



Which Canadian Big Oil Investment Is Best?

Description

Oil and gas stocks have been in the dumps for years. Oil producers, drillers, and service companies have all been money pits over the past few years, and it seems that things are not going to get better anytime soon. Even the Norwegian Sovereign Wealth Fund has even thrown in the towel on the sector, seemingly betting that this is a becoming dying industry. The question now is this: should the average investor do the same, or is this an opportunity to start buying shares when oil is a truly hated investment.

At the moment, the oil and gas sector is facing a massive push from governments and the public to move away from fossil fuels as an energy source. Even though these fuels are likely not going away anytime soon, people are looking at alternatives, which are getting more and more viable every day.

Just look at the technologies that have suddenly become within reach for the average Canadian. Electric cars. Once too expensive for ordinary families to afford, they're now priced at a level comparable with conventional vehicles. Renewable energy utility companies are springing up all over. It's true that many of these companies also use natural gas as an energy source, but these companies often assert that natural gas is merely a relatively clean bridge fuel, filling the gaps until renewable energy becomes entirely self-sufficient.

After watching many smaller producers continue to fall in value, I've come to the conclusion that if you are going to invest in oil and gas, it's probably best to stick with the larger producers for the foreseeable there is comfort in the fact that larger producers, with their diversified business models and asset bases, are more likely to weather the tough times than a smaller producer.

In Canada, there are essentially three names that are large and diversified enough to warrant purchasing shares in these challenging times. But which one is the best investment for would-be energy investors?

Suncor Energy Inc. ([TSX:SU](#))([NYSE:SU](#))

Suncor is the largest of the [Canadian producers](#) with a market cap of almost \$70 billion. This company also has the benefit of being bought (and sold) by Warren Buffet, adding a little credibility to the name. Suncor is truly a global company, with international operations in Norway, the United Kingdom, Syria,

and Libya. It also has a diversified business strategy, owning gas stations like Petro-Canada and refineries in addition to its production.

The company also has an excellent, growing dividend of 4.26% at current prices. The dividend was increased by 17% in March, pretty impressive for a stock in a challenging industry.

Imperial Oil Ltd ([TSX:IMO](#))(NYSE:IMO)

Imperial Oil is the smallest of the three companies, but probably is the most stable. The stability largely comes from the significant ownership of **Exxon Mobil Corp** ([NYSE:XOM](#)), which claims a 69% stake in the company. Since you are partnered with this large corporation, the volatility will likely be less than the other two oil companies. It is highly diversified, owning its production assets as well as ESSO gas stations.

At 2%, [IMO's dividend](#) is much less attractive for an income investor than the other two companies. But like the other two companies, IMO has been increasing its dividend for years, with the last dividend increasing 18.75% over the previous year.

Canadian Natural Resources Ltd. ([TSX:CNQ](#))([NYSE:CNQ](#))

Although CNQ is more of a pure play on oil production than Imperial Oil or Suncor, it is still a large diversified company worth considering as an oil investment. CNQ has significant Canadian production assets as well as operations in the North Sea and off the coast of Africa. In addition to the production assets, CNQ also owns a number of midstream pipelines that allow it to transport around 50% of its own production to international markets. CNQ has a similar dividend to Suncor with a yield of about 4.15%.

Which is the one to own?

Even though Imperial Oil is probably the most stable stock of the three, I'm still partial to Suncor as a long-term hold. Suncor has an excellent combination of business and dividend growth that is very attractive for income investors. It also has the benefit of owning renewable energy assets, like wind power and biomass production sites, which could help them adapt to a society focused on renewable energy if the world continues to move away from oil.

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2. NYSE:SU (Suncor Energy Inc.)
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