



2 Reasons Enbridge Inc. Will Outperform Its Peers

Description

Canada's oil sands boom has created both opportunities and challenges, such as how to transport oil from landlocked Alberta to market. There are a few midstream oil companies currently working on this problem.

Most of the companies constructing oil pipelines are already pipeline operators, both for oil and natural gas; however, the opportunity to transport more oil compared to natural gas is a welcome one because of the potential for higher profits.

So which one makes the best investment? Here are two simple reasons why I think that company is **Enbridge Inc.** ([TSX: ENB](#))([NYSE: ENB](#)).

1. Enbridge is winning the pipeline battle

Enbridge and **TransCanada Corporation** ([TSX: TRP](#))([NYSE: TRP](#)) are the two midstream oil companies most often compared. Both are of similar size, and have about the same amount of money earmarked for pipeline expansion. The two have controversial projects. For TransCanada, the Keystone XL and for Enbridge, the Northern Gateway. If I were to rank which one is less of a mess, it would be the Northern Gateway. The pipeline already has conditional government approval. The Keystone XL is awaiting presidential approval and further adding to the pipeline's challenges. TransCanada recently reported that, if approved, the construction budget could be double the previous estimate.

Another win for Enbridge is its "sidestepping" of the requirement to obtain federal approval to build a pipeline across the Canada/U.S. border. By switching crude from one pipeline to another before it crosses the border, the company's cross-border Alberta Clipper only requires State Department approval. This will be much easier to obtain than the presidential approval, which TransCanada's Keystone requires.

2. In this case, the past could be the key to the present

While the past is not always the key to the present, it can definitely be a great window. When looking at

Enbridge's performance over the past few years, it is clearly at the top of its game versus its peers. Over the past five years, Enbridge stock has returned 122%, TransCanada has returned 50%, **Suncor Energy Inc.** ([TSX: SU](#))([NYSE: SU](#)) has lost 7%, and for comparison's sake, the S&P/TSX Energy Index is up 42%.

Now, these returns are only significant if the company looks like it can repeat them. Enbridge is targeting growth by investing in oil pipelines, which will offer more return than its natural gas pipelines; the company has multiple projects in development and is being strategic in seeing that development is completed. All these factors indicate Enbridge is capable of repeating its past performance.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

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

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