



## Can Suncor Stock Climb if Carbon Emissions Targets Get Bolder?

### Description

Canadian prime minister Justin Trudeau has set a collective goal of reducing carbon emissions in the country by 40-45% by 2030. In response, fossil fuel companies, along with Canadian companies in the high-carbon oil sands sector, are under pressure from lenders and investors alike to reduce emissions.

Indeed, major producers are concentrating on reducing per-barrel emissions, but not **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)). Instead, the company is out on a mission targeting the reduction of absolute emissions. Here is my take on this situation.

### Carbon emissions reduction plan differs from sector

There's a massive shift underway to fight climate change. Activist investors have successfully penetrated the largest oil companies in the world. Among these leaders, **Royal Dutch Shell**, **Chevron**, and **Exxon Mobil** have extensive global oil operations. These companies aren't only the largest in terms of global carbon output; they're also directly or indirectly tied to heavy oil production in some fashion.

As a key heavy oil producer from Canada's oil sands, Suncor has its [own agenda](#) of fighting climate change. Investors appear to remain hopeful Suncor will be able to avoid activist investor activity like its peers. But to do so, Suncor will need to show it can regulate itself and reduce emissions over time.

Suncor's plan appears to align with the Canadian government's commitment under the Paris Climate Accord. The company's net-zero emissions target set for 2050 is ambitious. But the company hopes to get there sooner rather than later.

Suncor is planning on reducing nearly 10 megatons of emissions a year by 2030 — a nearly 34% reduction. Indeed, the company hopes to get here through adopting carbon-capture technologies and produce low-carbon fuels as well as renewable fuels. Renewable power generation also appears to play a large role in these targets. The company's effort to reduce company-wide CO2 emissions instead of setting intensity goals indicates Suncor is emphasizing extracting better per-barrel financial returns in the near term. For investors, this is a good thing.

## Where does Suncor go from here?

Canada's second-largest oil producer does not plan on slowing down by any means. In fact, the company will boost its oil production to an all-time high. The company expects to average 800,000 barrels/day between 2021 and 2025. It will do so by working on improving its existing facilities rather than selling assets to achieve emission goals.

Suncor further revealed that it would focus on investing its planned \$4.14 billion annual capital-spending budget on reducing costs and reducing its carbon footprint through 2025. Indeed, the CEO believes that the company has the potential to surpass its 2030 emission goals.

Accordingly, for investors who are bullish on where oil is headed, these moves are ones investors will continue to cheer. After all, Suncor's stock price is near an all-time high for a reason.

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