



Enbridge vs TransCanada: Which Should You Buy?

Description

If you're looking for safe, reliable income, the pipeline companies are a great place to start. These companies operate critical infrastructure, benefit from long-term contracts, and have growth in the energy patch to look forward to. As a result, their shareholders are able to count on consistently rising dividends.

But which one should you buy? Below we look at the two largest companies.

Enbridge

There are very few companies in Canada with a track record as consistent as that of **Enbridge** ([TSX: ENB](#))([NYSE: ENB](#)). The company has managed to raise its dividend every year for the past 19 years, and shows no signs of slowing down, with \$36 billion of commercially secured projects through to 2017, a big number for a company worth \$42 billion.

The controversy surrounding the Northern Gateway pipeline provides the perfect illustration of the company's challenges and its advantages. For one, there is strong environmental opposition to Canada's oil sands, and the pipeline companies have been caught right in the middle of it. Enbridge in particular hasn't helped its own cause — back in 2010, an Enbridge pipeline burst and spilled 3.3 million litres of oil into Michigan's Kalamazoo River.

At the same time, Northern Gateway also shows how pivotal Enbridge's role is in Canada's energy development. Numerous oil producers are desperate to get access to Asia's markets, in the hopes of getting a better price. To do that, they will have to go through Enbridge. Such is the nature of being a pipeline operator, and this is great news for shareholders.

The company is currently growing earnings at roughly 10% to 12% per year, and will likely boost its dividend at the same rate. So even though the company only yields 2.8% based on today's dividend, income-oriented investors can count on an ever-increasing payout.

TransCanada

We've all seen plenty of headlines about **TransCanada's** ([TSX: TRP](#))([NYSE: TRP](#)) Keystone XL pipeline. However, there's a lot more to the company than that.

TransCanada has about \$50 billion worth of assets, and another \$36 billion of commercially secured projects — coincidentally the same number as Enbridge. Of this total, Keystone accounts for only \$5.4 billion, although the company has said this estimate will be raised. Thus, anyone who thinks that TransCanada's fortunes hang in the balance on President Obama's decision are missing the bigger picture.

Luckily, these headlines have provided us with an opportunity. Despite having one of the safest dividends in all of the Canadian stock market, TransCanada still yields a healthy 3.8%, well above Enbridge's yield. Therefore TransCanada is likely the better option for your portfolio, as long as you're willing to look past the headlines.

CATEGORY

1. Investing

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1. NYSE:ENB (Enbridge Inc.)
2. NYSE:TRP (Tc Energy)
3. TSX:ENB (Enbridge Inc.)
4. TSX:TRP (TC Energy Corporation)

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