The Best Canadian Energy Stocks for Decades of Passive Income

Description

Energy stocks are among the first assets Canadians think of when it comes to passive income. For one thing, Canada has a lot of them. For another thing, they tend to have very high dividend yields. You can find many energy stocks out there with yields well above 5%. Some of them pay their dividends monthly, too.

Plenty of good opportunities are lurking in the Canadian oil and gas sector for investors seeking passive income. In this article, I will explore one stock that not only has a high yield, but also a reasonable case for long-term success.

Enbridge

Enbridge Inc (TSX:ENB)(NYSE:ENB) is a Canadian pipeline company that also functions as a natural gas utility. Its main business is shipping oil from Canada to the United States. Companies lease out its pipeline space to move oil in a cost-effective way. Enbridge Gas helps Ontarians heat their homes via natural gas. Both of these businesses are very lucrative; as a result, Enbridge earns over $1 billion in profit each and every single quarter!

Why ENB stock is so strong long term

Enbridge is very profitable, but then again, so are many other Canadian energy companies. What makes this one such a great long-term pick?

It comes down to one thing:

Leases.

Enbridge isn't one of those oil companies that's out there in the world trying to sell oil at the market price. It's more like a landlord, leasing out vital infrastructure that oil companies need to use to move their product. It doesn't matter how much profit the oil producers and gas stations are making: as long as they're making enough to stay solvent, Enbridge keeps making money. Most of Enbridge's leases are for 10 years or more. Whereas your average oil producer strives to make money through wildly fluctuating oil and gas prices, ENB sits on valuable assets and collects mostly "passive income." For shareholders, the income truly is *passive*, coming in quarter after quarter with no labour required!

Latest earnings

Enbridge is thriving this year. Its second-most recent earnings release was a bit of a dud, featuring negative earnings growth, but the most recent one was very strong. In the third quarter, Enbridge delivered:

- $1.3 billion in earnings, up 86%.
- $1.4 billion in adjusted earnings, up 16.7%. "Adjusted earnings" means earnings with some slight modifications due to accounting rules.
- $2.5 billion in distributable cash flow, up 8.6%. "Distributable cash flow" means cash available to pay dividends.

These metrics all measurably increased from the same period last year, so Enbridge's business grew.

Foolish takeaway

2022 has been a great year for energy stocks, but not all future years will necessarily be great for the energy sector. There have been many years in the past in which energy prices have fallen. Through the good years and the bad years, Enbridge has always kept paying, and raising, its dividend. Thanks to its long-term leases, it is likely to keep doing so in the future. At any rate, the current yield of 6.47% is big enough that you can make plenty of money on the stock even with no dividend growth.

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