



Enbridge Inc (TSX:ENB) Stock: Joe Biden Could Decide its Fate

Description

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) stock has been rallying hard lately. Up 11% for the year, it has solidly outperformed the TSX.

To an extent, that's to be expected. Investors are currently rotating out of tech stocks and into value stocks, and energy has been a main beneficiary of this trend. The fact that oil prices have been rising hasn't hurt either. Enbridge benefits from numerous market trends taking place right now, so it's not surprising that it has posted gains.

However, there are some developments taking place in the U.S. that could put all of that in jeopardy. Between a major pipeline fight in Michigan and mixed signals from President Joe Biden, there's a lot of uncertainty. In this article, I will explore these developments to try and determine whether they impede the bullish thesis on ENB stock.

A fight in Michigan

The biggest development currently threatening Enbridge's U.S. operations is a [pipeline fight in Michigan](#). Michigan's governor Gretchen Whitmer recently revoked Enbridge's Line 5 easement — a necessary permission to keep Line 5 operating in that state. Theoretically, this means that Enbridge won't be able to operate Line 5 past May 31. However, there have been questions about whether the governor actually has the authority to revoke the easement. Enbridge's public statements seem to indicate that it will continue operating in Michigan past May 31.

This story has bearing on Canadians beyond just the obvious investment implications. Enbridge currently supplies 45% of Ontario and Quebec's oil and gas. Ontario alone receives [540,000 barrels a day through Line 5](#), and Michigan's closure puts that supply in jeopardy. This has become a major rallying cry for Erin O'Toole and is also being taken seriously by Trudeau's government. If Gov. Whitmer prevails, then Ontario and Quebec will need to find other ways to secure their energy supply. So, this is a story for all Canadians — not just Enbridge investors — to keep an eye on.

Calls for Biden to get involved

With both sides in the Line 5 dispute refusing to back down, calls have mounted for U.S. president Joe Biden to get involved.

Joe Biden made headlines in January by shutting down the Keystone XL Pipeline — another Canadian project. The move came after years of activism by environmental and indigenous groups. So far, Biden has not said that he would take similar actions on Enbridge infrastructure. But some think that he could get involved. Christopher Sands of the Canada Institute in Washington said that Biden could informally influence the situation by negotiating with Gov. Whitmer. He does not have jurisdiction over Michigan's energy policy but he may have informal influence. As a democrat, he is a member of the same party Whitmer is, and could hold some sway.

As for the nature of his involvement — if any — that remains to be seen. Canadian diplomats are hopeful that Trudeau's "special relationship" with Biden will yield a favourable result for Enbridge. However, that "relationship" didn't change the outcome on Keystone, which Trudeau was supportive of. It should also be mentioned that Gov. Whitmer's actions can be challenged in court, so this issue could eventually be resolved without Joe Biden doing anything. For investors, only time will tell whether the ultimate outcome is a good one.

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