



## Warren Buffett Bet Big on Natural Gas: Should You, Too?

### Description

Warren Buffett's inactivity during one of the worst market crashes in over a decade was the talk of the town for months when he finally broke the pattern [and bought about](#) US\$9.7 billion worth of **Dominion Energy** in a deal that got him a full pipeline and part of company's cash operation. The deal was broken into two pieces: \$4 billion in cash and the rest in assumed debt.

Buffett's company **Berkshire Hathaway** already has a strong energy portfolio. A 7,700-mile pipeline, 900 billion cubic feet of operated natural gas storage, and a quarter of the Cove Point LNG facility make impressive additions.

### Natural gas play

As a long-term value investor, Buffett loves hunting down assets that have long-term potential and are trading at attractive prices. This is one of the reasons why Buffett didn't buy anything when the market crash. Now, his natural gas play means that he finally spotted an asset that falls neatly within his metrics and parameters.

Natural gas prices in the U.S. dropped to a 25-year low in part due to a low LNG demand in Europe and Asian markets. Just like oil, the low prices hit almost all major players in the game. Some people are also questioning the wisdom of buying so heavily in gas when environmentalists are trying to get rid of gas, as they did with coal.

Currently, about 38% of the U.S.'s electricity is produced using natural gas, and that's the largest source of energy production. Coal, which has been slowly passing away, is still responsible for 23% of the U.S.'s electricity generation. And it might be here for decades still before completely fading away.

Buffett might have had the same reasoning behind buying natural gas. The source is significantly cleaner than coal, and even with sanctions and oppositions, it might stay strong for a very long time.

## Canadian gas stock

If you want to follow in the footsteps of the wizard of Omaha, one stock you may want to consider is **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)). TC runs an impressive 93,300-kilometre network of natural gas pipelines, which are responsible for transporting one-fourth of the clean-burning natural gas for all of North America. The company has several projects running and in the pipeline in the country, the U.S., and Mexico.

TC Energy's balance sheet currently seems stable enough. The 19-year-old aristocrat is currently offering a very juicy yield of 5.29%, with a [decent dividend-growth](#) pace (43% in the past five years). The company is slowly increasing its net income margin, which is one of the reasons behind its stable payout ratio of 69.5%.

The yield TC Energy offers is not as impressive as some of the others in the sector, but relatively fewer of them offer a chance of capital growth along with a juicy yield. TC Energy offers a 10-year CAGR of 9.77%.

## Foolish takeaway

Buying into gas just because Buffett is buying might not be a smart move, since he already has an energy portfolio sizable enough to control the market to some extent. And retail investors like us are at the mercy of the market's fluctuations and patterns. But natural gas does seem like a decent investment, and TC Energy is one of the best ways to buy into this particular resource.

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1. Dividend Stocks
2. Energy Stocks
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