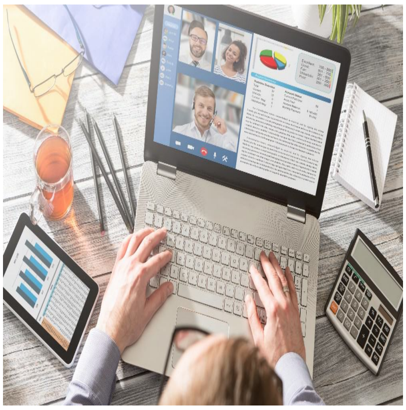

Don’t Buy Enbridge (TSX:ENB)! This Canadian Stock Is Superior

Description

Enbridge (TSX:ENB)(NYSE:ENB) is a long-time favourite for Canadian investors — and for good reason. Shares have delivered double-digit total returns for more than two decades.

Right now, the dividend yield is above 7%, causing many investors to talk a closer look. But if you want to maximize your investment, you should look at a *different* stock.

Enbridge: A dinosaur?

Pipeline businesses like Enbridge are quasi-monopolies. They’re like owning toll roads, but instead of transporting cars, they move fossil fuels.

The first thing to know is that pipelines cost a bundle to construct. We’re talking several million dollars per kilometer. This limits pipeline supply, as new projects are scarce and few competitors can afford to expand.

Limited pipeline supply only works in favour of incumbents like Enbridge. Fossil fuel production continues to rise in North America, even with low commodity prices, and all of that output needs to get to market. Limited pipeline supply results in high pricing power for pipeline operators.

There’s only one problem: fossil fuel demand is entering a long-term decline. We’ll be burning oil and natural gas for a long time, but annual consumption may fall every year for decades.

“Oil and gas – while remaining needed for decades – will be increasingly challenged as society shifts away from its reliance on fossil fuels,” states a recent report from **BP**. The scale and pace of this decline is driven by the increasing efficiency and electrification of road transportation.”

If you want to invest in the Enbridge of the future, you need to look at the stock below.

This stock is much better

If you want to future-proof your portfolio, ditch Enbridge for stocks like **Canadian Utilities** (TSX:CU). This company also has an incredible long-term track record. It has raised its dividend annually for more than four decades straight. That's the longest stretch of consecutive dividend increases in Canadian history.

"Canadian Utilities is perhaps my favourite stock within the utility space," I wrote this year. "It recently greenified its generation portfolio to reduce regulatory risk, and takes a heavy rate-regulated approach to improve cash flow visibility."

You really get the best of both worlds with this stock. Reduced volatility is provided due to its rate-regulated approach. That's where regulators ensure the company achieves certain pricing no matter where the economy goes. You also get significantly reduced regulatory risk in terms of climate actions, as the business divested nearly all of its heavy-emitting assets.

The comparison with Enbridge is clear. Enbridge was the energy powerhouse for decades, providing stable income, limited volatility, and consistent double-digit annual returns. But its days are numbered. Canadian Utilities, meanwhile, offers the same benefits, but has a bright future even if fossil fuel demand eventually goes to zero.

Please know that I'm not necessarily arguing *against* owning Enbridge stock, but the company is clearly facing immense headwinds. Whether the axe falls this year, or in a decade, no one knows for sure. With Canadian Utilities stock, however, you can bypass these climate risks almost entirely.

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