



There's Plenty of Reason to Be Bullish on Enbridge Stock

Description

I have previously spoken at length about why dividend-paying stocks like **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) are some of the safest to own in the current market environment. Indeed, focusing on defensive income-generating stocks is a much more defensive approach that may be rewarded over the long term — that is, if valuations revert back toward historical levels.

For investors considering such companies, here's why Enbridge is a [top pick](#) of mine.

Vital pipeline infrastructure

Enbridge is moving forward with the proposed plans to upgrade its pipeline network. These upgrades will allow for an additional 18 million cubic feet per day of shale gas to be shipped to the northeastern parts of the U.S.

The first step of a supposed two-step plan is connecting the Appalachian Basin to UGI Utilities facility and boosting compression. The second phase of this plan is to build similar links for Enbridge's other customers in the northeast.

These plans come at an advantageous time for Enbridge. Several pipeline projects have stalled in the eastern U.S. due to environmental protests. Combined with the Keystone XL pipeline ban, these protests severely limit the potential of the Appalachian Basin, which accounts for more than one-third of daily natural gas production in the U.S.

If Enbridge is able to get approval for this project, the company could really come out ahead in relation to its peers. For those who believe the political headwinds are short term in nature, and that Enbridge is a company that can get projects approved and finished (which it is), then these moves are well timed. That said, there remains a lot of political risk with pipeline stocks today, given the unfavourable political climate south of the border.

Out of all pipeline players, Enbridge is a rarity in that I see growth potential stemming from new projects on the horizon. Enbridge's cash flow growth has compounded significantly over time, and I

expect this to continue. If new projects can be pushed through, this thesis is made even stronger.

Plenty of growth ahead

Oil isn't dead yet. Yes, renewables are becoming a bigger part of the energy picture. However, we'll need fossil fuels for some time, as the world transitions toward renewable energy.

Enbridge's pipelines transport energy in the safest way over long distances. From an environmentally friendly standpoint, pipelines remain the best option for investors today. Enbridge's capital-spending plans to upgrade its network could be viewed more positively from a safety standpoint. Accordingly, I'm not overly bearish on growth as the market appears to be today on Enbridge stock.

Enbridge is also a company that's been investing heavily in renewable energy to diversify its business further. For example, the company already has several wind projects in Europe and works on solar plants to power its pipelines. This highly strategically diversified asset base should help it grow quicker than its peers in the legacy oil business.

I think Enbridge should have no problem returning double-digit total returns for investors over the long haul. For those seeking stable, consistent long-term growth, Enbridge is a great option today.

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Date

2025/07/21

Date Created

2021/04/26

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