



2 Top Energy Stocks to Buy Right Now

Description

The steep recovery in oil and natural gas prices from the pandemic lows significantly boosted the financials of energy companies. Given the favourable operating environment, [energy stocks](#) skyrocketed and outperformed the benchmark index. Meanwhile, energy companies accelerated the pace of debt reduction and share buybacks and announced dividend hikes.

While energy companies benefitted from the higher average price realizations and strong cash flows, the expected commodity down cycle amid fear of recession poses challenges ahead. Whether the rally in energy stocks is over or not is debatable. Meanwhile, investors can still find attractive investment opportunities in the sector that remain immune to the economic and commodity down cycles. Against this background, here are the top two energy stocks to buy now.

TC Energy

TC Energy ([TSX:TRP](#)) could be a reliable investment in the energy space. Its regulated and contracted assets witness high utilization and remain relatively immune to economic and commodity cycles. Further, its diversified asset base adds stability. Given the resiliency of its cash flows, TC Energy has consistently enhanced its shareholders' returns through dividend hikes.

Notably, this energy infrastructure company has raised its dividend at a CAGR (compound annual growth rate) of 7% in the last 22 years. Meanwhile, its growing base of regulated and contracted assets (accounting for 95% of its adjusted earnings) and a multi-billion-dollar (about \$34 billion) secured growth projects augur well for future growth and dividend payments.

TC Energy expects to grow its dividend by 3-5% annually. Meanwhile, it offers a dividend yield of 6.28%, which is attractive.

Brookfield Renewable Partners

My next pick is a [renewable energy stock](#). Notably, the focus on decarbonization across the globe,

government support, and strong capital investments to add capacity provide a solid foundation for growth for the companies in the green energy space. Given higher adoption, renewable energy stocks will likely deliver substantial capital gains. Moreover, their contracted assets add visibility over future cash flows and support dividend growth.

Within the renewable energy sector, investors can consider investing in **Brookfield Renewable Partners** ([TSX:BEP.UN](#)) stock to capitalize on the [energy transition](#) opportunities. Brookfield Renewable is a pure-play green energy company with a diversified portfolio of assets (water, solar, wind). Further, with its 23,600 megawatts of power-generating capacity and solid development pipeline, Brookfield Renewable is poised to deliver solid financials and enhance its shareholders' returns.

It's worth highlighting that over 90% of its power output is contracted to creditworthy counterparties. Moreover, Brookfield benefits from its long power-purchase agreements (PPAs) that have an average remaining life of about 14 years. Also, most of its PPAs have protection against inflation, which helps it grow organically.

The secular sector trends, stability of its cash flows, strong balance sheet, no near-term debt maturities, and very little exposure to the floating interest rates support my optimism. Meanwhile, investors are likely to benefit from its reliable dividend payouts, focus on generating an average annual shareholder return of 12-15%, and decent dividend yield of 4.49%.

CATEGORY

1. Energy Stocks
2. Investing

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