



Enbridge Inc (TSX:ENB) Likely Won't Shut Down Line 5

Description

According to the State of Michigan, **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) has nine days to shut down Line 5. This is potentially a very big deal. Line 5 ships 540,000 barrels of oil a day out of Enbridge's three million a day total. If Line 5 were shut down, it would cost Enbridge a lot of revenue. However, it's not likely to actually happen — at least not soon. In this article, I'll explain why that's the case.

Enbridge says Michigan lacks authority

One reason why Enbridge is unlikely to shut down Line 5 is because it believes Michigan lacks the legal authority to force a shutdown.

Shortly after the governor revoked Line 5's easement, Enbridge put out a [press release](#) calling the move unlawful. In it, the company's lawyer said that Line 5 was in full compliance with all environmental and safety regulations. Given this, the company declined to shut down Line 5. So far, it hasn't changed its mind, and with just nine days to go until May 12, it looks unlikely that it will. If Enbridge doesn't shut down Line 5 by May 12, Michigan could possibly take it to court. If that happens, then Enbridge is looking at a legal battle that could last years.

Legal battle could last years

This year, Enbridge has been lobbying the Canadian government to try to find a political solution to the Line 5 issue. Justin Trudeau has pledged to support the company's efforts to keep Line 5 up and running. However, it's unclear that he'll be able to find one. Joe Biden has already cancelled one Canadian pipeline project in the United States. It seems [unlikely that he'll support Enbridge](#) in the Line 5 Pipeline dispute.

Given that, it's quite likely that Enbridge's dispute with Michigan will go to the courts — a process that is likely to take years to fully sort out. Complex litigation in the U.S. is usually long and drawn out, with both parties having the option to appeal decisions. It can take many months for a higher court to even hear a case.

What happens if it *is* shut down?

As I've outlined in this article, it's unlikely that Enbridge will shut down Line 5 in the near future. Given the political stalemate, the company will probably end up taking the issue to court, and keep the line operating through the lengthy court battle.

But let's say, for argument's sake, that Enbridge was forced to shut down Line 5. What would the effect of that be?

It's hard to say, but most likely, it would be pretty severe. As mentioned earlier, Line 5 supplies 540,000 of the three million barrels of liquids Enbridge transports daily. That's about 18% of the total. Assuming that revenue from Line 5 is about equal to the average for the company, then it would lose 18% of its revenue from a Line 5 shutdown. It could still be profitable after such an event, because costs associated with maintaining the pipeline would also go down. But it would affect the company's total profits and probably force it to lower its dividend.

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