



Will Stephen Poloz Ignite Enbridge (TSX:ENB) Stock?

Description

Former Bank of Canada governor Stephen Poloz has taken up a seat on the board of pipeline giant **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). Enbridge stock didn't react much to the news, but the involvement of a former central banker could catalyze value creation for shareholders down the line.

A former-central banker taking a private sector job in the energy sector is highly unusual. However, these are unusual times and pipeline companies like Enbridge face unique challenges. Here's a closer look at what investors can expect.

Enbridge stock valuation

Enbridge stock has taken a beating this year, with energy consumption and the price of crude oil plummeting. After dipping 45% between February and March, the stock is now down 24% from its 52-week high.

My Fool colleague [Ryan Vanzo believes Enbridge stock](#) is the most robust dividend stock on the market. His analysis indicates that Enbridge's business model is akin to a toll collector on North America's oil consumption, giving the company pricing power, which ultimately translates to safe and reliable dividends.

At 44 times trailing earnings per share and a 7% dividend yield, Enbridge stock could look undervalued. However, the company faces severe challenges ahead that could alter the underlying fundamentals.

For one, demand for oil could be subdued for years as the economy gradually recovers. An oversupply of crude has already caused severe [damage to Enbridge's bottom line](#).

However, the company has managed to diversify its sources of income and has mitigated this exposure over the years. Income from renewable power, gas distribution and storage, and gas transmission businesses now support the bottom line even when the oil price dips.

The size and diversity of Enbridge's business puts it in a solid position to deliver returns for shareholders. However, the bigger challenge now could be regulations.

Policy challenges

Enbridge's stock has been in limbo as it struggles to expand and replace its Line-3 infrastructure. Regulatory hurdles in Minnesota delayed the project by a year. While these issues have been resolved, the company could face additional legal challenges and permitting issues for other critical projects later.

To expand overseas and build infrastructure cross borders to export a controversial commodity, Enbridge needs policy advice.

Stephen Poloz appears to have the perfect combination of government and macroeconomic experience to deliver that. Not only was he the head of the central bank for seven years, but he also served as the CEO of Export Development Canada from 2011 to 2013.

While his involvement on the board can't eliminate Enbridge's political and regulatory challenges, it could ease the process. Poloz's experience and political network could be valuable to the team and, ultimately, unlock value for Enbridge's stock.

Foolish takeaway

Pipeline companies face a number of hurdles. However, public policy and regulatory challenges could be the most pivotal. Hiring someone with government and macroeconomic policy experience seems like a good deal for Enbridge.

Any improvement in the company's ability to navigate geopolitics and legal pressures is great news for shareholders.

Enbridge stock could be the ultimate wealth creator for investors willing to be patient and make a contrarian bet today.

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