



## What's Happening With Enbridge (TSX:ENB) Stock?

### Description

**Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) stock had a [bizarre](#) 2020. Long known for its reliable performance in any market, shares are 25% lower since the year began.

What's going on?

There are several challenges, some of which you already know. But there's one aspect of the story that few are paying attention to.

### Here's the truth

Believe it or not, fossil fuels are dead. It's going to take a while for market analysts to buy into this thesis. It'll take even longer for everyday consumers, not to mention politicians.

To be sure, the death will take decades to play out, but the world has permanently changed.

A recent report suggests that the world just passed peak oil demand. The findings show that global oil consumption will never surpass 2019 levels. This is horrific news for Enbridge, which makes money by transporting fossil fuels.

I know what you're thinking: Who cares about some random report? Environmental groups come out with doom and gloom predictions all the time. The only issue is that the research *doesn't* come from some anti-oil organization — it came from **BP**, a \$70 billion oil producer.

It's not in BP's best interest to call a peak in oil demand. Far from it. The company is scrambling to convert its operations to renewable energy, but that'll take many years to execute. The report seems to warn investors about the impending future, whether that's promising for BP or not.

"A Carbon Brief analysis of the outlook, combined with BP figures released separately in June, shows that oil demand would never surpass levels seen in 2019," [reports](#) the *World Economic Forum*.

Enbridge's fortunes are *directly* tied to oil demand. When its pipelines run at full capacity, the business is a cash flow machine. But high fixed costs mean that even a small dip in capacity utilization can have a disproportionate impact on profits.

Think of Enbridge like an airline. Right now, nearly every airline is hemorrhaging cash because passenger traffic is down, yet they still need to pay for the same number of planes. It's the same situation here. If oil volumes slip, the company still needs to pay for maintenance and repairs on its extensive network of pipelines, the biggest in North America.

## This is better than Enbridge

What's driving the peak in oil demand? It isn't environmentalism or a shift in regulations.

"The scale and pace of this decline is driven by the increasing efficiency and electrification of road transportation," BP's report stated. It's as simple as that.

Fuel consumption for vehicles comprises 70% of North America's oil consumption, most of which is caused by personal vehicles. As cars go electric, the biggest demand driver of oil will disappear. It's doubtful that anything will take its place.

Electrification will change the game for Enbridge. Autonomous vehicles will only compound the situation through increased efficiency.

"Connected autonomous vehicles could reduce fuel consumption by as much as 44% for passenger vehicles and 18% for trucks," [reports Forbes](#).

Technologies like 5G will be a direct winner, as we'll need a vast, high-speed communication layer to coordinate a global fleet of individual vehicles.

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