Boost Your Passive Income With These 3 Top Energy Stocks

Description

Amid an inverted yield curve, the fear of recession has increased, thus cooling oil prices down from their March highs. However, analysts expect WTI crude to trade around US$100/barrel for the rest of this year in the face of growing energy demand and supply constraints. With the equity markets expected to remain volatile, investors can buy the following three energy stocks to boost their passive income and also strengthen their portfolios.

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Enbridge

First on my list would be **Enbridge** (TSX:ENB)(NYSE:ENB), which has maintained its dividend growth even during the pandemic. Given its highly contracted business, commodity price fluctuations will impact only 2% of its cash flows, thus delivering stable cash flows and allowing the company to continue paying dividends uninterrupted since 1955. Besides, the company has raised its quarterly dividend at a CAGR of over 10% for the last 27 years. Meanwhile, the company's forward dividend yield currently stands at an attractive 6.19%.

Enbridge has plans to invest around $5-$6 billion annually for the next three years to boost its midstream and renewable energy assets. Given these investments and solid underlying business, the company's management expects its distributable cash flows to grow at a CAGR of 5-7% through 2024. With liquidity of $5.3 billion, I believe the company is well-positioned to fund its growth initiatives.

Amid the recent pullback, Enbridge has lost around 7% of its stock value compared to its last month's highs. For the next 12 months (NTM), its price-to-earnings has declined to 18.1, making it an attractive buy.

Suncor Energy

S**uncor Energy** (TSX:SU)(NYSE:SU) has increased its dividends twice in the last 12 months. Higheroil prices have driven the company's financials, allowing it to raise its dividends. With a quarterlydividend of $0.47/share, the company's forward yield stands at a healthy 4.58%.

The company operates low-decline, long-life assets, which allows it to break even provided WTI crude trades around US$35/barrel. With oil prices hovering around US$100/barrel, Suncor Energy could deliver solid performance in the coming quarters. Likewise, the increased production, cost-cutting initiatives, and lower interest expenses amid a decline in debt levels could also boost its financials.

Despite delivering solid returns of over 32% this year, Suncor Energy still trades at an attractive NTM price-to-earnings multiple of 4.1, thus making it an excellent buy in this volatile environment.

TC Energy

My final pick would be **TC Energy** (TSX:TRP)(NYSE:TRP), which has been raising its dividends at a CAGR of 7% for the last 22 years. The company generates around 95% of its adjusted EBITDA from regulated assets or long-term contracts, thus providing stability to its cash flows and allowing it to raise dividends consistently.

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Meanwhile, Enbridge is progressing with its $25 billion secured capital program while expecting to deliver $6.5 billion in projects in 2022 alone. Rising energy demand could also increase its throughput, thus driving its financials. Looking forward, the company's management expects its adjusted EBITDA to grow at a CAGR of 5% through 2026, given its solid underlying business and capital investments.

With the expectation of higher cash flows, the management hopes to raise its dividend at a 3-5% rate in the coming years. The forward dividend yield currently stands at a healthy 5.28%. Besides, the company valuation looks attractive, with its NTM price-to-earnings multiple standing at 16.

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