



Warren Buffett Gives Canadian Energy Stocks a Boost

Description

Are you feeling hesitant about energy stocks? Warren Buffett isn't.

This week, Berkshire Hathaway bought the natural gas assets of Dominion Energy in a \$10 billion deal that has investors talking. If you use this new information to inform your next move, you might start looking more seriously at Canadian energy stocks.

Warren Buffett buys natural gas infrastructure assets at cyclical lows

Infrastructure is the gateway to a functioning energy system. It is the one sure and steady asset that maintains its revenue stream relatively well through cyclical lows. Investors usually receive a predictable stream of income from energy infrastructure assets. And they are well sheltered from volatility.

So it doesn't seem odd at all that Warren Buffett scooped up Dominion Energy's natural gas storage and transmission assets. It gives the famed investor exposure to a relatively safe stream of cash flows. It also gives him exposure to LNG infrastructure.

True to form, Warren Buffett has pulled the trigger on his purchase at value prices. The oil and gas sector is being shunned by many, leaving a gaping hole for a value investor like Warren Buffett to swoop in.

Canadian and U.S. drilling activity is at record lows. The pandemic has added to an already untenable situation and we can see that the carnage is ongoing. But the demand side of the equation has not changed as much as the supply side.

[The current pandemic has clouded the outlook for many industries](#), but needless to say, the natural gas industry appears here to stay. Natural gas is a low-carbon, low-emitting fuel. It is the easiest replacement to high-carbon fuels and it [will help in the fight to reduce our carbon footprint](#). Gas powers

an estimated 44% of America's electricity and it will continue to power our lives for the foreseeable future.

Warren Buffett increases stake in LNG infrastructure

Canada and the U.S. are very well positioned to be suppliers to overseas markets such as Asia. Recent LNG project approvals in Canada have given some industry watchers increased comfort in this potential opportunity here at home.

Analysts expect natural gas demand to increase by as much as 45% by 2040. Asian economies will drive this as they switch from coal to natural gas and as their economies continue to grow.

Warren Buffett's asset purchase includes a 25% stake in Cove Point LNG facility in Maryland, USA.

Enbridge stock: A Canadian energy stock with a generous dividend yield

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#)) transports 18.3 billions of cubic feet per day (bcf) of natural gas and has 158.9 Bcf of networking storage. Enbridge stock is therefore a good way for Canadian investors to gain exposure to this group of assets.

Currently yielding 7.83%, Enbridge is a defensive stock that has a bright future supplying North America's energy. Enbridge remains a predictable, low-risk business because the company has minimal commodity price exposure. Furthermore, a big chunk of its revenue comes from refiners and integrated producers.

TC Energy stock: A Canadian energy stock with strong natural gas infrastructure assets

TC Energy Corp. ([TSX:TRP](#))([NYSE:TRP](#)) has a dominant position in North America, with a growing position in Mexico and in the LNG industry. TC Energy stock is currently yielding 5.69%. It remains a top Canadian energy stock that gives investors exposure to assets that are similar to Dominion's assets that Warren Buffett purchased.

North America has an abundant supply of oil and gas resources. These resources are needed and demanded at home and around the world. TC Energy's numerous growth projects aimed at unlocking these resources and delivering on this demand are testament to this.

Foolish bottom line

Warren Buffett has turned heads with his recent purchase of Dominion's assets, ignoring the common-held belief that anything oil and gas should be shunned. Because of this, investors may think twice about the future of energy stocks in Canada. It flows into my views that this sector still has many good years ahead of it.

In keeping with this theme, TC Energy stock and Enbridge stock are two Canadian energy stocks that are strong buys today.

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