



What Is the Line 5 Closure? How Could it Impact You?

Description

On November 13, 2020, Michigan governor Gretchen Whitmer caused an uproar when she signed an executive order that gave Calgary-based **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) 180 days to shut down its Line 5 pipeline, which ships 540,000 barrels of oil daily through the Great Lake States to Ontario.

Enbridge claims Whitmer has no right to close Line 5. Whitmer said she'd seize Line 5's profits (reportedly \$1.3 million daily) if it doesn't comply. And as May 12 was the "shutdown deadline," most of us are wondering what will become of this North American feud.

If you're new to the issue, or if you've been watching from a distance, let's take a step back. What exactly is Line 5, and why is its closure important to Canadians? Here's what you need to know.

What is Line 5?

Line 5 is a pipeline that transports petroleum from western to eastern Canada through the U.S. states of Wisconsin and Michigan. The pipeline begins in Superior, Wisconsin, enters Michigan from the north, then runs along numerous bodies of water (including Lake Michigan and the Strait of Mackinac) before terminating at Sarnia, Ontario. Line 5 is just one of several pipelines in the Enbridge Lakehead System, and it's been in operation since 1953.

Why does Gov. Whitmer want to close Line 5?

Gov. Whitmer believes Line 5 is a serious environment risk to Michigan's freshwater, especially the Strait of Mackinac, whose ecosystem is highly sensitive. The pipeline is 68 years old. A ship's anchor almost damaged the pipeline a few years back. Zebra mussels have corroded it. As Whitmer sees it, all it takes is one catastrophe to damage the Great Lake's ecosystem.

Not to mention that Enbridge doesn't exactly have a clean record. In 2010, a six-foot gash in Enbridge's Line 6b contaminated Michigan's Kalamazoo River with hundreds of thousands of crude oil. It was one of the largest oil spills in U.S. history, and the clean-up costs surpassed \$1.2 billion.

All of this, too, rides on an even bigger issue: both the U.S. and Canada have pledged carbon neutrality by 2050, and shutting oil pipes seems to be one vital step toward that goal.

Why doesn't Enbridge comply?

The biggest reason: it could lose a lot of money. [As Enbridge said](#), "shutting down Line 5, even temporarily, would have immediate and severe consequences on the economies of Michigan, Ohio, Ontario, and elsewhere."

Line 5 conveys 540,000 barrels of oil per day, which is a significant portion of Enbridge's three-million-a-day total. Closing the pipeline would not only affect Enbridge's profitability but will likely impact the Canadian economy as a whole.

Secondly, Enbridge isn't convinced Whitmer has the *right* to close the pipeline. Line 5, the company claims, doesn't pose environmental risk, and the pipeline is in compliance with safety and environmental regulation. As for the Strait of Mackinac: Enbridge has plans to build a tunnel to house the dual pipes that pass through those waters.

Finally, regarding fuel consumption, Enbridge doesn't think closing Line 5 will change our carbon footprint. In fact, it might make it worse. Without pipelines, we'll simply use other fossil fuel-dependent supply chains, such as trucks and trains.

Yesterday was the deadline: What happened?

So far, nothing. Line 5 is still operating, with no signs of closing.

On Tuesday, Gov. Whitmer threatened to seize the company's profits if they keep the pipeline open. Enbridge, for its part, continued to insist that the state had no authority to shut down Line 5. The parties have been to U.S. Federal Court, and they were ordered to find a resolution. On May 18, they are scheduled to meet again.

What would happen if Line 5 were closed?

For one, Enbridge would likely lose a lot of profit, forcing it to lower their dividends. Line 5's 540,000 daily barrels is around 18% of Enbridge's total output. Cutting a fifth of the company's production wouldn't fare well in the short term.

Secondly, Central Canada would likely face an energy shortage, at least for a time. Line 5 feeds nearly half of Ontario's fuel demand, which includes Toronto Pearson International Airport's jet fuel consumption. Quebec also depends on Line 5 to send fossil fuels to its Line 9. If Line 5 is closed, Canadians could see a rise in certain expenditures, such as gas, food, and airplane tickets.

Finally, closing Line 5 could strain the relationship between two historically friendly nations. The U.S. has already revoked the Keystone pipeline against Canada's wishes. Another closure, especially one that hurts the Canadian economy, could make matters worse.

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