



## Are Renewable Energy Investments About to Dry Up?

### Description

Renewable energy stocks have had a roller-coaster ride the past few years, but nothing has been as tumultuous as the past week.

The past few years have been fairly good for renewable stocks. Several years ago, when oil prices were well north of US\$90 per barrel, the market saw an influx of investment in renewable energy, which coincided with a green-friendly administration taking control of the White House.

Additionally, during the past few years, we've seen a seismic shift in perception around renewable energy, which was originally seen as expensive, inefficient and unreliable. Add all of these factors together and we begin to see strong growth and an expansion period for renewable energy companies, such as **Innergex Renewable Energy Inc.** ([TSX:INE](#))

One of the things I absolutely love about renewable energy investments is the near impenetrable moat that renewable energy facilities provide. Renewable energy facilities provide clean, efficient energy that's increasingly replacing the fossil-fuel-burning facilities of the past.

Energy providers enter contracts that set out just how much revenue is paid for each MW of power. These power-purchase agreements (PPAs) can typically last up to 40 years, ensuring a steady stream of revenue for the company.

### What's changed?

Last week, voters chose Donald Trump as the next president of the United States. Apart from the unprecedented wave this has had on the market, the president-elect has made it abundantly clear on more than one occasion that he would be less of a supporter of renewable energy than the outgoing administration.

This week Trump announced that Myron Ebell would be leading the transition team at the EPA. Ebell is well known in the industry for taking on and questioning the now-accepted scientific evidence of global warming; he'll be heading a group that is "focused on dispelling the myths of global warming." (A sunny mid-November day with temperatures still in the double digits in Toronto, Montreal, and Vancouver

paints a different picture to this myth, but I digress.)

The incoming administration could have a profound impact on growth in renewable energy over the next few years, which is why renewable energy stocks, including Innergex, took a nose dive in the days following the election.

While some of those harsher policies may sprinkle their way up to us, there's plenty of optimism around renewable energy as a whole.

For starters, Innergex only has a small exposure to the U.S. market. Innergex's sole U.S.-based facility is a 9.5 MW hydro location in Idaho. With 42 other locations situated in Canada and Europe, a policy change in the U.S. will hardly impact Innergex significantly. Innergex's portfolio is spread out across both Canada and in Europe, which are still very much pro-environment and pro-renewable energy. Those markets are likely to see the bulk of growth over the next few years.

Additionally, Innergex continues to grow, as noted in the company's recent quarterly update.

### **Quarterly update**

Innergex provided a quarterly update this month for the period ending September 30. In that most recent quarter, Innergex reported revenues of \$69.5 million in the third quarter, representing a 10% increase over the same quarter last year. Adjusted EBITDA also saw an increase to \$51.2 million in the quarter—a 5% increase over the same quarter last year.

In terms of production, Innergex produced nearly 832 GW of power in the quarter—a significant increase over the 777 GW of power produced in the same quarter last year. Innergex noted that commercial operations went live in the company's 43rd facility in the most recent quarter: the hydroelectric facility in Big Siler Creek, B.C.

Overall, the company posted net earnings of \$0.4 million, or \$0.02 per share, which is down from the \$1.3 million, or \$0.04 per share, posted in the same quarter last year. This decrease is largely attributed to increased expenses of recently commissioned or acquired facilities.

In my opinion, Innergex remains a strong investment option for those investors seeking long-term growth in the renewable energy sector. The recent market shift as a result of the U.S. elections should have minimal impact to Innergex in particular, which continues to provide strong growth and dividend income to investors.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:INE (Innergex Renewable Energy Inc.)

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1. Energy Stocks

## 2. Investing

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