



Should You Buy Top Canadian Energy Stocks of 2022 in 2023?

Description

Everyone loses money in the stock market before they make money. The business environment is dynamic, and even the buy-and-hold strategy doesn't help if there is a disruptive trend. You know where I am heading, Canadian energy stocks.

Now is a good time for portfolio rebalancing. I suggest cashing out some profits when energy stocks are near their peak and reinvesting the money in future growth stocks.

Should you buy Canadian oil stocks in 2023?

It is that time of year when you revisit your portfolio and determine which stocks to cash out and which to invest in. Remember to buy the dip and sell the rally. In this [bear market](#), oil and gas stocks have rallied amid the global oil crisis. So if you own **Suncor Energy (TSX:SU)** and **Cenovus Energy (TSX:CVE)** stocks, get ready to book profits. Last year, the above two [oil stocks](#) rallied 30% and 53%, respectively, as oil prices surged as high as US\$125. But the oil price has stabilized at US\$80 and is likely to hover between US\$70 and US\$110.

Oil stocks already reached their cyclical peaks in June and are unlikely to rise above their 52-week high. Hence, it is time to sell while the stocks are still in the rally and buy [fundamental](#) stocks that have dipped due to short-term headwinds. If you purchased the above two oil stocks in early January 2022, you are at a sweet spot of capital appreciation.

The bear market has pulled down all shares hurt by rising interest rates and the China lockdown. Suncor and Cenovus shares are trading 20% below their cyclical peak. Don't wait for that 20%, and start cashing out a portion of your holdings.

For instance, Suncor's cyclical peak is above \$53, and it has been hovering around \$47 in a bullish market. If you own 20 shares of Suncor at a cost below \$33, you can cash out five shares now while it still trades above \$40 and the other two lots of five shares at \$45 and \$47. You will still have five shares that pay dividends.

Restructuring your energy stock portfolio

Oil is not the future, and even the oil-rich nations know that. Saudi Arabia and other countries are looking to reduce their dependence on oil in the long term. The future of energy is green. Solar and wind power plants are not anchored to certain mineral-rich lands/countries, achieving the twin goals of CO2 emission reductions and energy security.

The geopolitical tensions have reignited the need for energy security. And given the alarming rate of climate change, it is only a matter of time before the green energy revolution gathers momentum. Now is the time to invest in the future of energy.

TSX has some green energy stocks trading at an attractive valuation if you look at them from a 10-year perspective.

Ballard Power Systems

One of the biggest consumers of oil and natural gas is the transportation sector. Electric vehicles are an alternative for on-road passenger vehicles, but not for heavy-duty vehicles. For such vehicles, the green future is hydrogen fuel cells, and **Ballard Power Systems** ([TSX:BLDP](#)) is developing such cells for bus, truck, rail, marine, off-road vehicles and stationary power markets.

Hydrogen has high energy density, making it apt for heavy vehicles like aviation, shipping, buses, trains and heavy trucks. However, hydrogen has to be extracted and stored, and that process is still in the research phase. Green hydrogen is extracted through electrolysis, but the high extraction cost hinders the large-scale adoption of hydrogen. That explains Ballard Power's \$21.3 million in revenue and \$40 million in operating expenses in the third quarter.

Ballard Power is working with several companies to make commercially viable hydrogen fuel cells. It is building a fuel cell engine manufacturing facility in Shanghai to complement China's fuel cell value chain localization policy. The stock has already surged 14% in the first week of 2023 and has the potential to double your money in a year or two as green hydrogen adoption increases. Once hydrogen becomes a viable option, it could become a dividend stock like other proven renewable energy stocks.

The 2023 takeaway

The 2022 tech stock bubble burst taught investors a valuable lesson. Nothing is permanent. It is better to book some profit when stocks are in an uptrend. It is time to bid adieu to oil stocks and welcome renewable energy stocks.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. TSX:BLDP (Ballard Power Systems Inc.)
3. TSX:CVE (Cenovus Energy Inc.)
4. TSX:SU (Suncor Energy Inc.)

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