



The 5 Layers of Enbridge

Description

Giant midstream company **Enbridge** (TSX:ENB, NYSE:ENB) is preparing to report earnings on August 1. The company's earnings releases may be a little convoluted, however, given that there are an awful lot of things going on at Enbridge right now. In order to be prepared to fully digest the earnings release, let's take a look at the five business segments that make up Enbridge.

All in the family

The five business segments that combine to form Enbridge are liquids pipelines; gas distribution; gas pipelines, processing and energy services; sponsored investments; and corporate.

Here is how adjusted earnings broke down in the first quarter of 2013 on a per segment basis:

[Enbridge segment bdown](#)

Source: Enbridge

No surprise here, liquids pipelines are at the core of Enbridge's earnings. However, the company is more diverse than many investors realize, and part of that diversity comes from segments with names that really don't clue us in to what goes on inside, like "sponsored investments" and "corporate". With that in mind, let's dig into these five businesses.

1. Liquids pipelines

Enbridge's liquids pipeline assets play a key role in the energy relationship between Canada and the United States. Its Mainline system is the longest crude oil pipeline system, with an export capacity of 2.5 million barrels per day. The company is responsible for moving 65% of western Canada's crude exports, and the U.S. relies on Enbridge for 13% of its daily crude imports.

All told, 11 pipelines and seven systems in the U.S. and Canada move an average of 2.2 million barrels per day of crude oil and liquids. These export numbers put Enbridge ahead of its midstream peers **TransCanada** (TSX: TRP), which moves 20% of Canada's oil exports, and **Pembina Pipeline** (TSX: PPL), which though it controls 30% of all oil sands takeaway capacity, does not factor directly into the U.S. export game.

2. Gas distribution

The company's gas distribution business exists solely in eastern Canada, stretching from Toronto through Quebec and into New Brunswick. It's actually the largest gas distribution utility in Canada, serving 2 million customers. Management expects this segment to continue to grow, and its significance should not be overlooked.

3. Gas pipelines, processing and energy services

Enbridge has five natural gas pipeline systems, which include 25 processing plants, and nine treating plants. It also controls or has a stake in 14 offshore gathering systems in the Gulf of Mexico.

4. Sponsored investments

This segment is where Enbridge squirrels away earnings from its U.S. subsidiary, Enbridge Energy Partners. The U.S. Enbridge has a liquids pipeline business, as well as a natural gas business. After a very large spill on its Line 6B in 2010, the subsidiary also contributes its share of problems and rising costs.

Sponsored investments also includes the Enbridge Income Fund, which is where, as of a 2012 dropdown, the company accounts for its renewable energy and crude oil storage assets.

5. Corporate

Finally, we have the catch-all Corporate segment. This is very much a category that exists because of accounting. Here investors will find earnings from new acquisitions or stakes in other entities, gains or losses from derivatives, and gains or losses from foreign tax recoveries.

Bottom line

When a company like Enbridge is in the news for the same reason over and over again, it is easy to lose track of what else matters to the success of the company. Taking the time to review the business breakdown of your investments can help you stay grounded and focused come earnings time.

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