



3 Reasons to Be Optimistic About Canada's Energy Sector

Description

As the large crowd gathered at the Sheraton Hotel in downtown Toronto late last week, there was a renewed sense of optimism. The group was there for an energy conference run by the Canadian Association of Petroleum Producers (CAPP) and **Bank of Nova Scotia**. Tellingly, attendance was double the amount from the same conference in December 2012.

There are three reasons in particular that the mood was brighter than it had been in years.

1. Easing of the bottlenecks

Over the last couple of years, the big story has been a lack of transportation infrastructure for Alberta's oil, forcing energy companies to accept discounted prices for their product. **TransCanada's** ([TSX: TRP](#))([NYSE: TRP](#)) Keystone XL pipeline has not been approved and faces stiff opposition from environmentalists.

Nowadays, these transportation bottlenecks are easing significantly, as new pipelines and crude-by-rail capacity comes on stream. In fact there is a growing belief that the industry doesn't even need Keystone anymore. This is quite a change from two years ago.

2. Environmental progress

Over the past few years, Canadian energy companies have put a lot more effort into environmentally sustainable activities, and there is a growing feeling that this will help the industry avoid unfavourable regulation. For example, **Imperial Oil's** ([TSX: IMO](#))(NYSE: IMO) Kearl oil sands operation has about the same life-cycle greenhouse gas emissions as many crude oils refined in the United States.

In fact, there is growing confidence that if President Obama approves the Keystone XL pipeline, then environmentalists will shift their focus to other polluting industries, such as coal.

3. Supply issues elsewhere

While North America seems to have all the energy production it needs, the same cannot be said in

many other regions. Events like the crisis in Ukraine, chaos in Venezuela, or continued issues in countries like Libya, continually remind us that North America is the world's most stable energy-producing region.

For that very reason, world energy prices have held very firm. And while no one cheers for chaos, it is reassuring for North American energy producers that their stable environment is such an advantage. Over the very long term, especially if the United States eases energy export restrictions, world instability should continue to provide price support for North American producers.

Foolish bottom line

The Canadian energy sector has given us yet another reminder that the best time to buy is when others are fearful. So today may not provide as many great opportunities as there were two years ago. But with President Obama's decision on Keystone coming up later this year, the party may keep going.

CATEGORY

1. Investing

TICKERS GLOBAL

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2. NYSEMKT:IMO (Imperial Oil Limited)
3. TSX:IMO (Imperial Oil Limited)
4. TSX:TRP (TC Energy Corporation)

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