



## Top 3 Energy Stocks for 2022

### Description

[Energy stocks](#) have been fantastic plays over the past year. The ongoing supply crunch coupled with rebounding demand has pushed the price of oil and natural gas to record highs. This means energy companies have more cash flow and wider margins than ever.

Much of this excess profit is flowing back to long-term shareholders in the form of dividends and buybacks. Here are the top three energy stocks that should be on your watch list in 2022.

### Energy stock #1

Niche energy producers like **Pipestone Energy** ([TSX:PIPE](#)) should be on your radar this year. The company is an oil and gas exploration specialist focused on the Pipestone region of Alberta.

Pipestone has already benefitted from the oil boom. The stock is up 990% from 2020. In 2022, the firm is investing in an operational expansion that could propel the bottom line further. It expects to deploy \$180 to \$200 million in 2022 to boost annual production to between 34,000 and 36,000 boe/d.

If oil prices remain steady throughout the year, Pipestone could generate \$155-\$185 million in free cash flow (FCF). That means the stock is trading at roughly five times FCF per share. The stock is cheap and an attractive play for investors who have a greater appetite for volatility and risk.

### Energy stock #2

Energy distribution company **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) is another excellent play in this sector. Unlike the producers, Enbridge earns on volume. That means it has more visibility on future earnings and a stable outlook for cash flows.

Enbridge stock already offers a 6% dividend yield. That dividend payout has been raised every year for the past 27 years. Even during the oil bust of 2014 and the dip in 2020, the company managed to deliver the rewards its shareholders expected.

This year could be the same. Management expects 5-7% annual growth in dividends for the foreseeable future. In fact, if the flow of oil across North America expands as expected, the company could deliver better dividend growth than ever before.

## Energy stock #3

**Suncor** ([TSX:SU](#))([NYSE:SU](#)) is one of the largest and most well-known Canadian energy companies. However, the stock has lagged behind its smaller peers. Suncor is up 49% year to date while smaller oil and gas producers have doubled or tripled in size.

Activist investor Elliott Investment Management is now trying to close the gap. The investment firm believes Suncor stock could have more upside potential if it focused on its core oil sands operations and delivered a greater proportion of free cash flow to shareholders. In other words, it wants Suncor to raise dividends and buybacks while boosting operational efficiency.

Suncor stock's performance has noticeably improved since Elliott got involved. If the energy crisis persists and Suncor implements the hedge fund's recommendations, the stock could move much higher. Keep an eye on this opportunity.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:PIPE (Pipetone Energy)
5. TSX:SU (Suncor Energy Inc.)

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