



## Why TC Energy (TSX:TRP) Is 1 of My Top Picks for Income-Seeking Investors

### Description

Many avoid investing in the energy sector because of its wild swings, driven by volatile oil and gas prices. But not all energy stocks are equally risky. Energy infrastructure companies offer low risk and moderate return prospects for long-term investors. One of them is **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)).

### What differentiates TC Energy stock?

TC Energy is a \$70 billion company that operates oil and gas pipelines in North America. Its pipeline network operates 25% of natural gas consumed across the continent. It also owns seven power plants of 4.2 GW capacity, enough to power four million homes.

What makes TC Energy different from energy producers is its earnings stability. Energy infrastructure companies earn their cash flows from rate-regulated, fixed-fee contracts. In addition, oil and gas prices indirectly impact their financials. For instance, when crude oil prices rise, producers have an incentive to drill more and increase their production. So, higher production means higher business opportunities and higher revenues for companies like TC Energy.

However, there is a significant time lag involved, and that's why pipeline stocks underperform energy producers when oil prices are rising. For example, [TSX Energy stocks](#) at large have doubled since last year, but pipeline stocks have gained 20% on average.

Note that Canada is the fourth-largest crude oil producer in the world. But it infamously has lower pipeline capacity to carry that output. And it's not easy to build new pipelines because of the daunting environmental regulations. Thus, existing pipelines become all the more valuable.

### TC Energy: Dividends

TC Energy earns stable cash flows due to its predictable, low-risk business model. Even if oil and gas prices show wild swings, it keeps growing slowly and steadily. Its revenues have grown by 6% CAGR, while the net income has grown by 13.5% CAGR in the last 10 years.

Notably, such high visibility of earnings facilitates stable dividend. TC Energy has increased its dividend for the last 22 consecutive years, implying reliability and stability. Whether it was the 2008 financial crisis or the pandemic, TC Energy kept increasing shareholder payouts.

It currently yields 5%, higher than TSX stocks at large. TC Energy will likely keep paying such steadily growing [dividends](#) in the foreseeable future.

The company aims to increase its operating earnings by 5% CAGR for the next five years. Its upcoming capital projects and existing contracts will likely enable this growth in the future.

## Peer comparison

Peer **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) offers a tad [superior dividend profile](#) than TRP. It yields 6% and has increased dividend for the last 27 consecutive years. Moreover, Enbridge is bigger in many aspects than TC Energy. Enbridge's pipelines transport 25% of North America's total crude oil and 20% of gas.

However, TRP stock has outperformed ENB in the last 10 years. The prior has returned 160%, including dividends, while ENB has returned 130% in this period.

## The Foolish takeaway

If you are looking for a stable passive income and moderate growth, TC Energy is a stock for you. Its earnings stability and predictability make it a low-risk bet, apt for conservative investors.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:TRP (Tc Energy)
3. TSX:ENB (Enbridge Inc.)
4. TSX:TRP (TC Energy Corporation)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

#### **PP NOTIFY USER**

1. kduncombe
2. vinitkularni20

#### **Category**

1. Energy Stocks
2. Investing

#### **Date**

2025/08/24

#### **Date Created**

2022/04/27

#### **Author**

vinitkularni20

default watermark

default watermark