



Ride the Brookfield Renewable Partners LP Train for Clean Energy Exposure

Description

As scientists and governments around the world grapple with the slow but steady increase in the earth's temperature, the call for cleaner energy production is only getting stronger. As investors, we can benefit from this call by investing in **Brookfield Renewable Partners LP** ([TSX:BEP.UN](#))([NYSE:BEP](#)).

It is one of the largest pure-play renewable energy providers in the world with the ability to generate nearly 11,000 GWh of electricity. The bulk of that comes from hydroelectric power, which the firm believes is the most valuable form of power generation, but Brookfield Renewable also has wind, biomass, and other assets that help generate far cleaner electricity than other sources.

Demand for energy from these sources is also on the rise as more people look for cleaner energy. In its second-quarter financial statement, the company said, "The revenue we earn from these services has steadily increased in the last five years from \$5-7 per megawatt hour to \$10-15 per megawatt hour today."

In that earnings release, the company revealed that it had a small \$19 million loss. Primarily, this was because it didn't generate nearly as much power as it has in the past. Whereas the average is nearly 11,000 GWh, it only generated 8,762 GWh in the quarter. Further, fluctuations in the strength of the U.S. dollar and lower electricity rates in the northeastern United States all held down earnings.

Yet the company is still in really great shape, and a small \$19 million loss should not have a material impact on the company long term.

There were a series of positive highlights for the quarter, though. With a group of institutional partners, it has been buying **Isagen S.A.**, which is owned by the Colombian government. This is one of the country's largest hydroelectric companies. So far, the group owns 84% and has made another offer for the rest of the firm. When this is completed, Brookfield Renewable should own about 25% of the total project. It generates 3,032 MW of electricity, which is 20% of Colombia's electricity generation.

It also finished purchasing 296 MW of hydroelectric projects in Pennsylvania. This will generate 1.1 million MWh per year. Between the different partners in the project, Brookfield Renewable owns 30%.

And finally, it is working on launching 127 MW of hydroelectric and biomass projects in Brazil and 14 MW of wind power in Ireland that should contribute 708 GWh per year to the company's portfolio when they launch sometime between now and 2018.

All of this allows the company to continue paying a very lucrative dividend. It pays \$0.58 per quarter, which provides a very comfortable 5.79% yield. Since 2011 the dividend has increased by 6.5% per year on average, and management expects to continue increasing it. On its website, management explained that its target is 5-9% in cash distribution per year, and thus far I see no reason that it won't be able to achieve that going forward.

The reality is that Brookfield Renewable is in a space that is only going to get more dominant. It is working on a series of really lucrative projects that should help increase cash flow. And ultimately, investors should expect to see their income continue to grow. In my eyes, this stock is a buy.

CATEGORY

1. Energy Stocks
2. Investing

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1. Editor's Choice

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