



## Warren Buffett Just Shockingly Spent \$10 Billion on This Company

### Description

On July 5, 2020, Warren Buffett's company **Berkshire Hathaway** announced that it is acquiring the gas transmission and storage assets of **Dominion Energy** in a deal that is reportedly worth almost \$10 billion. The assets that Buffett is buying include Dominion's natural gas transmission lines, its gas storage capacity, and its gas transportation capacity.

The deal will also see Buffett own part of Dominion's liquefied natural gas export and import business along with the storage facility. Berkshire plans to finalize the transaction in Q4 2020.

In an environment where everybody is bearish on energy companies, the Oracle of Omaha has made a substantial move that could change investor perspective on Canadian energy stocks as well.

### Midstream assets of an unlikely company

The infrastructure of energy companies presents an ideal way to leverage the industry. Infrastructure is a steady asset that maintains revenue streams relatively well through cyclical lows. Investors can typically expect a predictable income stream from energy infrastructure assets, and there is a degree of insulation from market volatility.

Warren Buffett's recent move is [entirely unexpected](#). However, the undisputed king in the world of value investing has a reputation for making such decisions. Buffett always tries to invest in companies based on trustworthy business models and management. He pays attention to the company's overall potential for growth within its respective sector before he purchases its shares.

### Energy sector possibilities

The global energy demand dwindled earlier in the year amid the pandemic-induced lockdowns. Most countries are on their way to reopen economies and international borders. It will likely lead to a surge in demand for energy companies. If it happens, the rise in activity will lead to an overall boost for the global energy sector.

While I am not entirely sure about the prospects of Dominion Energy, I understand the move to some degree. Acquiring natural gas storage and transmission assets gives Buffett an exposure to a relatively safer stream of cash flow with the energy company and exposure to LNG infrastructure.

Natural gas remains a valuable asset for general use. Approximately 44% of electricity production in the U.S. is done using natural gas, and it will likely be a primary source of fuel for the foreseeable future.

## A Canadian energy company to consider

**Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) is a Canadian energy company responsible for the transportation of 18.3 billion cubic feet per day of natural gas. It has a 158.9 billion cubic feet of networking storage. If you are bullish on the energy sector like Warren Buffett is, Enbridge can be an excellent opportunity for Canadian investors to gain exposure to these assets.

At writing, Enbridge is still a beaten-down energy sector stock. It is trading for \$40.20 per share, down 22% from the start of 2020. However, it offers a very juicy 8.06% dividend yield to its investors. The company has a bright future in providing for North America's energy needs.

The company is a defensive asset with lower risks due to its minimal commodity price exposure. It also enjoys a substantial chunk of revenue from its midstream operations like refineries and integrated producers.

## Foolish takeaway

Purchasing Dominion's assets was undoubtedly a head-turner from Buffett, because it goes against the common belief that oil and natural gas are a no-go for investors. With the Oracle of Omaha himself placing a lot of trust in the sector while putting \$10 billion on the line, it might be enough to change your mind.

If you want to change your opinion on energy companies, Enbridge is a Canadian energy stock that could be a strong buy. The [industry might begin booming](#) again as economies recover.

### CATEGORY

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## **Author**

adamothman

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