3 Dividend-Paying TSX Energy Stocks for TFSA Investors

Description

Crude oil prices have again started to ride higher after tumbling on recession fears last week. It turns out that supply constraints will still dominate energy markets, even if the demand falls amid the economic downturn. So, what should you do as oil rally readies for its next leg?

Here are three relatively safer, dividend-paying TSX energy stocks. If you invest via a Tax-Free Savings Account (TFSA), the capital gains and dividends will grow tax free. You will not have to pay a single dollar in taxes as your investment portfolio grows, even at the time of withdrawal.

Let's take a look at the top three TSX energy stocks.

Tourmaline Oil

Canada's largest natural gas producer **Tourmaline Oil** (TSX:TOU) is one of my favourite energy stocks. It has been an exponential growth in Tourmaline since the pandemic. Rallying gas prices notably improved its earnings and free cash flows, which were used to pay down the debt. Apart from debt, the company still had excess cash, which was used to reward shareholders via dividends.

The gas giant has raised its regular quarterly dividends four times and has issued special dividends thrice since last year. So, it has paid a dividend of $4.3 per share in the last 12 months, implying a yield of over 6%!

Interestingly, TOU stock has returned 120% since last year. Despite a steep rise, there could be more because of the gas price strength, strong balance sheet, and undervalued stock.

Canadian Natural Resources

Canada's biggest energy company by market cap, **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) is another stable bet in the energy space. The recent weakness brought down CNQ stock to $65 levels from $88 in just a couple of weeks. However, this could be an opportunity for discerned investors, as crude oil prices bounce back.

Like many other energy producers, CNQ aggressively repaid debt amid significant earnings growth in the last few quarters. In addition, it announced a dividend increase of 50% for 2022 compared to 2021. So, it will pay a dividend of $3 this year, representing a decent yield of 4.2%.

CNQ stock has returned 65% since last year. It still looks well placed to rally higher, considering a steep earnings growth in Q2 2022 and a potential dividend hike.

Enbridge

Top energy pipeline company **Enbridge** (TSX:ENB)(NYSE:ENB) is a relatively low-risk bet among these three. And this is because it does not have a high correlation with oil and gas prices. Moreover, its stable operations, decent dividends, and less-volatile stock make it an attractive bet for long-term investors.

Enbridge has a unique pipeline network in North America. It generates a large portion of its earnings from fixed-fee, long-term contracts. So, even if oil prices move south, Enbridge still has a significant earnings visibility.

ENB stock has returned 11% in the last 12 months, underperforming peer TSX energy stocks. However, its dividend yield stands way tall among peers at 6.3%!

So, if you are looking for a stable dividend paying energy stock, Enbridge should be on top of your watchlist.

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:ENB (Enbridge Inc.)
5. TSX:TOU (Tourmaline Oil Corp.)

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