

## Are Oil & Gas Stocks in Trouble?

### Description

News of the Trans Mountain pipeline being delayed is reminding investors why putting their money into oil and gas, particularly in this country, may not be a good idea. The downturn in oil prices started in 2014, and while we've seen an [improvement](#) since last year, the industry just hasn't been able to get back to where it was before.

Normally, we'd expect a higher price of oil to lead to more bullishness in the industry and stronger stock prices. But if you look at stocks like **Cenovus Energy** ([TSX:CVE](#))([NYSE:CVE](#)) and **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)), a high price of oil simply hasn't translated into stronger stock prices.

A big reason for that is the political climate in Canada and the struggles that we've seen in getting pipelines approved. Last year, Energy East was [canceled](#) by **TransCanada** after environmental requirements became too exhaustive and expensive for the company to want to go ahead with the project.

Most recently, the Trans Mountain reached a big stumbling block too, as the Federal Court of Appeal overturned permits for the construction of the pipeline, saying that a real dialogue with Indigenous groups about their concerns was not evident and failed to give the impacted parties sufficient consideration.

However, the Canadian government, which agreed to purchase the pipeline from **Kinder Morgan** ([NYSE:KMI](#)), is still optimistic that it will be able to go through; the big question is how long it will take. Many in the industry were not expecting this setback and it'll likely raise more questions and doubts about future pipelines.

Companies normally do consult with Indigenous groups regarding pipelines, but there's no easy answer for what is sufficient. Brad Wall, the former premier of Saskatchewan, voiced his frustration relating to the decision as he noted that the goalposts continue to move: "What is enough and why does it keep changing?"

The proof that investors are frustrated is no more evident than the vote that Kinder Morgan shareholders took just before the court's decision, where 99.98% voted in favour of selling the pipeline to the Canadian government. For all the potential that the pipeline had, shareholders simply didn't see it as being worth the trouble anymore. And that's a big concern for the industry and symbolic of just how problematic things have become.

### What does this mean for investors?

The bottom line here is that even with a strong commodity price, investors shouldn't expect oil and gas stocks to rise. It's just not as simple as commodity prices pushing up stocks, because if industry conditions aren't conducive for long-term growth and building pipelines, it's going to be hard to convince investors to put their money into Canadian oil and gas stocks.

Both Cenovus and Enbridge were down around 4% last week as a result of the news, and we could see more of a decline in the days and weeks to come as investors start to move their funds out of oil and gas and into safer, more stable opportunities for growth.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:KMI (Kinder Morgan Inc.)
4. TSX:CVE (Cenovus Energy Inc.)
5. TSX:ENB (Enbridge Inc.)

## PARTNER-FEEDS

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

## Category

1. Energy Stocks
2. Investing

## Date

2025/08/16

## Date Created

2018/09/04

## Author

djagielski

default watermark

default watermark