



This Top Canadian Energy Stock Could Take Off in 2021

Description

In the energy sector, there are few companies I've liked in recent years. However, I've been pounding the table of late on **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)). Indeed, with the [energy sector on fire](#) right now, this is an excellent option for investors who are looking to play this space. Here's why this stock remains on my watch list today.

Impressive fundamentals and an excellent business model

The Calgary-based company is Canada's largest oil and gas producer. The company operates in Alberta, the North Sea, and Eastern Canada.

Accordingly, as a Canadian energy stock, Suncor hasn't received much respect in the market in recent years. The company's been investing heavily in growth segments of the energy sector. Until now, these moves have been looked down upon by investors. These investments included various biofuels, carbon capture technologies, renewable diesel, and, of course, oil sands plays.

Now, with renewable energy in the spotlight, and even heavy oil looked upon favourably by investors, Suncor is in an enviable position. The company's shares are once again demanded by the market — and for good reason.

The company is a cash flow machine with oil at these levels. Suncor's management team projects the company's cash flow will grow by an incremental \$2 billion over time.

Suncor has reduced its dividend by 55%, which many income investors didn't like. However, with oil prices where they are today, and the company's growth outlook greatly improved, there's a high likelihood some dividend increases could be on the horizon. An existing yield of 3.2% isn't anything to sneeze at, anyway.

Demand driving positive medium-term outlook for oil

Indeed, Suncor's attractiveness as an investment today really depends on how oil prices continue to do over the medium to long term.

As of late, oil prices have recovered and appear to be somewhat stable. Both WTI and Brent crude oil prices are more than \$60 per barrel today. These levels are quite unexpected considering how oil performed last year. That said, demand is the key driver of these higher oil prices of late.

Indeed, I think the market is getting it right on this front. Demand estimates remain very bullish coming out of this pandemic. Recent reports indicate that the glut stemming from the pandemic is nearly gone. Even though OPEC+ may gradually reduce its production cuts over time, expectations are that demand increases should more than offset these moves.

Accordingly, I believe that there are many reasons to be bullish today on Suncor stock.

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