New Trend in 2022: Pandemic-induced Sustainable Investing

Description

Investors use various strategies to achieve financial success. Sustainable or responsible investing could be the trend in 2022. It's a strategy where investors consider environmental, social, and corporate governance (ESG) factors before making an investment decision.

Your investment is ESG-based when you lean toward companies that help solve environmental and social problems. It's the next big frontier, says Marie-Justine Labelle, head of responsible investment at Desjardins Investments. According to Canada Life, research suggests that 72% of Canadians are interested in responsible investing.

Promote positive social change

The concept of sustainable investing is gaining in popularity. Investors evaluate investment prospects not only on the potential to deliver financial gains but also on how they promote or contribute to positive social change. Today's general goal is to achieve a triple bottom line – profit, people, and the planet.

Canada's top five pension fund managers, including the Canada Pension Plan Investment Board (CPPIB), increased their investments in leading oilsands producers in Q1 2021. The recipients promise to green their portfolios in exchange for the additional US$2.4 billion investment.

Suncor Energy (TSX:SU)(NYSE:SU) and **Imperial Oil** (TSX:IMO) are two of the four beneficiaries of the investment boost by the pension funds. Furthermore, both are members of the Oil Sands Pathways to Net Zero alliance, including **Canadian Natural Resources**, **Cenovus Energy**, and **Meg Energy**.

The alliance has a three-phase plan where each phase has emission reduction assumptions. These five companies hope to achieve net-zero (neutral) emissions from oil sands operations by 2050.

Not a sacrifice to higher returns

Some investors think responsible investing translates to lower return to investment. For example, Suncor Energy slashed its dividends by 55% in Q1 2021 but recently returned the payout to pre-pandemic levels.

The $36.56 billion oil bellwether sacrificed losing its Dividend Aristocrat status last year to preserve capital and protect the balance sheet. It was a painful but wise move by management. Fast forward to Q3 2021 and Suncor reported operating earnings of $1.043 billion compared to the $338 million operating loss in Q3 2020.

Management credits higher crude oil prices and refined product realizations for the considerable operating earnings. Notably, funds from operations increased 99.8% to $2.641 billion versus the same period last year. Regarding its ESG commitment, Suncor targets annual emission reductions of 10 Mt across its value chain by 2030.

The energy stock trades at $31.82 per share (+52.68% year to date) and pays a 5.28% dividend. Suncor paid a total of $309 million in dividends to shareholders in Q3 2021.

Long-term hold

Imperial Oil is a top choice of long-term investors. The dividend track record of this $30.63 billion is 140 years and has raised its dividends for 26 consecutive years. At $41.79 per share (+76.92% year to date), you can partake of the 2.58% dividend. The yield is modest, but the payouts should be rock-steady for decades.

Like Suncor, Imperial Oil generated significant cash flow from operating activities ($1.9 billion) and free cash flow ($1.68 billion) in Q3 2021. Its upstream production (435,000 gross oil-equivalent barrels per day average) during the quarter was also the highest in more than 30 years. Dividend payments reached $500 million.

Healthy returns

Sustainable choices on the **TSX** are growing. Suncor Energy and Imperial Oil are ESG investments that will deliver healthy returns to would-be investors.

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Date
2025/07/01
Date Created
2021/12/02
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