



Top Canadian Oil Stocks of 2023

Description

For years, the world ran on oil, and oil companies dominated the market. These days, however, as more and more countries push for [renewable energy](#), the future of oil is becoming uncertain. Oil companies are having to redefine themselves to stay on top.

Despite the uncertainties facing the industry, oil companies still dominate the energy sector. They make up about 31.2% of the world energy mix. In 2021 alone, the oil and gas sector brought in around \$2.1 trillion in revenue. Oil companies make up around 3.8% of the global economy.

Investing in oil stocks might seem like risky business. But for those who know where to look, it can still be a profitable enterprise. If you're considering adding Canadian oil companies to your investment portfolio, here's what you should know.

What are oil stocks?

Oil stocks are companies engaged in the production, transportation, and refinement of crude oil. They are typically classified as one of the following:

- **Upstream exploration and production (E&P):** These companies find oil, [natural gas](#), and natural gas liquids, then bring them to the surface for production.
- **Midstream:** Once oil has been extracted and produced, midstream companies are responsible for transporting, storing, and exporting it.
- **Downstream:** These companies refine crude oil into consumer products, such as gasoline, diesel, and jet fuel.

In addition, an oil company could also be classified as an "integrated company," which means it operates in more than one of the segments listed above. For instance, **ExxonMobil** operates both upstream and downstream, and it's typically called an integrated company.

Top Canadian oil stocks

When it comes to oil stocks, Canadian investors have many options. To help you narrow them down, here are just a few of North America's top oil stocks.

Oil Stock	Description
Enbridge (TSX: ENB)	A large midstream company that owns an extensive system of pipelines transporting oil between Canada and the U.S.
Canadian Natural Resources (TSX: CNQ)	One of the largest oil and natural gas producers in Western Canada, with productions averaging 1.15 million barrels of oil per day and reserves of over 11.5 billion
Suncor (TSX: SU)	An integrated energy company responsible for developing oil sands, extracting offshore oil and gas, and selling oil products via its retail company, PetroCanada
Cenovus Energy (TSX: CVE)	An integrated oil company that produces around 472,000 barrels of oil per day, with 6.7 billion in reserves
ExxonMobil (NYSE: XOM)	One of the largest integrated oil companies in the world, with 18.5 billion barrels in reserves and productions upward to 2.3 million barrels per day.

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Canadian Natural Resources

Canadian Natural Resources is a Calgary-based oil and natural gas company. It has quickly become the biggest oil company in Canada. In fact, in April 2022, it became the first TSX-listed oil and gas company to surpass a \$100 billion [market capitalization](#).

The company's stock is riding on tremendous momentum, and when you look closely at the company, you'll see its positive growth isn't undeserved. Canadian Natural Resources has an incredibly diverse portfolio of oil products, including light and heavy crude oil, natural gas, bitumen, and synthetic credit oil.

It's the largest producer of natural gas and crude oil in Western Canada, and its ability to keep operating costs low while increasing production has helped it post strong revenues.

For as cash-rich as Canadian Natural Resources is, it currently doesn't have extensive plans to move into the renewable space. That shouldn't necessarily detract investors — the company has 10+ billion barrels of crude oil in reserves — but it's certainly something to keep note of.

Enbridge

Enbridge is a massive midstream company that transports around 30% of the oil produced in North America. Its pipelines include a natural gas pipeline system, regional oil sands pipelines, and a

regulated natural gas utility system.

Recently, Enbridge has even stretched into renewables, including wind and [hydrogen energy](#). These projects are still in their infancy, and they're not yet contributing to the global push toward green energy. Still, it might be comforting to know that Enbridge is looking to the future and not solely concerned with making profits today.

Perhaps the most attractive part of Enbridge's stock is the hefty [payout on its dividends](#). Over the last 27 years, Enbridge has increased its dividend year after year, securing its place among Canada's dividend aristocrats. For investors looking for a source of passive income, Enbridge might be a good stock to start with.

Finally, keep in mind that Enbridge is a midstream company, and not necessarily affected by gas prices. It charges transportation fees to the oil and gas companies that use its pipelines. This makes Enbridge stock slightly less volatile than other oil company stocks.

Suncor

Suncor is a major Canadian oil company that focuses on both upstream oil production and refinement and downstream retail and sales through its Petro-Canada gas stations.

It's the world's largest producer of bitumen, which is a byproduct of crude oil used in asphalt and roofing tiles. It also has operations in the oil sands of Alberta and refineries in Eastern Canada and Colorado.

During the COVID-19 pandemic, Suncor watched its revenues drop, as all three of its major operations — production, refinement, and retail gas — plummeted at once.

The company had to cut its dividends, which displeased investors, who then sold Suncor stock. Though the company has done a good job buying back stocks and raising dividends, Suncor still trades at a relatively low price. This could be a good opportunity for value investors on the hunt for a deal.

Cenovus Energy

Another integrated oil and gas company based in Calgary, Cenovus Energy focuses primarily on its oil sands assets. It also engages in producing conventional crude oil, natural gas, and natural gas liquids in Alberta.

The company has recently experienced some tremendous growth, spurred by its acquisition of Husky Energy. In 2021, Cenovus brought in \$5.9 billion in cash from operations (up 2,068%), \$7.2 billion in adjusted funds flow (up 6,000%), and \$587 million in net income.

Investors who held Cenovus stock in 2021 were rewarded with a 101.5% gain.

ExxonMobil

ExxonMobil is one of the largest oil companies in the world, fully deserving its "supermajor" title.

Notwithstanding its historical dominance in the oil sector, ExxonMobil was crushed during the pandemic. The company lost \$22.4 billion in revenue in 2020, the first time the company has ever taken a loss.

Since then, ExxonMobil has bounced back. And the oil giant is in even better shape than before. The pandemic caused ExxonMobil to cut costs, reevaluate where it's investing its money, and reprioritize high-value products. The company paid off around \$20 billion in debt in 2021, helping improve its cash flow by 200% year over year.

As for the future, the company does invest in clean energy research, though it hasn't advanced in transitioning from oil to renewables.

Does the oil industry have a future?

The oil industry has a near future, yes. Though many countries, companies, and people are choosing renewable energy over petroleum, most of the world still depends on oil.

And given the size and cash reserves of the biggest oil companies, it's safe to say they're not going under anytime soon.

That said, oil will likely have a smaller role in the future of energy. Many experts claim global oil demand will peak in 2030, after which renewables will begin to overtake oil and gas as the world's primary sources of energy.

The challenge for oil companies is redefining their operations and transitioning to a world without oil. Companies to watch for in this sector include those investing in green technology, shrinking oil operations, and developing renewable energy, such as wind and solar.

Additionally, look for companies with immense cash reserves, low operating costs, and operations in more than one region or country. Only oil companies with strong financial backing and sustainable operations have the fortitude to weather the oil industry's twists and turns.

Are oil stocks right for you?

Oil stocks aren't for the faint of heart. Though many oil companies have enormous market caps and large dividend payouts, their stocks aren't as stable or as predictable as other [large caps](#) and [blue chips](#).

For one, oil stocks are especially sensitive to geopolitical events, oil-related disasters (like oil spills), global supply, and consumer demand. As we've seen recently with Russia's invasion of Ukraine, the political affairs of a petrostate can easily cause oil price fluctuations.

Not only can countries who produce oil influence prices, but also the entire oil cartel, OPEC (Organization of the Petroleum Exporting Countries), can do the same. Within a single day, OPEC can punish oil stocks by withholding barrels of oil produced, or help these stocks by producing more.

For investors who can face volatility without acting irrationally, oil stocks could present some unique

opportunities. Many of the best oil stock companies pay out a higher-than-average dividend, which could provide a lucrative source of passive income.

RELATED: [Top Canadian Oil ETFs](#)

TICKERS GLOBAL

1. NYSE:XOM (Exxon Mobil Corporation)
2. TSX:CNQ (Canadian Natural Resources Limited)
3. TSX:CVE (Cenovus Energy Inc.)
4. TSX:ENB (Enbridge Inc.)
5. TSX:SU (Suncor Energy Inc.)

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