



## Which Pipeline Company Is Better for Your Portfolio: Enbridge Inc. or TransCanada Corp?

### Description

For the better part of the last 20 years Canadian investors have looked to the energy sector to help build their portfolios. Despite how things in the oil industry may play out over the next two years, the long-term strategy remains essentially the same. While the stock prices of oil producers have been falling, pipeline companies such as **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) and **TransCanada Corp.** ([TSX:TRP](#))([NYSE:TRP](#)) have experienced more stable stock prices.

The question is which of these two is poised to bring your portfolio the largest return?

### The pipelines will open one day

For the most part, TransCanada only seems to be in the news when the Keystone XL pipeline is mentioned. What was once labeled as a “no-brainer” to be approved has become a political hot potato that could remain in limbo until January 2017. However, TransCanada has not put all of its eggs in one basket and has several other pipeline projects in the works.

One example is the \$12 billion Energy East project. When completed, it will be the continent’s largest oil pipeline, carrying 1.1 million boe/day of Albertan crude to refineries in Quebec and New Brunswick. The proposal phase of the pipeline had a shaky start, but significant progress has been made with the governments of Ontario and Quebec. A benefit of this project is that 3,000 km of pipeline is already in place and just has to be converted to carry crude instead of natural gas.

### American-bound pipelines

While TransCanada’s U.S.-bound Keystone XL pipeline is stalled in Washington, Enbridge quietly opened up its Flanagan South pipeline in December. The pipeline begins in Chicago, Illinois, and runs down to a transfer hub in Cushing, Oklahoma. The pipeline is projected to carry 600,000 barrels of heavy crude per day, and because it is Canadian crude oil being shipped, it is exempt from U.S. export bans.

This could add further fuel to the fire between the price war between the Americans and the Saudis.

Plus if this pipeline is successful it could put added pressure on the U.S. to approve Keystone XL in order to take away market share from OPEC.

Unfortunately, as Enbridge has opened up its latest pipeline it also has had a pair of safety setbacks. First was a fire at a truck loading facility in North Dakota, in which eight of 12 crude storage units went up in flames. Secondly was a crude pipeline burst at one of Enbridge's terminals in Regina that resulted in 1,350 barrels leaking out.

### **The stock battle**

The right stock for you will depend on whether you are looking for a long- or short-term investment. TransCanada offers more room for stock price growth as the stock closed Friday at \$55.67, and the average price target is \$60.90. The most recent price target report came from TD Securities, which raised its target from \$61.00 to \$62.00. There is also the dividend offered by TransCanada, an annualized payout of \$1.92. With a yield of 3.45% it is just a little higher than Enbridge. The downside of TransCanada is that so much of its potential growth rests in the hands of several levels of governments.

Enbridge, on the other hand, has a narrower price-to-target window with a Friday closing price of \$61.69 and an average price target of \$63.20. Enbridge is bucking the trend of low prices energy stocks by trading near the high end of its 52-week range of \$45.63 to \$65.13. The fact that its price target is below its 52-week high has raised some eyebrows, but many believe that Enbridge could fair better in the long term.

### **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)

### **Category**

1. Energy Stocks
2. Investing

### **Date**

2025/08/18

### **Date Created**

2015/01/27

### **Author**

cameronconway

**default watermark**