Enbridge (TSX:ENB) Stock Is Dead: Invest in This Growth Stock Instead

Description

Enbridge (TSX:ENB)(NYSE:ENB) is a winning stock. Or at least it was. From 1995 to 2015, shares rose nearly 2,000% in value.

It's not hard to understand why this stock performed so well. It's the largest pipeline operator in North America. It transports roughly 20% of the continent's crude oil and natural gas. It has a sort of monopoly on its key markets.

Monopolies are usually big money makers. Enbridge is no exception. Pricing power allowed the business to grow substantially over the years, all while paying an annual dividend exceeding 5%.

Then, everything changed. Since 2015, shares have *fallen* by 26%. Many investors aren't willing to accept it yet, but this stock is in trouble. But this trouble will bring opportunity.

Fossil fuels are dying

Let's get one thing out of the way first: the world will be consuming fossil fuels for decades to come. But conditions are getting tougher. The transition will eventually impact Enbridge.

"The world's transition to cleaner sources of energy is gaining speed as the coronavirus pandemic accelerates a shift in investment away from fossil fuels," reports the International Energy Agency. "Capital spending on energy this year is set to plunge by 18%, as global energy demand is expected to fall by 5% in 2020, a pullback not seen since World War II."

Falling demand has forced prices lower. Right now, oil trades at US$40 per barrel. In 2014, prices were as high as US$120 per barrel.

Lower prices reduce profitability, meaning producers are investing less in new projects. This will ultimately lower industry supply growth. That's a direct blow to pipeline operators like Enbridge.

"Some of the world's largest energy companies have begun rethinking future investments in light of a changing investor and regulatory landscape," reports *The Wall Street Journal*. "**BP** last month detailed a strategy to steer away from oil and toward renewables. It also predicted that oil demand may have peaked right before the pandemic."

Enbridge is considered a high fixed cost business. It needs its pipelines to run close to capacity to turn a profit. A small dip in revenue could have a disproportionate impact on profitability. If oil demand is in secular decline, the business may have also reached its peak valuation.

But there's good news: some stocks will *benefit* from the current situation.

This stock beats Enbridge

If Enbridge fails, **Shopify** (TSX:SHOP)(NYSE:SHOP) will win.

At first glance, these are *very* different businesses, but they're actually connected in our current environment.

Oil demand was originally supposed to peak in 2030, or even much later. The COVID-19 crisis accelerated the shift away from fossil fuels. That dynamic also accelerated the shift *towards* e-commerce.

As one of the largest e-commerce platforms on the internet, Shopify is a direct beneficiary. The more people shop online, the more the company makes. And as a platform business, Shopify benefits from positive feedback loops. That is, the larger it grows, the larger it *will* grow.

Enbridge is currently stuck will nearly $100 billion in fixed assets that can only make money by transporting oil and natural gas. Shopify, for comparison, is asset light. The company hardly owns any physical assets, allowing it to be nimble and shift strategy quickly.

The future environment will be difficult for legacy energy businesses like Enbridge. For tech companies like Shopify, growth is only just beginning.

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