



Benefit From the Secular Trend of Renewable Energy by Investing in Brookfield Renewable Energy Partners L.P.

Description

An important part of long-term investing is identifying secular trends and the companies that are best positioned to benefit from them. A secular trend is a long-term market trend that has the ability to fundamentally alter a market segment or operating environment for a particular industry or economic sector.

Secular trends typically arise from major changes in technology and socioeconomic structures. It is important for investors to identify these trends because they have the opportunity to drive oversized returns for those companies that can benefit from them.

One of the biggest secular trends is the global move to slash greenhouse emissions and significantly boost renewable energy sources.

Now what?

Canada, China, Japan, Brazil, Germany and the U.S. have implemented aggressive objectives aimed at reducing carbon emissions, with coal-fired power generation being a key target.

In Alberta, the provincial government has instituted a range of regulatory measures that will increase the cost of carbon emissions and potentially force the early retirement of many coal-fired power plants. This will have a costly impact on those electric utilities such as **TransAlta Corporation** and **Capital Power Corp.** that generate a considerable portion of their electricity from coal.

However, it is a significant tailwind for companies focused on producing electricity from renewable sources, with **Brookfield Renewable Energy Partners L.P.** ([TSX:BEP.UN](#))([NYSE:BEP](#)) positioned to substantially benefit from this trend.

Brookfield has a considerable portfolio of hydro-electric assets located in North America and Brazil, and is now focused on expanding its presence in Europe. It commenced a 1,200 megawatt portfolio of wind development projects in the United Kingdom during the second quarter 2015.

Meanwhile, it continues to remain focused on expanding its hydro generation; it acquired two operating hydro plants in Brazil with 52 megawatts of capacity during the quarter.

More importantly, Brookfield Renewable Energy Partners has an impressive pipeline of strategic projects under development that could add up to 2,000 megawatts of capacity over the next five years. It has also earmarked the deployment of \$3 billion over that period to acquire new assets with a focus on building its operating platform in Europe.

These, in conjunction with the 10,000 megawatts of near-term opportunities that it has identified in its core markets of North America and Brazil, will support the expansion of its business and future earnings growth.

The strength of Brookfield Renewable Energy Partners can be seen in its financial results. Annual adjusted EBITDA between 2010 and 2014 grew by 1.6 times, while funds from operations doubled during that period. This strong financial growth has underpinned the growth of its distributions, which have increased for the last four years straight to now offer investors a juicy 6% yield.

So what?

While renewable energy may not be popular among all investors, it is a fast-growing industry that continues to attract considerable attention.

When we consider the secular trend to clean energy, which will support this growth, well-managed companies with considerable experience and a solid asset base such as Brookfield Renewable Energy Partners should deliver exceptional returns over the long term. Let's not forget about that juicy 6% yield that will reward investors for their patience as they wait for its share price to appreciate in value.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

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