



2 Top Canadian Energy Stocks to Buy Offering Dividend Yields Above 6%

Description

When building a portfolio of dividend stocks, it's essential to ensure that the companies you own are well diversified by industry and [sector](#). With that being said, though, there's no question that some of the best dividend stocks to buy now are Canadian energy stocks, as the industry experiences significant tailwinds.

Not all energy stocks return capital to investors, and not all that pay dividends are worth owning for passive-income seekers. However, there are tonnes of high-quality Canadian energy stocks that do pay attractive dividends and make for excellent long-term investments.

As long as the stock has solid operations and can be committed to for the long haul, then it's a stock that's worth an investment.

So, with that in mind, if you're looking to buy a high-yield energy stock, here are two of the top Canadian dividend stocks to consider, both offering significant yields of at least 6%.

One of the top Canadian energy stocks that dividend investors can buy today

Often massive blue-chip stocks make for excellent dividend stocks, and in the case of **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)), the Canadian energy giant, that's certainly true. Enbridge is one of the top Canadian dividend stocks you can buy in the energy industry for several reasons.

First off, the services it provides are crucial to North America's economy; plus, they are well diversified.

So, not only is Enbridge responsible for transporting just under a third of all the oil that's produced in North America, but it also transports 20% of the gas consumed in the United States, owns the third-largest natural gas utility in North America by consumer count, and has countless renewable energy investments.

This highly diversified portfolio of assets makes the stock incredibly reliable and allows it to bring in

tonnes of cash flow, which is why it pays such an attractive dividend and is also why it's increased that dividend for over 25 consecutive years.

So, with the stock offering investors a dividend [yield](#) of roughly 6.1% today, it's easily one of the best Canadian energy stocks that passive-income investors can buy now.

A top passive-income generator with impressive growth potential

In addition to Enbridge, **Freehold Royalties** ([TSX:FRU](#)) is another unbelievably attractive dividend stock to buy for passive income. The stock even pays investors monthly, returning capital to you even more often.

While Freehold is another one of the top Canadian energy stocks you can buy, though, the dividend stock's operations are much different than Enbridge. Freehold acquires land, which other energy companies use to produce energy on, in exchange for a royalty payment. So, the higher the price of oil and gas, and the more barrels of oil that companies are producing on its land, the more revenue it earns.

Therefore, the stock is more reliant on commodity prices for profitability and therefore is slightly riskier than Enbridge. However, in the current environment, with the energy industry experiencing such significant tailwinds, this exposure to commodity prices is working in Freehold's favour.

Furthermore, while the company is so profitable in this environment, it continues to invest in new growth by acquiring more properties, particularly south of the border, where the economics are better, and there is more opportunity for long-term growth.

So, although Freehold doesn't have the same track record of dividend increases as Enbridge, over the last few years, as it's expanded its portfolio, it's improved its long-term potential and helped lower its risk significantly.

In addition, as the energy industry has recovered from the pandemic and is now benefiting from geopolitical issues, Freehold has increased its dividend on seven different occasions in less than two years.

Therefore, with Freehold now offering dividend investors a yield of more than 7.8% and at a payout ratio that's expected to be just 54% of its funds from operations this year (at the low end of its guidance), it's undoubtedly one of the top Canadian energy stocks to buy now.

CATEGORY

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2. TSX:ENB (Enbridge Inc.)

3. TSX:FRU (Freehold Royalties Ltd.)

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