



Enbridge Inc.: the 1 Energy Stock That Just Keeps on Giving

Description

The sharp collapse in oil prices has made energy companies fall into disfavour with investors. It seems more and more likely that oil prices will remain significantly lower for a lot longer than initially thought.

Despite this, there is one energy stock that continues to surge ahead, unlocking value for investors and proving that its business is highly resilient to dips in commodity prices and the economic cycle.

Let me present **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)), Canada's largest provider of crude transportation and midstream services to the oil patch. Not only does it possess a range of attributes that shield its business from the economic cycle as well as weak oil and gas prices, but it is well positioned to benefit from a range of tailwinds that will unlock further value for investors.

Now what?

In a [previous article](#) I discussed Enbridge's wide multifaceted economic moat and "toll-booth" business model that allows it to "clip the ticket" on every barrel of crude and cubic metre of natural gas that it transports. These attributes are among its core strengths and are key reasons for its success, but they aren't the only reasons.

You see, one of the key reasons for Enbridge's success is that it provides much-needed infrastructure and services to Canada's energy patch, including oil and gas pipelines. The capacity of these pipelines for the transportation of oil and gas remains in high demand because they are the most cost effective and efficient means of transporting crude.

However, crucially for Enbridge and its growth prospects, Canada's pipeline capacity remains sharply constrained with insufficient transportation capacity to meet demand. This is having a marked impact on the Canada's oil producers. Enbridge will benefit from this shortage because of its dominant market position as it is the largest operator of pipeline transportation services in Canada, delivering over 2.2 billion barrels daily and transporting 53% of all U.S.-bound Canadian crude.

More importantly, unlike **TransCanada Corp.**, Enbridge has been able to avoid much of the controversy surrounding the development of oil and gas pipelines. This, along with it committing to a

\$44 billion capital development program, leaves it well positioned to continue expanding its pipeline network. It recently completed a “drop down” of its Canadian liquids pipeline business to the Enbridge Income Fund and raised over \$30 billion that will be used to finance its expansion program.

Impressively, 26 of Enbridge’s growth projects currently under development are commercially secured, virtually guaranteeing they will generate earnings from the day they are completed and commence operations.

So what?

All of these factors mean that Enbridge’s earnings will continue to grow over the long-term, supporting further dividend hikes, and adding to an already impressive history of dividend payments. Enbridge has hiked its dividend every year for the last 20 years straight to give it a sustainable yield of just over 3%.

Not only has the recent rout in oil highlighted Enbridge’s resilience to downturns in commodity prices, but at the height of the global financial crisis when oil plunged under US\$40 per barrel, Enbridge still hiked its annual dividend. When this is considered in conjunction with its share price having dropped by a modest 7% for the year-to-date, Enbridge is an attractive long-term acquisition at this time.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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1. Editor's Choice

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