



3 Energy Stocks I'd Buy in 2022

Description

Oil stocks are rallying hard in 2022. Thanks to supply chain issues, the supply of oil is being held up, leading to high prices. OPEC, so far, is not prepared to raise output more than incrementally, so the high prices may continue for the foreseeable future. This is bullish for energy companies. The higher the price of oil goes, the more money integrated energy companies make. In this article, I will explore three energy stocks that I would buy in 2022 — including one I actually bought.

Occidental Petroleum

Occidental Petroleum ([NYSE:OXY](#)) is a U.S. oil stock that is among [Warren Buffett's favourite investments](#). The stock trades at just five times operating cash flow, making it fairly cheap. With that said, it's more expensive than other oil stocks by certain other metrics. For example, it has a price-to-book ratio of two, which is higher than many Canadian oil stocks.

It looks like a big part of Buffett's thesis on Occidental Petroleum relates to the quality of its oil fields. The Permian Basin is known as one of the productive oil fields in the world, and OXY owns mining rights there. Its oil output has risen to over a million barrels per day, and with today's high oil prices, that produces a lot of revenue.

Suncor Energy

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is a Canadian oil stock [I have bought twice this year](#). The company extract oil from various oil fields and bitumen deposits, and sells gasoline at a network of Petro-Canada stations.

One thing SU has going for it right now is its valuation. Trading at just five times cash flow and 1.7 times book value, it has got OXY beaten on the valuation front. It also has strong growth. In its most recent quarter, Suncor's net income grew 259% and its funds from operations doubled. Those are some pretty strong gains, and oil prices are still going up. Don't be surprised if this stock reaches \$60 this year. It's still dirt cheap.

Cenovus Energy

Cenovus Energy ([TSX:CVE](#))([NYSE:CVE](#)) is another Canadian E&P like Suncor. Its business model is very similar to Suncor's: it extracts, refines, and sells crude oil. It also operates gas stations. The thesis here is therefore similar to that of Suncor. However, some of the investment characteristics are a little different.

Cenovus has a smaller market cap than Suncor Energy does, a lower dividend yield, and faster earnings growth. In this respect, you could consider Cenovus more of a speculative small-cap play and Suncor more of a mature "blue chip." That's not to say that Suncor lacks growth potential, but incremental gains will take longer for that company than they will for Cenovus.

Foolish takeaway

What a year it has been for Canadian oil stocks! With high oil prices taking profits higher, they have really been beating the market averages. Who knows how long this can go on for? One thing is for sure though: those who bought oil stocks at the start of the year are sitting pretty today.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:OXY (Occidental Petroleum Corporation)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:CVE (Cenovus Energy Inc.)
5. TSX:SU (Suncor Energy Inc.)

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. andrewbutton
2. kduncombe

Category

1. Energy Stocks
2. Investing

Date

2025/08/22

Date Created

2022/05/22

Author

andrewbutton

default watermark

default watermark