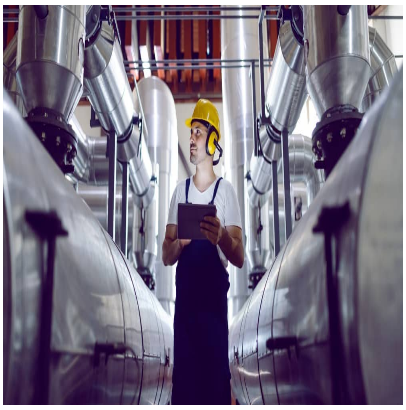

4 Canadian Stocks Could Benefit From a Global Energy Crisis

Description

An energy crisis is coming. Major governments are taking to the international market, trying to outbid each other to restock their energy supplies. This supply shortage is increasing energy prices, especially natural gas prices. The high gas price is eating up business profits, forcing several industries that can't afford the energy bills to shut down their factories. This is causing supply chain issues.

The energy crisis has created some good investment opportunities for Canada, the third-largest exporter of oil in the world. In this article, I will discuss the state of the energy crisis and how you can make money from it.

What is causing the global energy crisis?

First things first, why did the energy crisis occur in the first place? Major economies of the world were battling climate change. A world that relied on fossil fuel energy for generations suddenly accelerated the move to renewable energy like wind and solar. Replacing fossil fuels comes with consequences. The United Kingdom is the biggest example of what could go wrong.

The United Kingdom fast progressed into offshore turbines in the North Sea, cutting coal-fired emissions. But when North Sea winds slowed, wind power contribution dropped from 25% of total energy supply to just 7%. This forced the country to rely on foreign gas suppliers to address the power shortage. Even Texas, California, and China faced an energy crisis, as extreme weather conditions reduced renewable energy supply.

This crisis has taught an important lesson to the energy sector. When transitioning away from reliable fossil fuels towards renewable energy, it is important to have a backup. You cannot just replace fossil fuels. The International Energy Forum and Boston Consulting Group analysis state that capital investment in the oil and gas industry has to increase by 25% per year for the next three years to prevent an energy crisis.

Canadian companies that could benefit from the energy crisis

Canada has an advantage thanks to its third-largest oil reserves. Before August, Canadian oil companies came under fire by environmentalists for the high CO2 emissions from the oil sands project. Canadian companies came together and launched the $75 billion Oil Sands Pathways to Net Zero initiative by 2050. As the economies reopen, energy demand will only increase.

The energy crisis is increasing energy prices, and growing prices are bringing more cash to Canadian oil and gas companies. Hence, **Suncor Energy** doubled its dividend, and **Cenovus Energy** is paying down its debt at a fast rate. These high cash flows give these energy companies the flexibility to increase their capital expenditure to boost supply and cut emissions from oil sands projects.

The rising energy prices and growing dependence of Europe and the United States on foreign gas suppliers open opportunities for Canadian energy companies to export natural gas. There will also be a need for pipeline infrastructure that can cost-effectively export natural gas. **TC Energy** and **Enbridge** are well placed to grab this opportunity.

The two stocks dipped 7-9% in November, as the energy supply shortage reduced volumes. This has created an opportunity to buy these dividend stocks at a discount. They will benefit from higher volumes as natural gas supply surges. I expect these stocks to surge 10-15% during the winter as most houses use natural gas for heating.

Investing in energy stocks

This is just the beginning of the energy crisis. As the supply shortage spikes and dependence on foreign gas suppliers increases, Canadian companies would be some of the biggest beneficiaries. All four oil and pipeline infrastructure stocks are poised to deliver strong growth next year, as the world grapples with the energy crisis.

A value investor invests in crisis and not at the height of economic growth. The above four energy stocks could give you significant capital appreciation and dividend growth.

CATEGORY

1. Energy Stocks
2. Investing

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. kduncombe
2. pujatayal

Category

1. Energy Stocks
2. Investing

Date
2025/06/28
Date Created
2021/11/24
Author
pujatayal