How Much Will These Stocks Be Worth in 2023?

Description

Now is not a good time to invest in oil companies. As global demand for energy increases in the next decade, renewable sources will quickly replace oil and natural gas. Growth in the renewable energy sector already outpaces demand for energy.

Europe and Asia are already making the transition to offshore wind power as the primary means of supplying electricity to households. Electric automobile manufacturers like **Tesla**, **New Flyer**, and **NIO**, are reducing our reliance on oil to fuel transportation.

By 2023, renewable energy will have nearly replaced oil and natural gas in many geographic markets. This is why Canadians should be cautious when investing in energy stocks. Oil and natural gas companies continue to make significant capital investments into exploration, drilling, and refineries.

Many of these projects will not see profitability, however. Tesla is already producing electric-powered semi-trucks. It's only a matter of time before trains, transit rails, and airplanes also turn away from expensive oil to more efficient energy sources.

Here is an oil company you should avoid in your retirement portfolio because it is still investing in outdated technology.

Husky Energy

Husky Energy (TSX:HSE) is spending $400 million to reconstruct an oil refinery in Superior, Wisconsin. In April 2018, the refinery exploded, injuring 36 people. The new refinery will open in 2021 to produce up to 45,000 barrels of oil per day.

In addition to this project, Husky will also begin producing 10,000 barrels of oil per day at its Dee Valley thermal project in Saskatchewan, Canada in 2022. Once these projects are complete, Husky Energy will have the capacity to produce 90,000 barrels of oil per day.

Husky's current return on assets is a very low 2.10%. Some savings accounts offer higher returns than oil, but Husky is still investing. Despite the dividend yield of 5.36%, shareholders would be better off putting their money in a risk-free GIC than in energy stocks.

Foolish takeaway

North American oil has a significant cost disadvantage compared with the Middle East and South American oil enterprises. Thus, North American oil companies must collude with OPEC to reduce output and raise prices to stay in business.

Iran is therefore a big problem for Canadian and U.S. oil corporations. Without sanctions on Iranian oil, Iran will refuse to cooperate, raise output, and lower prices.

That's why we witnessed such a substantial decrease in oil prices in 2016 after the United Nations and former U.S. president Barack Obama lifted sanctions on Iranian oil.

Current U.S. president Donald Trump has since reinstated Iran's trade sanctions much like his Republican predecessors including Ronald Reagan, who, in a 1988 speech on free trade, congratulated former Canadian Prime Minister Mulroney for his victory:

"One of the important issues in the Canadian election was trade. And like our own citizens earlier this month, our neighbours have sent a strong message, rejecting protectionism and reaffirming that more trade, not less, is the wave of the future."

Canadian investors who want to invest in free trade should avoid buying stock in North American oil companies listed on the **Toronto Stock Exchange**.

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