Forget Suncor: Here Are 2 Better Energy Stocks

Description

Up until the recent volatility that has hit markets, energy stocks had been rallying rapidly as the global economy had been recovering from the pandemic and demand was soaring. This has led **Suncor Energy** to be one of the hottest picks among Canadian investors after the stock doubled its dividend and recorded impressive earnings in the third quarter.

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Suncor is certainly an impressive Canadian blue-chip stock. It's a massive integrated energy stock with impressive operations and even a former holding of Warren Buffett.

However, despite being a high-quality stock, there are other opportunities that could offer more potential over the long run. So rather than Suncor stock, here are two of the best energy stocks for investors to consider today.

A top energy royalty stock that's been outperforming Suncor

One stock that offers a lot of the same exposure to commodities prices but could be considered an even safer investment than Suncor is **Freehold Royalties** (TSX:FRU).

Many of the drawbacks that Suncor stock has, Freehold Royalties doesn't. For example, unlike Suncor, which has a lot of its operations in the oil sands, Freehold is diversified across Western Canada and the United States.

In addition, Freehold's balance sheet is pristine, with almost no debt. Meanwhile, Suncor stock is considerably leveraged with a debt to equity ratio of roughly 52% compared to Freehold's, which is just 14%.

Another quality Freehold has going for it is the fact that it earns tonnes of free cash flow, and because it doesn't have its own operations, it only collects royalties and has hardly any capital expenditures, allowing it to retain almost all the cash it brings in.

This is a major reason why, over the last 12 months, as the energy industry has recovered, Freehold has earned a total return of more than 120% compared to Suncor stock, which has earned investors just 46%.

Plus, with Freehold offering a dividend yield of roughly 6.6%, which is still more than Suncor stock's 5.3% dividend, it's just another reason why the royalty stock looks like the better investment today.

A low-cost natural gas producer to own long-term

Another high-potential energy stock to buy for the long-term is **Peyto Exploration and Development** (TSX:PEY). There is a tonne of reasons to be bullish on natural gas, so a low-cost producer like Peyto, which is consistently looking out for the long-term interests of shareholders, offers more growth potential than Suncor.

As I mentioned above, one of the biggest knocks on Suncor from bears would be the fact that so much of its production is exposed to Canada's oil sands.

There are a number of issues why this could be concerning, especially when considering the stock as a long-term investment. First, there are environmental issues. Then there is also the fact that historically many of these assets aren't economical at recent oil prices. In addition, there is also the matter of pipeline capacity which could limit Suncor stock's ability to ramp up production over the long run.

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Peyto doesn't face any of these problems to the same degree. Plus, one of the fastest ways to slow climate change immediately, before we can build the infrastructure needed for clean energy, is to stop burning coal and instead substitute it for natural gas, which only emits half the carbon dioxide as coal.

Governments are catching onto this now, which is why natural gas producers offer so much long-term potential. And therefore, a stock like Peyto, which is highly competitive in its industry, is one of the best to consider.

So although Suncor is still a top Canadian energy stock, Peyto Exploration and Development looks like it could offer investors far more opportunities for growth over the long haul.

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