

Suncor Energy Inc. Could See Nearly \$1 Billion in Cash Flow Go up in Smoke

Description

At the peak, the wildfires that ravaged western Canada knocked an estimated 1.4 million barrels per day of production offline, or about a third of the country's output. With that much oil offline, it will have a notable impact on the cash flow of oil companies during the current quarter.

Among the hardest hit is expected to be **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)), which was forced to shut down and evacuate several of its facilities, resulting in upwards of \$1 billion in cash flow going up in smoke this quarter.

Suncor Energy feels the burn

According to an analysis from RBC Capital Markets, Suncor Energy had to shut its 350,000 barrel a day Base Plant for 35 days as repairs were made to pipelines and power lines, while its 315,000 barrel a day Syncrude joint venture was estimated to have been shut down for 40 days. As a result of these and other shutdowns, Suncor Energy is expected to experience a steep decline in its production as well as its cash flow during the second quarter.

In fact, RBC Capital Markets estimates that Suncor Energy's operating cash flow will drop by \$928 million, or about 20%. Because of that cash flow hit as well as the company's cash flow needs during the quarter, Suncor Energy is expected to be cash flow negative this quarter to the tune of about \$1 billion. That being said, the company does have ample liquidity with \$3.1 billion in cash and another \$6.7 billion in available credit.

Others are feeling the burn, too

While Suncor Energy is estimated to feel the biggest direct financial impact, it wasn't the only producer that will see a financial impact from the wildfires.

Given that Syncrude was offline and, according to reports, could see its June deliveries cut by 85%, it will have an impact on joint venture partner **Imperial Oil Limited** ([TSX:IMO](#))([NYSE:IMO](#)).

Unfortunately, that wasn't Imperial Oil's only asset to be impacted by the wildfires. The company's 220,000 barrel per day Kearl facility was also shut down for a while, as were **Husky Energy Inc.'s** ([TSX:HSE](#)) Sunrise facility, **ConocoPhillips'** ([NYSE:COP](#)) Surmont facility, and several others.

Meanwhile, other producers that initially weren't impacted by the wildfires are now starting to feel the burn. **Canadian Natural Resources Limited** ([TSX:CNQ](#))([NYSE:CNQ](#)) and **Cenovus Energy Inc.** ([TSX:CVE](#))([NYSE:CVE](#)), for example, didn't have to shut down any of their oil sands production facilities. However, both companies have recently had to evacuate heavy oil facilities near Pelican Lake after wildfires moved into the area.

In Cenovus Energy's case, it had to shut down a heavy oil pipeline and evacuate staff after wildfires came within one kilometre of its facilities, which could put its 23,000 barrels per day of production on

hold for a while. Likewise, Canadian Natural Resources halted some of its 49,000 barrels per day of production from the region. There's no telling yet how much production will be impacted, nor for how long it will be out, which is something investors in both companies need to keep an eye on.

Investor takeaway

Suncor Energy investors need to prepare themselves for some bad news when the company reports its second-quarter results in more than a month. That's because the report will likely show much weaker cash flow than prior quarters due to the impact of the wildfires on both its production and cash flow with the latter likely falling by \$1 billion. While it wasn't alone in being impacted by the wildfires, it likely felt the greatest impact given the amount of its production that was knocked offline during the quarter.

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