Should You Buy Liquefied Natural Gas Stocks Right Now?

Description

Europe's energy crisis has brought liquefied natural gas (LNG) into the limelight. For the first time, North American natural gas companies and utilities are facing the impact of natural gas prices worldwide. Is this a good sign for natural gas companies? Is now a good time to buy LNG stocks? To answer these questions, you have to understand the European gas shortage and the role of the United States in the global natural gas market.

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European energy crisis

The United States and Europe imposed sanctions on Russian oil and natural gas after Russia invaded Ukraine. The western leaders are trying to weaken Russia's oil and gas revenue, which is fueling the war. Hence, all European countries, except Hungary, have stopped importing Russian gas. Presently, only one (Turk Stream) of the four pipelines delivering Russian natural gas to Europe is operational.

This geopolitical issue could change the energy supply chain forever.

Natural gas is used for heating, cooking, generating electricity, and more. Europe used to import 38% of its natural gas from Russia. Hence, a sanction on its biggest supplier made Europe desperate for natural gas alternatives. It purchased all the LNG in the spot market and adopted gas rationing to manage the 2022 winter. This inflated gas prices.

Global energy crisis hit America

While Europe looked for alternative natural gas suppliers, the United States cashed in on this opportunity. Before 2022, America's natural gas market was isolated from the rest of the world. Hence, global LNG prices did not affect domestic natural gas prices. However, the energy industry supply chain is changing.

America increased natural gas production and started exporting LNG to Europe by ship. It became the world's largest LNG exporter in the first half of 2022. America's entry into the global LNG market has made natural gas stocks attractive. Canada is also tapping the natural gas opportunity by investing in natural gas transmission infrastructure.

Canada supplies gas to America, and the rising LNG exports could create demand for long-term gas supply. Its natural gas could get a new market, Europe, making growth sustainable for all Canadian natural gas stocks.

Building a portfolio of liquefied natural gas stocks

North American LNG stocks will benefit from the European energy crisis. Now is the time to build a portfolio of LNG stocks in your registered savings plan. The Toronto Stock Exchange offers different types of natural gas stocks.

Energy infrastructure stocks

Enbridge (TSX:ENB) has the largest pipeline infrastructure in North America. It facilitates the smooth transmission of oil and gas between Canada and America. In its second-quarter earnings, Enbridge stated its intention to grab about 30% share of North American LNG exports by 2040.

It currently has Plaquemines and Woodfibre LNG projects under construction and Texas LNG and Rio Grande project under precedent agreement. The existing and upcoming projects would enable Enbridge to transmit nine billion cubic feet/day.

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Now is the time to buy the stock. It will give you regular dividends. Moreover, the stock is not directly impacted by gas prices, as Enbridge gets toll money on a volume basis. You also get diversified exposure to oil and renewable energy like wind and solar. This diversification will mitigate the downside risk, if any, from natural gas.

Oil and gas stocks

Canadian Natural Resources (TSX:CNQ) develops, produces, markets, and sells, oil and natural gas. It has the largest natural gas reserves in Canada, drilling an incremental 16 net wells. The company also operates in the United Kingdom, the centre of the energy crisis. Moreover, it has a long history of paying dividends and increasing them at a compound annual growth rate of 22% in 22 years. The stock is sensitive to oil and gas prices.

Now is a good time to buy Canadian Natural Resources stock and secure your position before natural gas prices surge.

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