



2 TSX Energy Stocks That'll Still Be Worth Owning When the Dust Settles

Description

The energy sector in Canada is still going through the first true bullish market since the 2014 fall. But there were a few bumps in the latter half of 2022, which may be perceived as danger signs. The energy sector has risen too hard, too fast, and its bullish phase has lasted longer than any other sector in Canada.

There are still reasons to be optimistic about Canadian energy stocks, but there is also a high probability that the sector might go through a correction phase. And if it's proportional to the rise the sector has experienced, some energy holdings might start weighing your portfolio down. However, there will still be a few [energy stocks](#) worth owning when the dust settles, and two of them are especially worth noting.

A pipeline company

As one of the largest oil and gas producers in the world, Canada is also home to many energy transportation companies. This includes **Pembina Pipeline** ([TSX:PPL](#)), the mid-stream service provider that controls over 18,000 kilometres of pipelines across the continent. Its pipelines are capable of transporting oil sands and heavy oils.

Its natural gas processing capabilities are quite enviable as well — five billion cubic feet per day. The company also owns an export terminal, making its supply chain more robust from an international export perspective.

Pipeline companies typically have long-term contracts with oil producers, and they generate revenue based on the agreed-upon prices, regardless of how much oil prices go up or down. And even though they lose revenue when less oil or natural gas is being transported, the fluctuation is far less than what it is for upstream companies.

This stability is reflected in the stock's performance. It's one of the handfuls of energy companies that reached their 2014 peaks before the post-pandemic bullish phase. And since it didn't rise too rapidly like many of its peers in the sector, it may survive the correction phase in a better shape than them.

A midstream company

Keyera ([TSX:KEY](#)) is another safe midstream company that you can invest in if you are afraid of a correction in the energy sector. It also has a decent-sized pipeline, though nothing compared to Pembina and a lot of storage capacity. Its midstream positioning is slightly different from Pembina, which is a good thing from a diversification perspective.

The stock seems quite stable right now. The [price-to-earnings ratio](#) is almost 13, making the valuation relatively fair. The post-pandemic growth has been quite anti-climactic, even for a midstream company, and it's still trading at a 19% discount from its pre-pandemic peak. The main benefit of this is the high yield of 6.5%.

Foolish takeaway

There are a lot of energy companies that might seem very attractive right now but may not have the necessary resilience to survive a correction in good shape. But they may still be worth keeping an eye on when the storm hits. You may be able to buy them heavily discounted and lock in amazing yields.

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