



## Can Enbridge Inc Still Deliver for Investors?

### Description

According to a report in the *Financial Post*, **Enbridge Inc** ([TSX: ENB](#))([NYSE: ENB](#)) is now saying that the possibility of having its key Northern Gateway pipeline project complete by 2018 is “quickly evaporating.”

However, that’s probably not surprising as this project has been in development for six years. Still, that leaves investors with the \$6.5 billion question of whether or not Enbridge will still be able to deliver strong returns as it continues to have issues with the Northern Gateway Pipeline.

### The latest delays

According to the *Financial Post* report, Enbridge is focused on getting the support of First Nations groups along the pipeline’s route through British Colombia before it begins work. However, that’s not the only delay that is holding back the project’s construction. Enbridge still needs to address the 209 conditions that were part of its regulatory approval. On top of that, the company still hasn’t determined the final cost of the project that will likely balloon from the initial \$6.5 billion projection due to the additional conditions as well as inflation.

Because of all this there still is no certainty that the project will be built. Compounding that problem is the fact that all of the potential projects under consideration in Canada could provide as much as 8 million barrels per day of oil export capacity by both pipeline and rail by 2018. That would actually present a problem as it’s well above the country’s estimated oil production of 5 million barrels of oil per day in 2018.

### Impact to Enbridge

That being said, Northern Gateway project is one of just two proposed pipelines that would send Canadian oil to the West Coast to access Asian export markets. That’s a big competitive advantage as oil sent to Asia could likely fetch a higher price than oil going to America, which now is becoming saturated with oil. Because of that, Northern Gateway has more potential to be built and deliver returns than some other pipeline projects.

Further, Northern Gateway actually represents a small part of Enbridge's future growth. The company already has 10%-12% of annual earnings growth locked in place between now and 2017. This is due to projects already under construction as part of Enbridge's staggering \$42 billion enterprise wide capital program.

The company is also starting to develop projects beyond 2017 to continue to deliver growth, including the \$7.5 billion Line 3 replacement project. So, while Northern Gateway would be a key driver in post 2017 growth, Enbridge can deliver returns for its investors even if that project is never built.

### **Investor takeaway**

Enbridge is taking its time on the Northern Gateway Pipeline for two reasons. First, and foremost it wants to get the project right the first time and that includes gaining the critical support of First Nations. However, it also doesn't need to rush as the company does have plenty of growth projects under construction and in the pipeline. That's why despite these delay Enbridge can still deliver returns for its investors.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

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2. TSX:ENB (Enbridge Inc.)

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mdilallo

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