



## Warren Buffett Is Buying Energy Stocks: Should You?

### Description

Warren Buffett is buying energy stocks in 2022. **Berkshire Hathaway's** latest 13-G report revealed a number of holdings, including one brand-new energy play initiated this year. In this article, I will explore Warren Buffett's latest energy investment and what it means for investors.

### Buffett buys Occidental Petroleum

In March, Warren Buffett bought **Occidental Petroleum** shares through his holding company Berkshire Hathaway. He acquired [\\$5.1 billion worth of shares](#) in just one week, making it Buffett's biggest stock purchase in many years. In a statement, Buffett said that OXY was a bet on long-term oil prices and the quality of the Permian Basin oil field.

So, Buffett thinks that oil prices are likely to go up and that Occidental Petroleum is a particularly valuable oil field. The question for Canadian investors is, "should you follow Buffett or look for a comparable Canadian energy play?"

### Tax considerations

One factor that Canadian investors must consider when emulating Buffett is the fact that Buffett mostly owns American stocks. Dividend-paying U.S. stocks have an extra dividend tax that you can't avoid by holding your shares in a TFSA. It's a 15% withholding tax imposed by the IRS, not the CRA. The only registered Canadian account that the IRS acknowledges is the RRSP. So, unless you're buying oil stocks in your retirement account, you might want to consider Canadian alternatives to Buffett's energy plays.

### Where Suncor Energy comes into the picture

**Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) is a [Canadian energy stock](#) that Warren Buffett has owned in the past. Much like Occidental Petroleum, it is in large part a play on oil prices. Both OXY and SU are

integrated energy companies — companies that extract, refine, and sell crude oil. These types of companies make more money the higher the price of oil goes. When the price of oil rises, E&P companies' revenue rises, but their costs don't necessarily rise. So, their profits increase.

We can see this phenomenon at play in Suncor's most recent earnings release. In [the fourth quarter](#), Suncor delivered the following:

- \$3.144 billion in funds from operations (FFO) — up 157%
- \$1.29 billion in operating earnings — up from a \$109 million loss
- \$1.55 billion in net income — up from a \$168 million loss
- \$3.7 billion in net debt reduction

Those are very strong figures. All earnings and cash flow metrics were improved from the prior year, and Suncor even managed to pay off a pile of debt to boot, which is truly impressive. And all of this was made possible thanks to the soaring price of oil.

In 2020, Suncor lost money because the price of oil was too low for it to turn profits. In 2021, the price of oil rose, and Suncor started making money again. In 2022, the price of oil is even higher. If this situation persists, then SU will make even more money this year than last year. That should take its stock price even higher still.

So, if you want to copy Buffett's energy plays, consider Suncor. It's not exactly what Buffett is holding now, but it's very similar to Buffett's current energy plays, and its dividends get much better tax treatment.

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