Which Energy Stocks Should TSX Investors Buy Today?

Description

Canadian oil producers found themselves on the wrong side of Norway's trillion-dollar Norges Bank Investment Management fund last week. The body has blacklisted four major companies, citing "unacceptable greenhouse gas emissions," arising from the production of oil from oil sands. The pronouncement has sent tremors through the sector, which was already beset by crashing oil prices and green energy competition.

A sector undergoing a sea change

There's no denying that names like **CNQ** and **Suncor** still pack the defensive heft of the large-cap business. These are big players in one of Canada's biggest industries, after all. But what happens when the headwinds mount against one of the country's most significant sources of revenue? Oil investors are hoping that demand will bounce back and that prices will recover. A rally may already be underway, with oil prices hitting a two-month high.

But there are other ways for hydrocarbon businesses to survive the oil price crash. Producers can look beyond the energy sector, for instance, and focus on manufacturing. After all, oil is also a major player in the chemicals and materials space. Oil producers can also look at diversifying into renewables, one of the major growth trends of the new decade.

Green energy stocks offer long-term wealth creation

Green hydrogen is another idea that's picking up interest, as the energy sector begins to retool for a post-pandemic world. The zero-carbon process uses renewable energy sources to split hydrogen for use as fuel. The process is power intensive, though, and could take a while to scale up. In the meantime, blue hydrogen could act as a springboard into a cleaner future by using sources that are not renewable to split hydrogen.

As such, **Cameco** could be a play for the nuclear industry's potential involvement in blue hydrogen. This is a strong pure-play for uranium upside potential. The thesis for higher uranium prices has been growing amid oil headwinds. A bottleneck of uranium production has also arisen from pandemic-related mining restrictions. Meanwhile, names like **Northland Power** support a wind energy investment strategy.

The green power sector is not without its own risks, though. Offshore wind farms are also seeing tailwinds, with international deals strengthening and diversifying this highly investable growth industry. The ban on sit-down meetings has impinged the deal-making process, for instance, on which networking is highly contingent. Investors should also keep an eye on weakening electricity prices as demand wallows.

But at a certain point, even bullish oil investors should consider the upside and ask tough questions. Are hydrocarbon stocks a solid long-term play? At present, they offer little more than a potential long play on value, reliant on a lasting oil recovery. Since that recovery seems unlikely at this stage, oil stocks should perhaps be little more than a side bet.

Investors looking for long-term passive income and steady share price appreciation should consider backing the winning horse. Ethically, socially, and scientifically, green power presents a less impactful way to power the world for the future. It’s also a strong investment theme, rich with upside potential.

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