



Here's Why the Market Has the Latest Line 3 Announcement and Enbridge Inc. All Wrong

Description

On Tuesday last week, a Minnesota administrative law judge ruled against **Enbridge Inc.'s** ([TSX:ENB](#))([NYSE:ENB](#)) proposed route as part of the company's application for its \$9 billion Line 3 Replacement project.

Enbridge shares promptly sold off on the news, finishing the day down 5.3% and marking a fresh 52-week low for the company's stock.

But despite the market's reaction, there is good reason to believe that the latest announcement should actually be viewed in a favourable light; Enbridge stock looks very, very attractive, trading at \$38.04 on the Toronto Stock Exchange and \$29.80 on the NYSE heading into Monday's trading.

Wednesday's announcement brings Enbridge's Line 3 one step closer to approval

While the market chose to focus on the negative from the judge's ruling against Enbridge's proposed route for the new pipeline, it chose to ignore the news that there is a very good chance now that the Line 3 project will be approved in some form or another; it just may not be the original route that Enbridge had wanted to take.

In fact, the same day the announcement hit the wire, Enbridge president and CEO Al Monaco, released a statement:

"We are pleased that the ALJ's recommendation clearly confirms the need to replace this critical piece of infrastructure that will enhance safety and environmental protection with the latest in pipeline technology and construction methods. The ALJ recommendation also recognizes the economic importance of a modernized Line 3 that will have significant benefits to businesses and communities across Minnesota."

At this point, it looks like there's a very good chance the project will end up getting the green light from regulators south of the border, and that is very good news for Enbridge shareholders, as the Line 3 project is critical to the company's long-term future.

Just how important is Line 3?

Currently, Enbridge's existing Line 3 network is only operating at a little over capacity, has suffered numerous leaks in recent years, and is costing the company a boatload of money.

The Line 3 Replacement is designed to alleviate some of the pressure on the existing infrastructure and afford the company an alternative method of getting its crude from Alberta to Wisconsin's refineries.

Particularly following the company's \$37 billion acquisition of Houston-based Spectra Energy, Enbridge now, more than ever, needs the cash to keep pouring in to service its growing financial obligations.

No matter how you look at it, the sell-off on Tuesday was an overreaction

While in a perfect world, Enbridge's proposed route would have been approved without as much as a second thought. Tuesday's market reaction simply didn't make sense.

The total cost of the Line 3 project is currently estimated at \$9 billion, but that includes \$5.3 billion in costs associated with the Canadian portion with about \$3.75 billion being earmarked for work south of the border.

If you believe in [the theory that markets are efficient](#), Tuesday's sell-off implies that following from the Minnesota court's ruling, Enbridge's cost for the U.S. portion of the Line 3 project just doubled.

Is it possible? Sure.

But it probably isn't very likely, meaning that one of Canada's best dividend-paying stocks is just that much cheaper, creating [an opportunity](#) that Foolish investors may not want to pass up on.

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Date

2025/07/02

Date Created

2018/04/30

Author

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