



## This Province Is Set to Benefit From the Pipeline Crunch

### Description

With the seemingly never-ending runaround that Canadian pipeline companies are receiving from the American government, investors are showing concerns about oil from Alberta, which is becoming landlocked in more than one way.

As a result, the province of Newfoundland and Labrador is becoming a more intriguing option for oil companies. Since its production is offshore, it is already prepared to ship its bounty to major markets, which also allows it to sell at higher Brent prices. Now, in order to drive further growth, the province has stepped in through its Crown corporation, Nalcor Energy, to map the ocean floor. This information will then be given to oil companies.

Some of the exploratory maps produced by Nalcor and others predict that Newfoundland's oil reserves could match, or be even larger than, those of the Gulf of Mexico and the North Sea. It is very much in the province's interests to do all it can to spur continued growth in its oil industry, as oil royalties make up 24% of its revenue. Not content with current production, the province is indicating that deep-sea exploration is now on the table.

### The top Canadian players

With this flurry of activity, Canadian companies have been front and centre with their international counterparts to reap these deep-sea rewards. One of these top Canadian companies is **Suncor Energy** ([TSX: SU](#))([NYSE: SU](#)), which has a stake in all current offshore oil production in the province. Suncor's largest holding in the region is the 5.6 million-barrel-rich Terra Nova oil and gas field, in which it has a 37% stake.

Suncor's stock has some room for growth as it closed Friday at \$45.61, yet has an average price target of \$47.90 and a high-end price of \$55.00. This is backed up by an annual dividend of \$0.92 with a yield of 2%.

The other top Canadian player off the coast of the province is **Husky Energy** (TSX: HSE), which also has an investment in the Terra Nova oil and gas field with a 13% stake. Husky's primary play in the region is the 72.5%-owned White Rose oil and gas field, which is estimated to have 440 million barrels

of oil. Husky, along with its Norwegian partner **Statoil** (NYSE: STO), is also engaged in new exploration in the Flemish pass, where it holds a 35% working interest in the Bay du Nord, Harpoon, and Mizzen discoveries.

Husky Energy closed Friday at \$34.42, not far from its 52-week high of \$37.31 that was reached in April. The average price target is sitting at \$39.20 with a hold rating, and the top-end price target is \$45.00. What is more intriguing, though, is the 3.4% yield on its annual dividend of \$1.20.

## CATEGORY

1. Investing

## TICKERS GLOBAL

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

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