The Top Stock to Buy for a Canadian Oil Boom

Description

With pipeline developments underway, all signs are pointing to a coming Canadian oil boom. Indeed, the fossil fuel sector looks solid for the foreseeable future, with the liberals committed to bringing more pipelines online.

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With favourable conditions for increased Canadian crude demand, the oil patch could see a resurgence of interest over the coming years, with one stock in particular standing out for new investors.

A strong quarter and a resolute stance

The Canada Energy Regulator (CER) caused consternation when it put the kibosh on **Enbridge**'s (TSX:ENB)(NYSE:ENB) Mainline open season at the end of September.

As Enbridge sought to move away from monthly contracts on its pipeline network and into long-term agreements oil shippers, the CER became concerned about the fairness of the setup, questioning whether it was an "abuse of Enbridge's market power."

Enbridge responded quickly at the time, however, by asserting that it would go ahead with changes to its Mainline allocation system, with a representative stating that the "decision by the CER is a departure from the decades of precedent and commercial practice in our industry."

Fast forward to Enbridge's strong third-quarter results and it's easy to see why investors stick with this company. Citing the predictability of its business model, CEO Al Monaco listed strong Mainline throughput, demand for both gas and Western Canadian crude, and synergies in its Ontario gas utility as contributing factors to the company's solid Q3. There are also Line 3 developments to look forward to.

"In addition to delivering strong financial results, we advanced key initiatives in each of our business units during the quarter," Monaco said. "In liquids pipelines, we've reached commercial agreement to place the Canadian portion of the Line 3 Replacement Project into service later this year, which will further enhance the safety and reliability of our Mainline system."

Oil bulls will be pleased to know that open season on the Mainline network could soon resume. "The Mainline provides the most economic tolls to the best markets, resulting in the strongest netback for Western Canadian crude," Monaco asserted. "We remain committed to our offering and plan to file an application to the regulator as soon as practical."

A solid dividend stock for new investors

Paying a 6% yield, Enbridge is still an undervalued stock, and a steal for dividend investors looking for wide income margins from their **TSX** energy investments.

Although that share price is up by around 14% over the past 12 months, Enbridge still offers a rich dividend yield for new oil investors.

Newcomers to the TSX who are unsure of which energy stocks to add to a new dividend portfolio should consider the wide-moat nature of Enbridge's business, as well as its defensively large market cap, strong management team, and two decades of consecutive dividend growth at a rate of 12.1%.

Sitting at below 65% of its distributable cash flow, Enbridge's dividend is secure and reliable and has a 64-year track record.

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The bottom line

New investors seeking only the strongest businesses in Canada to invest in have a strong play for passive income in Enbridge. Its Mainline system represents an unassailable economic moat, while its dividend is among the sturdiest on the TSX.

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