2 TSX Energy Stocks to Buy in 2022 for Growth

Description

The TSX energy sector is set for a year of high growth and juicy dividend payouts. Persistently high domestic inflation and economic sanctions imposed on Russia have sent commodity prices, especially oil and gas, skyrocketing.

Year to date, the **S&P/TSX Capped Energy Index** is up 28.28%, easily outperforming the 1.21% increase seen by the broader **S&P/TSX Capped Composite Index**. This comes at the heels of an outstanding previous year for the energy sector, which was up over 80%.

Investors looking to tilt their portfolios to the energy sector should focus on the big-name stocks out there. These are large-cap, blue-chip companies with solid balance sheets, strong cash flows, and profitable margins. Let's take a look at my top two picks today!

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is Canada's largest energy infrastructure company and a favourite among dividend-growth investors worldwide. The company operates through five segments: liquids pipelines, gas transmission and midstream, gas distribution and storage, renewable power generation, and energy services.

ENB's forward annual dividend yield sits at an incredible 6.05%, with a five-year average dividend yield of 6.19%. The company has paid dividends for the past 65 years with 26 consecutive years of annual increases, posting an incredible 11.74% five-year dividend-growth rate.

ENB makes a great long-term hold due to their wide economic moat. Their ability to consistently secure profitable, long-term contracts allows them to weather economic boom and bust cycles well. ENB shareholders who reinvest dividends have reaped considerable gains from the compounding over the years.

TC Energy

We don't know what the future holds. There may come a day where ENB is no longer the king of the Canadian energy sector. In that case, it might be a good idea to also buy **TC Energy** (TSX:TRP)(NYSE:TRP). With a market cap of $68.17 billion, TRP is the second-largest company in the Canadian energy sector.

TRP builds and operates a 93,400 km network of natural gas pipelines from natural basins to local distribution companies, power generation plants, industrial facilities, interconnecting pipelines, and LNG export terminals. The company has a narrower moat than ENB due to the shorter duration of their secured contracts.

TRP's forward annual dividend yield sits at a very respectable 5.02%, with a five-year average yield of 4.84%. This is clearly less than ENB, but still outclasses the majority of the Canadian market and other dividend stocks. As mentioned earlier, investors should consider buying TRP in addition to ENB to diversify.

The Foolish takeaway

Thousands of Canadian investors and numerous high-dividend funds have made ENB and TRP core holdings in their portfolios. The high yields, streak of increases, and consistent payments provide excellent income and dividend growth. Buying shares now could be a great way to lock in a low yield on cost before energy prices skyrocket again.

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