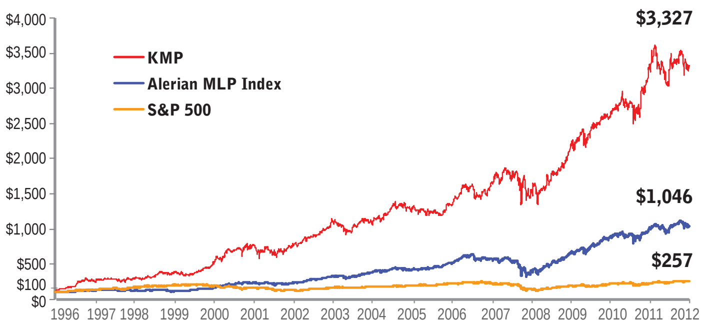
LETTER TO UNITHOLDERS FOR 2012

Kinder Morgan Energy Partners, L.P. (NYSE: KMP) has implemented the same strategy since current management took over in February of 1997. Unimaginative? Boring? We don't think so. We focus on owning and operating stable, fee-based assets that are core to North American energy infrastructure. As a result of the acquisition of El Paso Corporation by our general partner in May of 2012, Kinder Morgan owns and operates what we believe is the greatest set of midstream assets that have ever been assembled by one entity in North America. Most of these assets reside at KMP, and we intend to leverage this unparalleled asset footprint to seek attractive capital investment opportunities to further grow KMP through expansions and acquisitions.

While past results are no guarantee of future performance, KMP has delivered a superb average annual return to unitholders of 24 percent since 1996 (assumes that distributions are reinvested).

24% AVERAGE ANNUAL RETURN TO UNITHOLDERS



Source: Bloomberg. Total returns calculated on a daily basis through Dec. 31, 2012, assuming dividends/distributions reinvested in index/stock/unit.

Our mantra is that Kinder Morgan is a company run by owners for owners. Our experienced management team understands that we are operating the company with investors' money, not management's, and we treat it that way. We also maintain a strong balance sheet and practice the utmost transparency with our investors.

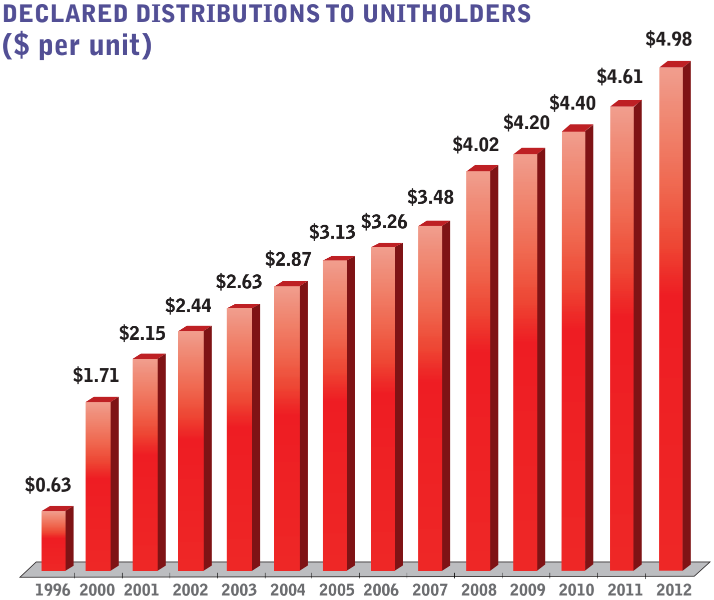
KMP had a very successful year in 2012.

- We distributed $4.98 per unit, which represented an 8 percent increase over the 2011 distribution of $4.61 per unit. KMP also produced cash in excess of our distribution target of approximately $30 million.
- KMP produced distributable cash flow before certain items of $1.78 billion, up 17 percent over 2011. All five of our business segments performed well, generating $4.38 billion in segment earnings before DD&A and certain items, up 20 percent over the previous year.
- Highlights in 2012 included: contributions from the drop down of 100 percent of Tennessee Gas Pipeline (TGP) and 50 percent of El Paso Natural Gas (EPNG) following the El Paso transaction, record export coal volumes in our Terminals business and strong oil production at SACROC in our CO_2 segment.
- We invested approximately $2.1 billion in expansions and acquisitions during 2012 (not including dropdowns), which exceeded our budget of $1.7 billion. KMP has now made over $30 billion in capital investments since 1997.
- We again outperformed the industry averages in all safety and release categories. We continue to devote substantial resources to operate our assets safely and efficiently, and to protect the public, our employees, contractors and the environment.

Looking Ahead

We see exceptional growth opportunities across all of our business segments, as there is a need to build additional midstream infrastructure to move or store oil, gas and liquids from the prolific shale plays in the United States and the oilsands in Alberta, along with increasing demand for export coal and CO_2. We currently have identified approximately $11 billion in expansion and joint venture investments at KMP that we have, or are confident that we will soon have, under contract. We are also pursuing customer commitments for many more projects. We are the industry leader in all of our business segments, and again, our unmatched

DECLARED DISTRIBUTIONS TO UNITHOLDERS ($ per unit)



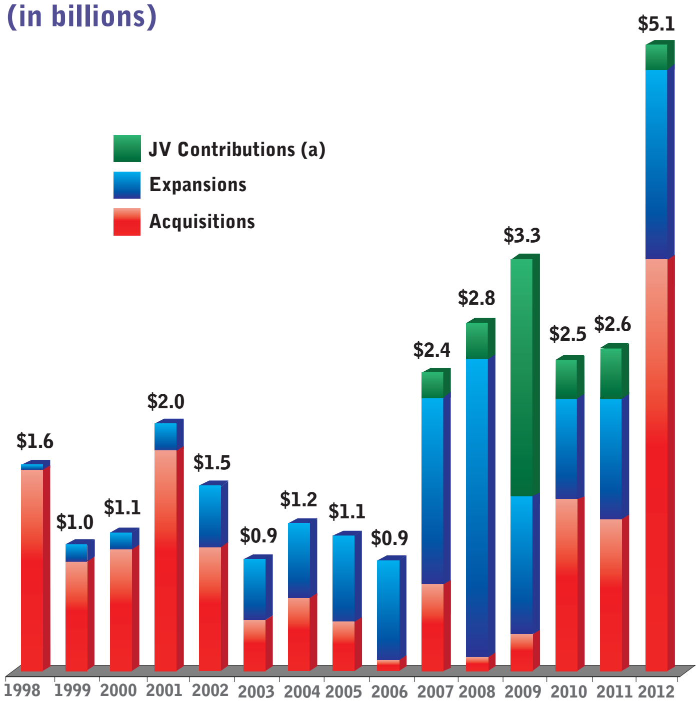
asset footprint should help us bring many of these opportunities to fruition.

I am absolutely convinced that natural gas is the future play for America because it's domestic, clean, abundant and very reasonably priced. Everything points to the continued development of natural gas supplies in the United States, and the biggest obstacle is to ensure that there is adequate midstream infrastructure to connect the additional supplies to the markets where the demand is. At KMP, this means opportunity! In 2013, we anticipate approximately 40 percent of KMP's budgeted segment earnings before DD&A and certain items will come from our Natural Gas Pipelines business, and we expect that percentage to increase in the future.

In late January of 2013, we announced a definitive agreement to acquire all of Copano Energy's outstanding units for a total purchase price of approximately $5 billion, including the assumption of debt. The transaction is expected to close in the third quarter of 2013 and will enable us to expand significantly our midstream services footprint, an area where we don't currently have a large presence. Copano's gathering, processing and fractionation assets will be a good complement to KMP's natural gas transportation and storage assets. We have partnered with Copano for years and believe that this acquisition will serve as a springboard for KMP to get more involved in the shale plays in Texas and Oklahoma. This strategic transaction is expected to be immediately accretive to cash available for distribution to KMP unitholders upon closing.

APPROXIMATELY $30 BILLION IN CAPITAL INVESTED

(in billions)



(a) For joint-ventures, reflects our equity contributions.

EPNG compressor station in Arizona

For 2013:

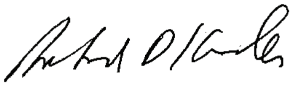
- We expect to declare cash distributions of $5.28 per unit, which would be a 6 percent increase over the $4.98 distributed for 2012.
- We project that KMP will distribute over $2 billion to its limited partners.
- We expect to invest approximately $2.9 billion in expansions (including contributions to joint ventures) and small acquisitions (excluding dropdowns from KMI).
- We expect to acquire the remaining 50 percent interest in EPNG and a 50 percent stake in midstream assets from KMI (dropdowns), which will give KMP 100 percent ownership of these assets.

(The 2013 expectations do not include any impact from the announced Copano acquisition.)

As I remind you every year, KMP, like all companies, faces various challenges. These potential obstacles include more stringent regulatory oversight, rate cases and reviews, and higher interest rates. We pledge to do our best to manage these challenges when they arise and to continue delivering superior value to our unitholders.

Thanks for your ongoing support. We still believe the best is yet to come!

Sincerely,



Richard D. Kinder
Chairman and CEO
Kinder Morgan Energy Partners

Kinder Morgan Energy Partners (NYSE: KMP) is a premier publicly traded pipeline limited partnership in North America with approximately 46,000 miles of pipelines, 180 terminals and an enterprise value of approximately $48 billion. KMP has delivered a compound annual total return of 24 percent since 1996.

Our large, diversified portfolio of assets operates like a giant toll road. We primarily receive fees for transporting, storing and handling various energy products such as natural gas, refined petroleum products, crude oil, ethanol, biodiesel, coal, steel, petroleum coke and CO_2. Our customers include producers, shippers, oil companies, utilities and more. We have limited exposure to commodity prices.

CO_2 operations in Permian Basin of West Texas

BUSINESS SEGMENTS

The **Natural Gas Pipelines** business produced 2012 segment earnings before DD&A and certain items of $1.37 billion, up 44 percent from 2011. Growth in the segment was driven by the TGP and EPNG dropdowns in August following completion of the El Paso transaction, the purchase of 50 percent of certain midstream assets in June, and good results from Kinder Morgan Treating, Fayetteville Express, the Eagle Ford assets and a full year of contributions from KinderHawk. Overall segment transport volumes were up 11 percent versus 2011. These increases were due in part to Eagle Ford Gathering volumes, higher Mexico demand and higher throughput for natural gas fired power generation on TGP and EPNG.

For 2013, the Natural Gas Pipelines budget projects $2.12 billion in segment earnings before DD&A and certain items, which would be a 54 percent increase over 2012. This growth is expected to be driven by a full year of contributions from the previously noted dropdowns and expansions. Additionally, in March of 2013, KMP is expected to acquire the remaining 50 percent of EPNG and a 50 percent interest in midstream assets from KMI, which will give KMP 100 percent ownership of these assets. In 2013, we anticipate making capital investments of approximately $890 million to further grow the Natural Gas Pipelines business.

Specifically, KMP has a number of opportunities in the eastern United States, as TGP is well positioned in the growing Marcellus and Utica shale plays to provide region-wide market access via both forward hauls and backhauls. In the fourth quarter of 2012, TGP placed the approximately $55 million Northeast Supply Diversification Project in service, which created an additional 250,000 dekatherms per day of firm service capacity on TGP from the Marcellus to serve existing markets in New England and New York. TGP's approximately $86 million Marcellus Pooling Project (MPP) in Pennsylvania is underway and will provide about 240,000 dekatherms per day of additional firm Marcellus transportation capacity. The project is expected to be in service in November of 2013. In December of 2012, the FERC issued TGP a notice to proceed with the approximately $450 million Northeast Upgrade Project in Pennsylvania and New Jersey. The project, which will boost system capacity on TGP's system by more than 630 million cubic feet per day and provide additional takeaway capacity from the Marcellus, is expected to be in service in November of 2013. In the western United States, KMP's opportunities include increased natural gas deliveries into Mexico and incremental gas-fired power generation. For example, in late 2012, EPNG announced plans to build a new natural gas pipeline from west of Tucson to the Mexico border, terminating at Sasabe, Ariz. The Sierrita Pipeline Project, as the project is now known, will serve customers in Mexico. Sierrita has executed a 25-year firm service agreement with MGI Supply, a subsidiary of Pemex Gas. Subject to regulatory approvals, the approximately $200 million pipeline will be in service in the fall of 2014. Additionally, we are pursuing shipper commitments to determine if there is adequate interest and support to convert a portion of EPNG from natural gas to crude oil service to move product from the Permian Basin in West Texas to refineries in southern California.

The **CO_2** business produced 2012 segment earnings before DD&A and certain items of $1.33 billion, up 21 percent from 2011. Growth in the segment was driven by increased oil production at SACROC and the Katz Field, record NGL production at the Snyder Gasoline Plant and slightly higher oil prices versus 2011. Oil production at the SACROC Unit increased to 30.6 thousand barrels per day in the fourth quarter of 2012, up 10 percent from the same period a year ago and above plan for the full year. NGL production was up 13 percent over 2011.

For 2013, the CO_2 budget projects almost $1.40 billion in segment earnings before DD&A and certain items, which would be a 5 percent increase over 2012. The growth is expected to come from

Port Sutton Terminal in Florida

increasing CO_2 demand (we actually have a waiting list of customers as high oil prices have increased long-term demand for CO_2 for use in enhanced oil recovery projects), strong oil and NGL production at SACROC, and higher hedged oil prices than in 2012. In 2013, we anticipate making capital investments of approximately $630 million to grow this segment, the majority of which will be used to further develop our CO_2 source and transportation businesses and our SACROC operations.

In this segment we continue to sign contracts with customers to secure demand and develop additional CO_2 supplies to fulfill those contracts. Construction continues on the approximately $255 million expansion of our Doe Canyon Unit CO_2 source field in southwestern Colorado. We are making good progress on the project, which will increase capacity from 105 million cubic feet per day to 170 million cubic feet per day, and is expected to be fully in service in the second quarter of 2014. We also are further developing our large McElmo Dome source field, with the plant expansion at the Yellow Jacket facility expected to come online in the fourth quarter of 2014. Additionally, we are performing assessment drilling and testing to determine the potential of a CO_2 source play in the St. John's field in New Mexico and Arizona that we purchased in January of 2012. On the oil production side of the business, we will be activating additional patterns and drilling wells at our SACROC, Yates and Katz fields in 2013. We also are increasing the capacity on our Wink Pipeline System that moves crude from the company's West Texas oil fields to Western Refining Company's facility in El Paso, Texas. This expansion project should be completed in the third quarter of 2013.

As a reminder, our CO_2 business is an area where KMP is exposed to commodity price risk, but that risk is partially mitigated by a long-term hedging strategy intended to generate more stable realized prices.

The **Terminals** business produced 2012 segment earnings before DD&A and certain items of $752 million, up 7 percent from 2011. Internal growth of existing assets accounted for about 80 percent of the growth for the full year, with acquisitions making up the rest. Growth was driven by export coal volumes (which increased by almost 38 percent compared to 2011 to a record of approximately 20.7 million tons) and by good results from our liquids terminals on the Houston Ship Channel and in New York Harbor (reflecting increased volumes and rates attributable to new and restructured contracts, as well as incremental tank capacity). Additionally, our incremental equity investment in December of 2011 in Watco Companies (which owns the largest privately held short line railroad business in the United States) and our purchase in June 2011 of the Port Arthur, Texas, terminal (which handles petcoke for the Total refinery) contributed to annual growth in this segment. This segment handled 65.3 million barrels of ethanol in 2012, up 7 percent from 2011. Combined, Terminals and Products Pipelines handled over 98 million barrels of ethanol, an increase of 8 percent over 2011, as KMP continues to handle approximately 30 percent of the ethanol used in the United States.

For 2013, the Terminals budget projects $839 million in segment earnings before DD&A and certain items, which would be a 12 percent increase over 2012. This growth is expected to be driven by various expansions, which will enable us to export more coal, store more Canadian crude and black oil, and handle more petcoke. We also expect increases in contracted rates on existing business and contributions from small acquisitions to contribute to growth. In 2013, we anticipate making capital investments of approximately $560 million to further grow our Terminals business.

Specific to projects, construction continues on the approximately $420 million expansion of our Edmonton Terminal in Alberta. Approximately 3.6 million barrels of new merchant and system tank storage is expected to come online in December of 2013, with another 1.2 million barrels of merchant storage anticipated to be completed in the fourth quarter of 2014. Construction also continues on the BOSTCO Terminal located on the Houston Ship Channel, a joint venture with TransMontaigne. The first phase of the project includes

IMT coal facility in Louisiana

building 52 storage tanks with a capacity of 6.5 million barrels for handling residual fuels and other black oil terminal services. Commercial operations are expected to begin in the third quarter of 2013. KMP's investment is approximately $240 million. Expansions also continue at a number of our coal terminals, including facilities in Houston, Louisiana and Virginia. These projects, totaling approximately $370 million, are expected to be completed at various times in 2013 and 2014.

Products Pipelines produced 2012 segment earnings before DD&A and certain items of $703 million, up 1 percent from 2011. Growth was primarily attributable to a significant increase in both NGL volumes and revenues, which were up approximately 22 percent and 17 percent, respectively, over the previous year. This increase was primarily attributable to a 40 percent increase in volumes on the Cochin Pipeline due to ethane/propane (E/P) service which began in May of 2012.

Total refined products volumes declined by 1.5 percent versus 2011, and we don't expect much growth in refined products volumes moving forward. However, this segment did handle over 34 million barrels of biofuels (ethanol and biodiesel) in 2012, an 11 percent increase over the previous year, boosted in part by the acquisition of a biofuel transload terminal in South Carolina in August.

For 2013, the Products Pipelines budget projects $791 million in segment earnings before DD&A and certain items, which would be a 13 percent increase over 2012. This growth is expected to be driven by a full year of contributions from the Kinder Morgan Crude and Condensate Pipeline and the E/P service on Cochin, biofuel projects coming online in the Southeast and on the West Coast, improved transmix margins, incremental tank additions on the West Coast, a FERC tariff index rate adjustment and partial year in-service of the Parkway Pipeline. In 2013, we anticipate making capital investments of approximately $520 million to further grow the Products Pipelines business.

Products Pipelines Watson facility in southern California

Looking at specific projects, the approximately $220 million Parkway Pipeline, a joint venture with Valero, is expected to begin service in September of 2013 and will transport gasoline and diesel from Louisiana to Mississippi, which will then be distributed across the Southeast on other pipelines. Construction is also underway on an approximately $90 million project to build a lateral pipeline with associated receipt facilities for the crude and condensate pipeline to Phillips 66's refinery in Brazoria County, Texas. The entire system is expected to be operational by the end of 2013. Additionally, we are building an approximately $200 million petroleum condensate processing facility on the Houston Ship Channel that is expected to be in service in the second quarter of 2014, and we are in the final permitting stage of our Cochin Reversal Project. Pending obtaining final permits for the approximately $260 million project, we anticipate light condensate shipments from Illinois to Alberta to begin as early as July of 2014.

Kinder Morgan Canada produced 2012 segment earnings before DD&A and certain items of $229 million, up 15 percent from 2011. Growth was driven by a new toll agreement on the Trans Mountain pipeline system, strong results on Express-Platte, solid throughput on Trans Mountain and at the Westridge Terminal, and favorable book taxes.

For 2013, the Kinder Morgan Canada budget projects $212 million in segment earnings before DD&A and certain items, lower than in 2012 due to increased book taxes. In addition, KMP entered into a definitive agreement in December of 2012 to sell its one-third interest in Express-Platte pipeline system to Spectra Energy Corp for approximately $380 million. The transaction is expected to close in the second quarter of 2013.

Kinder Morgan Canada anticipates investing approximately $60 million in capital expansion projects in 2013, but the real focus is longer term as we continue to pursue expansion of Trans Mountain. We have binding commercial support from 13 companies in the Canadian producing, refining and oil marketing sector to expand the pipeline system from 300,000 barrels per day to 890,000 barrels per day, which demonstrates the strong need for this proposed expansion that will serve both existing and new markets. Our current estimate of total construction costs on the project is approximately $5.4 billion. Trans Mountain is currently in the final stages of securing NEB approval for the commercial terms of the expansion. We anticipate an NEB decision in the second quarter of 2013. If commercial terms are approved, Trans Mountain intends to file its facilities application with the NEB in late 2013. If approvals are received as planned, the twinning project will be operational in late 2017.