



3 Reasons Energy Stocks Such as Enbridge Inc. Can Thrive With Low Oil Prices

Description

After hitting a bottom in June, oil prices have since rebounded above the \$50 threshold in late July and August. London-based **Barclays PLC** speculated that prices will fall in the current quarter but will see an uptick in late 2017, yet they remain in the \$45-55 range for this year and next. This echoes a note from **Goldman Sachs Group Inc.** which struck a cautious tone on July 27 in the midst of the oil rally. The bank expressed some unease about the quick rally and was proven correct by news soon after revealing an uptick in production.

Long-term projections vary, but the threat from the green-energy revolution has caused some to speculate that oil prices will never again reach the levels experienced before the crash of 2014. Canadian energy companies with big stakes in the oil and gas industry and commodities make up over 40% of the S&P/TSX Index.

Let's take a look at some reasons Canadian energy companies can provide robust growth, even under prolonged low oil prices.

Big projects are in the pipeline

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#)) and **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) have huge projects. Enbridge is moving forward with its expansion project in Wisconsin, which the company boasts will enhance U.S. energy security and contribute \$1.4 billion in infrastructure investment. The company is also excited about the projected completion of the Line 61 upgrade project, which will be able to transport up to 1.2 million barrels per day when finished.

TransCanada stock has seen a positive 2017 in the wake of the Keystone XL pipeline project receiving approval from the Trump administration in March. The pipeline will be capable of transporting 830,000 barrels per day and link Alberta to a pipeline network that sustains U.S. refineries and ports along the Gulf of Mexico.

The Canadian government is invested in energy growth

Mining, quarrying, oil, and gas made up over 8% of 2016 GDP. Net exports of energy products make

up about 3% of trade. The Trudeau government welcomed the decision to support the Keystone XL pipeline from the United States. There was some concern that the NDP government in Alberta may look to stymie energy projects, but Rachel Notley has reasserted the province's commitment. Alberta is working with the Federal Government, and Notley recently supported the Trans Mountain pipeline project.

Companies are committed to innovation

In its sustainability report released in July, **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) provided an outline for technologies it is developing to reduce greenhouse gas emissions from oil sands operations. Suncor has made a commitment to reduce the total emission intensity of its petroleum products and oil production by 30% by 2030.

On August 4, Enbridge and NDT Global announced a research initiative to advance innovation in pipeline inspection technology and drive pipeline safety and reliability.

Canadian energy companies are working feverishly to keep up with green-energy initiatives. Though the Canadian government is making commitments to invest in renewable energies, the overall economy is still very much dependent on oil and gas extraction and will be for the foreseeable future.

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