



Husky Energy's Next Big Project Could Solve Europe's Biggest Worry

Description

According to a recent article in the *Financial Post*, **Husky Energy** (TSX: HSE) is said to be considering a liquefied natural gas export project in Canada's Atlantic Coast. If built, the project could supply natural gas to Europe to help it diversify its energy supplies away from Russia. Is this a bold move or a big mistake?

Big presence in the Atlantic already

Much of Husky's focus in the Atlantic region has been oil. However, production from the White Rose oil field, which it shares with **Suncor Energy** (TSX: SU)(NYSE: SU), has been declining in recent years as the field has matured. Husky does have the potential to eventually produce more oil out of the Atlantic in the future as its recent discoveries with partner **Statoil** (NYSE: STO) look very promising. However, it will be years before those discoveries are producing.

In addition to all the oil it's sitting on, Husky has substantial natural gas potential as well. With Europe now in a bind as Russian gas supplies could become unpredictable, it's opening up an opportunity for Husky to exploit some of its previous gas discoveries.

Further, Husky has a very large land holding in the Atlantic, which could be explored for natural gas. Because of this Husky sees itself as the perfect partner to a foreign energy company that's looking for a source of gas that can be sent back to Europe.

Plenty of gas

The Atlantic certainly does have gas fields that could be used to supply Europe. **Encana** (TSX: ECA) (NYSE: ECA), for example, brought its Deep Panuke natural gas field up to full production last December. While the company had [considered selling the field](#), it has since had a change of heart. One of the reasons for that is that the bitterly cold winter pushed up the price of natural gas and is making that project more profitable. In addition, there's also the potential that gas from the region could eventually be exported, which would likely keep the price of gas high enough that Encana would continue to earn strong returns by keeping the field.

There's plenty of gas beyond Deep Panuke. For example, there is a formation known as Old Harry,

where hydrocarbons have been seen bubbling up to the surface for centuries, that is thought to contain 1.5 to 2 billion barrels of oil and another 4 to 5 trillion cubic feet of natural gas. For perspective, that represents enough gas to meet the needs of 5 million American households for 15 years. There's likely a number of additional hydrocarbon deposits in the Atlantic that the industry hasn't be incentivized to exploit until recently.

Foolish bottom line

The recent success of Deep Panuke isn't lost on Husky nor is the fact that there's plenty of gas off Canada's Eastern shore. Combine that with the fact that Europe is likely going to get real serious about diversifying its natural gas supplies, and it makes a lot of sense for Husky to at least pursue the bold move to export gas to Europe.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

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