



OPEC and BP Give Dire Forecasts: Is it Time to Get Out of Oil Stocks?

Description

2020 has been a forgettable year for most industries and particularly horrible for oil companies. This year started off with a fight between OPEC and Russia in February over oil prices before the lockdown paused an increase in demand. In fact, there was such a [glut of oil across the world](#) that U.S. crude oil prices actually went to below \$0 for a couple of days.

As the world slowly eases lockdown restrictions and business tries to return to its pre-pandemic levels, two of oil's largest stakeholders have given a rather bleak outlook for the sector.

BP says oil demand may have peaked

BP released a report called the [BP Energy Outlook 2020](#) where it essentially said that oil demand may have already peaked last year (2019) and consumption might never return to pre-pandemic levels. It said, "Demand for oil falls over the next 30 years... The scale and pace of this decline is driven by the increasing efficiency and electrification of road transportation."

The report said the economic impact of the virus on emerging economies like India, Brazil, and Africa, whose economic structures are most exposed to the ramifications of COVID-19 was disproportionate.?

The report sees a change in consumer patterns. According to BP, the COVID-19 pandemic might lead to several behavioural changes. For instance, people might choose to travel less or avoid using public transport or even work from home on a more frequent basis. These changes are expected to dissipate over time as the dreaded virus is brought under control.

However, it will take time for public confidence to be restored, while the shift to working from home may be a more permanent feature across several industries.

OPEC provides a downward outlook

In its monthly oil market report for September 2020, OPEC said, "In 2020, the global oil demand

contraction is revised down further by 0.4 mb/d [million barrels per day], now contracting by 9.5 mb/d, to average 90.2 mb/d.”

India consumes 4.6% of the world’s oil, and the report says that India is seeing very weak demand. The “Other Asia” region had its outlook revised lower by around 0.5 mb/d due to weaker oil demand as well.

OPEC expects the “negative impact on oil demand in Other Asia is projected to spill over into 1H21. At the same time, a slower recovery in transportation fuel requirements in the OECD will limit oil demand growth potential in the region.”

When the world’s largest oil stakeholders talk about dark days ahead, it makes sense to listen.

Renewables to the rescue

The world might not consume a lot of oil in the near future, but that doesn’t mean you avoid energy stocks altogether. There are multiple options in the renewable energy space that can deliver solid capital appreciation.

Companies like **Algonquin Power and Utilities** and **Transalta Renewables** both have future dividend yields of over 4.4%. **Northland Power** is another good option in the renewable energy sector.

The renewables energy space is expected to be the future, as the world transitions towards clean energy. These companies already provide tasty dividend yields driven by a steady stream of cash flows, making them attractive to income and growth investors.

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