

I wrote yesterday about the strong response Europe has made to the Russian advances in Ukraine. It has been a heartening thing to see that the lessons of WWII have not gone unheeded, at least in Europe. They recognize this incursion in Ukraine for precisely what it is, another step by Putin to reestablish the old Russian Empire that during the time of Peter bordered on Sweden and Germany. They haven't let this lesson be lost upon them and the outcry from nearly every European country has been unanimous.

What has been more remarkable has been the unanimous response of European business to the invasion as well – and particularly big oil. Both [BP and Shell have chosen to abandon their investments](#) in Russia – for BP this is a \$25B write down that will be a complete loss, unless they can get the original Russian group to repurchase it from them (for a tremendous discount, no doubt).

This is the most stunning piece of the Ukraine puzzle that I've witnessed so far. Oil companies spend their entire lives dealing with foreign corrupt governments, carving out production deals from despicable characters that leave the countries they inhabit less well off and their people more impoverished – they are hardly high on the list of standards sought by ESG investors.

Yet in this case, big oil has responded – and nothing, to me, matters more. The only response the West could make to this aggression is economic, and the only economic response that has the possibility of deterring Putin – perhaps only in the long-term – is the one we are seeing. Russia must be made an economic pariah and be forced to bankruptcy – this is the only leverage the West has against Putin, and oil and gas is the critical economic heart that beats inside Russia.

I also spoke briefly yesterday of the European energy challenge that will become very dire very soon – they are curtailing their own use of Russian oil and gas and are keen now to remove the dependence on Russia that has directly financed this invasion. Putin has stockpiled tremendous cash reserves, having expected sanctions to be applied after their invasion. Putin has often said he has been under sanctions for 25 years and doesn't fear them. But I don't think he banked upon the resolve of the European business community as well. Russia has money to withstand this kind of economic isolation for the short-term, but no nation can stand alone forever and Russia is, at least today, very much alone.

Yes, there is an investment perspective I bring to this –

We are entering a time of an energy tipping point, where our fossil fuel resources are going to be seen as the economic lifesblood they are, and energy companies are going to be viewed (correctly) as a key partner in keeping Europe safe, warm and their economies humming. This is a far cry from the invective, isolation and hatred that was rained down upon them by the transition-forwards governments of Europe over the last decade. But right now, the choices couldn't be clearer. There is no world in which alternative sources (nuclear, coal, solar, wind) can be found to supplant Russian oil and gas fast enough to help the European nations for the next several years, if the geopolitics continue as they currently are. That means that Europe will become more and more reliant upon Western-held and Western-controlled fossil fuel supplies to supplant what will be lost from Russia.

That – first and foremost – means LNG, both from OPEC nations and of course the USA.

Natural gas is abundant here and has been a victim of overproduction, venting and flaring. That's right, in this country, we've been throwing natural gas away – and a European cry is about to go out begging for our 'leftovers'.

It seems crazy to buy natural gas stocks here, right? It feels like a real chasing of value, especially if you haven't been in natural gas stocks yet, or have been unconvinced of the inevitability of natural gas as the next big thing – (I hope you have a decent investment here already, I have warned of this for months).

But no, this is still a fine time to begin a position in natural gas stocks, even if you don't have any up to this point. I will still use my old friend Range Resources (RRC) as a guide and exhort you to USE COVERED CALLS to supercharge your returns. Volatility in the options is a whopping 60%.

I'll also send you to one oil company you may not be expecting: BP. I have avoided this one and not just because they are European and in love with renewables. Believe me, \$25b is a heavy hit for this company, considering their entire market cap is \$100b now. But their core oil in the GoM continues to be super strong, and is about to become stronger – and their gas holdings (outside of Rosneft) are still significant. I can't say they'll be loyal to the dividend after this hit in Russia – and if they abandon it, even temporarily, the stock will take another hit.

But I have to believe that Looney has taken all this into account and STILL departed Russia. I believe that Rosneft was an albatross around BP's neck anyway – dealing with Putin's kickbacks finally sent Exxon screaming from the room – so maybe this is ultimately good for the company, I don't know.

I do know they are a very cheap oil company right now as oil is trading \$105 bucks.

Buy BP @ \$28.50 – sell October 30C @ \$2.40 –  $2.4/28 \times 12/8 = 12.6\% + 4.5\% \text{ (div.)} = 17.1\%$  annualized + a possible  $\$1.5 \times 12/8 = 8\%$  annualized alpha return = 25% annualized.

That's all for this week.

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