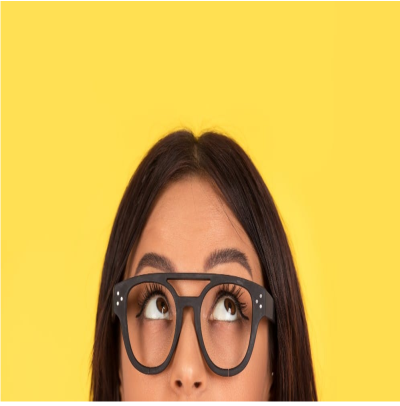

Oil Stocks vs. Nuclear Stocks: Which Is Better?

Description

When it comes to energy, oil and nuclear are the two main options investors have to choose from. Oil is the well-known commodity used to power cars and manufacture plastics; nuclear is a green energy source that powers electric grids. Technically, nuclear energy is part of the utilities sector — not energy per se. But with the rise of the electric car, those two sectors are looking more and more similar.

Oil and gas stocks have stood the test of time. With +100 years of steady if volatile gains, they've enriched many investors. Nuclear stocks, however, stand to benefit more from up-and-coming trends in energy consumption. In this article, I'll explore oil stocks and nuclear stocks, so you can decide which is right for you.

The case for oil

Compared to uranium mining stocks, oil stocks are generally less speculative. Their earnings vary considerably with oil prices, but not as much as is the case with uranium stocks. They also pay fairly large dividends.

Consider **Cenovus Energy** (TSX:CVE)(NYSE:CVE), for example. It's a Canadian oil producer that makes money by extracting and selling oil. In its most recent quarter, CVE's revenue grew 74%, and its profit grew by several hundred percentage points. On the strength of these results, Cenovus's management tripled the dividend. This is an example of what can happen with oil stocks when oil prices are high. With higher earnings come higher dividends, which pass corporate wealth on to shareholders.

The case for nuclear

The case for nuclear stocks rests on the rising need for green energy. Oil and gas is considered "dirty" energy and is being phased out under climate change regulations. Norway's goal is for 100% of cars to electric by 2025. Other countries have similar targets. Nuclear energy can fuel electric cars (as well as electric trains, trucks, etc.), but oil and gas can't. The new generation of vehicles are charged rather than filled up, and oil has little role to play in such a market.

It's for this reason that many people are interested in uranium stocks like **Cameco** (TSX:CCO)(NYSE:CCJ). Cameco is a Canadian uranium miner that supplies uranium to power plants around the world. There's no doubt that Cameco will have more customers should nuclear energy production increase. With more nuclear reactors comes greater demand for uranium. The E.U. has already signaled that it's ready to include nuclear among its "green" energy sources, which will give member states the go-ahead to start building nuclear power plants.

The downside, for investors, is that electric cars don't require as much fuel as today's gas-powered cars do. You can charge up your electric car with electricity from the grid; gas cars require copious amounts of fuel. If the electric grid is fueled by nuclear power, it only takes 27 tons of fuel to power an entire city. It takes millions of tons of coal to do the same. So, no matter how much nuclear power grows, uranium will never be a huge commodity like oil and coal are today — you just don't need that much uranium to fuel the grid.

As an alternative to uranium miners like Cameco, you could consider nuclear utilities like **Duke Energy.** Utilities have a proven business model that is heavily protected by the government. They're less volatile than mining companies, and their business is known for being very stable. It's one way to invest in the future of nuclear energy without betting the barn on speculative mining stocks.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)
2. NYSE:CVE (Cenovus Energy Inc.)
3. TSX:CCO (Cameco Corporation)
4. TSX:CVE (Cenovus Energy Inc.)

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