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### Description

**Inter Pipeline** (TSX:IPL) owns and operates [world-scale energy infrastructure assets](#) in Western Canada and Europe. Inter Pipeline's long-term strategy is to protect, develop, and expand high-quality assets to generate stable and predictable adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA).

### Demand starting to return to pre-pandemic levels

For Inter Pipeline, it is encouraging to see that the 2021 pricing environment for commodities continues to rebound and areas of demand are starting to return to pre-pandemic levels. At this time, Inter Pipeline's office-based employees are scheduled for a [phased return to the company's corporate workplaces](#) in the third quarter of 2021, in keeping with provincial and national health agency guidance.

### Owner of a world-scale integrated complex

In addition, Inter Pipeline's new ventures business currently includes the Heartland Petrochemical Complex (HPC), a world-scale integrated complex comprised of a propane dehydrogenation plant (PDH Plant) and polypropylene plant (PP Plant) and a co-generation central utilities block (CUB). It is currently being built in Strathcona County, Alberta, near the Redwater Olefinic Fractionator.

### Diversifying and strengthening Inter Pipeline's natural gas liquids processing business

The Heartland Petrochemical Complex is designed to convert locally sourced, low-cost propane into 525,000 tonnes per year of polypropylene, an easily transported plastic used in the manufacturing of a wide range of finished products. The complex is expected to materially diversify and strengthen Inter Pipeline's existing large-scale natural gas liquids (NGL) processing business while creating an attractive new market for Alberta propane.

## **Successfully negotiated for HPC's production capacity**

In the second quarter, Inter Pipeline invested \$301.7 million in HPC, bringing the total capital investment since inception to approximately \$3.7 billion. Inter Pipeline appears to have successfully negotiated an eighth take-or-pay agreement for HPC's production capacity. The new contract is with an investment grade, multinational integrated energy producer.

## **Contracting minimum capacity in advance of operations**

Further, Inter Pipeline has now secured 68 percent of HPC's production capacity under take-or-pay agreements, which is very near the company's stated objective to contract a minimum of 70 percent of capacity in advance of the facility becoming operational. Negotiations appear to be continuing with several additional counterparties.

## **Stable return on capital payments**

These contracts are structured to include a stable return on capital payment to Inter Pipeline plus fixed and variable operating fees, with no exposure to commodity price fluctuations. The weighted average term of the executed contracts remains approximately nine years. The company has structured it such that if no other contracts are secured, the remaining 32 percent of HPC production capacity would be tied to merchant sales of polypropylene production.

## **Commencement of polypropylene facility operations**

Additionally, Inter Pipeline is planning a staggered start-up of HPC with the commencement of polypropylene facility operations expected early in the second quarter of 2022. The PDH facility, which is substantially mechanically complete, is expected to be operational several months later, with definitive timing subject to the completion of final commissioning plans later this year.

## **Prioritizing financial flexibility and liquidity**

Overall, Inter Pipeline continues to prioritize financial flexibility and liquidity, while continuing to fund the company's ongoing business. This should serve long-term shareholders well.

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