2018 with a significantly higher EBITDA run rate given the benefit of full-year contributions of fee-based projects, an overall increase in Permian Basin production levels and a recovery in margins as the ratio of MVC commitments to production decreases. Such forecasts support PAA returning to its targeted credit metrics and distribution coverage during 2018.

2017 – A Year of Transition

We believe PAA has an unmatched crude oil transportation network, providing a leading position in substantially all U.S. crude oil resource plays, particularly in the Permian Basin, and market interchanges. PAA is also in the final stages of a multi-year expansion capital program to further enhance the capacity and flexibility of its integrated system.

Important events that we believe will be worthy of tracking throughout 2017 include:

- Completion and integration of the Alpha Crude Connector and Advantage acquisitions;
- Completion of the Diamond Pipeline, several Fort Sask NGL projects and other contracted capital projects as well as step-ups in MVCs on several of PAA's pipelines;
- Expansion of BridgeTex and Cactus capacity, which will provide PAA with an additional 110,000 barrels per day of takeaway capacity from the Permian Basin;
- Volume increases in our Transportation segment related to Permian Basin production growth;
- An easing of margin pressure on our gathering activities, particularly in the Permian Basin, as competitive dynamics are influenced by increasing production volumes relative to the current high MVC to production ratio; and

- The closing of $670 million of asset sales currently under contract and the potential for further non-core assets sales.

At the end of the year, we believe the most important quantitative measure for assessing PAA's 2017 performance will be the degree of year-over-year improvement reflected in our preliminary 2018 adjusted EBITDA guidance that we typically furnish in connection with PAA's third quarter conference call, currently scheduled in November 2017.

We look forward to updating you on our progress on these items throughout the year.

On behalf of PAA, PAGP, our board of directors and over 5,000 employees throughout North America, we sincerely thank you for your continued trust and support.

Greg L. Armstrong
Chairman & CEO

Harry N. Pefanis
President

Willie C. Chiang
Chief Operating Officer, U.S.

Note: This letter contains forward looking statements, including statements about the plans, strategies and prospects of PAA and PAGP. Factors that could cause actual results to differ materially from management's expectations are disclosed in PAA's and PAGP's most recent filings with the Securities and Exchange Commission. This letter also contains non-GAAP financial measures. A reconciliation of these measures to the most directly comparable GAAP measures is available on our website at www.plainsallamerican.com (navigate to Investor Relations, select "PAA," navigate to "Financial Information" and select "Non-GAAP Reconciliations").