



Is It Time to Get Out of Gas?

Description

It's times like these that investors start to take a good, hard look at their portfolios. The market downturn has left many questioning whether stocks they've held for years, even decades, are good options any more. One such sector many have begun to question is the oil and gas industry.

For years, analysts have predicted the return of oil and gas. However, energy companies have been anything but lucky. Since 2017, across the board stocks plummeted by about 50%. Many of these companies have barely managed to stay afloat, especially now that an economic downturn has hit. Add to that the inability to keep up with production due to COVID-19 and you have a dire situation.

It gets worse

The oil and gas sector has seen a string of issues that have many thinking twice about investment. Take, for example, the Dakota Access Pipeline. The U.S. District Court stated the pipeline failed to meet environmental standards, which means the pipeline will be unable to operate until 2021. The closure affects some Canadian companies that use the pipeline to ship their product, which means there's no connection with the **Enbridge** system.

Then there's the Keystone XL pipeline. The U.S. Supreme Court recently refused to allow construction, despite President Donald Trump's bid to restart the project. Again, this would see another delay to at least 2021, if ever should former Vice President Joe Biden become the new U.S. president.

Much of this stems from one thing: activism. Oil and gas has become a huge focus of both environmental and community activist, who see the creation of pipelines and drilling as both bad for the earth, and bad for the indigenous communities who have claims to the land. This of course is not just in the U.S., but has been in Canada as well.

Just this week, the Supreme Court of Canada rejected an appeal by B.C. First Nations against the Trans Canada Mountain pipeline expansion. While it means the pipeline can move forward, it's still bad publicity and could lead to further appeals.

Any hope?

The only hope around stems from two areas, and both are short term boosts. One is from [Warren Buffett](#), who recently came out of acquisition hibernation to buy **Dominion Energy Inc.**'s natural gas pipeline and storage assets for US\$9.7 billion. So this company could see a boost in the short term, and it shows Buffett perhaps believes gas is undervalued at the moment.

There could also be a boost to the sector once the pandemic is over. With production back up and running, there should be a surge in production and share prices pretty much across the board. So if you're willing to wait, then it could be a good call to sit back until shares return to pre-crash prices.

Bottom line

It doesn't look like oil and gas will return in the short term, and in the long term there are many who argue it's a dying breed. It might be time to look at other options, such as the utility sector for stable revenue. I would definitely consider **Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)) for that reason. The company is both into [energy and utilities](#), creating stable revenue that will keep shares rising for decades.

While shares of Algonquin are near all-time highs, they still have a potential upside to bring it back to pre-crash prices. If the world starts increasingly moving toward to renewable energy, a company like Algonquin will skyrocket. It already has the base invested in renewable projects, and has been supported by its utility businesses.

Meanwhile, the company continues its growth strategy through acquisition over the past two decades that secured even more growth. The company also has a secure 4.94% dividend yield for investors.

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