



What Effect Will Hurricane Harvey Have on Canadian Energy Stocks?

Description

Hurricane Harvey pounded Texas last week and dumped a total amount of rainfall of ~50 inches, more than the area normally gets in a year. This event will continue to have a devastating effect on the area, but how will it affect Canadian energy stocks and Canadian consumers in general?

Texas is the heart of the American oil industry. Analysts at **Barclays**, using government and media reports, estimates the storm will knock out two to three million barrels a day of refining capacity, over 500,000 barrels a day of oil production, and 1.5 billion equivalent cubic feet of gas production. The U.S. Energy sector has taken a hit this week, but there are also Canadian players that have a foothold in the American market.

The Canadian players

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#)) is a Calgary-based pipeline company that, among other things, transports 28% of the crude oil produced in North America. Earlier this year, it bought Spectra Energy, which is based in Houston. Enbridge has been forced to close its Houston offices this week and removed most staff from its gas gathering and processing facilities in the area. Most likely due to Harvey concerns, the stock was down over 1% this week. The stock is trading close to its 52-week low of \$49.20.

The company has interests all over North America, and it also generates energy from multiple sources. It will not be hit as badly as companies that work solely or primarily in Texas, because much of its work won't be directly affected by the hurricane.

Encana Corp. (TSX:ECA)(NYSE:ECA) produces, transports, and markets natural gas and oil. Some of Encana's business is in Texas, where it produces 77,000 barrels of oil per day. The company stated it has been affected by the storm, but it won't disclose specific number as to how much production is offline right now. Its stock price has also taken a hit this week over Harvey concerns, dropping over 1%. The stock is trading closer to its 52-week low than its high.

Similar to Enbridge, Encana has interests over multiple parts of North America, so not all of its business will be directly affected by Harvey.

What effect will Hurricane Harvey have on Canadian consumers?

The most notable effect of Harvey will be rising gas prices. The shutdown of refineries in Texas will affect supply, and gas prices are expected to rise another two to four cents per litre this week. Gas companies could decide to raise consumer prices even higher to help with tight margins. Any businesses reliant on gas will also see their bottom lines squeezed by increasing gas prices.

Investor takeaway

Natural disasters such as Hurricane (now Tropical Storm) Harvey always cause uncertainty for investors. It will likely be a while before we see the full effect the hurricane will have on the stock market. Enbridge and Encana prices could stay a little lower than would normally be expected of them, but these are steady stocks that should rebound.

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1. Energy Stocks
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