Canadian Natural Gas Stocks Like Encana Corp. (TSX:ECA) Will Soar if This Happens

Description

After years of talks, of almost happening, then being put on hold indefinitely, LNG Canada finally announced the approval of its mega LNG project last year.

The approval will ultimately open the natural gas market for Canadian natural gas producers to reach international markets.

While this is a great first step, it is not enough, as a new consortium of natural gas producers knows.

This consortium, which consists of 10 producers, including **Peyto Exploration and Development** (TSX:PEY), produces approximately 20% of Canada's natural gas and is tired of waiting for the government and for the foreign major energy players to make bolder moves into LNG.

The consortium is therefore taking action. The producers have joined forces and are aggressively attempting to bring LNG projects back to life.

Ultimately, if more LNG projects are built in Canada, the opening of this industry will drive Canadian natural gas prices significantly higher.

Here are three of the natural gas stocks that contrarian investors may want to consider establishing positions in today while they are so cheap.

Encana (TSX:ECA)(NYSE:ECA)

With 55% of its production being natural gas, Encana has the benefit of having leverage to natural gas while also benefitting from strong oil prices today.

The stock has enjoyed a resurgence from its 2018 lows (+38%), as the company has a lot of room for cost cutting. Its top-tier North American resource plays, such as the Duvernay, the Permian, and Montney, position it really well going forward.

Peyto Exploration and Development

Since 2010, Peyto's production has increased from roughly 20,000 boe per day to almost 120,000 boe per day.

And although production is set to decline in 2019 due to reduced spending, the company expects to increase production thereafter as a result of its increasing focus on higher-margin liquids production.

In 2019, cash flows should look better, as 20% of volumes will be exposed to U.S. natural gas pricing and as the company has shifted drilling focus to liquids.

Peyto stock still pays a 3.24% dividend yield and stands to benefit greatly from future LNG plants.

Nuvista Energy (TSX:NVA)

Nuvista stock has gotten crushed since its highs of last year, losing half of its value. And with a 60% natural gas weighting, we can easily see why.

And while Nuvista is certainly a contrarian stock in an industry that is at cyclical lows, it is trading at value prices and has massive upside when the cycle turns.

Fundamentally, the company is on a roll, and its exposure to the very prolific Montney resource play is expected to continue to drive strong results pay off in the next few years. We can expect strong production growth of almost 20% this year, and the company is achieving a more than 30% growth in cash flow per share.

In conclusion

The Canadian natural gas industry is certainly facing a do-or-die situation. Although it hasn't gotten as much attention as the Canadian oil industry, it is just as bad.

I'm betting that the Canadian government and Canadian natural gas producers will increasingly take action to prevent the death of this industry, and as we continue to see glimmers of this, natural gas stocks will increasingly reflect the good news.

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