



## 3 Top Canadian Energy Stocks That Pay Great Dividends

### Description

For the second time in 2021, Canadian energy stocks are in the limelight. Yet there is a huge divergence in the performance between traditional energy (oil and natural gas stocks) and renewable energy businesses. Year to date, the **S&P/TSX Capped Energy Index** is up 76%. The **S&P/TSX Renewable Energy and Clean Technology Index** is down 12.7%. Talk about two different stories!

Despite the divergence, it is still important that investors have exposure to both segments. The fundamentals for oil and natural gas look very strong, at the very least over the winter and into mid-next year.

However, over the long term, renewable energy will continue to be an important factor in decarbonization efforts across the world. As a result, both segments should provide attractive returns both now and into the future. Here are three Canadian [dividend stocks](#) that provide exposure to all of these trends.

### Suncor: Canada's top integrated energy stock

With oil prices soaring over US\$80 per barrel, investors can purchase a solid inflation hedge with traditional energy production stocks. **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) produce around 740,000 barrels of oil per day. This makes it one of Canada's largest integrated oil producers. It looks like a pretty attractive value play on the rise in oil prices.

The company has faced some operational issues in 2021, so it has lagged the broader energy index. Yet as more institutional investors become interested in the energy story for oil, demand for a large-cap name like Suncor should expand. Today, Suncor only trades with a forward price-to-earnings ratio of nine times. At the low end of estimates, it trades with an expected free cash flow yield of over 18%.

This Canadian stock pays a 2.9% dividend today. Management is expected to announce some pretty major share buybacks in the back half of the year, and a dividend hike could also be in the books.

## Enbridge: A bridge between traditional energy and the new green economy

Another, more passive way to play the oil boom is through **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). It has one of the largest oil and natural gas pipeline networks in North America.

It pays a great 6.4% dividend. That is one of the highest dividend yields you can find on the TSX today. Obviously, strong oil markets mean the potential for increased volumes (and growing cash flows) from its pipelines.

Enbridge is bringing its [Line 3 replacement project](#) fully online by the end of the year. It will be able to transport 340,000 barrels per day for Canadian energy producers. Along with other oil, natural gas, renewable power infrastructure investments, this is expected to give Enbridge a \$2 billion boost to incremental EBITDA over the next few years. All around, this is a great infrastructure stock to own as a part of the renewable energy transition.

## Algonquin Power: A top Canadian utility and renewable power stock

On the flip side to traditional energy, renewable energy stocks and utilities have not performed as well. **Algonquin Power** ([TSX:AQN](#))([NYSE:AQN](#)) operates water, electric, and natural gas utilities across North America. It also has a fast-growing renewable power business. Despite a high-quality set of assets and strong imbedded growth from a +\$9 billion capital plan, Algonquin stock is down 10% year to date.

With a price-to-earnings ratio of only 13 times, this Canadian stock is starting to look pretty cheap. This is especially true when considering it hopes to grow earnings per share by 8-10% annually for the next four years.

Algonquin is a serial dividend compounder. It has grown its [dividend](#) on average by 10% over the past decade. Today, the stock yields an attractive 4.6% dividend. While the stock is down, Algonquin has very defensive assets and an attractive growth trajectory. Consequently, this is a solid Canadian green energy to pick up at a bargain price today.

### CATEGORY

1. Energy Stocks
2. Investing

### POST TAG

1. Editor's Choice

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1. NYSE:AQN (Algonquin Power & Utilities Corp.)

2. NYSE:ENB (Enbridge Inc.)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:ENB (Enbridge Inc.)
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#### **Date**

2025/07/07

#### **Date Created**

2021/10/15

#### **Author**

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