There’s a Safer Way to Play Canadian Oil Than Oil Stocks

Description

It hasn’t been the best start to the month for **TC Energy** (TSX:TRP)(NYSE:TRP). Formerly known as Trans Canada, the pipeline company reported a 20% profit loss in its third quarter, incurred in part by asset sales. Sales of assets, including various Columbia Midstream assets and three Ontario natural gas-powered plants, resulted in a loss of $266 million.

TC Energy also just suffered a blow last week when its Keystone pipeline sprang a leak in North Dakota – an event that could reinforce the anti-hydrocarbon stance of environmentalists and bolster the switch to renewables. The Keystone pipeline remained shut over the weekend after losing more than 9,000 barrels worth of oil, leaving shippers on the lookout for alternatives.

Russ Girling, TC Energy’s CEO, stated in a Q3 call that the company was, “focused on cleaning up the site, determining the cause, and returning the line to service.” While there was no update over the weekend, the *S&P Global* news outlet noted that market sources expected the Keystone shutdown to last somewhere between five and 10 days in total. At the outside, an update could come within two weeks.

The shutdown underlines the need for a more comprehensive system of fuel transport out of the Western oil patch. From Keystone XL to Line 3, to TMX, the pipelines industry has faced an array of holdups. However, with the Liberals committed to pushing through strategic pipeline developments, the Keystone leak may in fact expedite plans to increase drainage of the “black gold” out of the West.

There’s more than one way to drain the oil patch

Investors who want to stay exposed to oil but are looking for innovations that circumvent the pipeline industry may want to consider the crude-by-rail initiative in use by **CN Rail** (TSX:CNR)(NYSE:CNI). The CanaPux system effectively solidifies the oil into environmentally inert pucks which are then melted down on arrival. The idea behind the system is to reduce the environmental impact of a spill.

CN Rail is a defensive bet on long-term passive income, paying a modest yield of 1.79%. Its stock is up a few percentage points as wary investors increasingly flock towards sturdy, high-quality businesses. One of the widest of economic moats on the TSX, CN Railway gives investors instant access to a broad gamut of industries with a single stock.

Alternatively, oil investors may want to take a look at the renewables space for growth opportunities in the upward-trending areas of wind, solar, thermal, and wave-generated energy. **Northland Power** is a good choice in this space, with diversification coming from a mix of both source type and geographical involvement. Northland pays a decent 4.56% dividend yield and has grown 28.73% in the last 12 months.

The bottom line

Considering its 590,000 barrel per day (bpd) capacity, Keystone's temporary closure is significant. Oil investors sitting on the fence may be tempted over to the renewables camp, especially as oil prices remain flat. Meanwhile, crude-by-rail is a viable option for draining the oil patch, with CN Railway satisfying a defensive income style based on assured growth in a wide-moat business.

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Date
2025/08/19
Date Created
2019/11/04

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