



Is Suncor Energy Inc. Still a Safe Long-Term Play?

Description

Suncor Energy Inc. ([TSX:SU](#))([NYSE:SU](#)) is arguably one of Canada's best-run energy firms. The company has a huge position in Alberta's oil sands, so if you're thinking about owning shares, then you'd better know the oil sands well and be bullish on oil in general.

There's no question that there's a cloud of uncertainty over Canada's energy sector, which has been viewed as unattractive to foreign investors. Foreign energy companies have been disposing of their oil sands assets at a discount to what they're worth. Is this a warning sign to individual investors? Or are foreign investors making a huge mistake by scratching Canada's energy sector off their radars?

Suncor is a well-run business

The oil sands are dirty, and they're not cheap operations to run, but Suncor managed to hold its own when oil prices crashed. The company has a terrific management team that knows the importance of running efficient operations, and that's a huge reason why the company is head and shoulders above its competition.

Smaller Albertan oil sands companies with stressed balance sheets suffered when oil collapsed earlier last year, but Suncor was able to make deals and invest in operational efficiency initiatives.

Going forward, Suncor is going all-in with the oil sands, even if foreign investors think the oils sands are terrible investments. Many pundits believe that oil prices may stay lower for longer, but even if this is the case, Suncor is still going to find ways to improve its business.

If oil prices tumble again, you wouldn't lose your shirt like you would with most other oil sands companies. So, if you're looking for a safe play on Alberta's oil patch, then you really can't go wrong with Suncor.

What about all the uncertainty?

Personally, I'm not a fan of the potential carbon taxes and border taxes which could hurt Suncor's long-term prospects. Pessimism is at a high right now, but that's usually when you should be buying;

however, aside from soaring oil prices, I don't see any medium-term catalysts that will drive the stock higher.

I believe oil prices will continue to fluctuate at the \$50 level, and if this is the case, quick profits are unlikely.

Extreme case: Could the oil sands be abandoned?

Follow Fool contributor Andrew Walker [pointed out](#) that in an extreme scenario, Canada's oil sands could be abandoned. Many foreign firms have already thrown in the towel on Canada's oil sands. How much longer before everybody else gives up on the oil sands?

Canadian pundits such as Kevin O'Leary are turned off by Canada's energy sector right now, so it's definitely going to take a lot more to reignite interest in Canada's oil patch.

The world is moving towards cleaner sources of energy. Oil sands are both dirty and expensive operations, so could the oil sands projects be headed for the same fate as coal projects? I don't think so, but this is definitely some food for thought.

I wouldn't advise investing a huge amount into Canada's oil patch right now, but if you're keen on getting into the oil sands, Suncor is a solid bet. The management team is fantastic, but many industry-wide headwinds are out of their control.

You'll get a solid dividend while you wait for conditions to improve, but make sure you have an extremely long-term time horizon, and don't be surprised if things get uglier from here.

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