



## 2 Big Reasons Enbridge Inc. Will Outperform TransCanada Corporation

### Description

As many investors know, there's an enormous boom in oil production on the way with North American as a whole expected to see a 7 million b/d growth in supply before 2025.

The problem? Pipeline infrastructure is not properly situated to connect new oil plays like the oil sands and the Bakken region to refineries, and the global market place where demand is growing. This issue may harm oil producers, but it's the opportunity of the century for pipeline operators **Enbridge Inc.** ([TSX: ENB](#))([NYSE: ENB](#)) and **TransCanada Corporation** ([TSX: TRP](#))([NYSE: TRP](#)).

As an investor the question is: Which is company is better prepared to profit from this growth (and in turn, make you money). Here's why Enbridge is the answer.

### 1. Enbridge is better positioned in the oil pipeline space

Both Enbridge and TransCanada have ambitious capital projects coming up, with Enbridge having \$36 billion of commercially secured growth projects through to 2017, and TransCanada having a \$38 billion capital spending program scheduled for completion by 2020.

The key difference? Before these capital projects even begin, Enbridge is already far better situated in the oil pipeline space. Enbridge already runs the world's longest crude oil transportation system, and is responsible for 2.5 million b/d of export from Canada into the United States, accounting for 53% of U.S.-bound Canadian production.

In addition, Enbridge is also situated in all the major production growth regions. It is the leading operator of feeder pipelines in Alberta's oil sands, where huge growth is about to occur, and has a position in the growing Bakken shale play.

Enbridge is very close to being a pure play on crude oil pipelines, with oil pipelines comprising 87% of its earnings in 2013. TransCanada on the other hand, is largely a natural gas pipeline and energy company. It only obtains about 15% of its EBITDA from oil/liquids, which it is expecting to double by 2018 thanks to its capital projects.

With investors preferring “pure plays”, this may cause investors to flock to Enbridge as these capital projects ramp up.

## **2.Enbridge’s capital projects are more secure.**

Because of Enbridge’s vast oil pipeline infrastructure, it has a key competitive edge over TransCanada. That is to say, much of its capital projects are easy to implement since they involve expansions and extensions to pipelines with existing right of way. This means less messy political approvals, like the kind that’s stopping TransCanada’s Keystone XL.

TransCanada does not have this advantage since it is making new headway into the oil pipeline space, and as a result almost 50% of its proposed capital spending program is dependent on the Keystone XL pipeline and the Energy East Pipeline, both of which are awaiting governmental approval and subject to delays and cost overruns.

In the meantime, Enbridge has been quietly adding to its capacity. For example, Enbridge has been planning an expansion to its Alberta Clipper Pipeline, which currently crosses the U.S. border and delivers 450,000 b/d of oil sands crude from Hardisty, Alberta to Superior, Wisconsin. This pipeline intends to rival the Keystone XL by transporting crude to the Gulf. Enbridge applied for an expansion to increase capacity to 800,000 b/d, which is still under review.

What did Enbridge do? Since its Line 3 pipeline already crosses the U.S. border running parallel to the Alberta clipper, it is planning to transfer crude from the Alberta Clipper to Line 3, and then back to the Alberta Clipper once it has crossed the border. This will add 120,000 b/d of capacity until the expansion is approved.

This is one of many examples of how Enbridge is using its existing right-of-ways to add capacity. Other examples are its \$7 billion Line 3 replacement/expansion, which will double its capacity, and its Sandpiper pipeline, which will add to Enbridge’s growing position in the Bakken region, an area which TransCanada will have very little access to.

The evidence is clear: If you want exposure to growing crude production, Enbridge is a smart option.

## **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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amancini

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