



Brookfield Asset Management Inc. Is Betting Big on Renewables

Description

Brookfield Asset Management Inc. (TSX:BAM.A)([NYSE:BAM](#)) has a long history of investing in the renewables sector. It has painstakingly built its renewable power arm, **Brookfield Renewable Partners LP** ([TSX:BEP.UN](#))([NYSE:BEP](#)), into one of the largest pure plays in the world.

However, with valuations in the sector depressed at the moment, Brookfield Asset Management is on the hunt for new deals to further expand its renewable portfolio, and it already has two transactions in its sights.

Looking at a deal in Latin America

According to a report by *Bloomberg*, Brookfield Asset Management has emerged as one of the leading bidders for **Duke Energy Corp.'s** ([NYSE:DUK](#)) Latin American power plants. Those facilities have 4,400 megawatts of generating capacity and could fetch upwards of \$2 billion. Roughly half of those power assets are located in Brazil with the rest in Argentina, Chile, Ecuador, El Salvador, Guatemala, and Peru.

The fact that the bulk of the assets are in Brazil is appealing because that country is a key market for the company. Further, two-thirds of the portfolio are hydro assets, which are right in the company's wheelhouse. That said, it is worth noting that those are the very reasons Duke Energy is selling; the Brazilian power market is under a lot of pressure due to a drought and difficult economic conditions.

Those issues aside, the transaction makes sense because Brookfield is already one of the largest independent energy producers in Latin America. Brookfield Renewable Partners alone controls 1,140 megawatts of installed capacity in Brazil and another 3,032 megawatts in Colombia.

Further, its infrastructure arm, **Brookfield Infrastructure Partners LP** ([TSX:BIP.UN](#))([NYSE: BIP](#)), owns transmission lines and utility assets in Chile and Colombia. Needless to say, these assets would not only fit well within Brookfield's areas of expertise, but this acquisition would extend its operations into several new markets.

Actively pursuing control

In addition to working on that bid, Brookfield has acquired an active stake in **TerraForm Power Inc.** (NASDAQ:TERP). To date, Brookfield has directly purchased a 12.13% stake in the company and has entered into swap agreements that boost its stake up to 24.82%. Further, it is making efforts to acquire the shares owned by TerraForm Power's bankrupt parent company SunEdison. That bankruptcy has been weighing on TerraForm Power's stock, which is down more than 70% over the past year.

Aside from that deeply discounted stock price, the draw of TerraForm Power is its vast wind and solar power portfolio in developed countries. The company currently operates more than 500 clean-energy power installations, split evenly between wind and solar. While the bulk of those assets are in the U.S., the company also operates in the U.K., Canada, and Chile.

Again, the acquisition would fit in very well with Brookfield's strategy because it already owns a large renewable portfolio in the U.S., Canada, and the U.K. Further, this transaction would quickly scale it in solar.

Investor takeaway

Brookfield Asset Management is currently working on two unique opportunities in the renewable energy sector. These opportunities wouldn't be available if it weren't for challenging operating conditions in Brazil and the bankruptcy of TerraForm Power's parent. These situations, however, could enable Brookfield to not only significantly scale its renewable business but do so at an excellent value, which should pay off for its investors in the long term.

CATEGORY

1. Energy Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
3. NYSE:BN (Brookfield Corporation)
4. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
5. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
6. TSX:BN (Brookfield)

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