



## 3 Reasons Natural Gas Will Be the World's Next Super Fuel

### Description

During 2012 and 2013, prices of natural gas remained stubbornly weak, based on factors like oversupply, warmer than usual weather, and negative sentiment from investors. Energy companies with exposure to both oil and natural gas responded by shutting down natural gas wells, cutting production at existing wells, and selling assets that were exposed to the beleaguered commodity. There was a huge movement out of gas assets and into oil assets.

Finally, in early 2014, relief came for long suffering natural gas investors. The price of the commodity jumped from below \$3.50 per million BTUs to more than \$6.00 — albeit temporarily — mostly because of record low cold snaps around the United States. The weather has since moderated, and the price of the commodity has settled in to a range around \$4.50.

There are three main reasons investors have to be bullish on the future of natural gas. If all three potential growth areas for the commodity end up becoming feasible, investors a few years down the road will be kicking themselves for missing the opportunity to buy this growth play on the cheap.

### Power generation

Many of the fuels we use to produce power come with their own set of problems. Nuclear is a good option, provided things don't go wrong. As the Fukushima disaster in Japan showed us, when things go wrong with nuclear power, they go really wrong. This worst-case scenario is one of the reasons we're unlikely to see a huge number of nuclear power plants being built.

Coal is cheap, still relatively abundant, and provides a pretty good return on investment. Back before we worried about the environment, this was good enough. But now, as environmental issues have come into focus, coal is being ostracized as a dirty fuel. Construction of new coal power plants has come to a virtual standstill because of coal's impact on greenhouse gas emissions.

Which leaves natural gas, the fuel primed to capture the market. Natural gas is still relatively cheap and abundant. It's a much cleaner-burning fuel than coal. And it comes without the huge worst-case scenario that accompanies nuclear power. It's little wonder why many of the new power plants coming online in the next few years will be powered by natural gas.

One way to play this emerging trend is with **Northland Power** ([TSX: NPI](#)), an Ontario-based power generator. Currently more than 75% of Northland's capacity is natural gas-fueled, making it an excellent play on this growing segment of the market. It also yields 6.2%, a nice dividend for patient investors.

## Natural gas vehicles

Many huge companies are beginning to see the appeal of using natural gas to power their fleets. U.S. companies such as **Pepsico**, **General Mills**, and **Procter and Gamble** are beginning to make the conversion. **UPS** has begun a pilot project testing out natural gas engines. Even up here in Canada, **Encana** (TSX: ECA)(NYSE: ECA) is converting its fleet to natural gas, and is opening up stations to supply the fuel. Many municipalities around North America are embracing natural gas powered public transit busses. Even **CN Rail** is looking at natural gas powered locomotives.

All of this is very good news for **Westport Innovations** (TSX: WPT)([NASDAQ: WPRT](#)). Through its joint venture with **Cummings**, Westport produces the engines that will end up in the trucks of the world's largest companies. The company sees plenty of reason to be optimistic, since it only commands a 2% market share in the space.

## Exporting LNG

Getting natural gas from politically sensitive areas can lead to some unintended consequences. Take the Russia and Ukraine situation. European leaders were unwilling to really ratchet up the sanctions on Putin because Russia supplies a lot of natural gas to Europe. They didn't want to take the risk of Russia turning off the taps.

This has further fueled talk of the importance of getting natural gas from so-called friendly countries. Canada fits the bill, and also has the benefit of touching both the Atlantic and Pacific Oceans, meaning we've got great potential to export LNG.

The easy way to play this upcoming trend is with **TransCanada Pipelines** ([TSX: TRP](#))([NYSE: TRP](#)). Approximately 50% of the company's revenues already come from natural gas, and it's the likely choice to build the pipeline infrastructure needed to make any LNG export facility happen.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:NPI (Northland Power Inc.)
3. TSX:TRP (TC Energy Corporation)

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