



Dividend Investors: 5 Energy Stocks to Buy Now

Description

Oil stocks have dropped lately, but you already know that. *Why* they've dropped is important. And while there are many reasons, the big fear is that a new NDP government is about to take the people's revolution to Alberta.

And there's good reason to think they will. During the election campaign, Premier Rachel Notley vowed to review oil industry royalties, raise the corporate tax rate by 20%, and push back against pipeline construction.

So, with some calling for an iron curtain to surround Alberta, what should you do with your money? Don't panic. An NDP government is bad for investors, but we're hardly verging on the Union of Prairies Socialist Republics.

The reaction to Alberta's election reminds me of the experience south of the border. When President Obama was elected in 2009, pundits feared higher taxes, burdensome regulations, and anti-business rhetoric would crush the stock market. And while all of those policy predictions came to pass, U.S. equities are near all-time highs.

Of course, I have no idea where energy stocks are going over the next five years. However, bailing on equities just because your preferred party didn't win is probably not a smart move. Most of the downside has likely already been priced in, too.

The good news is that the recent crash has turned some energy names into veritable cash cows. And with valuations hovering just above 10-year lows, now might be a good time to scoop up some blue-chip names on the cheap. Here are five of my favourites:

Stock	Yield	Market Cap
Enbridge Inc.	3.0%	\$52.67 billion
Imperial Oil Limited	1.0%	\$42.46 billion
Suncor Energy Inc.	3.0%	\$53.27 billion

TransCanada Corporation 3.9% \$38.21 billion
Vermilion Energy Inc. 4.5% \$6.13 billion

Source: Yahoo! Finance

Let's dig into these companies.

If you can't stomach wild energy prices, pipeline stocks like **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) and **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) are good substitutes. In exchange for moving commodities like oil and gas, these companies receive a fee. And because the total volume of energy moving through their networks are remarkably stable, these stocks are some of the most dependable dividend payers around.

Of course, an NDP majority will hurt the chances of new pipelines getting built. However, take note that these firms have diversified their growth plans beyond stalled proposals like Northern Gateway and Keystone XL. And who knows? Maybe these projects have a *better* chance of winning over left wing opponents if they're backed by a socialist government.

Suncor Energy Inc. ([TSX:SU](#))([NYSE:SU](#)) has been beaten up by the doldrums in the oil patch, but it has the size and scale to weather the storm. Chief Executive Steve Williams has been dialing back investment into the oil sands and milking existing assets to fund big dividend hikes. His philosophy of rewarding investors rather than building an empire is an oddity in the energy sector (which may explain why Warren Buffett is a big shareholder).

Imperial Oil Limited ([TSX:IMO](#))([NYSE:IMO](#)) is another blue-chip energy giant. In the past, I have called this company "the best steward of shareholder capital in the oil patch, bar none." That's because over the past 10 years, Imperial has generated an average annual return on capital employed of 27%, nearly double its nearest oil sands rival. I have no idea how this stock will do over the next two years, but I would feel comfortable owning it for the next 20.

Finally, we have **Vermilion Energy Inc.** ([TSX:VET](#))([NYSE:VET](#)). This energy producer has only a tiny exposure to Alberta, with operations spread out all around the world. And after the recent sell-off, this stock now yields a tidy 4%.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. NYSE:TRP (Tc Energy)
4. NYSE:VET (Vermilion Energy)
5. NYSEMKT:IMO (Imperial Oil Limited)
6. TSX:ENB (Enbridge Inc.)
7. TSX:IMO (Imperial Oil Limited)

8. TSX:SU (Suncor Energy Inc.)
9. TSX:TRP (TC Energy Corporation)
10. TSX:VET (Vermilion Energy Inc.)

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