



2 Canadian Energy Stocks That Could Raise Dividends Soon

Description

There's no question that energy stocks have been some of the top performers this year. Oil prices have rallied by roughly 58% so far year to date and by 70% over the last 12 months.

As well, demand has also increased globally as economies have recovered and economic activity has picked up.

In Canada, several energy stocks have had strong performances and have been increasing their dividend payments throughout the year. Even two of the biggest [energy giants](#) in the country both just doubled their dividends on improving conditions in the industry.

So if you're looking for a high-quality energy stock to buy, or you're a dividend investor looking for energy exposure, here are two of the top Canadian stocks to buy today that could be increasing their dividends soon.

A top Canadian energy infrastructure stock

One of the best dividend stocks for Canadian investors to consider is **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)).

Enbridge is an ideal dividend stock for several reasons. It's a massive business worth over \$100 billion that transports a quarter of all the oil produced in North America and 20% of all the gas consumed in the United States. It's therefore crucial to the North American economy.

This gives the energy stock highly resilient operations that it can still expand quickly. Plus, it has proven for years that it can manage commodity cycles while still staying profitable.

These highly resilient operations and consistent growth of its operations and assets have allowed Enbridge to raise its dividend for 26 consecutive years. It even managed to raise its [dividend](#) last year through the pandemic to keep its streak of dividend increases alive.

Going forward, it continues to offer excellent potential and is now focusing on growing its renewable energy exposure, a prudent move from the energy giant.

Currently, the stock yields 6.65%, which is already quite attractive. And with the potential for another dividend increase soon, as well as the pullback in energy stocks over the last week, now looks like an excellent time to gain exposure.

So if you're a dividend investor looking for a high-quality energy stock to buy, you can't go wrong with Enbridge and its impressive and consistently growing dividend.

A top royalty stock that's ideal for dividend investors

Another high-quality dividend stock in the energy industry that has the potential for another dividend increase soon is **Freehold Royalties** ([TSX:FRU](#)).

While Enbridge stock is impressive because it didn't need to trim the dividend, Freehold is impressive due to its performance over the last year as the energy industry has recovered. It did have to trim the dividend at the start of the pandemic in order to be conservative. However, since last fall, Freehold has increased its dividend on five separate occasions and by over 300%.

In addition, it's now paying out 14% more per share than it did prior to the pandemic. This is thanks to the significant tailwind in the energy industry lately. However, it's also due to Freehold's impressive operations as well as the fact that it's been acquiring more land and expanding its footprint south of the border.

Both the expansion of its portfolio and the tailwind in the industry has led to a tonne of growth in the energy stock's revenue and, most importantly, its free cash flow.

And with Freehold aiming to keep its [payout ratio](#) between 60% to 80% of free cash flow, as that's been improving over the last year, the stock continues to increase its payout.

In its most recent quarter, Freehold earned free cash flow per share of \$0.36. So when you consider that even with the dividend increase it announced earlier this month, Freehold is still only paying out \$0.18 a share. Clearly, there is more room for growth.

So with the stock already yielding an impressive 6.3% and with plenty of safety in the dividend and more room for growth down the road, it's an excellent stock to consider today.

Therefore, if you're looking for a high-quality dividend stock to buy in the energy industry, Freehold is easily one of the best stocks to consider.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:FRU (Freehold Royalties Ltd.)

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