3 Biggest Canadian Energy Stocks to Consider Right Now

Description

Energy commodities are unstoppable this year. The Russia-Ukraine war has provided them with another significant impetus, driving them further higher in the last few weeks. For example, crude oil is up 60%, while natural gas prices have gained 170% in the last 12 months.

With Europe and the U.S. being reluctant to buy Russian energy, Canada could emerge as a reliable energy trade partner amid the ongoing war. Though concerns regarding scale and capacity remain, Canadian energy producers could ease the global supply squeeze to some extent.

Driven by higher energy commodity prices, TSX energy stocks have gone through the roof. They have notably outpaced their south-of-the-border counterparts, gaining 95% in the last 12 months versus U.S. energy stocks returning 60%.

Here are the three biggest Canadian energy stocks by market capitalization.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) is the country's biggest oil and gas producing company, with a $91.7 billion market cap. It has high quality, low decline assets with 17,000 million barrels of oil equivalent (MMboe) proved and probable reserves. It has returned 110% in the last year and 130% in the last five years.

The company aims to produce 1.3 MMboe/d in 2022, an increase of 5% year over year. Interestingly, higher energy prices and production could notably boost its earnings this year. It is already sitting with supreme financial growth and a strong balance sheet position.

CNQ plans to pay $3 per share in dividends this year to distribute excess cash, an increase of 50% compared to 2021. It pays increasing dividends driven by stable earnings growth. In 2020, when all the energy bigwigs suspended or trimmed dividends amid the pandemic, CNQ was among the very few who kept increasing shareholder payouts. CNQ stock currently yields 4%.

Enbridge

Canadian energy pipeline giant **Enbridge** (TSX:ENB)(NYSE:ENB) stands second in the universe with a $64.6 billion market cap.

Enbridge is a mature company that derives the majority of its earnings from fixed-fee, long-term contracts to move energy products. Its earnings have a relatively low correlation with oil and gas prices.

So, even if energy prices are rising, companies like Enbridge might not see as substantial an earnings increase as energy producers will. As a result, the stock has soared 26% in the last 12 months, notably underperforming peer TSX energy stocks.

However, if you are looking for dividends, Enbridge is one compelling opportunity. It yields 6%, way higher than its peers. It has increased dividends for the last 26 consecutive years. Notably, the company will likely keep its dividend growth streak intact, driven by its earnings visibility and low-risk business model.

Suncor Energy

Integrated energy giant **Suncor Energy** (TSX:SU)(NYSE:SU) is the country's largest oil sands producer. Despite steep financial growth since the pandemic, the stock has remarkably underperformed peers in the last few months.

Investors' concerns regarding its operational performance could be behind Suncor's underperformance. A fire at its refinery and a fatal accident in January raised vital safety and operational issues at Suncor.

However, as we have seen a theme emerging in the sector, Suncor is also repaying debt with its incremental free cash flows. In addition, its balance sheet deleveraging and potential dividend hikes could create meaningful value for shareholders in the long term.

CATEGORY

1. Energy Stocks
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TICKERS GLOBAL

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2. NYSE:ENB (Enbridge Inc.)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:CNQ (Canadian Natural Resources Limited)
5. TSX:ENB (Enbridge Inc.)
6. TSX:SU (Suncor Energy Inc.)

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