



## Suncor (TSX:SU): Will This Stock Double in Price?

### Description

**Suncor** ([TSX:SU](#))([NYSE:SU](#)) is a controversial stock. Some investors think it'll go bankrupt. Others believe you can *double* your money by the end of the year.

If you want the chance to make [big gains](#), this could be your stock. Just make sure you understand all of the risks.

### Here's the full story

Suncor is a company that makes money by producing, transporting, and selling fossil fuels. It's one of the largest producers in Canada, with a major interest in [Syncrude](#), one of the biggest oil sands projects in the world.

As with any fossil fuel company, Suncor lives and dies by the price of the underlying commodity. If prices rise, the company benefits, meaning the stock price rises. This same effect works in reverse when oil prices fall.

Since the start of 2020, SU stock has fallen by 50%. Care to guess what happened to oil prices over that time period? In January, oil traded at US\$60 per barrel. Right now, prices are closer to US\$40 per barrel.

The bet here is clear. If oil prices revert higher, Suncor stock is a buy. If oil prices fall, the stock is a sell. Due to leverage, even a small movement in commodity prices can have a big impact on the share price.

Should you take a bet?

### Bet on Suncor stock?

Commodities are a tough business. Producers live or die by the price of what they sell. There are,

however, ways companies can improve their positioning.

For example, Suncor is what we consider an *integrated* oil company. That means they control the entire value chain, from exploration and production to transportation and refining. Being an integrated company provides several benefits, but the biggest is mitigated volatility.

When oil pipelines were pushed to capacity last year, Canadian crude oil prices fell by more than 50%. Independent producers had no means to ship their oil. They were vulnerable. With its own pipeline infrastructure, Suncor sailed through unscathed.

Refineries are also a volatility mitigators. When oil prices fall, refinery margins usually rise. By controlling its own refineries, Suncor can smooth out many of the bumps along the way.

But no matter how well positioned a fossil fuel company is, their future is still dependent on higher global prices. This requires rising demand and falling supply. Unfortunately, there isn't great news on either of those fronts.

The COVID-19 crisis forced the biggest slump in oil demand in decades. Demand still hasn't recovered. It will likely take years to return to baseline.

There are long-term pressures too. Regulators and investors are increasing their scrutiny due to climate concerns. This is raising the cost of capital. The fallout is real. **Exxon** was recently booted from the **Dow Jones Industrial Average**.

Industry supply also remains strong. The pricing war at the start of 2020, in which Saudi Arabia turned the pumps on full blast, proved that there's still excess volumes on the market. That's no good for prices.

Many stocks are positioned to *double* in value. Suncor isn't one of them.

## CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
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## TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

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