Enbridge (TSX:ENB) vs. Suncor (TSX:SU): Which Stock Should You Buy?

### Description



The Canadian energy sector — in fact, the global energy sector — was in a state of flux and general downfall well before the pandemic. The pandemic crushed oil demand, which sent the energy sector sprawling even harder, making many energy companies quite aggressively discounted.

It was expected to stay that way for a while, because the oil surplus that plagued the market during the peak of the pandemic was expected to weigh down energy companies for a relatively long while, but 2021 saw an energy boom. The supply constraints and rising energy demand pushed the energy sector as a whole higher, and many energy stocks went through the roof.

Now, after experiencing one of the best growth runs in ages, the energy sector is poised for a correction, which will give you a chance to buy energy companies that are currently trading at an inflated price point at a more realistic value. And two of the best contenders are **Suncor Energy** (TSX:SU)(NYSE:SU) and **Enbridge** (TSX:ENB)(NYSE:ENB).

## The case for Suncor

Suncor is the undisputed oil sands giant in Canada, though that one energy source doesn't define the breadth of Suncor's operations. It has a capacity of producing approximately 600 thousand ballers of oil sands per day. The company also has onshore and offshore exploration and production assets in four countries in addition to Canada as well as a fuel retail chain consisting of about 1,800 locations.

The company got a blemish on its dividend history in 2020, when it slashed its payouts to make them financially feasible. This would have alienated a lot of investors for good, but the company was quick to recover and has already raised its payouts and gotten quite close to the original mark, and the yield is currently 5.3%. The long-term capital-appreciation potential of the company seems quite bleak.

Suncor is an investment that can pay off huge when the other, more convenient oil sources dry up, and the long-term potential of oil sand becomes important in meeting the world's energy needs.

## The case for Enbridge

Thanks to one of the largest networks of pipeline networks in North America, Enbridge stands to profit as long as there is enough energy demand, regardless of which inland energy producers meet those demands. The company has an edge as the largest energy company (by market capitalization) in Canada as well.

It has already diversified its operations and is trying to spread out its revenue streams. Its focus on natural gas and sustainability is also raising the ESG profile of the company. But it's a great buy for purely financial reasons and its return potential as well. It's offering a mouthwatering 7% yield and has a stellar history of raising dividends (by generous measures) for a quarter of a century. The five-year CAGR, while not much, is at least in the positive territory.

## Foolish takeaway

Out of the two dividend stocks from the energy sector, Enbridge is currently the clear winner. It offers better long-term growth potential *and* a much higher yield and better chances of dividend growth. It's also trading at a slightly better value right now.



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