



Is Enbridge Inc (TSX:ENB) Stock in Trouble?

Description

Oil and gas stocks just can't seem to catch a break, and things just aren't getting any better. Problems to do with permits have caused **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) to push back expectations on its [Line 3 pipeline replacement](#). Previously expected to happen in 2019, it now won't be until at least the second half of 2020 when the new pipeline will be in use. The company is waiting on permits from Minnesota, which aren't expected until November, and that will delay federal permits as well.

The Line 3 replacement project has been a long and painful one, but delays and problems have, unfortunately, become commonplace for the industry. The pipeline will help transfer more crude oil between Alberta and Wisconsin and is a much-needed overhaul for the company to improve both safety and efficiency.

Should investors be concerned?

Any time you're dealing with oil and gas, it seems you're dealing with the unknown. Especially when waiting on government permits, there's the risk that new issues could come up that sway regulators in another direction or make things more difficult for the company. While there's no reason to expect the project to not go through, there's still a lot that can happen between now and November.

The delay simply adds a lot more uncertainty into the mix, and that could turn some investors off — especially given the headache that oil and gas stocks have been in recent years. The industry still hasn't recovered from the downturn that started in 2014, as oil prices remain low and we're still seeing many companies struggle.

The good news for Enbridge investors is that the stock has been one of the more consistent ones in the industry and is in a good position to handle the adversity. With strong free cash flow over the past four quarters, Enbridge will continue to be safe for the foreseeable future, but whether it's a good buy as an investment is a completely different question.

While the stock trades at a modest 1.6 times its book value, investors simply haven't been willing to pay much of a premium for oil and gas stocks given the risk involved. And the problem is that with the

stock climbing 22% in the past year and now at its 52-week high, this news could be easy justification for investors to pull away from the stock and hit the sell button.

Bottom line

The delay in the Line 3 replacement may be surprising, but at this point investors should be expecting some hiccups along the way when it comes to investing in the industry. It's hard to find anything that goes smoothly, and while this might impact Enbridge specifically, it's symbolic of much greater problems in the industry as a whole.

Even though it may appear to be a good value buy, Enbridge might be too risky a buy to consider today. With a high dividend that might be [unsustainable](#) and growth that is questionable, I struggle to see the stock price having much upside from where it is today. Bullishness has been hard to come by in the industry, and this latest news will do nothing to help that.

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Author

djagielski

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