



Suncor Energy Inc. Is Looking to Become a Larger Renewable Energy Provider

Description

“Renewable energy producer” is hardly the tagline that resonates when mentioning **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)), but the idea may not be as far-fetched as some assume. The company already has a portfolio of renewable energy products and is in the process of adding more.

Canada’s largest integrated energy company is now considering a larger move into renewable energy; it’s considering developing wind and solar farms in Alberta.

Why is Suncor looking more into renewables?

Suncor CEO Steve Williams best answered that question: “Climate change is happening ... doing nothing is not an option we can choose.”

These are encouraging words from the company, and given Suncor’s strong balance sheet, it may be able to invest in some renewable energy projects to kick start the large switch to renewable energy; it’s a change that many believe is a necessary for the entire energy industry, and it needs to occur over the next few decades. In short, Suncor has the opportunity to diversify greater into renewables and is exercising that option.

Arguably, one catalyst for a greater investment in renewables could be the price of oil itself. Crude prices have dropped sharply over the past few years to some of the lowest prices in a decade. Interest in renewables peaked a few years ago when oil prices were over US\$120 per barrel, and many expected that interest to wane as prices came crashing down, but it hasn’t.

Suncor’s uniqueness in this regard is what really impresses me. Renewables do not have the same return on investment that existing oil projects do, which is why many of Suncor’s peers have been slower to react to the emerging renewable energy market.

Despite this lower return, Suncor’s renewable energy business did still manage to post an operating profit of \$56 million in 2015, generating upwards of 400 Gwh.

Suncor's solar and wind farm projects

Suncor is no stranger to renewable energy, having operated wind projects for over a decade that provide 287 MW of power in Alberta, Ontario, and Saskatchewan. The company is currently developing four additional wind farms that will generate up to 440 MW of power.

On the solar front, Suncor announced this week that the company is in the "preliminary development phase of three proposed solar projects in Alberta." Each of the proposed solar farms would have an output of 80 MW, potentially adding 240 MW of solar power to Alberta's current nine MW. All three of the new solar farms will be developed and connected to the grid by March 2018.

Assuming that these wind and solar initiatives come online, they will more than triple Suncor's renewable energy output.

Suncor remains, in my opinion, one of the best options in the energy industry for investors. The company has a solid balance sheet, is leading industry peers by diversifying into the renewable energy business, and still maintains a strong presence in the more traditional oil industry.

CATEGORY

1. Energy Stocks
2. Investing

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