



Let it Snow! 2 Energy Stocks to Warm Your Portfolio With Regular Income

Description

In the last two months, I turned [bearish](#) on energy stocks as a slowdown in economic growth reduced oil demand and tamed oil prices. But new developments between Russia and Europe have made natural gas the new oil. Natural gas plays a key role in transitioning the energy industry to cleaner sources. It emits more emissions than renewables but less than oil. Europe has replaced fossil fuel with natural gas in various applications like heating and cooling.

Europe gas supply shock

The problem with liquefied natural gas (LNG) is that it struggles to secure long-term supply contracts. Europe overlooked energy security and depended too much on Russian gas (40%) with no backup plan. When Russia invaded Ukraine in February, there were fears that Russia might stop natural gas supply from the Nord Stream 1 pipeline.

These fears materialized in mid-June, and now Russia is supplying only 20% capacity, citing a turbine repair as the cause. The country offered to ease the energy crunch by supplying gas through the new Nord Stream 2 gas pipeline, but Germany refused to grant operational approval due to Russia's invasion of Ukraine. Europe is fighting the urge to succumb to cheap Russian gas. The United States has since become the world's largest LNG exporter, with 71% of its exports directed to Europe and the United Kingdom in the first five months of 2022.

However, the U.S. Energy Information Administration (EIA) [expects](#) U.S. LNG exports in the second half of the year to fall 6% because of an outage at Freeport LNG. The European Union is hoarding every drop of LNG it can get its hands on in the open market, creating a shortage in the Asian market. Canadian energy companies will benefit from competition between Asia and Europe for LNG amid tight gas supply.

Two Canadian energy stocks to buy now

TC Energy stock

TC Energy Corp ([TSX:TRP](#))([NYSE:TRP](#)) is the pipeline stock that came under fire last year after President Biden denied approval for its Keystone XL Pipeline. However, things improved significantly as TC Energy focused on other productive projects. The company has been building the 670-kilometre Coastal GasLink project, which will create the first direct path for Canadian natural gas to reach global LNG markets. The project is 70% complete and expected to come into service by the end of 2023.

A year might seem like a long time, but Europe's gas crises are also long-term. Europe is seeking alternatives to Russian gas, and the U.S. LNG exports are not sufficient to replace Russian gas. Canada's entry into the global LNG markets could help TC Energy secure some long-term supply agreements at favourable prices.

"Demand for clean, responsibly sourced natural gas remains high in North America, with energy security also driving incremental growth in the global LNG market."
TC Chief Executive Officer François Poirier

TC Energy stock is down 10% from its June high. This is a stock to buy and hold forever while earning incremental [dividends](#) for another two decades. The stock is offering a juicy 5.45% dividend yield at the time of this writing.

AltaGas stock

AltaGas ([TSX:ALA](#)) is a natural gas infrastructure platform that distributes natural gas to the U.S. at a regulated rate through its Utilities division. But I'm bullish on this stock because of its Midstream business, which puts its natural gas into the global market. It transports natural gas locally through rail, and to Asia and other global markets by ship. This segment's income before income taxes surged 232% year-over-year in the [second quarter](#) because of higher global export volumes.

The Midstream business will also benefit from AltaGas acquiring 25.97% of Petrogas Energy. With this acquisition, the company will become a leading provider of North American LNG from the west coast. Growing demand for LNG in Europe and Asia also puts AltaGas in a sweet spot.

The stock has jumped over 13% since mid-June when Russia started reducing natural gas supply to Europe. As the supply shock aggravates in winter, the stock could see an upside. You can book your position in the rally and enjoy a 3.77% dividend yield.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)

2. TSX:ALA (AltaGas Ltd.)
3. TSX:TRP (TC Energy 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. agraff
2. pujatayal

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/08/19

Date Created

2022/08/04

Author

pujatayal

default watermark

default watermark