Should You Dump Your Oil Stocks for Alternative Energy?

Description

Energy bears might be forgiven for thinking that oil may not have much upside left, after a year that technically should have seen prices in the black gold go through the roof. Instead, oil prices have been kept as flat as possible, despite one potential bottleneck after another, and that trend could continue as the trade war grinds on, supplies remain adequate, and manufacturing shrinks.

Conventional energy stocks could continue to stay flat

Should investors really ditch the likes of **Enbridge** and **Suncor**? While these companies have been longstanding stalwarts of the TSX, the fact is that nothing is written in stone these days.

And after a rash of setbacks and challenges, Enbridge feels decidedly dicey at the moment. It's one of the widest moats out there, but a combination of legal challenges and alternatives to its Mainline system (such as transporting oil by rail) could conspire to build a drawbridge.

The outlook for oil in 2019 is bleak. The annual forecast for Brent crude has been slashed by 4% compared with last month's industry consensus, while the West Texas Intermediate crude outlook has been downgraded to its lowest since January 2018. With the global economic outlook flat and increased uncertainty being driven by the Sino-American trade war, being long on oil requires nerves of steel at the moment.

Alternative energy is a potentially massive growth sector

Energy investors seeking to recoup some of their upside may want to swap out some long-term oil investments for positions in natural and renewable resources such as **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN).

Renewables are set to become a growth industry, as governments move away from fossil fuels in favour of a cleaner environment, pumping in funds and pushing technology in an industry that is projected to grow by 4.9% annually until 2025.

Algonquin is one of the best such stocks, paying a tidy dividend yield of 4.32% and covering a diversified spread of assets. Comprising water, natural gas, and electricity on the distribution side, and hydroelectric, solar, wind, and thermal on the production side, Algonquin is a solidly diversified choice in the green energy space.

Alternative energy investors shouldn't forget about the coming nuclear bull, which could have significant upside.

Stocks such as **Cameco** and **Uranium Participation** could become anything but alternative, as governments and energy regulators move towards this clean form of energy production, which has been in a bear market since the Fukushima incident but is starting to gather renewed momentum.

Given that Canada is the world's second-largest producer of uranium, it makes sense to be invested in domestic uranium stocks. The figures back it up: Canada produced 22% of the world's uranium in 2017, and in 2018 76% of Canadian uranium went towards energy production around the world.

Canada is in a unique position to supply the world with uranium and has also developed the CANDU nuclear reactor system to generate electric power.

The bottom line

With oil prices flat and alternative sources of energy on the ascendant, Canadian investors may wish to swap out some of their oil stocks for green energy alternatives. With a number of strong plays in nuclear investment available on the TSX, as well as some great dividend payers in the renewable energy fields, finding upside outside the oil patch shouldn't be too hard to accomplish.

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