2 Energy Stocks to Keep if Oil Prices Tank

Description

TSX's energy sector continues to advance despite the unpredictability of oil prices. Oil rose above US$100 per barrel on April 4, 2022, following a 1% drop a day before. Industry experts warned at the start of Q2 2022 that oil is headed for its biggest weekly loss in more than a decade.

News reports say the U.S. will release its strategic reserves (one million barrels per day) to arrest soaring prices. But despite the release of the Strategic Petroleum Reserve (SPR) by the U.S. and International Energy Agency (IAE) member countries, increased volatility remains.

Market shocks

According to some market analysts, if the Russia-Ukraine conflict continues, the market will experience shocks from time to time. They predict oil prices to be elevated throughout the year. Meanwhile, the bull run of energy stocks should extend as a result.

However, oil prices could still tank down the road. It might not be as catastrophic as in in 2020, but enough to impact the sector. If you intend to stay in invested in energy stocks, you can dispatch other holdings but keep **Enbridge** (TSX:ENB)(NYSE:ENB) or **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ).

Low-risk business model

Enbridge has endured the harshest economic downturns and financial crises in recent memory. This top-tier energy stock has returned 57,263.17% (14.71% CAGR) in 46.28 years, a testament to its stability. Also, it's the perennial choice of income investors.

Besides the attractive 5.92% dividend yield, the $117.99 billion energy infrastructure company has raised its dividends for 27 consecutive years. As of this writing, Enbridge trades at $58.25 per share and outperforms the TSX, +19.74% versus +4.07%. The energy sector's year-to-date gain is now a commanding 40.52%.

Enbridge takes pride in its low-risk commercial and financial profile. Its energy infrastructure assets provide predictable cash flows in all market cycles. About 95% of its clients with cost-of-service contracts are investment-grade, while 80% of its EBITDA has inflation protections.

Management said its four blue-chip franchises have massive organic growth opportunities. Enbridge will pursue and capitalize to drive future cash flow growth further. The near-term plan is to execute its $19 billion secured capital growth program and deploy excess capacity to achieve a 5%-7% CAGR through 2024.

Riding high

Canadian Natural Resources continues to ride high in 2022 with its 51.15% year-to-date gain. Also, at 80.83 per share, the trailing one-year price return is 110.52%. If you invest today, the dividend yield is a safe and sustainable 3.80%.

Based on the forecasts of analysts covering this energy stock, the price could hit $100 (+23.7%) in one year. Thus, the overall return to investors should be higher to include the dividend.

The $94.25 billion crude oil, natural gas, and natural gas liquid (NGL) producer made a spectacular comeback last year following a $435 million net loss in 2020. In 2021, net earnings topped $7.6 billion. Notably, cash flow from operating activities ballooned 207.1% year over year to $14.47 billion.

CNR's competitive advantage is the strength, diversity, and balance of its world class, top tier reserves. Moreover, the assets are low-decline and require low maintenance capital relative to the size and quality of the reserves.

Retreat in oil prices

While industry analysts have mixed forecasts for oil prices in 2022 and beyond, the consensus is for a retreat below the current elevated levels.

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3. TSX:CNQ (Canadian Natural Resources Limited)
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