3 Top Energy Stocks That Could Boost Your Passive Income

Description

Investors fear that yield inversion, where the two-year treasury yield is higher than a 10-year treasury yield, could be a key warning of a recession on the horizon. Historically, the yield curve has preceded a recession. The inflationary environment and rising interest rates are making investors nervous. So, investors can strengthen their portfolios with these three energy stocks that pay dividends at healthy rates.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) serves North American customers by meeting their oil and natural gas needs through a network of pipelines. It is also expanding its presence in renewable space. With 98% of its adjusted EBITDA generated from regulated assets and long-term, take-or-pay, and fixed-fee contracts, the company's financials are less vulnerable to market volatiles.

Enbridge has been paying a dividend for the last 67 years uninterrupted while raising it at an average annualized rate of over 10% for the previous 27 years. With a quarterly dividend of $0.86/share, its forward yield stands at a juicy 6.38%.

Meanwhile, the company is progressing with its $10 billion secured capital program. It expects to deliver $4 billion worth of projects this year alone. Rising energy demand could boost the throughput of its liquid pipeline segment. So, given its stable cash flows, high growth prospects, and healthy liquidity of $5.3 billion, I believe Enbridge's dividend is safe.

TC Energy

Another energy stock is **TC Energy** (TSX:TRP)(NYSE:TRP), which has been raising its dividend forthe previous 22 years at a CAGR of 7%. The company operates a highly regulated business, witharound 95% of its adjusted EBITDA generated from rate-regulated assets or long-term contracts. So,the company produces stable and reliable cash flows, thus allowing it to raise its dividend consistently.With a quarterly dividend of $0.90/share, its forward yield currently stands at 5.42%.

Meanwhile, TC Energy has committed to investing around $25 billion from 2022 to 2026. The company hopes to put $6.5 billion of projects into service this year. These investments could grow its EBITDA at an annualized rate of 5%. With the expectation of higher cash flows, TC Energy's management is confident of raising its dividends by 3-5% annually in the near term. So, I believe the company would be an excellent addition to your portfolio.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA), with an attractive forward dividend yield of 5.72%, is my final pick. The company, which is involved in oil and natural gas transportation, operates a diversified and highly contracted business. With only 20% of its business exposed to commodity price fluctuations, its cash flows are stable and predictable. Supported by these stable cash flows, the company has been paying dividend uninterrupted since 1997.

Meanwhile, Pembina Pipeline is constructing several projects and expects to deliver around $900 million of projects this year. It has also agreed to form a joint venture with KKR by combining their Western Canadian natural gas processing operations, improving the customer experience while delivering substantial cost savings. The company could also benefit from higher oil prices, with WTI crude projected to trade around US$100/barrel for the rest of this year. So, given its steady cash flows and healthy growth prospects, I believe Pembina Pipeline is well positioned to continue its dividend growth.

CATEGORY

1. Energy Stocks
2. Investing

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2. NYSE:PBA (Pembina Pipeline Corporation)
3. NYSE:TRP (Tc Energy)
4. TSX:ENB (Enbridge Inc.)
5. TSX:PPL (Pembina Pipeline Corporation)
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