



3 Must-Have Energy Sector Investments

Description

Canada is well known for its very heavy energy sector, and for good reason, too. We have an abundance of natural resources, and the companies that produce, distribute, or sell energy make for some of the most lucrative and stable investments in the market.

Suncor Energy Inc. ([TSX:SU](#))([NYSE:SU](#)) is perhaps the most well-known company operating in the energy sector. As the largest company operating in the oil sands, Suncor has used its dominant position in the market to produce crude at a much lower cost per barrel than its competitors over the past few years, which has resulted in a series of strong results for the company. Part of this is because of the integrated nature of Suncor's operations, and part of that has to do with costs associated with maintaining the oil sands.

Suncor's oil sands costs tend to fluctuate near the mid-US\$20s-per-barrel range, which, given current oil prices of nearly US\$70, provides Suncor with an ample buffer during earnings season, which the company has used in the past to acquire competitors and boost its position in the oil sands even further.

Another key point worth noting with respect to Suncor's oil sands operations is that the oil sands have typically longer production cycles than shale oil wells, which are the preferred option by Suncor's competitors in the U.S., meaning that once the infrastructure has been set up and operations begin, costs are lowered even further.

If that isn't reason enough to consider Suncor, the company also provides a respectable dividend with a 2.75% yield.

Another [lucrative opportunity for investment](#) comes in the form energy transportation and distribution, and **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) is the largest company on the continent to provide those services. The business model is incredibly simple, yet it's one of the most incredible and promising on the market today.

Simply stated, Enbridge has a massive pipeline network that traverses the continent which can be used to transport both oil and natural gas to refineries or storage facilities. Enbridge collects a flat fee

for the amount of gas or oil transported, which is not unlike how toll roads work.

If that were the only attractive point about Enbridge, the company would be a screaming buy, yet there are three other points to consider.

First, the company has a massive backlog of projects that are worth upwards of \$20 billion that are approved and shovel-ready to be constructed, and a further \$40 billion worth of projects are in various stages of planning and approval. As each of those projects is completed and goes online, it only adds to Enbridge's impressive toll network.

The second point has to do with Enbridge's acquisition of Spectra Energy. The acquisition was costly and drove up Enbridge's debt, which scared investors off and lowered the company's credit rating. This caused the stock price to drop, which has created an opportunity for investors to buy in at a discounted rate.

Finally, Enbridge offers a very appetizing dividend that pays a yield of 6.37%, making it one of the best-paying and sustainable dividend stocks on the market.

Few people could argue that the energy sector is experiencing a colossal shift away from generating power from fossil fuels to renewable sources. Investors looking to get ahead on that shift would be well served in taking a look at **TransAlta Renewables Inc.** ([TSX:RNW](#)).

Calgary-based TransAlta has over 30 renewable energy facilities around the world that boast gas, hydro and wind elements. As sentiment continues to change around renewable energy, the [opportunity for investors](#) continues to unfold.

Renewable energy is no longer seen as a the expensive, inefficient, and unprofitable venture. In fact, with each spike in oil costs, investments in renewable energy increase, and with it a wave of new opportunity. Many of TransAlta's current facilities came online in the period following the last major oil spike, which occurred nearly a decade ago.

As an income investment, TransAlta offers investors a very impressive monthly 7.51% yield, which is poised to grow, as existing fossil fuel facilities are replaced with renewable energy-based ones.

CATEGORY

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3. TSX:ENB (Enbridge Inc.)
4. TSX:RNW (TransAlta Renewables)
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