



Election Day in Alberta: Why a Massive Energy Rebound Rally May Be up Ahead

Description

It's tough to be an energy investor. If you're still sticking around with your [Canadian energy holdings](#), you must either have a ridiculously high pain tolerance or you've got conviction in Alberta's oil patch.

There's no question that Alberta has been ailing since the 2014 plunge in oil prices. To the dismay of Canadian oil sands investors, the prices of many Albertan oil stocks have failed to sustain any sort of meaningful rebound, despite the slow and steady recovery of the WTI (West Texas Intermediate) price past the \$60 mark.

The reason for this is entirely Canada's problem.

The WCS (Western Canadian Select) price fell off a cliff last year, and although it's since regained ground, there remain a plethora of outstanding issues that could keep the WCS-to-WTI price gap from narrowing anytime soon. Most notably, Canada has a huge [pipeline problem](#), and with zero certainties in the sector, it's looking like Canadian energy is uninvestable as many big-league foreign investors have implied by the exiting of their positions.

In a prior piece, I'd highlighted that the stigma brought forth by "dirty" fossil fuels was probably more of a reason for the disposal of Canadian energy investments, as were their abysmal performances, the disgusting regulatory framework, and the extreme degree of uncertainty clouding the sector.

Despite the pressures concerning most international money managers, Warren Buffett has had no problem going against the grain with his recent bet in **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) — a move that Canadian investors should not shrug off.

Does Buffett see a changing on tides in the Albertan oil patch?

This week, all eyes are being turned to the Albertan election, which will likely have a very drastic impact on WCS and the fate of the Albertan economy.

As you'd imagine, there has been a tonne of promises made and plenty of shots fired by Premier

Rachel Notley and United Conservative Party leader Jason Kenney. With a record number of Albertans heading to the polls, the next few weeks could prove to be a big deal for ailing Albertan energy stocks.

Both sides have very different views of what the Albertan economy could be over the next few years. And their policies on pipelines are on different ends of the spectrum.

In any case, Notley's ambitious refinery pitch and Kenney's corporate tax cuts are seen as potential catalysts that could make the Canadian energy stocks great again through the eyes of investors. Buffett has already punched his ticket to the best-run and most financially healthy oil sands operator in Suncor, but does he see something specific to Suncor? Or is it just his horse to bet on the Albertan oil patch?

I think it's a bit of both, but mainly because the election could shift up regulations enough to propel energy stocks out of their funk. Kenney's tax cuts could win back a tonne of foreign investor capital while providing substantial relief to many of Alberta's financially stricken energy firms. Notley's big refinery pitch has drawn skepticism from industry experts, but it too could have the potential to provide the sector with a much-needed shake-up.

Regardless of who ends up coming on top, the pipelines will need to be built. Whether Kenney's more aggressive plan will accelerate progress is anyone's guess, but one thing is for sure: major changes are up ahead. And with Suncor trading near rock-bottom prices, it can't hurt to place a bet at this juncture.

You're getting the crème-de-la-crème of oil sands assets. Should regulatory conditions allow for a rebounding of WCS prices, we could see the taps finally get turned on in a few years down the road. Such a move would cause Suncor, a cash cow, to swell up with so much cash such that it'll be able to deliver a big, fat dividend hike to go with major capital gains.

Foolish takeaway

With Suncor and other oil stocks trading at ridiculously low multiples, I'd say it makes sense to place a bet as we head past the election. Little merit has been given to the election promises at this juncture, and if big change is indeed ahead, so too could big moves for Canada's energy stocks.

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