Oil, the Loonie and What Happens Next

Description

Over the course of the past few months, we've been hearing more and more about the growing crisis emerging from the oil-rich province of Alberta. Specifically, Canada's pipelines are heavily backed up and at capacity and unable to meet the growing demand to reach refineries within the U.S.

Additionally, a growing discontent from just about anywhere outside of Alberta towards building pipelines to relieve that pressure is also causing friction, which is playing a part in the rapidly declining price of Western Canadian Select (WCS) – the name given to the heavy oil extracted from Alberta.

If that weren't bad enough, many of the refineries in the U.S. Midwest area are now in a maintenance cycle, which has lowered demand for WCS. Depending on who you ask, the amount of oil revenue that Albertans are losing each and everyday ranges from $40 million to $100 million. Even the loonie has dragged down in recent weeks, hitting its lowest point in several months. Ouch.

As with any crisis, there are winners and losers from every change, so let's take a look at some of the impact that this latest crisis will have on investors.

Suncor is a winner

Whenever there's mention of the Alberta oil sector, you can be sure that **Suncor Energy** (TSX:SU)(NYSE:SU) is going to be involved.

One of the long-standing advantages that Suncor has had over its peers was always one of economics and efficiency. In short, due to Suncor's immense size and efficiency, it could produce crude at a more efficient rate than its peers, meaning that in times of retreating prices, margins could be shrunk, but the company could still turn a profit.

By example, Suncor's oil sands operational costs hover around $22 per barrel.

That efficiency also makes way into the company's financial updates. In the most recent quarter, Suncor saw net earnings spike 41% year-over-year to an impressive $1.8 billion, while funds flow from operations witnessed a 27% hike to $3.1 billion.

Canadian National is an unlikely winner

With pipelines backed up, many energy companies are turning towards railroads such as **Canadian National Railway** (TSX:CNR)(NYSE:CNI) to haul crude to refineries around the continent.

This is where Canadian National's massive track network and access to three different coastlines including access to the refineries in the Gulf region of the U.S. comes into play, making it an ideal option to consider.

Another noteworthy point is Canadian National's recent investment into improving the infrastructure along the west of the country, which includes additional track infrastructure and locomotives to meet surging demand.

In short, Canadian National represents a great opportunity for growth-minded investors looking for a diversified investment.

Enbridge screams potential

If the latest pipeline crisis has exposed anything, it's the dire urgency that energy infrastructure companies such as **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) need to apply pressure on to complete the myriad of pipeline projects in queue.

Enbridge has billions worth of shovel-ready projects on the docket, and until those projects are complete, the company continues to receive a recurring source of revenue thanks to its stable and secure toll-booth like business model.

While the current environment may make Enbridge appear to be an attractive option, the company also offers an incredible dividend which, when coupled with its currently discounted price, makes Enbridge a screaming buy for long-term income and growth investors.

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Author
dafxentiou