



## Suncor Energy Inc. (TSX:SU): Will the Shutdown Provide a Buying Opportunity?

### Description

The much-maligned oil and gas sector is finally seeing some positive momentum. After years of avoidance, investors are flocking to the sector as the price of oil rebounds. **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)), Canada's largest oil sands producer, has [been a leader](#) in this resurgence.

Year-to-date, the company's share price has returned an impressive 14%, far outpacing the broader index. Over the past year, its performance has been even better. If you bought in a year ago, you would now be sitting on a 45% capital gain.

Can anything stop this bull run? In the long term, I doubt it. However, operational issues could have short-term implications. Issues such as the [recently announced shutdown](#) of the company's Syncrude oil sands site in northern Alberta.

### The details

Last month, the Syncrude facility's production came offline when a tripped power transformer caused the entire complex to shut down. The facility produces about 360,000 barrels a day, which is approximately 10% of Suncor's production. This is no small outage. Suncor expects the facility to be offline through the end of July. Although investors may be hoping for a quicker restart, the company's most recent update indicates no change to the original timeline.

After a brief dip, Suncor's share price has shrugged off the news and has continued upwards.

### Impact on oil prices

Losing such a large chunk of production has offset the price differential between Western Canadian Select (WCS) and West Texas Intermediate (WTI). The outage is expected to ease pipeline congestion, which has the positive effect of narrowing the oil spreads. As the price gap narrows, so too does the profitability of oil sands.

The shutdown has also added to the concerns of a global oil deficit. Concerns over oil supply and increasing demand has led to an increase in oil prices.

Given the impact on the price of oil, Suncor will make up part of the loss of production in the form of higher oil prices.

### Quarterly results

Suncor is expected to post second-quarter earnings in the last week of July. These results will be reflective of financials through the end of June. Given that the shutdown only occurred in the latter part of the month of June, I don't expect a significant impact to the company's earnings. The bigger impact will come in third quarter, when results will be reflective of what looks like a full month of production offline.

Pay close attention to management's second quarter conference call. The company will be asked to clarify the financial impacts to third-quarter results, which could provide investors with a good buying opportunity. The company more than rebounded after the same facility went offline for three months in 2015 due to the massive Fort McMurray forest fire. If it can survive that, this shutdown will be a mere blip on the radar.

Suncor is a buy on any weakness related to the shutdown.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

### PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

### Date

2025/09/16

### Date Created

2018/07/06

Author  
mlitalien

default watermark

default watermark