



Why the U.S. Election Could Have a Big Impact on Enbridge (TSX:ENB)

Description

How **Enbridge Inc** ([TSX:ENB](#))([NYSE:ENB](#)) stock performs over the coming years could be determined in large part by how the upcoming elections in both Canada and the U.S. play out.

The Canadian election this year could have a big impact on what kind of support oil and gas companies get from the government and whether [pipeline projects](#) are able to make progress and get off the ground, at least in this country.

Lack of progress has been a problem in Canada and it's likely contributed to investors being more than a little hesitant to get involved in the industry. However, south of the border, next year's U.S. presidential elections could be just as important for Enbridge if not more so than the Canadian one.

Line 3 could be in jeopardy

Two U.S. presidential candidates, Elizabeth Warren and Bernie Sanders, have both been opposed to the Line 3 pipeline and would likely try to have the project stopped. Another popular Democratic candidate, Kamala Harris, has not expressly stated her views on the Line 3 pipeline, but has been opposed to both the [Keystone XL](#) and Dakota Access.

It effectively becomes a debate of jobs versus perceived risks to the environment. And with many Democratic candidates often siding with the latter, it could come down which party is put into power. Republicans have generally been in support of the industry.

The Keystone XL saw new life when President Donald Trump gave it the green light to go ahead. Unfortunately, even that has not resulted in any certainty for the project, as it still faces a lot of opposition and question marks moving forward.

Impact on Enbridge

What's unfortunate for Enbridge investors is that politics could end up weighing more heavily on the

company's future than factors that it can control. As much as Enbridge can try to keep its costs down and operations as efficient as possible, that's not going to be enough to help the stock rally in price.

If the outlook for the industry's growth is poor with political parties preventing pipelines from being built, investors are not going to be any more optimistic on Enbridge or other oil and gas stocks. That will impact the multiples that investors are willing to pay to own shares of Enbridge and likely send the stock down as a result.

We've seen over the past year that even rising oil prices have not been enough to get the industry going, as it ultimately comes down to investment and how bullish or bearish investors are on the oil and gas industry, not just the commodity price.

Bottom line

As good a company as Enbridge is, the risk in the industry is what makes the stock a risky buy. How well the company is run is only one piece of the puzzle and strong individual results could be negated by a poor outlook for the industry.

While Enbridge does offer investors a good dividend, it may not be enough to offset the uncertainty the stock faces. Without a more definitive future for the Line 3 and other pipeline projects, Enbridge will likely continue to struggle for the foreseeable future.

The upcoming elections could, unfortunately, play a much bigger role in the stock's success than will other factors.

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