



3 Reasons Why Enbridge Belongs in Every Portfolio

Description

The recent conditional approval of the Northern Gateway pipeline is great news for **Enbridge** ([TSX: ENB](#))([NYSE: ENB](#)) and has brought the spotlight firmly back on Canada's largest midstream company. Fellow writer Nelson Smith recently laid out the [bear case](#) for Enbridge and why investors should dump the stock.

However, I believe it is a core holding for investors, and here are three reasons why.

1. It's Canada's largest transporter of crude pipeline Image not found or type unknown

Enbridge is Canada's largest transporter of crude, transporting 2.2 million barrels of crude and other natural gas liquids daily, and accounts for 53% of all U.S.-bound Canadian crude.

Asia-Pacific markets are also growing in importance, with growing U.S. energy self-reliance set to reduce demand for crude imports from Canada's key export market. This underscores the importance of the recent conditional approval of the Northern Gateway pipeline, which will transport crude from Alberta to Canada's west coast, allowing players in the patch to export crude to Pacific Rim refining markets, including China.

The significance of accessing these markets is also underscored by China's demand for crude recently surpassing that of the U.S., making it the world's largest net importer of oil and crude liquids.

As a result, once completed, the Northern Gateway pipeline will cement Enbridge's position as Canada's largest transporter of crude. This will allow it to effectively "clip the ticket" on every barrel it transports, generating higher revenue.

However, Enbridge's dominance doesn't end there. It's also the largest gas gatherer and transporter in the Gulf of Mexico, handling 40% of total offshore gas production and 45% of total ultra-deep gas production. It is also working to boost existing pipeline capacity and reduce bottlenecks through a range of pipeline expansions, which will only see the volume of crude and natural gas transported continue to grow.

The approval of the Northern Gateway has come at a critical time for Enbridge, with key rival **TransCanada** ([TSX: TRP](#))([NYSE: TRP](#)) battling to gain approval of the final leg of its Keystone pipeline in the U.S. This has seen TransCanada consider transporting crude by rail as its pipeline capacity remains static, cementing Enbridge's dominant position in the provision of midstream services.

This gives Enbridge a dominant position in the patch and makes it a key player in transporting crude and facilitating access to important and lucrative refining markets for players in the patch. This can only bode well for Enbridge to continue growing revenue, cash flows, and its bottom line.

2. It's authorized to re-export Canadian crude from the U.S.

Enbridge is among the first of the players in the patch to be granted a license by U.S. regulators allowing it to re-export Canadian crude from the U.S. This will allow it to leverage its dominant position as the largest transporter of Canadian crude into the U.S. and export it to lucrative foreign markets in Europe and Asia.

Spanish integrated energy major Repsol has already bought 600,000 barrels of Canadian heavy crude from U.S. Gulf Coast refineries, which was shipped to Spain for refining there. This license also allows Enbridge to re-export Canadian crude to other offshore markets. As the International Energy Administration points out, this allows Enbridge to access lucrative Asian markets without the Northern Gateway pipeline.

3. It continues to reward investors with a steadily appreciating dividend

While Enbridge may not be the most exciting player in the patch with a relatively modest dividend yield of 2.7%, its dividend is consistently growing, increasing in value every year since 1995.

This gives Enbridge's dividend a compound annual growth rate of 9%, which is well in excess of Canada's average annual inflation rate over the same period. Given the company's dominant position in the midstream transportation, marketing, and storage sector in the patch, it is well positioned to continue to grow cash flow and its dividend.

Enbridge may not be the most exciting player in the patch. However, it's a dominant company in the midstream sector, and with it being the largest transporter of crude to the crucial U.S. market, as well as the recent approval of the Northern Gateway pipeline, it's set to stay that way. This will allow it to continue growing revenue, cash flow, and its bottom line as Canadian oil production continues to grow and key players including Enbridge access growing markets in the Asia-Pacific region.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:TRP (Tc Energy)
3. TSX:ENB (Enbridge Inc.)
4. TSX:TRP (TC Energy Corporation)

Category

1. Investing

Date

2025/09/13

Date Created

2014/06/20

Author

mattsmith

default watermark

default watermark