



Why Pembina Pipeline Corporation's Expanding Pipelines Promise a Bright Future

Description

At the present moment, Canadian oil prices still have a steep climb to recover after the worldwide decrease of crude oil prices, but some oil and pipeline companies are taking the steps to ensure profitable and long-term growth into the future, such as **Pembina Pipeline Corporation** ([TSX:PPL](#))([NYSE:PBA](#)).

Though a much smaller company than its native competitors (Alberta's **Enbridge Inc.** has a market cap almost three times larger), Pembina has been making heavy capital investments into its oil pipeline network that will be realized over the next few years.

Let me give you a snapshot of Pembina's current pipeline business. All in all, the revenue of this portion of Pembina's business operations accounts for 34% of the company's total revenue, by far the largest of its four core business activities.

The company commands a hydrocarbon pipeline network that stretches over 8,800 km across Alberta and British Columbia. Its network transports about 50% of Alberta's oil output and 30% of the natural gas liquids produced in all of western Canada. On average, Pembina's pipelines pump through 575,000 barrels of oil per day. But what if I told you that the company has plans to *double* that amount in the next *two years*?

Pembina has ambitious plans to expand its total network throughout the two provinces, and has committed to investing the capital necessary to pull off such a feat. The proof is in the pudding (or the annual report). Capital expenditures for the company in the 2014 fiscal year was a whopping \$628 million, an astounding 93% increase from the previous year.

With this investment, the company is in the process of installing four brand new oil pipelines in Alberta and B.C. between Taylor, B.C., and Edmonton, A.B. as a part of its Phase III expansion. These expansions, the details of which are posted on its website, will add over 1,000 km of oil pipelines to meet consumer demand in the two provinces. These capital expansion projects into B.C. make Pembina the lead carrier of all conventional oil and condensate produced in western Canada.

Own their own, the Phase III pipelines will be able to increase oil carrying capacity up to 690,000 barrels each day. Altogether, this would bring Pembina's total oil throughput capacity to 1.26 million barrels every day.

Set to come online between late 2016 and mid-2017, this planned step up in Pembina's oil transportation capacity is already in the works. While the price of oil is still sitting in the rut of its half-year price slump, Pembina's investments have set it up for huge revenue growth when oil prices recover. Combined with its highly competitive dividends, which have grown yearly since 1997, Pembina Pipeline Corporation promises better business operations in the future.

CATEGORY

1. Energy Stocks
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Date

2025/07/07

Date Created

2015/07/21

Author

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