



Does the Trans Mountain Approval Make Enbridge (TSX:ENB) a Buy?

Description

The oil and gas industry has struggled in recent years and investors have had little reason to invest in it as the recovery from the downturn has been lacklustre at best. While there's been skepticism as to how much the government has been willing to help the industry, it certainly took a big step in doing so yesterday when it approved the Trans Mountain pipeline expansion.

Why this issue is still not resolved

Approving the Trans Mountain pipeline, unfortunately, does not push this issue to rest. There will be appeals filed in opposition to it, thereby guaranteeing that the process will only continue to drag out even further. Indigenous groups are still firmly opposed to the pipeline and concerns of a potential spill on the west coast have put Alberta and B.C. at odds over the expansion.

It's a heated issue that until construction actually begins on the project, there will be skeptics out there that will be waiting for the moment where there's some new wrinkle that sends it back to square one. It's a scenario that we know all too well, with one of the more recent examples being the abandoned [Energy East project](#). So while it might look like good news for the industry, no one is going to be jumping the gun just yet as we've all been here before.

Could this stimulate more investment in Canada?

The one positive that could be taken away from the approval is that this could be a strong indication that the liberal government is showing at least some support for the industry. If companies believe that the industry in Canada could be conducive for growth, we could see more investment dollars flowing back into oil and gas. Companies are going to want to see that their money isn't being wasted on investments that end up going nowhere.

It may be a bit early to speculate, but there are certainly some positives that firms can take from Tuesday's news.

What this could mean for oil and gas stocks

A stock like **Enbridge Inc** ([TSX:ENB](#))([NYSE:ENB](#)) has struggled to find any strength in its share price in recent years. In three years, the stock has fallen around 12%. And although it has seen some modest rallies along the way, it's encountered a lot of resistance, as investors have shown an unwillingness to value the stock at any significant premium although the company has produced strong results and provided its shareholders with an excellent source of [dividend income](#) as well.

Rising oil prices have had limited effect on the stock, as it's pipelines that matter for Enbridge investors; any lack of pipelines being built and approved has had a detrimental impact on the stock and investors' outlook. If the decision stands, then the Trans Mountain approval could definitely generate some bullishness for not only Enbridge, but also for the other oil and gas stocks.

However, we won't know about that until this issue is finally put to rest once and for all, which, unfortunately, won't happen anytime soon.

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