



Could This Pipeline Be the “Greenest Ever”?

Description

Investors in **Enbridge Inc** ([TSX:ENB](#))([NYSE:ENB](#)) have without doubt been following the many twists and turns regarding the company’s Northern Gateway pipeline proposal. Most recently, in December, the National Energy Board’s Joint Review Panel recommended that the Canadian government approve the project, subject to 209 conditions. But that does not mean the pipeline will become a reality. And there are also concerns among shareholders about the potential liability that such a pipeline would bring.

In the latest issue of *Oilweek*, a well-respected trade magazine on Canada’s oil and gas industry, R.P. Stasty suggested that Enbridge’s Northern Gateway could be the “greenest pipeline ever”. Environmentalists contend that there is no such thing as a green oil pipeline, but such assertions could make the project easier for the government to approve. And hopefully they could set Enbridge investors’ minds at ease.

Preventing spills

Enbridge is certainly going above and beyond to prevent a pipeline rupture. To start, the pipe used will be 20% thicker than normal. At water crossings, the pipe will be even thicker, and will be laid at a greater depth than is custom. The company will also tunnel through two mountains to reduce the risk of landslides damaging the pipeline. Isolation valves, which are critical for stopping the flow of oil in the event of a leak, will be installed across shorter intervals. Enbridge also plans to follow the “10 minute rule”, which states that if there’s an abnormal reading for 10 minutes, the pipeline gets shut down.

The panel estimated that the pipeline, on average, would rupture once every 464 years.

Accountability

Enbridge will be required to maintain a \$950 million reserve to cover potential oil spills, and if that is not enough, then the company will have to use its cash flow, debt markets, equity markets, or the sale of assets. This is in addition to \$1.35 billion available under regulatory marine arrangements, as well as any money covered by insurance contracts.

Foolish bottom line

Clearly if there is a major accident with a pipeline like Northern Gateway, that will create a very large liability for Enbridge. Such a risk should not be ignored by investors. Investors in **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) are facing similar risks with the Keystone XL pipeline.

But given all the precautions that Enbridge is taking, there is certainly an increased likelihood of the project getting approved. And if it does, then investors should still be able to sleep easily.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
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3. TSX:ENB (Enbridge Inc.)
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