



Justin Trudeau Is Not the Energy Patch's Biggest Problem

Description

Canadian voters delivered a resounding victory for Justin Trudeau and the Liberal Party on Monday, but the euphoria was not shared by all.

For instance, investors in Canada's energy patch are worried about the "real change" that Mr. Trudeau will bring. And there is legitimate cause for concern. He has promised to put more emphasis on fighting climate change, he has called the pipeline-review process flawed, and has promised to end subsidies to oil companies.

So, what exactly does this mean for the likes of **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)), **Crescent Point Energy Corp.** ([TSX:CPG](#))([NYSE:CPG](#)), and **Canadian Natural Resources Ltd.** ([TSX:CNQ](#))([NYSE:CNQ](#))? And is this really their biggest concern right now?

Not that big a deal

In Canada's energy patch, the name Trudeau can conjure up memories of the heavy-handed National Energy Program under Pierre Trudeau. But there are a few reasons why energy investors shouldn't be so worried this time.

To start, Mr. Trudeau is not an anti-pipeline politician. He supports the Keystone XL Pipeline, even if he may not lobby as hard for it as Mr. Harper did. He also hasn't specifically come out against Energy East, nor the Trans Mountain expansion. And Mr. Trudeau recognizes the drawbacks of relying so much on crude by rail.

Besides, Mr. Harper's lack of action on climate change may have backfired against the sector, especially with regards to Keystone. Mr. Trudeau's more inclusive approach may actually be beneficial.

Meanwhile, the rollback in subsidies is more of a concern for junior oil companies. To be more specific, Mr. Trudeau will likely adjust the Canadian Exploration Expense (CEE) deduction, which helps smaller companies raise capital and compete against larger players. As for energy giants such as Suncor, this is less of a concern.

Much bigger things to worry about

Canada's energy patch is facing some very serious problems right now, none of which are named Trudeau.

Let's start with the Organization of the Petroleum Exporting Countries (OPEC), which shows no sign of slowing down production. OPEC held a meeting in Vienna with five non-member states on Wednesday, but the subject of production cuts wasn't even discussed. Meanwhile in the United States, oil companies continue to cut costs, which of course allows them to survive at lower oil prices.

The demand picture isn't looking pretty either. China is the main concern, as the country's economic growth continues to slow, and many observers don't even trust the country's official figures.

So, if you hold some big energy stocks such as Suncor or CNRL, you shouldn't worry about Mr. Trudeau. There are plenty of other things to be concerned about instead.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:SU (Suncor Energy Inc.)
3. NYSE:VRN (Veren)
4. TSX:CNQ (Canadian Natural Resources Limited)
5. TSX:SU (Suncor Energy Inc.)
6. TSX:VRN (Veren Inc.)

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