3 Top Energy Stocks for Easy Passive Income

Description

If you're looking for passive income, energy stocks are among the best assets you can own. Many of them pass a large percentage of their profits on to shareholders in the form of dividends, and some have very high yields.

As a commodity-driven business, the oil & gas sector is vulnerable to swings in the price of oil. That fact led to some weak years in the recent past. This year, however, oil is on the upswing. The global supply is getting squeezed, and energy prices are soaring. As a result, oil stocks are reaping a whirlwind of profit. In this article I will explore three Canadian energy stocks that can pay you easy passive income.

Pembina Pipeline

Pembina Pipeline (TSX:PPL) is a Canadian energy stock that yields 5.3%. It is a pipeline company, meaning that it transports crude oil by pipe. This is a lucrative business model that tends to bring in strong cash flows. Pembina's most recent quarter was pretty good. In it, the company delivered:

- $2.56 billion in revenue, up 52%
- $785 million in gross profit, up nearly 200%
- $80 million in net income, up from a $1 billion loss

It was a pretty great showing. If Pembina Pipeline can keep the good results coming, then it could grow dramatically from where it's at now. It could also potentially raise its dividend. PPL's payout is not as well covered by earnings as some of the other oil stocks out there, but it has above-average growth potential.

Suncor Energy

Suncor Energy Inc (TSX:SU)(NYSE:SU) is a Canadian energy stock with a 4% yield. As an integrated energy company, it profits from increases in the price of oil much more directly than a pipeline like PPL does. SU extracts, refines, and markets crude oil. It even has its own network of gas stations called Petro-Canada, where it sells gasoline directly to drivers. This kind of business earns more revenue when the price of oil goes up. Oil can be sold wholesale for a higher price when oil prices rise, as can gasoline. This fact can be demonstrated in SU's most recent quarterly report. In the fourth quarter, Suncor delivered:

- $3.14 billion in adjusted funds from operation (AFFO), up 157%
- $1.55 billion in net income, up from a $168 million loss
- $1.29 billion in adjusted operating income, up from a $109 million loss
- $3.7 billion in net debt reduction

All of these results were very strong. Earnings technically missed analyst estimates but based on what Suncor earned in Q4, it looks like analysts were expecting too much. These kinds of results definitely justify Suncor's current stock price and then some.

Enbridge

Enbridge Inc (TSX:ENB)(NYSE:ENB) is a pipeline stock with a 6% yield. It is one of North America's biggest pipeline companies. Its business economics are similar to those of Pembina Pipeline, but it has a natural gas utility business in the mix, too. Enbridge provides an economically vital service that has never been needed more than it is now. Its dividend has grown at a compounded rate of 9% per year over the last five years, and the company has a cash flow payout ratio of 72%. Overall, it's a solid stock that could add buckets of tax-free passive income to your portfolio.

CATEGORY

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2. NYSE:PBA (Pembina Pipeline Corporation)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:ENB (Enbridge Inc.)
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