



## Enbridge (TSX:ENB) Falls 5% As Courts Reverse Line 3 Decision

### Description

**Enbridge Inc** ([TSX:ENB](#))([NYSE:ENB](#)) got hit with another setback this week as an appeals court in Minnesota reversed an earlier decision that appeared to pave the way for the Line 3 replacement project to go through.

Previously, Enbridge had received approval on the project from the Public Utilities Commission and that the environmental concerns were adequately addressed. However, the decision was appealed, and on Monday the courts ruled that more of an environmental review was still required.

In particular, the potential impact of an oil spill into Lake Superior needed to be considered. The issue will now return to the commission, putting in doubt when — or if — construction on the project will be able to commence.

Enbridge was hoping that the new line would be in service by the second half of next year. Now, with more uncertainty surrounding the pipeline, all bets are off as to how long this next environmental review will take. Enbridge will discuss with state regulators on next steps.

Not surprisingly, Enbridge's share price was down 5% on the day, as frustrations are likely growing with investors who were hoping that things might finally be in the clear. The complexity of getting pipelines approved has been difficult in not only Canada, but south of the border as well.

### Is the project doomed?

If an environmental review of the pipeline needs to consider a possible spill into Lake Superior, it's hard to imagine the project turning out favourably after that. A spill into one of the Great Lakes would undoubtedly cause a lot of damage, and if that's factored into determining whether the Line 3 will go through, I wouldn't be optimistic about it passing that evaluation.

At this point, it's hard to fathom a scenario in which Enbridge will get a favourable review of the project when it has to consider a wider scope of environmental impacts. It's not unlike what we saw happen with the [Energy East](#) project in Canada, where a significant environmental review was insufficient,

resulting in the project being cancelled.

I wouldn't be surprised if we saw a similar result happen here. Despite the importance of replacing the Line 3 pipeline, if regulators make it too difficult to get the project going, it might not be feasible for Enbridge to continue fighting — and incurring costs along the way.

## Bottom line

Monday's news suggests that the struggles for oil and gas stocks aren't going anywhere anytime soon. Investors may simply want to wait on the sidelines once all the hurdles are cleared before investing in Enbridge or any other oil and gas stock [regardless of how well it has been doing](#). There's simply too much risk and uncertainty today to assume that the Line 3 or any other pipeline will go through.

Not only will this decision deter investors, but other companies will likely continue scaling back their investments in the industry. While there's a need for environmental review, by redrawing the lines and expectations of what needs to be considered, the courts won't make it easy. For investors, it's a headache that they're likely better off without.

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