

National Fuel Gas

When we take a look at the energy industry through the long lens of history, an interesting and somewhat unexpected trend emerges that can be summarized as heavier to lighter in the fuel source. Once we got beyond the basics of inefficient one-year captures of sunlight in the form of wood and figured out multi-year captures of sunlight in the form of fossil fuels, we went from coal to fuel oils to kerosene to gasoline and then eventually to natural gas.

Dreamers think we will shift one fine day from hydrocarbons to hydrogen, but I have been listening to that nonsense for more than forty years now. As Germany is finding out the hard way, if you want an omelet you have to break some eggs, and that means fossil fuels or nuclear; if you want high-cost intermittent energy, have I got a deal for you with wind and solar. And, yes, the best substitute for imported petroleum is domestic petroleum; stick that in your distillation tower and crack it.

Mind Your Own Fracking Business

The world is chock-full of methane; the trick always was extracting and transporting it economically. Now that large-scale fracking has proven its value in the former, the value proposition will concentrate once again in the latter. This is why I find a firm such as National Fuel Gas (NFG), an integrated natural gas company located in Williamsville, New York, intriguing.

Undiscovered? No; no issue with a 45.25% one-year total return falls into that category, and its forward P/E of 22.35 hardly makes it cheap. But it is in all segments of a growing industry and is well-situated geographically to take advantage of a regional market where supply is constrained politically by New York's aversion to fracking. Should New York allow widespread fracking in the Marcellus Shale, NFG is positioned to go along for the ride.