



3 Takeaways From the Barclays CEO Energy Conference

Description

Last week, industry executives from across the oil patch gathered in New York for the 2013 Barclays CEO Energy Power Conference. The event provided an opportunity for analysts to pick the brains of the top players in the industry. For those that missed it, here are the top three investment takeaways from the conference.

Keystone XL is no longer relevant

Canada's energy executives [played down the importance](#) of **TransCanada's** (TSX: TRP, NYSE: TRP) Keystone XL project. Analysts, who once called the pipeline essential to the industry's growth, now believe a combination of rail and alternative pipeline proposals could accommodate the industry's production growth.

"The belief in the industry is that the industry will get access to the market," **Suncor's** (TSX: SU, NYSE: SU) Chief Executive Steve Williams told analysts on Wednesday. "It has certainly not constrained our growth. And my best estimate would be that it's not significantly constraining the rest of the market, either."

Other executives echoed similar sentiment. On Tuesday, an executive at **Canadian Natural Resources** dismissed transportation issues as "overblown". In addition, **Continental Resources** Chief Executive Harold Hamm [told](#) the *National Journal* earlier this month that "It's [Keystone XL] not critical any longer."

But given that [the discount for Western Canadian Select](#) versus West Texas Intermediate fell to a seven-month low last week, I can't help but feel that these managers are just talking their books.

No slowdown in crude-by-rail transit

In spite of the tragedy in Lac Megantic this summer and a recent derailment in Calgary last week, there are no hints that the industry is retreating from the crude-by-rail option.

Cenovus (TSX: CVE, NYSE: CVE), one of the biggest adopters of crude-by-rail in the industry, reaffirmed its commitment to the rail transit. The company is targeting 30,000 brls/d ship by rail by the end of 2014, representing 10% of the company's marketable volume. **Imperial Oil** Chairman and Chief

Executive Rich Kruger is also considering to expand its rail shipments to “mitigate pipeline uncertainties”.

This is obviously encouraging news for rail investors. These stocks have sold off over public concerns regarding the industry’s safety.

Discipline is the new mantra in the oil patch

In an era of low commodity prices, investors are tired of the growth-for-growth’s-sake mentality that has dominated the industry’s thinking. Executives have gotten the message. The new mantra in the oil patch is *restraint*.

Encana (TSX: ECA, NYSE: ECA) Chief Executive Doug Suttles [provided a preview of company’s future](#). On Thursday, Mr. Suttles promised that the new Encana is going to look smaller and oilier than its predecessor, with management looking to sell off the company’s dry-gas assets and increase liquids production. The changes signal a new era of discipline in a company whose past was focused on rapid growth and big spending.

Suncor executives also reiterated the company’s new operating philosophy by promising to only fund projects that deliver a sufficient return for shareholders. Much of the company’s capital spending will be focused not on bold projects, but on smaller initiatives such as improving reliability on the company’s upgrading facilities and de-bottlenecking upstream operations. The benefit of these types of activities is that they provide high return on investment with lower risk and capital-intensity than new mining projects.

Foolish bottom line

Never miss an opportunity to listen to the biggest players in the business, especially in the off-script question-and-answer sessions with analysts. Often, candid comments can reveal hidden trends in the industry — and that can spell big opportunities for the diligent investor.

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Disclosure: Robert Baillieul has no positions in any of the stocks mentioned in this article.

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Author

rbailieul

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