TSX Canada: Are Energy Stocks Rebounding?

### Description

TSX Canada energy stocks took a hit when Saudi Arabia refused to reduce oil output at the beginning of the COVID-19 pandemic. Consequently, North American oil and gas companies suffered substantial reductions in stock market valuations.



Oil stocks like **Enbridge** (TSX:ENB)(NYSE:ENB) already struggle to compete with low oil prices. Now, these firms face possible bankruptcy.

Geopolitical conflicts are not the only reason why you might want to rethink your Canadian energy investments. Renewable energy is quickly replacing oil and natural gas.

Soon, due to global solar and wind energy projects, the oil industry will require further supply contractions or low prices. Neither outcomes are optimal scenarios for shareholder returns

## Is Enbridge spending too much on traditional oil projects?

The energy industry must be projecting some level of oil and natural gas demand in the next 10-30 years — hence, the reason Enbridge is still investing outrageous amounts of money to maintain expensive oil pipelines. Given the current oil price (which may be the normal market value in 15 years), Enbridge is probably overspending on traditional energy projects.

First of all, Enbridge closed a section of the LaSalle Pipeline for a one-week-long servicing under the St. Clair River. Notably, Enbridge chose a less-optimal time to begin a $20 million project to replace a portion of the submerged pipeline. Pipeline maintenance doesn't seem to be a high priority when many suppliers are willing to pay people to take the product out of their storage units.

Second, according to *The Observer*, the oil firm's agreement with the former U.S. governor of Michigan obligates the company to build a $500 million tunnel crossing over the Straits of Mackinac. That's a $520 million investment in a commodity which began historically trading at negative values last week!

## Public sentiment toward oil stocks appears weak

The public is not happy with oil and gas companies. In fact, everyone wants either dirt-cheap prices or a switch to renewable energy. In the age of coronavirus, Canadian and U.S. citizens are calling for an end to the work on pipelines:

> Does this active work yard of matting to bulldoze through the wetlands for Enbridge's Line 3 pipeline look essential to you, @GovTimWalz? Water is essential. Health is essential. Expanding the tar sands is not. Respect indigenous territory. #StopLine3 #EarthDay2020
>
> — giniw collective (@GiniwCollective) April 22, 2020

Energy projects appear even less vital when the majority of the populace can't even use their automobiles. More importantly, the negative public sentiment may signal a subdued rebound to TSX Canada oil stocks, even if the price of oil jumps back above the cost of production.

## Should you invest in the TSX Canada energy sector?



Those in power are more likely to stay in power. Oil companies are already profiting from renewable energy. The bottom line: research your options thoroughly before buying renewable energy stocks with your retirement savings. Some of these companies may suffer bad public relations in the near future.

You do not need to avoid investing in all energy stocks completely just because big oil companies have an edge in obtaining renewable contracts. If the values of Enbridge and other TSX Canada energy stocks don't align with your personal mission, find companies with records that you can trust.

Likewise, research the company leadership if you decide to buy energy stocks for your retirement portfolio. In this way, you can avoid feeding the same people fighting to gouge you at the pump today.

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debraray