



Earn a 3.9% Dividend Yield From Alberta's Oil Bonanza

Description

Fort McMurray, Alberta, is home to one of the largest construction projects in human history.

You wouldn't know it looking at the statistics. With a population just north of 60,000, Fort McMurray is scarcely larger than some Toronto suburbs. Yet this tiny town is ground zero for Alberta's oil bonanza.

Thanks to new technologies like Steam Assisted Gravity Drainage, billions of barrels of previously unrecoverable bitumen are now being extracted from the nearby oil sands.

This field is massive. In terms of proven reserves, Alberta's oil sands hold 168 billion barrels of crude, ranking second only to Saudi Arabia. Though new technologies could push that figure much higher.

And according to the many estimates, oil sands output alone is set to almost triple over the next 20 years.

That's why **TransCanada** (TSX:TRP, NYSE:TRP) could be the top dividend growth stock of the next decade.

The company owns 68,500 kilometres of oil and gas pipelines — enough to cross the country almost two and a half times — that move valuable commodities around the continent.

TransCanada's business is critical pillar in our society. Our daily lives would be drastically different without the commodities the company ships through its pipelines or the power the firm generates for our homes. That means TransCanada sees consistent demand for its services.

And the profits the company earns are just as consistent. Most of the revenue TransCanada generates is fee based. Commodity prices have little impact on the company's overall profitability. It simply earns a fee for every barrel that flows through its pipelines.

And TransCanada returns much of that cash back to shareholders through dividends. The company has hiked its dividend payment for 13 straight years since 2000. In the past year, TransCanada distributed \$1.3 billion to investors, and today the stock yields 3.9%.

But that's small potatoes compared to what could happen next.

Thanks to Alberta's energy boom, the amount of bitumen currently being pulled daily out of the ground is only a fraction of what's to come.

According to the Canadian Association of Petroleum Producers, oil sands production is expected to surpass 5.2 million barrels per day by 2030 – almost triple current output.

This will require a massive expansion of Canada's energy infrastructure to move all of this output to market. Companies that collect, ship, and store all of this production are poised to make a fortune.

TransCanada has a remarkable \$38 billion in secured expansion projects on the books through 2018. Keep in mind, this is already one of the country's largest midstream players, already endowed with a great set wide-moat assets.

And while most investors avoid this stock because of the Keystone XL pipeline debacle, it's important to note that the southern leg of the project is already completed.

While full construction is certainly a nice bonus, Keystone is only a portion of the company's growth strategy. With new proposals such as Energy East, it's becoming less and less relevant by the day.

Investors could definitely be rewarded for years to come through steady cash flow, increasing dividends, and a backlog of expansion projects as TransCanada taps into Alberta's oil bonanza.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:TRP (TC Energy Corporation)

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rbailieul

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