Midstream Shake-Up: Should Wide-Moat Investors Switch Sectors?

Description

Shares in **Enbridge** (TSX:ENB)(NYSE:ENB) have dropped by 2.7% at the time of writing after the Canada Energy Regulator (CER) ordered the suspension of open season on its Mainline pipe system. Analysts are in agreement with the market that the move is negative for the midstream giant, though the company has stated its intention to continue with proposed changes in contracting.

Though Enbridge has asserted that the move by the CER will simply change the timing of open season, the pipeline company will now have to seek approval from the regulatory body over the terms and conditions of the altered service.

Enbridge had previously asked the CER to disregard criticism of its plans, stating, "The board has never before intervened in an open season process, even when an abuse of market power has been alleged." However, that intervention has now taken place.

The story broke after hours on Friday, leaving the stock looking positive over the weekend. However, investors quickly reacted to the news Monday and sent Enbridge heading into the new week on a sour note, pushing its stock down 1.49% almost as soon as trading opened.

Should wide-moat income investors look elsewhere?

Canada has other wide-moat stocks besides Enbridge, so while some alternatives in the oil patch do exist, a relatively safer play might be to stick with the market leaders but move sideways across sectors. Targets include commodities, with some opportunities for upside in steel and palladium, or agri supplies and packaged consumer staples. Other wide-moat dividend sources include banking, other energy sources, and telecoms.

Telecom investment is a canny way to claim back some of that money you spend every month on the usual round of phone bills, TV packages, and broadband. By buying shares of your internet service provider, you can earn dividends that replace some of your own bills, as well as all those of other customers just like you. What's more, Canadian telecoms offer a lucrative play for relatively assured growth.

BCE (TSX:BCE)(NYSE:BCE) had a very satisfying most recent quarter, for instance, adding subscribers and growing its income. The Bell company parent also just grew its media reach through investment in Francophone content, snapping up Quebec's V network. While BCE's 5% dividend yield comes in lower than Enbridge's 6.35% yield, it's still suitably high for a low-risk, buy-and-hold portfolio.

Having been recognized as the country's fastest ISP provider also boosts BCE's defensive status, while its position as one of Canada's foremost streaming companies, through its Crave service, means that BCE is carving itself an ever-wider economic moat. In other words, the more subscribers BCE attracts, the better covered your dividends are, and the greater the long-term capital appreciation of this segment of your portfolio.

The bottom line

Swapping out uncertainty in the oil patch for assured growth and increasing market share in telecoms and media certainly looks appealing. With Enbridge seeing its Mainline open season shut down by the CER, dividend investors looking for low-risk, headache-free safety in their passive income may want to think about switching to other industries.

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