



Suncor Energy Inc. Is Now Looking East for Acquisitions

Description

Even after making \$9 billion of acquisitions since the oil market downturn began, **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) has not been shy about the fact that it is still hungry for more deals. However, after its cash flow got scorched by the recent wildfires in Canada, the company is starting to rethink its acquisition plans. Instead of bulking up on its already strong oil sands position, the company is now looking east for acquisitions.

A strategy change

Suncor Energy spent the majority of the downturn bolstering its position in the Canadian oil sands. In three separate transactions the company was able to raise its stakes in the Syncrude oil sands facility as well as the Fort Hill oil sands mine up to slightly more than 50%. It also noted several times that it would be open to increasing its stake in either project even further if the price was right.

However, after devastating wildfires shut down oil production in the oil sands region earlier this year, Suncor Energy is rethinking its strategy to increase its exposure to that area. That's after those wildfires knocked out its production at several facilities, wiping away an estimated \$1 billion of cash flow. While that outcome was not pleasant, it could have been much worse.

Looking offshore

Suncor Energy plans to address this risk by focusing future acquisition efforts offshore. According to a recent report by *Reuters*, Suncor Energy is planning to make acquisitions in the North Sea and eastern Canada to bulk up its operations in both areas. According to the report, the company could invest several billion dollars in a single transformational acquisition if it finds a compelling target.

In eastern Canada, Suncor Energy currently holds interests in Hibernia, White Rose, Terra Nova, and Hebron. Any of those four developments could be a candidate for an expanded ownership stake.

One potential seller could be **Murphy Oil**, which owns a 6.5% stake in Hibernia and a 10.476% stake in Terra Nova. Murphy Oil has actively sold non-core assets during the downturn, including the recent sale of its 5% stake in Syncrude to Suncor.

Another potential option is **ConocoPhillips's** 30% stake in the Shelburne Basin deepwater exploration joint venture, which would enable Suncor Energy to boost its stake in that joint venture to 50% and be on equal footing with fellow partner **Shell**. It is an asset that ConocoPhillips will likely be parting with after the U.S. oil giant said it was seeking to exit deepwater exploration to focus on its shale positions.

Meanwhile, in the North Sea Suncor Energy could also boost its stake in any one of the several assets it owns, including the Buzzard Field and the Golden Eagle Area in the U.K. as well as its exploration licenses in Norway. In addition to that, global oil majors are looking to unload assets in the North Sea because of the oil market downturn. Shell, for example, has already put some of its North Sea assets up for sale; it's looking to unload assets from its recent acquisition of BG Group to bolster its balance sheet.

Investor takeaway

The recent wildfires made Suncor Energy realize that it has focused too heavily on the oil sands region. As such, it is starting to turn its attention to targeting acquisitions outside the area, looking instead to bulk up its presence in its two offshore operating areas. It shouldn't have any trouble finding assets to buy, given how many of these assets are going on the market these days.

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