



## How to Profit From the Clean Energy Boom

### Description

With global GDP growth slowing over time (the World Bank is now forecasting growth of 2.4% in 2016, down from the long-term average of 3.8%), investors need to look harder to find growth.

One easy way is to purchase quality businesses in sectors with high growth rates, and currently the clean energy sector is one area where growth is exceeding GDP growth—often dramatically in some cases.

A recent report by oil producer **BP** outlining their long-term energy outlook reveals that three major trends will be extremely favourable to renewable energy as well as to relatively cleaner energy sources such as natural gas. These trends include a doubling of global GDP (which in turn will result in a 34% increase in energy consumption), a shift towards renewable energy sources as well as natural gas, and a reduction in carbon emissions.

Renewable energy is expected to be the fastest-growing energy source, growing by 6.6% annually through to 2035, which will result in renewable energy seeing its share of the energy mix grow from 3% currently to 9% by 2035 (although some say this is a highly conservative prediction).

Among the fossil fuels, oil will see a slowing growth rate (only 0.8% annually through to 2035), and natural gas will become the new fastest-growing fossil fuel, growing by a respectable 1.8% annually through 2035 as more power generation converts from coal to natural gas globally. Some particular types of renewable energy—like solar power—are expected to see a six-fold growth in the share of global electricity produced as costs decline.

### Brookfield Renewable Energy Partners provides broad exposure

Investors looking for wide, diversified, low-risk exposure to renewable energy would be wise to start with **Brookfield Renewable Energy Partners LP** ([TSX:BEP.UN](#))([NYSE:BEP](#)). Brookfield is largely focused on hydroelectric power (87% of total generation) and wind power (12% of total generation). Brookfield is diversified globally with operations in North America, Brazil, Columbia, and Europe.

Brookfield is likely one of the lowest-risk ways to achieve low-risk, double-digit returns via renewable

energy, and Brookfield explicitly targets total returns of 12-15% annually on a per-share basis. Brookfield's safety stems from the fact that 92% of its revenues are contracted with average contract lengths of 17 years, and 75% of the business is focused in the U.S. and Canada, which are stable operating regions.

Brookfield has a track record of growth and a clear plan to continue growth going forward. The company has generated a 17% annualized return since 2011, by focusing largely on hydroelectric power. Brookfield had an opportunity to acquire hydroelectric assets at a deep discount to their intrinsic value thanks to its operating expertise and market conditions, which limited its competition.

Going forward, Brookfield has significant organic growth opportunity through rising power prices (which are at a cyclical low), 1,000 MW of new development projects in the pipeline over the next five years, and cautious planned entry into spaces like solar power, which Brookfield has avoided due to the fact that solar power has historically required government support.

Brookfield believes it can drive 12-15% annual returns with these organic growth measures alone, and this totally excludes potential M&A (of which it has deployed significant capital on since 2011).

### **Lithium X offers investors a highly speculative play on renewables**

While Brookfield is an incredibly low-risk, high-return play on renewables, Lithium miner **Lithium X Energy Corp.** (TSX:LIX) is an incredibly high-risk, high-return play on the renewables space.

Lithium is seeing rapidly growing demand thanks to its essential role in electric-car batteries as well as energy storage for renewable energy technologies like wind and solar. **Goldman Sachs** expects the lithium market to triple by 2025 just from electric-car demand, and, in fact, thanks to **Tesla's** new battery Giga-factory in Nevada, the company will require 24,000 tonnes of lithium annually, even though the global production last year was only 50,000 tonnes.

Lithium X currently owns the biggest land holding in the only American lithium-production region in Nevada (very close to Tesla's Giga-factory) and is backed by mining heavyweights such as Paul Matysek and Frank Giustra, who have built many billion-dollar mining enterprises. The company aims to increase its market capitalization 10-fold, but due to its current lack of revenue (the company has yet to enter production), investors should take only a small position.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **POST TAG**

1. Editor's Choice

### **TICKERS GLOBAL**

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