



Forget Bitcoin: 1 TSX Stock to Buy in July 2021

Description

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) is one of Canada's largest pipeline companies. Recent increased demand for natural gas, coupled with the replacement of existing supply sources implies that significant new [natural gas supply connections](#) will be needed in the next two years. This provides investment opportunities for pipeline infrastructure companies, such as TC Energy, to build new facilities or increase the utilization of the existing footprint.

Increased demand to build new pipeline infrastructure

The growing supply of natural gas has resulted in relatively low natural gas prices in North America which have supported increased demand, particularly in natural gas-fired electric power generation, petrochemical and industrial facilities, Alberta oil sands, and Mexico to fuel power generation and other industrial facilities.

Natural gas producers continue to [progress opportunities](#) to sell natural gas to global markets which involves connecting natural gas supplies to liquefied natural gas (LNG) export terminals, both operating and proposed, along with the United States Gulf Coast and the east coast of Canada.

The demand created by the addition of these new markets provides opportunities for TC Energy to build new pipeline infrastructure and to increase throughput on the company's existing pipelines.

The well-distributed footprint of natural gas pipelines

In general, the profitability of TC Energy's natural gas pipelines business is not directly tied to commodity prices given that the company is a transporter of the commodity and the fixed transportation costs are not tied to the price of natural gas.

However, the cyclical supply and demand nature of commodities and related pricing has an indirect impact on TC Energy's business where producers may choose to accelerate or delay the development of gas reserves. On the demand side, projects requiring natural gas may be accelerated or delayed

depending on market or price conditions.

For example, lower natural gas prices have allowed North American natural gas to gain market share over coal in serving power generation markets and to compete globally through LNG exports. Changes in supply and demand levels and locations have resulted in increased competition to provide transportation services throughout North America.

TC Energy's well-distributed footprint of natural gas pipelines, particularly in the liquids-rich and low-cost Appalachian basin, both of which are connected to North American demand centres has placed it in a strong competitive position.

Economies of scale

Incumbent pipelines benefit from the connectivity and economies of scale afforded by existing right-of-way and operational synergies given the increasing challenges of permitting new pipeline construction and expansions. TC Energy offers competitive services to capture the growing supply and North American demand that now includes access to global markets through LNG exports.

In addition, TC Energy has several strategic priorities. The company's pipelines deliver the natural gas that millions of individuals and businesses across North America rely on for a variety of energy needs.

The company is focused on capturing opportunities resulting from growing natural gas supply and connecting new markets while satisfying the increasing demand for natural gas within existing markets.

This focused approach is likely to help long-term shareholders do better than Bitcoin investors.

CATEGORY

1. Investing

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2. TSX:TRP (TC Energy Corporation)

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