



## Energy Stocks: Are You Late to the Party?

### Description

Energy stocks have been crushing it lately.

Whether you're looking at integrated energy companies like **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) or pipelines like **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)), they're all going up.

It's not a huge surprise why this is happening. Oil prices are rising, supply from Russia is being cut off, and, generally speaking, the world is panicking about its oil supply.

As long as oil prices remain high, energy stocks will keep doing well. In this article, I will explore whether energy stocks are still good buys at today's prices.

### Why energy stocks are rising

As mentioned previously, energy stocks are rising because the price of oil is rising. Integrated energy companies like Suncor Energy make more money when oil prices go up. Pipelines like Enbridge profit off high oil indirectly through increased demand for their services.

In any case, high oil prices are good for oil producers — particularly Canadian oil producers that aren't affected by the [situation in Eastern Europe](#).

The war in Ukraine has led to Germany cancelling its pipeline contract with Russia and is disrupting oil that flows through Ukraine itself. It's a rough situation. Fortunately, the tar sands are pretty much immune to it. When oil prices rise due to a major country like Russia being cut off, that just means more money for producers in other countries. To be sure, the oil sands can get slapped by political controversies of their own. In his first year in office, U.S. president Biden cancelled the Keystone XL pipeline — a devastating blow to the project's investors. But, for the most part, Canadian energy companies are fairly uncontroversial — at least by the standards of the oil and gas industry. So, they are pretty safe oil bets.

## Suncor's earnings

We can show the effect of higher oil prices on oil producers by looking at Suncor's most recent earnings. In the fourth quarter, Suncor earned

- \$3.14 billion in funds from operations, up 157%;
- \$1.55 billion in net income, up from a loss; and
- \$1.29 billion in operating income, up from a loss.

Those are pretty solid results. All of the company's financial numbers were improved from a year before. In addition to the solid earnings numbers just mentioned, Suncor also reduced its debt by about \$2 billion year over year. So, it was a solid quarter.

## Why this might be temporary

Despite all of the positive things I've said about energy stocks in this article, I am not necessarily extremely bullish on them. I actually sold the one energy stock I held in my portfolio on Monday, thinking that the current tailwinds for the sector may be temporary.

The thing that concerns me a little is the fact that so much of the energy price gains we have seen stem from the Russia/Ukraine crisis. The crisis has [taken Ukrainian pipelines offline](#) and spurred the cancellation of the Nordstream 2 pipeline. So, energy supply is lower than it was before. That has resulted in oil prices going wild in the futures market. That's a real tailwind. But I'm not sure it's going to hold up long term. If Russia and Ukraine find a way to get along, then at least one of the factors holding back supply will disappear. That could cause prices to go down. Ethically speaking, I'd prefer not to "bet" on this crisis continuing. So, I'm out of energy stocks for now.

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