

If You Want Steady Dividend Income, You Have to Read This: Enbridge Inc

Description

The lingering impact of the Great Recession is still hitting parts of the U.S. Midwest hard. But in Moberly, Missouri, things have held up well.

A nearby construction project is the reason. Nearly 1,000 workers are holed up in Moberly... filling up the local hotels, spending money at the dry cleaners, and keeping the nearby diners humming. Restaurants are packed at lunchtime when the crews go on break.

What are they building? It's one of the most valuable assets in the energy industry. And soon, owners will start collecting daily dividend cheques that could be rolling in for decades to come.

Missouri's \$2.6 billion Forever Asset

The project is called Flanagan South; a pipeline, 90 centimeters in diameter, that will run 1,000 kilometers from Illinois to Oklahoma. With a price tag at over \$2.6 billion, it's one of the largest energy infrastructure projects ever built in the area.

If you follow the news, you probably know that building a pipeline like this is a big hassle. But once the project is up and running, there's no better business in the world... especially if you like collecting globs of dividend income. Here's why:

Construction on Flanagan South is wrapping up and oil will begin flowing through the pipeline in a few weeks. Once operational, it has the capacity to carry 600,000 barrels of oil per day. And because this project is so badly needed, the line will be full almost immediately.

That situation is unlikely to change anytime soon. There's a massive surplus of oil in Illinois and nearly an unlimited demand for the stuff on the U.S. Gulf coast. So the pipeline will be cranking out maximum profits for decades to come.

Better yet, Flanagan South isn't impacted by recessions or wars. The pipeline's cash flows will be as steady as bond coupons. That's because energy prices have almost no impact on its profits. Flanagan South simply earns a fee for every barrel of oil that flows through its network.

And while the project requires a big upfront investment, it's not that costly to maintain. Once laid the pipeline just sits there, delivering oil to customers. Maintenance costs are usually only a small percentage of revenues; the rest can be paid out to its owners.

Best of all, there's little competition. Trucks and railcars can't compete once a pipeline is in place. The only true competition to Flanagan South is another pipeline that runs right beside it. However, the owners control this line, too.

Even if you wanted to build a third line, chances are you couldn't do it. The costs to lay another route would be billions of dollars, keeping any possible rival out of the business. Local governments and

landowners are also hesitant to grant the needed right-of-ways for construction.

How to start collecting your own pipeline income

Flanagan South is perfect for investors who want to earn double-digit returns without taking big risks. Unfortunately, you can't invest directly in the project. However, you can buy shares in the company that owns it: **Enbridge Inc** ([TSX: ENB](#))([NYSE: ENB](#)).

Enbridge owns dozens of pipelines just like Flanagan South. And because these assets are gushing so much cash, the firm has paid a dividend to shareholders every year since 1953. I expect the firm to continue that tradition for decades more to come.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/07/05

Date Created

2014/11/21

Author

rbailieul

default watermark

default watermark