



Enbridge Stock: Headed for Shutdown?

Description

Investors in **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) have been riding high lately. The pipeline company's shares finally rebounded with the oil and gas sector, reaching 52-week highs. Yet recent news has some wondering if the good news will be short-lived for Enbridge stock.

This comes off the announcement that next week Enbridge stock's Line 5 pipeline could be shut down. This main line between the United States and Canada would wreak serious havoc on the company. So, let's look into why now and what's likely to happen.

Enbridge stock Line 5 shutdown

The Line 5 pipeline connects between Michigan and Ontario. Last November, Michigan governor Gretchen Whitmer asked for a shutdown of the pipeline over the potential for oil spills. The pipeline provides oil and petroleum products throughout the Great Lakes and to a refinery in Ontario. Whitmer has seen been trying to block the pipeline by May 13, 2021.

However, the Canadian government has been trying to make sure this does not happen. With the oil and gas rebound underway, and the potential for commuter traffic and airlines running, the need for oil and jet fuel is at its greatest point. This could severely damage recovery attempts for both countries, and, of course, Enbridge stock. The U.S. imports about 80% of Canada's total oil output. That's about 3.7 million barrels per day.

Shut down a pipe dream

Officials stated it's unlikely that the pipeline will be shut down for the reasons stated above. But it's more than that. Such an order couldn't just be called for by the Michigan governor. It would need to be a direct order from President Joe Biden's office. Prime Minister Justin Trudeau brought up the issue back in February. Since then, Enbridge stated it would not be shutting down Line 5. It has even gone as far as to appeal the Michigan decision in U.S. court.

For now, the state of Michigan is in talks with Enbridge. But this is also [good news](#). A state-ordered shutdown is unlikely to happen while discussions are underway. Those talks were due to finish this week, so Enbridge stock investors are hoping a deal has been reached.

But not off the table

If talks go south, there could indeed be a called-for shutdown by the Michigan government. However, until the Biden administration steps in, it could be that Enbridge will defy the order. This could send shares of Enbridge stock plummeting, as the company has proven drama has never been good for share growth.

But it's clear why Enbridge stock would want to keep things moving. Line 5 delivers 540,000 barrels of oil and petroleum products per day from Superior, Wisconsin, to Sarnia, Ontario. Meanwhile, its Mainline System delivers more than half of Canada's total production. The entirety of the jet fuel at Toronto's Pearson International Airport comes from Sarnia and is distributed by Line 5. It also delivers propane to homes across Michigan and Ontario, supporting thousands of jobs.

As for the safety argument, while oil spills must be dealt with, Enbridge stock argues the alternative is worse. There would be a dependence on 2,000 trucks and 800 rail cars one-way each day. So, all in all, a shutdown does not look likely.

What it means for Enbridge stock

If you're holding Enbridge stock, keep holding onto it. This company isn't likely to see its Line 5 pipeline shutdown, even with calls for it by a Michigan governor. Meanwhile, Enbridge offers a substantial 6.96% [dividend](#) yield as of writing, which has grown by 14.32% at a compound annual growth rate over the last decade. Shares are also up 10% in the last year alone, and analysts predict even more growth by the end of 2021. This is the perfect long-term hold, and any dip would be a prime time to buy up this investment.

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