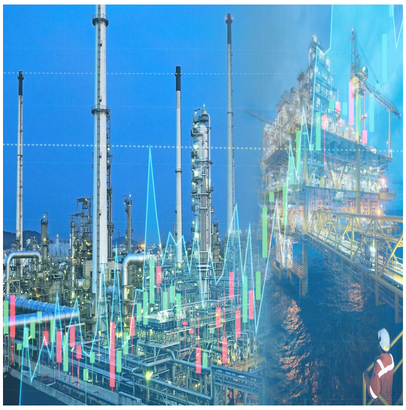

2 Canadian Energy Stocks With Ridiculously Fast-Growing Dividends

Description

While 2022 has been a tough year for most Canadian stocks, energy stocks have vastly outperformed. The **S&P/TSX Composite Index** is down 4% this year, whereas the **S&P/TSX Capped Energy Index** is up 65%!

Why oil prices could keep going up

Numerous factors are helping keep the price of oil elevated over US$100 per barrel. Firstly, sanctions against Russia are slowing supply from hitting the global market. Secondly, overall oil supply and production investment has been slowed due to ESG activism.

Thirdly, oil demand is quickly recovering out of the pandemic and energy production growth is not keeping up. Lastly, most North American oil producers are choosing to return their excess cash flows and profits back to shareholders. Investing in new production is not a priority like it was years ago, and that is also hampering energy supply growth.

Canadian energy stocks could have significant dividend growth ahead

Combine all these factors, and oil and natural gas prices could be elevated for years, not just months. This is incredibly favourable for Canada's energy sector. Canadian oil companies became very lean during the March 2020 crash and pandemic.

Now, they are gushing cash. Shareholder returns in the form of share buybacks and dividend increases/special dividends are becoming very common. Here are two top Canadian energy stocks that are quickly raising their dividends as a result.

A top Canadian natural gas producer

Tourmaline Oil (TSX:TOU) is picture of where many Canadian energy stocks are heading. It has already hit its zero net debt target. Its balance sheet is in pristine condition. Likewise, it operates in prolific gas fields, it has efficient, low-cost operations and is contracted to supply gas to high-priced markets (like California and Asia).

Now that it is getting top dollar for its natural gas, the company is gushing excess cash. Just last quarter, it earned $618 million of spare cash. Last year, it increased its quarterly dividend by 7% twice. It also paid a $0.75-per-share special dividend. This year, it raised its quarterly dividend by 11% and paid out two special dividends totaling $2.75 per share.

This energy stock only yields 1.1% at today's price. It doesn't seem like much. However, when you add in all its past special dividends, it is yielding more like 5.6% today.

This is not the cheapest energy stock, but it is one of the best-managed energy businesses in Canada. If energy fundamentals persist, large special dividends should keep dropping down to shareholders.

One of Canada's best-known energy stocks

Another high-quality energy stock is **Suncor Energy** (TSX:SU)(NYSE:SU). Suncor has lagged its large, integrated peers for some time. It has suffered both safety and operational issues in recent years. However, the announcement of an activist shareholder has helped give this stock some life.

Suncor has some great assets and it can produce oil at a very low cost. Despite its operational challenges, it is still generating a lot of free cash.

Last year, it increased its quarterly dividend by 100%. That put it back to its pre-pandemic level. This quarter, it raised its quarterly dividend again by 12% to $0.47 per share. That is the highest dividend it has ever paid.

Given that Suncor's debt is coming down and its operations are improving, there are likely further share buybacks and dividend increases to come. At some point, generalist investors are going to like energy stocks again and Suncor will be their go-to name for picking up exposure.

CATEGORY

1. Dividend Stocks
2. Investing

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