2 Stocks That Will Benefit From Recent Government Actions

Description

On August 18th, Alberta's government revealed that it would not be raising oil and gas royalty rates until at least the end of 2016. With oil prices recently hitting six-year lows, the potential for higher government taxes was yet another negative for an industry in turmoil.

The higher proposed income taxes would have taken almost $1 billion off the value of Canadian oil companies over the next two years alone. After companies in the sector argued that higher taxes should be deferred until the economic outlook has improved, the government decided it was best to delay any impending action.

Now that they can operate knowing that their tax bills won't jump for at least the next 16 months, which stocks are expected to be the biggest benefactors?

Even the biggest names are on sale

Suncor Energy Inc. (TSX:SU)(NYSE:SU) has significant operations in oil sands. Amid falling revenues, the company was able to lower costs by roughly $700 million last year. Last quarter alone, the company was able to lower capital expenditures by a massive $400 million (compared to cash flow from operations of over $2 billion). Lower taxes gives the company even more flexibility in running the business.

Suncor's integrated model of business also reduces volatility. The refining business usually gets a boost as the price of oil falls as that business can buy cheaper inputs. The company also has multiple growth opportunities, including its Fort Hills project, which will commence operations at the start of 2017. Don't be surprised if the company can manage higher production volumes with lower costs next year.

This company has massive dividend growth ahead

Enbridge Inc. (TSX:ENB)(NYSE:ENB) is the largest owner and operator of pipelines in North America. The company has massive growth plans with a $44 billion backlog of potential infrastructure builds. For example, its Northern Gateway pipeline has mouth-watering potential.

Part of the reason Canadian oil trades at a discount is due to the lack of export potential, leaving the U.S. as Canada's main customer. The Northern Gateway will allow Canada's oil to be shipped to Asia, yielding more competitive prices for Canadian crude.

Enbridge pays a dividend of $1.86 per share, giving it a 3.5% yield. The company has increased its annual dividend payment for 19 consecutive years, with an average growth rate of 14% over the last decade. Expectations are for a further 14-16% annual dividend growth through 2018. This should be relatively easy given the company's growth potential and current payout ratio of only 50%.

Despite the turmoil in the oil markets, there aren't many other income and growth stories with as much potential as Enbridge.

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2. Investing

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1. Editor's Choice

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