Pipeline Stocks Are Heating Up: Here’s Where to Invest

Description

With **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) buying out **Kinder Morgan Canada**, while a subsidiary of **Enbridge** (TSX:ENB)(NYSE:ENB) is proposing a $2.5 billion NGL infrastructure project in northeastern B.C., the pipeline space is getting interesting once again for energy investors.

In fact, the midstream space could potentially look quite different 10 years from now, with Enbridge potentially losing market share to its largest competitors. This could come to fruition if innovative ways to transport fuel out of the oil patch allow shippers to explore options beyond the Mainline system.

Pipeline stocks are garnering increased attention

Pembina has long looked like a solid buy, paying a tasty 5.05% dividend yield. The company is all set to buy Kinder Morgan Canada and the Cochin Pipeline in a multi-billion-dollar deal and has announced an increase to its dividend.

Boasting a market cap of $24.3 billion, Pembina has a solid track record, though its stock is a touch overvalued compared with the oil and gas industry average.

Selling at a discount of around 40% compared to its fair value, Enbridge stock may still be worth adding to a cost-focused portfolio.

An $87.7 billion market cap puts the midstream giant into solidly defensive territory, though investors will have to decide whether the cross-border hold-ups in its pipeline projects warrant a long-term place in a dividend portfolio.

For instance, the midstream giant needed to get approval to get its natural gas line going again after the accident in Kentucky, while the company also has had to defend its Line 5 plan in terms of the Constitution after Michigan challenged an underwater pipeline in the region.

Additionally, long-term investors have been eyeing the headlines with some suspicion of late, with the shakeup of Enbridge’s Mainline contracts system attracting no small amount of opprobrium. Shippers in this country are concerned that U.S. companies may get the lion's share of the network's capacity under new guidelines.

Don't like pipeline stocks? These oil companies sell at year-long lows

Two decent oil stocks are going cheap at the moment if a pipeline play isn't your thing right now. **Vermilion Energy** (TSX:VET)(NYSE:VET) and **TORC Oil & Gas** (TSX:TOG) are both trading at 52-week lows, with the volatile energy environment offering attractively priced assets.

The latter stock is of particular interest, as its management finds itself in a position to increase production through acquisitions. A sturdy balance sheet paired with a rich yield certainly makes for an attractive play.

Meanwhile, Vermilion is nice and cheap and pays an extremely high yield of 14.9%. Yes, you read that right: this energy stock shells out almost 15% on your investment.

What's more, that dividend looks stable, with the international oil and gas company controlling assets that are spread across North America, Australia, and Europe, and protecting its dividends even during hard times.

The bottom line

In terms of passive income, Enbridge's 6.8% yield should be rich enough for dividend shareholders' palettes. However, less-contentious long-term plays may lie with the likes of Pembina, while oil and gas fans have strong choices in TORC Oil & Gas and Vermilion Energy.

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Date
2025/08/21
Date Created
2019/08/28
Author
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