



What Would an NDP Victory Mean for Suncor Energy Inc. and Canadian Natural Resources Ltd.?

Description

It would have been unthinkable 10 years ago, but the left-leaning New Democratic Party (NDP) has a legitimate chance of winning Canada's federal election. This is making a lot of business leaders very nervous, especially in the energy sector.

So, what effect would an NDP victory have on companies like **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) and **Canadian Natural Resources Ltd.** ([TSX:CNQ](#))([NYSE:CNQ](#))?

A commitment to the environment

It's no surprise that NDP leader Thomas Mulcair places a high priority on protecting the environment. In a recent speech in British Columbia, he had the following to say on the issue:

"Our position is that we can develop our natural resources as long as it's done sustainably. To do that, I'll bring in overarching sustainable development legislation that will include clear principles like polluter pay, user pay, internalizing the costs, and, yes, our environmental assessments of these projects will include an analysis of whether or not it allows us to meet internationally-agreed targets for Canada for greenhouse gas reductions."

Such an approach to the environment would likely be a big negative for the oil sands, right when the industry needs it least.

An opposition to pipelines

Also to no one's surprise, Mr. Mulcair is opposed to most proposed energy pipelines. To be more specific, he's against the Keystone XL, Northern Gateway, and Transmountain projects.

His opposition is about more than containing emissions: he's also claimed these projects will "export" jobs to other countries. This is because the pipelines will transport unrefined bitumen. Mr. Mulcair would like to see that bitumen refined into crude oil here in Canada.

So, if the NDP wins the election, President Obama could easily reject Keystone XL, claiming that conditions have changed north of the border. That would be bad news for CNRL and Suncor, both of whom have already reserved capacity on the pipeline.

How worried should energy companies be?

There's one other way Mr. Mulcair could hurt energy companies: he plans to raise corporate taxes. Nobody's exactly sure how big the increase will be—not even Mr. Mulcair himself—but any increase at all would be tough for oil companies to swallow in this environment.

This doesn't necessarily mean you should vote against the NDP. But the value of Canadian energy stocks would be under threat if the NDP wins in October. It's something to keep in mind as the election season drags on.

CATEGORY

1. Energy Stocks
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TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
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