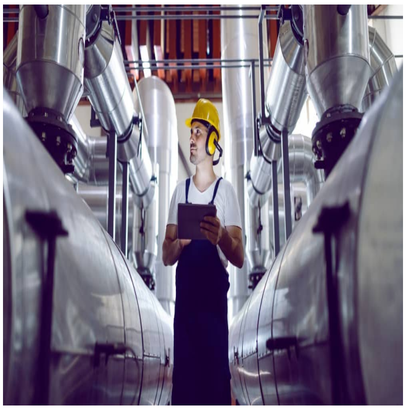

Canada's Top Pipeline Stock Should Continue Outperforming

Description

Inter Pipeline (TSX:IPL) owns a strong transportation segment which is composed of oil sands and conventional oil pipelines, as well as bulk liquid storage terminals. In total, Inter Pipeline operates seven pipeline systems with ultimate capacity to transport over five million barrels per day of petroleum products from producing sites in Alberta and Saskatchewan for delivery to market hubs primarily at Hardisty and Edmonton, Alberta.

Long-term cost-of-service contracts that have a defined annual capital fee

Further, Inter Pipeline's oil sands pipelines include the Cold Lake, Corridor, and Polaris systems, with transportation services provided to shippers pursuant to long-term cost-of-service contracts with a defined annual capital fee and allow recovery of substantially all operating costs. Conventional oil pipelines include the Bow River, Milk River, Central Alberta, and mid-Saskatchewan systems.

Significant storage capacity across multiple terminals

Transportation services are generally provided under cost-of-service and fee-based contracts, with more than 100 producers and shippers within Inter Pipeline's broad service capture areas. Midstream marketing activities are completed by the marketing segment for fixed service fees. In addition, Inter Pipeline operates bulk liquid storage terminals in Denmark and Sweden branded as Inter Terminals Nordics, which includes approximately 19 million barrels of storage capacity across eight terminals.

Storage and custom blending services

This business provides storage and custom blending services for oil, chemical, and biofuel products through a combination of cost-of-service and fee-based arrangements. Inter Pipeline's facilities infrastructure segment owns assets that provide customers with natural gas liquids, off-gas, and petrochemical products and services.

Multiple processing facilities

NGL and off-gas fractionation is provided through a straddle plant at Cochrane as well as an integrated off-gas business that includes the Redwater olefinic fractionator (ROF), Pioneer I, and Pioneer II processing facilities located near Fort McMurray, Alberta, and the Boreal pipeline system that connects these facilities.

Fee-based and cost-of-service arrangements

For Inter Pipeline, NGL fractionation is also provided through interests in two straddle plants at Empress until June 1, 2021, at which time these plants were sold. The facilities infrastructure segment generates adjusted earnings supported by fee-based and cost-of-service arrangements and sells commodity-based products to the marketing segment for fixed service fees plus recovery of shrinkage gas costs.

Maximizing the value of Inter Pipeline’s products

Inter Pipeline’s marketing segment manages the logistics and sale of products not produced under fee-based or cost-of-service agreements, as well as engaging in the pipeline and facility optimization opportunities. The objective appears to be to maximize the value of Inter Pipeline’s petroleum, petrochemical, olefinic and paraffinic products while reducing the volatility associated with market-based product sales.

Undertaking value-added commodity marketing activities

The marketing segment enters into contracts with Inter Pipeline’s transportation and facilities infrastructure businesses to undertake value-added commodity marketing activities, including buying and selling products, as well as storage optimization, transportation, and blending. The marketing segment does not currently contract material third-party customer volume.

Bright future outlook

Overall, Inter Pipeline appears to have several competitive advantages and could be a great stock to own over the long-term. The company also owns some great assets.

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