



## Top Energy Stocks for 2020

### Description

Energy stocks have been tricky investments. Some have struggled with lower-for-longer oil prices, while others have been surprisingly strong. As with any industry, there are still great investments to be found; it just takes a little work to unearth them.

In 2020, the energy market will evolve yet again. Companies will continue to adapt to changing conditions in preparation for a future filled with dangers *and* opportunities.

If you want to profit with energy stocks this year, the following picks should be at the top of your [buy list](#).

### Sidestep every issue

**Hydro One Ltd** ([TSX:H](#)) is easily the lowest risk stock on this list. The company's stability is literally *built into* its business model.

Originally owned by the Canadian government, Hydro One has slowly been privatized over the last five years. Around half of the company is now owned by the public.

As a regulated utility, Hydro One simply distributes power to its customer base in Ontario. Its transmission lines cover 98% of the province.

Rate regulations, which are often set years in advance, guarantee the company certain pricing. No matter where the economy heads in 2020, Hydro One's profits will remain stable.

Over the long term, management wants to grow its annual rate base by 5% per year, and that, combined with a 3.6% dividend should provide high single-digit returns in 2020 and beyond.

While this isn't the most exciting stock, a reasonable expectation for returns plus limited volatility make for a compelling buy.

## Take complete advantage

**Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) isn't like most energy companies. As a so-called integrated producer, Suncor controls the entire value chain, from exploration and drilling to pipelines and refineries. This integrated approach is especially valuable in the current environment.

In 2018, Canada's energy sector was sent reeling after pipeline capacity dried up. By controlling its own pipelines, Suncor's impact was largely mitigated.

Additionally, refinery margins often run in a counter-cyclical manner to oil prices. So, when energy prices *fall*, refining margins *rise*, offsetting volatility in any one segment.

Last year, Warren Buffett bought more than 10 million shares, likely in appreciation of the company's risk-mitigated approach. Whether oil prices rise or fall in 2020, Suncor will likely produce ample free cash flow to reinvest for long-term growth, boost its 4% dividend, pay down debt, and potentially repurchase some stock.

## Capitalize on the future

**Brookfield Renewable Partners LP** ([TSX:BEP.UN](#))([NYSE:BEP](#)) is all-in on the future of energy. With \$50 billion in assets across 15 countries, the company has proven that renewable energy can be highly profitable for shareholders. Since 2006, shares are up more than 200% and currently pay a 4.5% dividend yield.

As management claims, the company has a "consistent, proven and repeatable strategy." Over time, the company expects to generate total annual returns of between 12% and 15%. While that's impressive, what exactly is the strategy?

The company argues that the growth of renewables will be larger than anyone expects. In the past five years, \$1.5 trillion has been invested in new renewable assets.

Falling costs are quickly making clean energy sources the cheapest on the market. Contrary to popular belief, the movement is being driven more by economics than regulation.

Over the next decade, Brookfield expects more than \$5 trillion in potential investment opportunities. As one of the largest operators in the space, the company has a clear advantage when it comes to deal flow and financing costs.

Much of the time, Brookfield is able to buy large renewable assets at an attractive price even though these assets have 100% contracted revenues, greatly reducing financial risk.

The plan is simply to continue building its renewable portfolio — a strategy that its team has perfected over the last 20 years.

As renewables continue to accelerate in deployment, Brookfield will enjoy a nearly unlimited ability to grow. This year could be the biggest on record.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:H (Hydro One Limited)
5. TSX:SU (Suncor Energy Inc.)

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## Date

2025/09/14

## Date Created

2020/02/01

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