



## Why the Oil and Gas Industry in Canada Is Still Very Risky

### Description

**Suncor Energy Inc** ([TSX:SU](#))([NYSE:SU](#)) CEO Steve Williams isn't going out quietly. Days away from the release of the company's results and his own retirement, Williams had some brutally honest words for the industry.

In an interview with *BNN Bloomberg*, Williams said that "There is a lack of confidence that Canada is actually open for business." He went on to say that "We have projects queued up that we have investors willing to invest in but they lack confidence in the regulatory and competitive side of Canada's economy."

While these issues aren't new, especially as we've seen many [problems](#) with pipelines getting approved and lots of red tape in the industry creating obstacles, it's an important reminder for investors that there's still considerable risk in the industry. Suncor has been one of the safer stocks to invest in when it comes to energy, consistently posting a profit over the last few years. However, that still hasn't been enough to give the stock much support, as it has declined by 11% over the past 12 months.

How the regulatory issues play out that Williams is alluding to will be key in determining whether investors will be bullish on oil and gas again. One issue that could be particularly touchy is the environment. Williams was certainly in favour of change and in favour of a carbon tax, but it may not be so cut and dry.

**Cenovus Energy Inc** ([TSX:CVE](#))([NYSE:CVE](#)) recently struck down a motion that would have placed some very onerous requirements on the company in terms of greenhouse gas emissions. Cenovus called the motion "overly demanding," but CEO Alex Pourbaix said it wasn't rejected because the company didn't place a high value on the environment.

The oil and gas industry has been receptive to carbon taxes and more environmental responsibility. The big concern for companies like Cenovus, however, is that the targets might be too aggressive, which make it even more difficult to be competitive given the challenges the industry is already facing with a much lower price of oil. Although Cenovus is coming off a [good quarter](#) where it squeaked out a profit, in each of the previous four quarters it posted losses totalling more than \$2.6 billion.

Oil and gas companies aren't shirking their responsibility, but to saddle them with optimistic targets and the costs that will come along with that makes a difficult situation even more challenging. And for the sake of appearances and not upsetting investors, oil and gas companies might feel they have no option but to be supportive of climate change targets.

## Bottom line

Although we are seeing more reasons to be optimistic for oil and gas, there is still a lot of uncertainty facing the industry. The upcoming federal election could prove to be a big one for the industry, as if we see a more oil and gas friendly government rise up into power, it could significantly improve conditions for the industry and bring investors back.

### CATEGORY

1. Energy Stocks
2. Investing

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### Date

2025/08/16

### Date Created

2019/04/29

### Author

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