



2 Massive Risks Enbridge Inc. Investors Need to Know

Description

Enbridge Inc. ([TSX: ENB](#))([NYSE: ENB](#)) has an incredible pipeline of future projects that should drive income and dividend growth for the company for years to come. At its recent analyst day, it announced that its growth capital program now stands at \$44 billion, which is a \$9 billion increase from just two years ago. However, amid the billions of dollars in future projects is one project that is becoming a bigger risk than the company ever imagined. That project is the highly contested Northern Gateway Pipeline project, which is facing mounting opposition, leading to the very real risk that the pipeline might never be built.

Risk No. 1: First Nations legal risk

A recent investor report by Forest Ethics Advocacy highlighted a number of risks facing Enbridge as it attempts to build the Northern Gateway pipeline. One of the biggest risks that investors don't fully understand is the legal risks posed by First Nations, many of whom don't want the pipeline coming through their territories.

What investors likely don't realize is that in a recent Supreme Court of Canada ruling the court recognized that First Nation has title and authority over their territories. This is a big risk to Enbridge's Northern Gateway pipeline because most of the proposed pathway of the pipeline goes through these lands and most First Nations do not want the project going through their land because of the environmental risks posed by a pipeline rupture. Over 130 First Nations have signed the "Save the Fraser Declaration," which bans bitumen from the oil sands to be transported over the Fraser River watershed. Moreover, coastal First Nations have declared a tanker ban in their traditional territories. The risk to Enbridge not only includes opposition to the pipeline being built, but it also has opposition to oil tankers moving through coastal waters to get the oil into the open sea on its way to Asia.

Risk No. 2: Political Risks

On top of the opposition from First Nations, there's opposition on both the federal level as well as in British Columbia. On the federal level, there is legislation under consideration that would be similar to the First Nations' ban on oil tankers inside British Columbia's coastal waters by making it a federal

moratorium. It's a ban that two-thirds of British Columbians currently support and one that was first considered in the 1970s due to the risks involved with shipping oil in the region.

Furthermore, British Columbia's official position is that the project should not be approved, at least until the five specific conditions it set out are met. These are tough conditions, which include a world-leading marine and land oil spill response along with a larger share of the economic benefits of the project. These are big issues as there is grave concern that if an oil tanker started leaking in the Great Bear Rainforest, it would be impossible to clean up given the weather conditions and terrain. Further, a larger share for BC could impact the project's economics for Enbridge.

Investor takeaway

Enbridge is slowly making its way through the approval process to get the Northern Gateway pipeline built. However, the project still faces the real risk that it might never happen. The opposition from First Nations involves both the pipeline's route as well as the shipping route for oil tankers along coastal British Columbia. Needless to say, Enbridge has a lot of work to do in order to gain approval for construction, which would likely make the project much more costly than the pipeline's current estimate of \$6.5 billion.

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Author

mdilallo

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