6 Stocks to Profit From Canada's Energy Potential

Description

Canada is already one of the top five energy producers in the world. However, its energy potential is still just being tapped. Here are five areas of Canadian energy that show great potential for investors.

Oil sands

Alberta's oil sands contain 168 billion barrels of proved oil reserves. That's the third-largest proved oil supply in the world behind only Saudi Arabia and Venezuela. Needless to say, there is a lot of investment potential in Canada's oil sands.

While there are a number of companies developing the oil sands, one really sticks out as a top investment choice. With the lowest-cost oil sands developments in the country, **Cenovus Energy** (TSX: CVE)(NYSE: CVE) stands out among its peers. The company's focus on reducing its steam-to-oil ratio is enabling Cenovus Energy to earn more money per barrel of oil than its competitors, while at the same time reducing its carbon footprint. Furthermore, with visible growth projects coming online over the next few years, the company expects very profitable production growth of about 11% per year for nearly the next decade.

The Atlantic

The oil sands really do dominate Canada's oil reserves, accounting for 97% of its total. However, the 3% of reserves that are represented in the country's onshore conventional and offshore basins is still a lot of oil. Of the two, its the country's oil potential in the Atlantic that could be a lot larger than investors realize.

Husky Energy (TSX: HSE) and its partner **Statoil** (NYSE: STO) made three oil discoveries off of the coast of Newfoundland in recent years. The biggest discovery, Bay Du Nord, could hold as much as 400 million barrels of oil. Because of these discoveries Husky Energy is planning an 18-month drilling campaign to see just how much more oil is in the region, but given what it has seen so far, the Atlantic is becoming a critical region for Husky Energy's growth plans.

Shale

America's shale plays, including the Bakken and Eagle Ford, turned it into the world's largest oil producer. However, Canada also has its own emerging shale plays that could push it closer to the top of the pile in energy production. Shale plays in the Horn River Basin, Liard Basin, and Montney Shale hold vast amounts of dry natural gas. Meanwhile, the liquids-rich Duvernay Shale could be twice as big as America's game-changing Eagle Ford Shale.

Encana (TSX: ECA)(NYSE: ECA) is betting heavily on these shale plays to fuel its growth. The company has amassed a premier position in the Duvernay Shale and sees it as being capable of producing 50,000 barrels of oil equivalent per day for the company in the future. Meanwhile, Encana sees massive running room from its position in the Montney, with its land having the potential to produce 50,000 barrels per day of liquids and another two billion cubic feet of natural gas per day. Best of all, Encana sees the potential to earn rates of return in the 60%-100% range as the economics of these shale plays are very compelling.

Liquefied natural gas

What could make the economics of shale plays even more compelling is the potential to export the natural gas produced to Asia. That's why a number of companies are planning to build LNG export facilities along Canada's west coast. One company to really keep an eye on here is **Apache** (NYSE: APA). The company owns a 50% stake in the Kitimat LNG terminal, as well as substantial acreage in the gas-rich Liard and Horn River Basins. The combination of the gas assets with the export terminal could really fuel a lot of future profits to Apache's investors.

Pipelines

There is, however, one big problem that has plagued Canada's energy industry, and that's lack of access to markets. LNG export facilities like Apache's Kitimat LNG facility should help natural gas producers like Encana to make more money on gas as it's sold to Asia at a premium. Likewise, Canada's oil needs to move to markets like Asia to fetch higher prices.

One project that should really help the industry is **Enbridge's** (TSX: ENB)(NYSE: ENB) Northern Gateway Pipeline. The $6.5 billion pipeline would run the 1,177 km from Alberta's oil fields to Kitimat, BC, where the oil could then be exported to Asia. The project, which has been conditionally approved, could be the key to improving oil prices in Canada and providing profits to Enbridge's investors.

Investor takeaway

There are a lot of ways to profit from Canada's energy boom. From its massive oil sands to its ability to export to Asia, Canada has the potential to become an energy powerhouse. As it does, it has the potential to fuel strong long-term returns to investors in the companies best-positioned to profit from the boom.

CATEGORY

1. Investing

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1. TSX:CVE (Cenovus Energy Inc.)
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