



Energy Stocks Drag Lower on Breaking News: What It Means for You

Description

Vermilion Energy ([TSX:VET](#))([NYSE:VET](#)) and **Suncor** ([TSX:SU](#))([NYSE:SU](#)) suffered the most prominent losses in the energy sector on Thursday on breaking news reports.

First, the government of Alberta relaxed production restrictions on energy companies; energy companies may increase domestic oil output and distribution. Second, **TC Energy Corp** shut down the Keystone Pipeline on Wednesday after it leaked thousands of barrels of crude oil.

Suncor fell over 2.34% or \$0.93 per share to \$38.78 by midday. Vermilion fell by a greater \$1.33 to \$18 per share, representing nearly 7% of the stock's value.

Over two million shares traded hands on Thursday on both of these big-name energy stocks, as they share a considerable interest in the Keystone project.

Suncor CEO Mark Little already lacked 100% confidence that U.S. politics would accommodate the Keystone XL pipeline. The 2020 presidential election put the entire project in jeopardy.

After the oil spill on the existing stretch of the Keystone line, TC Energy Corp may need to call it quits on the pipeline, which would connect oil reserves in Canada to those in Texas.

This week's energy headlines make one thing very clear: energy stocks are still too risky for the average investor to buy shares of stock.

Energy minister allows domestic production increase

As long as the oil can be shipped by train, energy stocks may increase oil output. This may or may not be good news for Suncor and Vermilion, as higher oil output translates into lower domestic prices and constrained profit margins.

International sales, which would require freight methods other than rail, will not qualify under the special allowance program. Energy Minister Sonya Savage explained in a press release that this

restriction is intended to prevent an oversupply in the global market:

“The special allowance program will protect the value of our oil by ensuring that operators are only producing what they can move to market. Pipeline delays ultimately have constrained market access and dampened investment in our oil sector.”

The pipeline delay referenced the Keystone XL and Trans Mountain Pipeline legal battles raging between constituents and big North American oil interests. Meanwhile, residents in North Dakota were recovering from another oil spill impacting their land, agriculture, and water supply.

Keystone Pipeline spills over 380,000 gallons of oil

It was everything that Native Americans and environmental activists in North Dakota feared when protesting the Keystone XL Pipeline. As a tremendous supporter of the Keystone XL pipeline, Suncor and Vermilion have much to lose if this project goes south, hence, the substantial stock price declines on Thursday.

The pipeline ruptured on October 29 near Edinburg, North Dakota.

The New York Times estimated the spill to total around 383,000 gallons of oil over half an acre of wetland. Nobody went to twitter to defend the energy sector – but many voiced frustration.

One woman tweeted that leaders on nearby reservations are not permitted to go onsite to inspect for groundwater contamination risks:

“When the Keystone Pipeline spilled next to my Reservation, the Corp wouldn’t let anyone on site either. We had to fly over to see it. It was later discovered that the spill was over half a million gallons and had contaminated our groundwater. Corps have more rights than citizens.”

Reputable news sources claim that the groundwater was unaffected, but many of the constituents in the area have doubts about the integrity of the report.

Voters affected by the oil spill argue that the tight security around the spill site is suspicion enough not to trust reassuring news reports. Surrounding area residents want to know how much of those chemicals will seep into the groundwater from the wetland in those three months.

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Date

2025/08/21

Date Created

2019/10/31

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