3 Energy Stocks That Are Facing Major Regulatory Risks

These are three energy stocks to sell thanks to heightened political and environmental concerns

4h ago · By **Ian Bezek, InvestorPlace Contributor**

- These three energy stocks face high levels of regulatory risk today.
- **PG&E Energy (PCG)**: The company previously went bankrupt due to wildfire liabilities and now faces concerns over its nuclear power plant.
- **Peabody Energy (BTU)**: Coal had a revival in 2022 but don't bet on it lasting long.
- **Gran Tierra Energy (GTE)**: This small oil exploration company faces heavy risk as the Colombian political situation deteriorates.

Source: Shutterstock

Energy stocks have a lot going for them. The world needs a ton of electricity and transportation fuels every day. Energy is inflation-protected, as prices tend to rise during unsettled periods such as we've experienced recently. And energy stocks sell at low P/E ratios while often offering high dividend yields.

But investors shouldn't lose sight of the energy industry's environmental and regulatory risks. Over time, the world is moving toward green energy solutions and a net zero future. Environmentalists and politicians will continue to make additional efforts to curtail traditional energy companies. And these three energy stocks, in particular, face elevated regulatory and political risk levels in the coming months and years.

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PCG	PG&E Corp	$16.80
BTU	Peabody Energy Corp	$21.07
GTE	Gran Tierra Energy Inc	$5.80

PG&E Energy (PCG)

California power utility **PG&E Energy** (NYSE:PCG) has enjoyed a remarkable run. PCG stock is up 44% over the past year, a massive move in a traditionally sleepy sector such as power utilities.

Source: Sundry Photography / Shutterstock.com

While investors may turn to defensive stocks such as PG&E Energy, investors may be underestimating the risk.

For one thing, this is the same PG&E that went bankrupt a few years ago in the fallout of the massive California wildfires in the late 2010s.

PG&E was liable for not taking sufficient measures to prevent possible fires resulting from downed power lines.

California remains a difficult regulatory environment for energy companies. PG&E is also facing a lawsuit from environmental groups seeking to close the company's Diablo Canyon nuclear power plant.

Peabody Energy (BTU)

Peabody Energy (NYSE:BTU) is one of the world's largest coal companies, selling 124 million tons of coal in 2022 while serving 26 countries.

Source: IgorGolovniov / Shutterstock.com

In 2022, coal enjoyed something of a revival. The invasion of Ukraine took a ton of oil and natural gas off the market. In particular, European countries had to import large amounts of natural gas from overseas, which caused prices to surge globally. As natural gas and coal are interchangeable for many purposes, the skyrocketing price of natural gas gave coal a major boost.

BTU stock soared, rising from $10 at the start of 2022 to as high as $32 recently. But, investors shouldn't lose sight of the fact that coal is the dirtiest of the fossil fuels. It has a role during global emergencies, such as last year. However, ultimately, coal is set to be phased out the most quickly of our energy sources, putting companies like Peabody in a difficult position.

While the coal sector fared well, 2023 will be much more difficult. Natural gas prices have slumped, which should also end the rebound in coal. That makes Peabody and other coal names energy stocks sell today.

Gran Tierra Energy (GTE)

Gran Tierra Energy (NYSEMKT:GTE) is an oil exploration company primarily in Colombia. GTE stock has appealed to many bargain hunters due to its exceptionally low P/E and price-to-free cash flow ratios.

Source: shutterstock.com/Maxx-Studio

However, the issue is its geography. In 2022, after decades of continuous moderate or right-wing leadership, Colombia voted for a left-wing president, Gustavo Petro. He campaigned on moving the economy toward sustainable income sources such as tourism and agriculture while ending any new oil exploration in Colombia.

Since the election, he has continued that anti-oil stance. Despite that, the oil companies were holding on, as Colombia has been honoring existing production contracts. In recent weeks, however, the political climate has worsened significantly. Petro reshuffled much of his cabinet, moving far toward the left and setting off alarms about the stability of the government.

Meanwhile, even state-run oil company **Ecopetrol** (NYSE:EC) warned that it is struggling to increase production in the current climate. I've been notably bullish on EC stock in the past, but I've tempered my enthusiasm there, given the recent political developments.

More broadly, if the state-backed oil operator is having issues, it speaks badly for independent operators without government backing. GTE stock may have better days, but for now, the Colombian political situation is too unsettled to make Gran Tierra worth owning.

On the date of publication, Ian Bezek held a long position in EC stock. The opinions expressed in this article are those of the writer, subject to the InvestorPlace.com Publishing Guidelines.

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