



## 2 of the Best Canadian Energy Stocks to Buy for 2021 and Beyond

### Description

Lately, one of the most significant themes in the economy has been rising prices. Energy stocks are some of the biggest gainers recently as commodities prices soar thanks to the reopening of the economy. So while we want to take advantage and buy the best Canadian energy stocks, it's crucial we don't overpay while stocks are at these inflated levels.

Right now, commodities producers, especially juniors, are some of the biggest gainers as prices rise. That's because these stocks are the most leveraged to commodities prices. In this environment, a stock like this can be attractive. However, they are also the stocks that will be falling the most when commodities prices cycle and sell-off.

So if you're looking to buy high-quality Canadian energy stocks, it's crucial that we find the best businesses we can own for the long-term through numerous [commodities cycles](#). Here are two top picks to consider today.

### One of the best Canadian energy stocks to buy for dividend investors

One of the best energy stocks Canadian investors can buy for the long run, for several reasons, is **Freehold Royalties** ([TSX:FRU](#)).

Freehold owns land in Canada and the United States, which it charges energy producers a royalty to operate on. This is a lower-risk business model as Freehold receives royalties from hundreds of companies. So while it's still exposed to commodities prices, it's a company you can have confidence owning long-term.

The stock also has almost no debt, making it extremely safe for investors. And because it aims to keep a payout ratio of roughly 60%-80%, it pays out an attractive [dividend](#), which currently yields 5%, but also retains cash to invest in acquiring more land. Most recently, Freehold's been acquiring assets in the United States, which not only expands its operations but also adds diversification.

So if you're looking for one of the best Canadian energy stocks to buy and hold long-term, Freehold is an excellent choice.

## A low-cost natural gas stock

Another top investment to make if you're looking to buy a Canadian energy stock for the future is in natural gas. That's why **Peyto Exploration and Development** ([TSX:PEY](#)), one of the lowest cost and best-managed producers in Canada, is such an excellent stock to consider today.

Just like Freehold, Peyto will have some downside risk as commodities prices are falling. The stock fell below \$1 a share during the pandemic and traded below \$2 a share for some time. However, these were in extreme circumstances, and Peyto has a business model that allows investors to be confident owning it for the long haul.

Because it's one of the lowest-cost producers of natural gas in Canada, it can remain profitable for much longer than many of its peers. This is crucial because it makes the stock more resilient when prices are falling and allows it to see significant profitability when prices rise like they are today.

Furthermore, if there were one fossil fuel to invest in for the future, it would be natural gas. In order to help slow climate change in the short run, we actually need to produce more natural gas so that we can consume less coal.

Therefore, finding a low-cost natural gas producer like Peyto is, in my opinion, one of the best Canadian energy stocks to buy for 2021 and beyond.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:FRU (Freehold Royalties Ltd.)
2. TSX:PEY (Peyto Exploration & Development Corp)

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**Date**

2025/07/19

**Date Created**

2021/11/03

**Author**

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