Long-Term Investors: Should You Give Up on Oil Stocks?

Description

Oil stocks have been a point of contention during the last few years. Before the pandemic, shares of oil companies all but collapsed across the board from the oil and gas glut. The Organization of Petroleum Exporting Countries (OPEC+) cut back production around the world. And then, the pandemic did it for them.

Oil stocks suddenly fell even further during the pandemic with production coming to a crashing halt. And all this was happening while another new source of energy was in the midst: renewable energy.

Renewable, clean energy has become the place where not just investors, but also oil stocks have sought new opportunities. After all, during the next decade, it's estimated US$10 trillion will be invested in clean energy projects.

But does that mean Motley Fool investors should give up on oil stocks altogether?

The outlook isn't so grim for oil stocks

During a recent meeting of OPEC+, the organization announced it believes oil will remain as the top energy source for decades. Even with electric vehicles and renewable energy sources breathing down the necks of oil stocks, it will remain a top source due to less wealthy countries depending on the product.

As the world's less-wealthy countries continue to develop, oil will remain a solid source of fuel. It's likely, in OPEC+ opinion, that this will remain the case until at least 2045. And after a massive drop in 2020, 2021 has seen an enormous increase in demand for the product. Between 2020 and 2045, an OPEC+ report stated the primary source of energy will increase in demand by 28%. This will come from "…an expected doubling in size of the global economy and the addition of around 1.7 billion people worldwide by 2045."

The expanding population and middle class in places like India and China will mean an increase in demand for these oil stocks. However, it's not that Motley Fool investors should therefore ignore renewable energy stocks either.

Renewable energy on the rise

The fight for climate change is real, and OPEC+ recognizes that. While oil stocks will continue to be in demand, clean energy is likely to maintain a solid position during the next 20 years and more. Eventually, these renewable sources will indeed outpace the demand for oil by 2045.

And the 2045 guide isn't random either. Most countries aim to reach net-zero emissions by 2050, including Canada, the United States, and European Union. And as mentioned, there are now many oil stocks seeking new ways to get on both the renewable energy train and the investment that comes with it.

In that vein, it might be time for Motley Fool investors seeking long-term growth to find transitioning energy stocks. That would include companies like **Pembina Pipeline** (TSX:PPL)(NYSE:PBA). Pembina has become part of the carbon removal system in Alberta and has also invested in renewable energy projects. However, it remains that it has long-term contracts to see it through decades of growth. Its recent partnerships, therefore, set it up for short and long-term stability for investors.

Yet Pembina trades near value territory, with an EV/EBITDA of 15.1, and P/B ratio of 1.9. So you can lock a low share price in with a dividend yield of 6.33% as of writing. Meanwhile, shares are climbing steadily, up 40% in 2021 alone.

Foolish takeaway

If you're looking to invest for decades, oil stocks like Pembina provide access to both oil and renewable energy in the years to come. You don't want to give up on current strength in favour of only future growth. The renewable energy sector is here to stay, but oil stocks won't be leaving for quite some time. And you can still benefit from both.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:PPL (Pembina Pipeline Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise

7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. alegatewolfe
2. arosenberg

Category

1. Energy Stocks
2. Investing

Date
2025/08/21
Date Created
2021/09/29
Author
alegatewolfe