



3 Top TSX Energy Stocks That Pay Great Dividends

Description

After a crushing 2020, many **TSX** energy stocks look to be primed for outperformance in the market. Across the world, energy demand is recovering to pre-COVID-19 levels. Yet production for oil and natural gas has not kept up with the pace of demand. This has led some analysts to believe oil could hit multi-year highs (maybe even US\$100 per barrel) by the end of 2022.

2022: A favourable year for Canadian energy

This is a very favourable setup for many of Canada's top stocks in the energy sector. With improving balance sheets and operational efficiency a key focus, many of these stocks are gushing free cash flow.

These stocks are [cheap](#) and primed to deliver attractive total returns (dividends, share buybacks, and capital gains) over the next few years. Here are three TSX energy stocks that pay very attractive dividends today.

An oil super major primed for upside

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) could be in a very good position to prosper in 2022. The company hit some operational problems last year that caused the stock to lag energy peers. Fortunately, these issues largely appear to be in the rear-view mirror.

If Suncor can post some better-than-expected numbers, the stock could be due for a catch-up trade. Despite oil fundamentals looking better than 2019, the stock still has 23% upside to that point.

Late last year, Suncor raised its quarterly dividend by 100% to \$0.42 per share. That puts the dividend nearly back to its pre-pandemic levels. Today, this TSX stock yields a very nice 5%. Given strong free cash flows expected in 2022, it could be primed for further shareholder returns. Suncor recently got positive attention when **Wells Fargo** analyst Roger Read [upgraded the stock](#) to an overweight position.

An undervalued TSX utility stock

Another attractive TSX energy stock is **AltaGas** ([TSX:ALA](#)). It has been misunderstood for years. Only recently is this stock starting to get a bid. In fact, since March 2020, AltaGas stock has more than doubled, while also paying a very attractive dividend.

Over the past few years, AltaGas has divested non-core assets and aggressively reduced debt. It has focused on two key businesses: a regulated gas utility in the U.S. and gas focused midstream operation in Canada. The regulated gas business is growing at a steady attractive mid-single digit rate. Today, the midstream business is enjoying very strong volume demand for NGL and propane exports.

This TSX stock still trades at a discount to both utility and infrastructure peers. It pays a 4% dividend yield today. Management just raised its monthly dividend by 6%. Analysts are expecting solid 5-7% annual dividend growth for the next three to four years ahead.

A high-yielding TSX infrastructure stock

If you are looking for a [passive-income](#) stock with an elevated dividend up front, **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) could be an interesting TSX energy stock. Today, at \$39 per share, it pays an attractive 6.6% dividend yield. That is equal to a \$0.21 per share dividend every month!

Pembina's stock lagged in 2021, particularly after its long-standing CEO abruptly left in November. While that is a concern, the company overall has a good leadership team and high-quality infrastructure assets.

Increased activity in the Canadian energy sector could be very favourable for this business. That means increased volumes/pricing and the potential for new accretive projects. If fundamentals remain favourable, this TSX stock could return to a dividend-growth posture in the very near future.

CATEGORY

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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:ALA (AltaGas Ltd.)
4. TSX:PPL (Pembina Pipeline Corporation)
5. TSX:SU (Suncor Energy Inc.)

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