



Why Now Is a Good Time to Buy Shares of Enbridge (TSX:ENB)

Description

There is much to admire about **Enbridge Inc** ([TSX:ENB](#))([NYSE:ENB](#)). The Calgary-based firm is one of the largest energy companies in North America. Its variegated portfolio of energy services is a huge asset, and the firm pays a healthy (and growing) dividend yield of 5.93% (at writing).

Growth projects

Enbridge has been busy implementing various growth projects in recent years which, once completed, promise to strengthen the company's market position. The largest of these projects — indeed, the largest in the history of the company — is the Line 3 Replacement Project. The Line 3 pipeline runs from the Midwest in the U.S to the regions of Saskatchewan and Calgary.

The much-needed multi-billion dollars replacement project is supposed to significantly improve the current pipeline (using new technology) as well as increase its capacity. Once completed, the newly renovated pipeline will be capable of transporting 760 thousand barrels per day. Despite this project being good news for the company and its shareholders, many environmentalists are less than thrilled.

Enbridge encounters delays

As per usual in this business, Enbridge had to acquire various permits from the relevant governmental authorities. The full completion of the project was first delayed by a year back in early March. The company announced then that the Minnesota permitting process would take longer than expected. That part of the newly renovated pipeline was supposed to start shipping crude by the end of 2019 (the Wisconsin section has been in service for over a year); this delay pushed it back until the second half of 2020.

As it turns out, the Line 3 pipeline might not even be ready by the end of 2020. The Minnesota Court of Appeals [reversed](#) the approval of Enbridge's Line 3 environmental review, a decision made on the grounds that the original approval was based on the review not addressing the potential impact of an oil spill into the Lake Superior watershed.

In short, it is now unclear whether Enbridge will obtain the approval it needs to fully complete this project, and even if it does, it will likely not happen by the second half of 2020. The Calgary energy company has the option to appeal the decision.

Is this an opportunity for investors?

The news that Enbridge's most important growth project is being delayed seems like bad news for investors. The fully renovated Line 3 pipeline is projected to become a major cash cow for the firm in the future. The company's share price saw a 6% drop when the original delay was announced, and saw another 6% drop on June 3rd, when the new delay was announced. In other words, these delays are indubitably weighing down on Enbridge's stock price.

But these delays — which are nothing new in this business — will not disrupt Enbridge's market position. After all, in addition to its oil and natural gas pipeline business, Enbridge operates the largest distributor of Natural gas in Canada. Further, the company possesses a rich and diverse growth portfolio, consistently generating more than enough cash to sustain its dividend increases. Against this backdrop, scooping up shares of Enbridge in the midst of this drama might just be a good idea.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Top TSX Stocks

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Top TSX Stocks

Date

2025/08/02

Date Created

2019/06/12

Author

pbakiny

default watermark

default watermark