2 Energy Stocks to Own if Rising Oil Prices Hammer the TSX

Description

Oil prices are soaring this month, which some analysts say is due to coal and gas shortages. While energy companies on the rebound from 2020 welcome it, businesses in fuel-sensitive sectors like transportation are worried. High oil prices could negatively impact profitability in Q4 2021.

Rising crude prices invigorate TSX's energy sector. Investors are having a field day since the start of 2021. The year-to-date gain is now 76.08% and exceedingly better than the broader market's performance (+22.09%). Real estate (+30.80), financial (+29.11%), technology (+26.48%), and industrial (+20.28%) round up the index's top five performing sectors.

Increased market volatility

Wall Street analyst Julian Emanuel said that increased stock market volatility accompanies significant oil price spikes historically. "If prices strengthen further, economic recovery could slow down. Inflation also rises with high energy costs and weakens consumer spending."

Investors relying on dividend-paying energy companies for income streams must watch out for a brewing perfect storm. Given the high demand and potentially tight supply, the situation could eventually hammer energy stocks. However, if you're holdings are in **Enbridge** (TSX:ENB)(NYSE:ENB) and **Imperial Oil** (TSX:IMO), the dividend payouts should be safe.

Commitment to shareholders

Enbridge belongs in the volatile energy sector, yet it's the perennial choice of dividend investors. The $107 billion energy infrastructure company functions as a utility stock, and therefore, a low-risk option compared to other energy stocks. Thus far, in 2021, the year-to-date gain is 36.85%. At $52.86 per share, the dividend yield is a fantastic 6.31%.

Enbridge President and CEO Al Monaco has the perfect investment pitch. He said, "Over the decades, Enbridge has delivered superior shareholder value. Our low-risk business model has resulted in strong and consistent growth in the dividend, which we are continuing to deliver."

Enbridge's value propositions are best-in-class infrastructure franchises, the longevity of cash flows, and visible long-term growth. Its four blue-chip franchises are liquids pipelines, gas transmission, gas distribution, and renewable power. Management assures investors that Enbridge's diversified asset base will generate highly resilient and long-lived cash flows.

Enbridge commits to return capital to shareholders consistently. It hasn't failed, as is evidenced by the dividend increases in 26 consecutive years. The $16 billion diversified secured capital program assures future growth. Moreover, the take-or-pay and cost of service commercial frameworks support it.

Impeccable dividend track record

Imperial Oil, an **ExxonMobil** (69.6% ownership) subsidiary, packs an impeccable dividend track record. CEOBrad Corson said, "We have paid a dividend reliably for over 100 consecutive years now and grown it in each of the last 26 years." The current share price is $44.68, while the dividend yield is 2.27% if you invest today. This energy stock even outperforms the sector with its 89.16% year-to-date gain.

The $31.48 billion company is the largest petroleum refiner in Canada. It also produces oil, essential petrochemical products and distributes fuel across the country. Management announced recently that Imperial Oil would produce renewable diesel. It has an agreement with the government of B.C. to develop a world-class renewable diesel complex at its Strathcona refinery.

An oil shock is possible

Oil prices rising to levels not seen since 2014 worry some industry observers, as rising prices increase inflation risks and reduce economic growth. While the energy sector outperforms, it could correct if an oil shock occurs soon.

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