3 Oil Stocks to Buy for Sustainable Investing

Description

The formation of the Pathways Alliance in June 2022 indicates the desire of oil sands producers to help solve the climate change challenge. Canada Natural Resources, Suncor Energy, ConocoPhilips Canada, **Imperial Oil** (TSX:IMO), **Cenovus Energy** (TSX:CVE), and **MEG Energy** (TSX:MEG) are the six-member companies of the new organization.

This impressive cast operates roughly 95% of oil sands production in Canada. Each member commits to advance responsible oil sands development and reduce greenhouse gases (GHGs) by 22 million tonnes annually by 2030. But the alliance's ultimate goal is to achieve net-zero emissions from oil sands production by 2050.

Imperial Oil, Cenovus Energy, or MEG Energy are ideal investments if you support a low-carbon future. All three have record profits this year and rewarded investors with gains of 65% or more thus far in 2022.

Growing dividends

Imperial Oil is a dividend aristocrat owing to 27 consecutive years of dividend increases. The latest increase in quarterly dividends was 29%. Its Chairman, President, and CEO, Brad Corson said, "Paying a reliable and growing dividend and returning surplus cash to shareholders remain key priorities for us."

In Q3 2022, net income and cash flows from operating activities rose 123.7% and 58.7% year over year to $2 billion and 3 billion, respectively. Management paid a total of $227 million in dividends during the quarter. Corson said Q4 2022 seems to be a continuation of the previous quarters.

He expects Imperial Oil to run at maximum levels for the rest of the year and finish very strong. At $74.44 per share, this energy stock is up 65.8% year to date and pays a 2.29% dividend.

Shareholder return framework

Because of the continued strong operations in Q3 2022, Cenovus Energy generated more than $4 billion in cash from operations. Moreover, net earnings and free cash flow increased 23% and 192% to $2 billion and $1.6 billion versus Q3 2021, respectively. Its President and CEO, Alex Pourbaix, notes the solid operating performance in the upstream assets notwithstanding the increased commodity price volatility.

A notable highlight at the quarter’s end was the 21.4% reduction in long-term debt to $8.8 billion. A new shareholder returns framework is paying out more to investors. Cenovus declared its first variable dividend in addition to the share buybacks. At $27.08 per share (+76.29% year to date), the dividend offer is 1.62%.

Operational excellence

MEG Energy is a non-dividend payer, but the mouth-watering 69.7% year to date gain is a compelling reason to buy and hold this energy stock. Also, at $19.85 per share, the total return in 3 years is 261%, suitable for a compound annual growth rate (CAGR) of 53.3%.

According to its President and CEO, Derek Evans, MEG will continue to focus on operational excellence, debt reduction, and returning more cash to shareholders through share buybacks. The $6 billion energy company focuses on sustainable in-situ thermal oil production.

In Q3 2022, the bitumen production of 101,983 barrels per day (bbls/d) was a new quarterly record. After the first three quarters of the year, net earnings and free cash flow ballooned 607.6% and 287.4% year over year to $743 million and $1.26 billion, respectively.

Responsible investing

Pathways Alliance knows the urgency of lowering GHG emissions and driving environmental improvements. Imperial Oil, Cenovus Energy, and MEG Energy should be on the buy lists of responsible investors looking beyond financial returns.

CATEGORY

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2. TSX:IMO (Imperial Oil Limited)
3. TSX:MEG (MEG Energy Corp.)

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