



2 Energy Infrastructure Stocks to Buy on an Oil Plunge

Description

Oil sector investors are hoping an OPEC deal on November 30 will send oil prices soaring.

If the group disappoints, however, oil will likely tank, and that would provide an opportunity for investors to pick up some quality names on the sell-off.

Let's take a look at why **Inter Pipeline Ltd.** (TSX:IPL) and **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) might be attractive picks.

Inter Pipeline

Inter Pipeline owns natural gas liquids (NGL) extraction facilities, oil sands pipelines, conventional oil pipelines, and a European liquids storage business.

The diverse nature of the revenue stream has helped the company weather the oil rout reasonably well, and management is taking advantage of the weak market conditions to add strategic assets ahead of a recovery.

Funds from operations in the third quarter rose 3% compared with Q3 2015 as a rebound in the NGL processing business and ongoing strength in Europe helped offset lower volumes on the conventional oil and oil sands assets.

Inter Pipeline recently closed its \$1.35 billion acquisition of midstream NGL facilities from **The Williams Companies**. The deal is at a significant discount to the cost of building the two plants and related infrastructure, so Inter Pipeline should see strong returns on the investment when the market recovers.

Management just raised the monthly dividend to \$0.135 per share. That's good for a yield of 6% today.

With a payout ratio of 65%, the distribution looks safe, so any pullback in the stock on an oil plunge should be viewed as an opportunity to buy.

Enbridge

Enbridge is in the process of buying **Spectra Energy** for \$37 billion.

The deal will create North America's largest energy infrastructure business with assets located throughout Canada and the United States.

Enbridge is facing pushback on its large pipeline projects, but the company has a significant portfolio of commercially secured smaller developments on the go to keep it busy for several years.

In fact, the addition of Spectra will raise the near-term development portfolio to \$26 billion. As these assets are completed and go into service, Enbridge expects cash flow to increase enough to support annual dividend growth of at least 10% per year through 2024.

That should provide enough comfort for long-term investors who are willing to ride out any additional market weakness.

The current distribution provides a yield of 3.8%.

Is one more attractive?

Both stocks are attractive picks on any pullback caused by a drop in oil prices.

If you simply want the highest yield, go with Inter Pipeline. If you are more comfortable holding an industry giant, rather than a niche player, Enbridge should be your first pick.

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