



## Investors: Don't Miss Out on This \$100 Trillion Opportunity

### Description

We all know that coal-fired electricity will become extinct. It's only a matter of time.

Many places are replacing coal-fired power plants with cleaner fuels like natural gas, which is a good start. But many other places are avoiding that step altogether, electing to build wind, solar, and geothermal infrastructure instead, while hydro power continues to be popular in certain areas. Nuclear power will likely have a role in the future as well, but governments have been nervous about approving large-scale nuclear projects since the Fukushima disaster of 2011.

According to a research paper by two expert professors at prominent U.S. universities, global power demand is expected to grow from about 12.5 terawatts today to 17 terawatts by 2030. These scientists estimate it would cost some \$100 trillion over a 20-year span to upgrade today's power infrastructure to an entirely renewables-based system.

This won't happen all at once, of course. Many nations are building coal-fired power plants as we speak, including China, India, and Japan. These nations are attracted to coal because the fuel is cheap, plentiful, and easy to acquire.

Those countries are the exception, not the rule, at least in the developed world. Coal will be an important power source for years to come; that much is obvious. But at the same time, it's only a matter of time until the whole world gets on board and starts shifting to renewable energy. The benefits to our planet are too great to ignore.

Investors who ignore this upcoming trend are making a huge mistake. Here are a few easy ways anyone can profit from it.

### Brookfield Renewables

The largest pure-play renewable power company in Canada is **Brookfield Renewable Energy Partners LP** ([TSX:BEP.UN](#))([NYSE:BEP](#)). The company's portfolio consists of more than 10,000 megawatts of installed capacity throughout North America, Latin America, and Europe. It provides enough renewable energy to power four million homes.

Here's how it works:

Brookfield works with regulators to build new facilities. Power rates paid by customers are regulated, meaning there's very little risk to the company. It knows it'll get steady profits unless something very bad happens. It then raises the money for construction and uses the cash flow to pay off the original debt. Any excess earnings are paid to investors in the form of dividends.

The company has been a dividend-growth machine since its 2011 IPO. It started off paying a quarterly dividend of US\$0.3375 per share. It has hiked the payout each year since. These days, the payout is US\$0.445 per quarter. At the current exchange rate, that works out to a yield of 6.4%. You won't find many stocks with that kind of current yield combined with solid dividend growth.

### TransAlta Renewables

**TransAlta Renewables Inc.** ([TSX:RNW](#)) isn't a pure renewable energy play, since approximately 40% of its power-generating capacity comes from natural gas. Still, the company is much cleaner than its parent, a company with a 40% coal exposure.

Renewables goes about things in a slightly different way than Brookfield. It chooses to find large customers who will lock in a price for decades at a time. These power-purchase agreements give it stability in jurisdictions that aren't regulated. Most of its agreements don't expire until at least 2025, with many extending into the 2030s.

Renewables pays a great dividend of \$0.0733 per month, which works out to a 7.1% yield. The payout is safe, too; management projects it'll hit approximately 80% of cash available for distribution in 2016.

### Innergex

**Innergex Renewable Energy Inc.** ([TSX:INE](#)) doesn't get much attention from investors, even though it has a market cap approaching \$1.5 billion.

The company has generating capacity of 1,528 megawatts spread across 39 different sites in Quebec, Ontario, British Columbia, and Idaho, which includes four sites under construction. The company's focus is on hydro power, which accounts for 70% of production.

Because Innergex is aggressively investing in new capacity, it currently pays out more than its free cash flow. But if you focus on maintenance capital expenditures (which are much less than total capital expenditures), the company has a payout ratio of 86% with a stated target of 70-80%. That's good news for the 4.6% dividend.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks

3. Investing

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1. Editor's Choice

## TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
3. TSX:INE (Innergex Renewable Energy Inc.)
4. TSX:RNW (TransAlta Renewables)

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