



1 Catalyst That Could Take Pipeline Stocks on a Nice Ride

Description

In the energy sector, pipeline stocks are among the favourite plays of income investors. And for good reason. The long-term contracts these energy infrastructure players provide a level of cash flow stability that's hard to find today. And long-term investors like the defensiveness these essential infrastructure plays provide.

Pipeline stocks such as **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) and **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) are among the [most-discussed players](#) in Canada. Let's take a look at why these stocks could be due for a nice ride from here.

Pipeline stocks poised for growth

Growth isn't a word typically associated with pipeline plays. At least, not anymore. If anything, most proposed pipeline projects are likely to fail to get regulatory approval. Indeed, the world is shifting away from fossil fuels, and pipelines are on the out.

That said, it's important to remember that we're transitioning away from fossil fuels. Until we're able to support the growing need for electricity via sustainable means, we'll need pipelines. And expectations are that this need will span many more decades to come.

In the case of Pembina and TC Energy, these companies have teamed up on an interesting project. The two pipeline players are combining forces to work on a carbon transportation and sequestration system. This system will be set up in Alberta, close to the companies' respective hubs.

Indeed, expectations are that this will become a key centrepiece of Alberta's carbon storage and utilization plans. A variety of other projects including retrofitting existing pipelines and ensuring the safe transport of fuel across older channels will reduce the likelihood of spills. These projects are good for the environment and provide stability to oil markets.

Accordingly, both Pembina and TC Energy appear willing to move in the right direction. These projects should provide greater cash flow stability — a plus for long-term investors.

Bottom line

Both Pembina and TC Energy provide investors with an excellent mix of growth, income, and defensiveness today.

On the income front, Pembina and TC offer investors yields of 6.2% and 5.4%, respectively. These yields are substantial and are likely to make up a significant portion of these stocks' respective returns over time.

From a growth standpoint, these pipeline players appear to be willing to make the investments necessary to drive cash flow growth over time. The recent partnership between these two pipeline players signals a cooperative shift in the sector. Indeed, that could turn out to be a good thing for investors with heavy sector-specific exposure.

Accordingly, both companies are great options for long-term investors today.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. dividend
2. dividend stock
3. growth
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TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. NYSE:TRP (Tc Energy)
3. TSX:PPL (Pembina Pipeline Corporation)
4. TSX:TRP (TC Energy Corporation)

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