1 Huge Growth Opportunity Enbridge Inc. Investors Don't Want to Miss

Description

Enbridge Inc. (TSX:ENB)(NYSE:ENB) recently assumed the crown of North America's largest energy infrastructure company by closing its merger with Spectra Energy. Not only did that deal significantly expand the company's size, but it made the company more balanced between oil and gas.

However, as important as that deal is to the company's growth in the near term as well as in the long term, Enbridge is quietly working on an even larger long-term opportunity that investors don't want to miss: wind.

Seeing growth offshore

While the $28 billion Spectra Energy deal is clearly a game changer for Enbridge, it wasn't the only transaction the company recently closed. Last month, Enbridge announced that it had acquired a 50% stake in the 500 MW Hohe See wind park, which is the largest offshore wind project in Europe. The company will spend $1.7 billion on the project, which should start generating revenue in 2019 and be strongly accretive in its first full year of operations.

That project, however, is just one of several offshore wind projects Enbridge has under development in Europe. The company owns a 24.9% stake in the 400 MW Rampion wind project off England's coast, which should be operational next year.

Further, it holds a 50% stake in a French offshore wind development company that is working on three large-scale offshore wind projects that would produce a combined 1,428 MW of power, though the company hasn't made a final investment decision on those projects just yet.

Finally, its Hohe See partnership has an option to expand the facility by 112 MW in the future as well as to pursue additional growth opportunities in the European offshore wind market.

Why offshore wind is such a compelling opportunity

There are two reasons why Enbridge loves offshore wind.

First, the economics are quite compelling and compare favourably to those of pipeline projects. For example, power generated by Hohe See will effectively receive long-term fixed pricing for 20 years, which is a similar pricing structure to the long-term, fee-based revenue its earns on pipelines. As a result, the project should generate relatively steady cash flow once it enters service, supporting the company's plan to deliver 10-12% annual dividend growth through 2024.

Second, the wind market is expected to grow at a much faster rate than oil and gas. For example, in oil giant **ExxonMobil's** latest outlook for energy, it forecast that global oil and gas demand would grow by 20% and 45%, respectively, through 2040. However, wind and solar would increase by a combined 360% over that same time frame.

That forecast suggests that there will be more future expansion opportunities in the global wind market than there will be for new oil and gas pipelines. That gives Enbridge a competitive advantage over its energy infrastructure peers because it has access to that additional growth driver. That's one reason why the company is projecting such robust dividend growth over the next several years.

Investor takeaway

Enbridge is making a concerted effort to increase its exposure to cleaner energy sources such as natural gas and wind. That said, while natural gas is the biggest near-term growth driver for the company thanks to the Spectra Energy deal, wind could become an even more important source of growth in the future. Not only does the company have a growing pipeline of projects, but wind demand is expected to grow at a faster rate than gas, which suggests that there will be plenty more opportunities on the horizon.

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Date
2025/08/16

Date Created
2017/03/01
Author
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