



2 Stable Pipeline Stocks Perfect for Passive-Income Seekers

Description

Pipelines are vital to not only the oil industry but our entire economy in general. Without the ability to move millions of barrels of oil and gas a day, society as we know it wouldn't exist. In addition, the inability to move oil would make the fact that Canada has the third-largest oil reserves irrelevant, when, in reality, it's a huge advantage.

This makes pipelines essential for the economy and one of the top investments you can make. Since pipelines are so important and the assets are recession proof, all investors should have a core portion of their portfolio in pipeline companies.

Two of the top pipeline companies in Canada that have stable operations and generate growing passive income are **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) and **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)).

Pembina

Pembina is a well-positioned midstream company that operates a number of pipelines as well as natural gas gathering and processing facilities. It is vertically integrated, offering high-value services to its customers, which should continue to help it grow its business.

It has a number of operations with long-term contracts to insulate itself from production cuts, especially on the natural gas side, where its gathering and processing facilities are tied directly into other producers' operations.

Pembina is an extremely stable company underlined by some core rules it has for its business. The first thing Pembina does is target 80% of its adjusted earnings before interest, taxes, depreciation, and amortization to come from fee-based revenue.

It also targets to pay out 100% of the fee-based distributable cash flow, which gives it a stable dividend policy, especially considering it maintains at least 75% of its credit exposure to investment-grade clients.

Currently, its dividend yields roughly 4.8% and grows at a stable pace — perfect for investors looking for growing, passive income.

As its return on equity continues to strengthen, look for Pembina to increase its dividend at an even faster rate going forward, especially as activity in Western Canada ramps up again.

Enbridge

Enbridge is mainly known as a pipeline company; however, it has a large portion of its business is utilities as well. This makes [Enbridge](#) even more stable as well as diversified.

Its mainline business is key for Canada's economy, accounting for nearly three-quarters of Canada's takeaway capacity. What also makes it attractive are the many regional tie-ins that it has tied to growing oil sands projects.

These projects not only help to make the revenues more stable, but they inherently come with organic growth in them, as companies continue to grow their oil sands production over time.

The entire business is run extremely well, and it's a company that pays a generous dividend and continues to raise it year after year. Since 2014, the company has increased it nearly 100%, and today it yields approximately 6.3%.

Due to its strong assets and operations, its great management team and its solid financials, Enbridge is one of the best stocks for investors to buy and hold forever, especially if you're an income investor.

Bottom line

Pipelines in general are great businesses for those investors looking for [passive income](#), but these two are exceptional in regard to stability of their operations and sustainability of the dividends.

Investors in Enbridge will most likely see faster growth in the distribution, while Pembina investors can count on a completely stable dividend, underpinned by fee-based income.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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2. NYSE:PBA (Pembina Pipeline Corporation)
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