Canadian Natural Resources (TSX:CNQ) Stock Investors: Sell Now

Description

Canadian Natural Resources Ltd. (TSX:CNQ)(NYSE:CNQ) investors should beware. If you still own fossil fuel stocks like this, it's time to rethink your position.

There are plenty of reasons to ditch this dying stock, but the best proof can be found in its long-term performance. In 2005, shares were priced at $25. Today, they're still priced at $25 — a 0% return on the stock price after a 15-year holding period.

Of course, past results aren't necessarily an indication of future results. But for Canadian Natural, there's reason to believe the hard times will continue. Let's dive into why that's the case and look at an alternative stock that could rise 500% or more using the *opposite* of the fossil fuel model.

Fossil fuels are dead

The writing is on the wall for fossil fuel producers. The COVID-19 pandemic created a huge short-term slowdown in demand. Pending a vaccine, this challenge could persist for years. Long term, nearly every major economy plans to shift away from oil. Regulators are taking action, and fund managers are taking note.

"After much hand-wringing, **BlackRock**, the world's largest investment manager, signed up to the Climate Action 100+ initiative, a group of 370 fund managers controlling some $35 trillion of assets," reports the *Financial Times*. "These investors want action on greenhouse gases, and energy producers with large stores of hydrocarbon reserves are an obvious target."

Oil sands producers like Canadian Natural are especially at risk. These projects are environmentally devastating and require more refining to bring to market. Those extra steps results in extra costs, placing oil sands at the higher end of the industry cost curve. If the cost of capital rises due to regulatory and climate concerns, these businesses will be first on the chopping block.

"Oil companies need to think about [preparing] themselves for when their cost of capital soars," warns Ben Caldecott, a director at Oxford University.

There may be some short-term jumps, but these price spikes should prove ephemeral. Fossil fuel producers are stuck between a rock and a hard place. That's no place to invest where there are other energy companies benefiting from long-term, secular *tailwinds*.

Ditch Canadian Natural for this stock

If you want to succeed in energy investing, stick with Brookfield Renewable Partners LP (TSX:BEP.UN)(NYSE:BEP). Since 2000, shares have risen *seven times* in value. That return doesn't even include dividends, which now yield 4.2%.

As its name suggests, Brookfield is focused on renewable energy. It's one of the largest investors in the space. That gives it several advantages, including a lower cost of capital and a global reach. This year, for example, it purchased Spanish wind assets for roughly $1 billion.

Compared to Canadian Natural, owning Brookfield is a no-brainer. Investments in renewables should quadruple over the next five years. More than $10 trillion in capital will be deployed over the next decade. This is a growth market. Fossil fuels, meanwhile, are in secular decline.

Owning CNQ stock right now is like owning newspaper stocks following the introduction of the internet. Owning Brookfield, is owning a stake in the next global energy juggernaut.

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