



2 Canadian Energy Stocks That Pay Massive Dividends

Description

[Canadian](#) energy stocks have recently pulled back by a significant margin. That is a change in step for what has largely been a historic year for energy stocks. Fortunately, this may be a great opportunity for investors that are coming late in the game to the energy sector.

Oil and gas could remain elevated for years to come

The fact is Russia's war in Ukraine is greatly disrupting energy markets. Energy demand outside of the pandemic has been strong, but supply is being limited by sanctions against Russian supply. It is the second-largest energy exporter in the world, so that is creating a significant deficiency in the market. As a result, it is not unreasonable that oil could continue to trade above [US\\$100 for the foreseeable future](#).

This is a very favourable dynamic for Canadian energy stocks. Many energy companies are focused on delivering shareholder returns over production growth. With that dynamic in mind, Canadian investors could enjoy substantial cash returns in the form of [dividends](#) and special dividends. If that sounds good to you, here are two top Canadian energy stock I would buy on the dip today.

Tourmaline stock: A Canadian energy leader

Sometimes owning the best-quality platform in a sector is the smart thing to do. That is why I would consider **Tourmaline Oil** ([TSX:TOU](#)) today. Despite its name, Tourmaline is Canada's largest producer of natural gas. The company supplies diverse markets, so it can move its gas to areas where it receives the highest price. Likewise, it owns many of its infrastructure assets, which enables a very low cost of production and processing.

Since last year, this energy stock has been generating a lot of excess cash. It has already hit its net zero debt target, so it is funneling a lot of cash into dividends. Its regular dividend of \$0.20 perquarterly only equals a 1.1% yield today. However, the company has been paying some large specialdividends.

Last year, it paid a special \$0.75 per share dividend. Already in 2022, it has paid \$2.75 in special dividends. If energy prices persist, chances are very good that more special dividends will continue to spew out. If you combine its current dividends paid to date, this energy stock is actually yielding over 5%.

Suncor stock: A Canadian energy turnaround

If you are more interested in value stocks, you may want to consider **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)). It used to be the premium integrated energy stock in Canada. However, several years of poor operational and safety performance have caused this stock to lag the overall energy market.

However, a recent activist investor is looking to stir up change. They are focused on finding ways to help Suncor get back to its leadership status. While this may take time, Suncor did demonstrate strong first-quarter results a few days ago. Net earnings soared to \$2.95 billion, up from \$821 million last year. Likewise, it earned \$4.09 billion in adjusted funds from operation.

In the quarter, Suncor increased its quarterly dividend by 12% to \$0.47 per share. That is its largest quarterly dividend increase in its history.

Today, this energy stock yields 4.2%. However, given its strong outlook and rapidly declining debt, it would not be surprising if further dividend increases are in store for the future.

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