



Fill Your Pipeline With Enbridge Inc.

Description

With the energy sector generally making investors sick over the past two years, most investors have shied away from energy-related stocks, hoping to wait out the storm and return when sunny skies are overhead. I have been one of the strongest proponents of such a strategy and have taken the position that the Canadian oil sands industry, among other low-value oil industries, will continue to be the hardest hit for some time to come based on newer technologies releasing previously trapped shale oil, increasing the global crude oil supply glut, and therefore decreasing the longer-term average oil price as well as the long-term production value for oil sands operators for the foreseeable future.

Today, I'm going to look at **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)), a company which, while in the oil industry, is somewhat insulated from the changing supply/demand fundamentals of the oil business and is well positioned to come out on top in the long term.

Why the price of oil doesn't matter (that much) for Enbridge

With the price of oil fluctuating drastically of late, investors looking for oil and gas exposure have largely drifted toward safer alternatives such as pipelines over the past two years. While Enbridge stock is currently down more than 8% year to date and approximately 25% from its peak in 2015, one of the strongest assets Enbridge has is that the majority of its cash flows are not tied directly to the price of oil, making this company a much safer play than a traditional oil producers, whose margins may be squeezed (or expanded) drastically depending on where the price of oil goes.

Primarily an oil transportation business, Enbridge stock is impacted most by the outlook for future crude volumes, as well as the outlook for the company's various oil projects currently under construction. Should the price of oil continue to drop, oil production volumes may decrease, which would hurt Enbridge's bottom line; however, many analysts believe that the price of crude is at or near its long-term floor, given current production levels and the number of new wells under construction.

Bottom line

In mid-May, I recommended investors consider Enbridge on the basis of the renewable energy program the company has taken on to diversify the business away from a reliance on crude and make

this business more profitable long term. My outlook remains is bullish on Enbridge, as I believe the company's management team has a very good mix of short-term and long-term focus, making Enbridge a company I would recommend for now or 20 years from now.

Stay Foolish, my friends.

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