Energy Crisis: Should Investors Get Out of Gas Stocks?

Description

The energy crisis isn't new to this year. While there might be an economic downturn, the oil and gas sector suffered long before. Since about 2017, energy stocks have been down across the board. Some say it's times like these that provide a bargain for investors, but others aren't so sure.

Economists today are now wondering whether it's time to get out of oil and gas stocks. So let's take a look at both sides of the argument.

Buy in bulk

One investor who isn't so sure about the end of gas stocks is none other than Warren Buffett. Investors and economists wondered for months where the famous investor was during the economic downturn. Stocks plummeted, yet **Berkshire Hathaway** continued to sit on a record-setting amount of cash at $137 billion.

That all changed last month when Buffett spent $4 billion to buy the natural gas transmission and storage assets of **Dominion Energy**. This also meant taking on the company's debt, bringing the total price tag to $9.7 billion.

What this means is Buffett is betting that natural gas will continue to be around for a long time. While we would love to think the economy can simply shit to a new method of energy, Buffett thinks that's not the case. So in the meantime, the investor will continue to take advantage of gas stocks while the business is still around.

Change is coming

Even Warren Buffett admits, however, that change is coming. While it might not be in the near future, many economists recognize that it's time to changing. That change means less investment in these old ways of production. Increasing social and political pressure to move away from natural and gas and towards renewable energy continues to grow. Former Vice President Joe Biden announced just last month a $2 trillion clean energy plan, with the ambitious goal of becoming carbon-free in the sector by 2035.

Economists believe overall natural gas usage should drop by 36% by 2021. Meanwhile, renewable energy now makes up 20% of power in the United States, up from 13% just five years ago. With more funds toward these projects and less towards natural gas, investors will likely move in that direction as well.

Buy now

So where should investors turn? You don't have to buy up some small company and hope it succeeds. Instead, buy into a company like **Algonquin Power & Utilities Corp.** (TSX:AQN)(NYSE:AQN). There are two advantages to buying Algonquin. First, the company is in the utilities sector. No matter what, people have to keep the lights on. Even during the pandemic, the company has managed to stay strong, bringing in solid earnings as it tried to adjust.

But the second bonus is that the company has used this cash to acquire more businesses, including renewable power sources. So as the company continues to grow and the world shifts to renewable energy, Algonquin will have the cash and resources on hand to expand further.

Shares stabilized around $18 over the last few months after the crash. It still has a little room to reach pre-crash prices. Meanwhile, another downturn could be in the near future. That means you could get a great deal for this perfect buy-and-hold stock.

Bottom line

The world is changing. If you're looking to make some quick cash by buying low and selling high after the next market crash, natural gas could still work. But gas stocks aren't going to be around decades from now. While this used to be a safe bet, it's becoming less and less safe by the day.

Meanwhile, renewable energy seems to be the way the winds are shifting. You don't have to buy stocks with the potential to increase, but stocks that are already on solid ground like Algonquin. These could still bring in strong gains in the next several years, with a long-term hold potentially enormous.

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