# American Energy Companies Continue to Shed Canadian Assets

## Description

Over the past several years there has been a notable trend in the North American energy sector: American energy companies are jettisoning their Canadian assets.



That trend continued to play out this past week when U.S.-based oil and gas producer **Devon Energy Corp.** (NYSE:DVN) sealed a deal for its stake in an oil pipeline.

Following that transaction was a report that the auction of American energy infrastructure giant **Williams Companies Inc.'s** (NYSE:WMB) Canadian unit attracted at least seven bidders. This deal news suggests that U.S. energy companies continue to see better opportunities by cashing in their Canadian assets, so they can focus on growing in their home country.

**Access to additional capital granted**

Devon Energy announced the sale of its 50% stake in the Access Pipeline in the Canadian oil sands region to Canada Pension Plan Investment Board–backed Wolf Midstream. The initial sale price was $1.4 billion, though it includes the potential for Devon to earn an additional $150 million after it sanctions the development of a new project on its Pike oil sands lease. That is noteworthy in and of itself because it suggests that Devon Energy has plans to grow its presence in the oil sands.

That said, this is not the first time the company has jettisoned assets in Canada. In 2014 the company sold its conventional assets in the country to **Canadian Natural Resources** for $3.125 billion. That transaction represented the entirety of its conventional business in Canada. However, the company did retain its shale gas assets in the Horn River, its heavy oil assets at Lloydminster, and its oil sands assets in Alberta.

While Devon Energy retained assets that had the most upside, it cashed in on those that did not to reinvest the proceeds into its U.S. shale business. For example, the proceeds from the sale to Canadian Natural Resources were used to pay for its Eagle Ford shale acquisition, while the sale of its stake in the Access Pipeline will go towards accelerating the development of its STACK and Delaware Basin resource plays.

**Cashing out**

Meanwhile, Williams Companies is reportedly well advanced in the sale process for its Canadian assets. The company owns a unique slate of assets, including the only fractionator in Canada capable of processing offgas liquids found in the oil sands. To date, the company has invested US$2 billion in building its Canadian assets, and it has another US$2.8 billion in future investment opportunities.

That said, according to reports, the company's Canadian assets are only expected to sell for between US$1 billion and US$2 billion. This is due in large part to the impact of low oil prices, which cut into the margins of Williams Companies's Canadian operations by $89 million last year.

Aside from the impact of low oil prices, the other reason Williams Companies is looking to sell its Canadian assets is that it needs the cash to fund growth in the states. Earlier this year the company and its MLP had to cut US$1 billion out of the capex budget due to lack of resources; it also needs to sell at least US$1 billion of assets to bridge the gap between the budget and capital resources. It is a gap the company appears poised to fund via the sale of its Canadian assets.

**Investor takeaway**

American energy companies continue to return home slowly. For the most part, it is not that they don't see growth potential in Canada, but that they need the money to fund the abundant opportunities they have in their own back yard. It is a trend that will likely continue because all but the biggest U.S. oil companies appear content to operate within their own borders.



**CATEGORY**

1. Energy Stocks
2. Investing

**TICKERS GLOBAL**

1. NYSE:DVN (Devon Energy Corporation)
2. NYSE:WMB (The Williams Companies, Inc.)

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