# How the Liberal Plan to Phase Out Coal Could Impact Your Portfolio

## Description

This week, the Liberals announced an ambitious plan that calls for the phase out of coal-fired electricity by 2030, among other things.

Coal-burning plants currently account for approximately 10% of Canada's electricity generation from plants in Alberta, Saskatchewan, New Brunswick, and Nova Scotia. Most Canadians will be pleasantly shocked to note that over 80% of our energy is already produced from sustainable energy sources such as hydro or solar power. Assuming that this plan comes to fruition, that figure will likely be over 90%.



The plan announced this week by Environment Minister Catherine McKenna provides the provinces with two options to phase out coal entirely: they can opt for lower-emitting power sources or use new carbon-capture and storage technologies.

The ambitious plan is targeting a reduction of over five megatonnes by 2030, which is the equivalent of taking 1.3 million vehicles off the road. That estimate doesn't even factor the 10 megatonnes that Alberta is seeking to address through the early phase out of coal in that province through its own climate change policy.

Alberta's climate-change policy, which was announced this past summer, calls for an economy-wide carbon tax, the phase out of coal-fired power, and a cap on oil-sands emissions. Alberta's carbon tax is set to take effect next year.

So what does this mean for some of Canada's energy stocks and, by extension, your portfolio?

**Oil companies will need to accept and adapt to the new reality**

For companies that have a large presence in the oil sands, such as **Suncor Energy Inc.** (TSX:SU)( NYSE:SU), the announcement is neither new or unexpected. Suncor doesn't burn coal directly, but the oil sands that Suncor operates in have garnered increased attention from both investors and environmentalists over the past few years, who have provided a less than favourable view of the oil sands operations as dirty forms of energy production.

The cap on oil-sands emissions, on the other hand, is something that would impact Suncor and other oil sands companies directly.

Alberta-based Suncor is one of just a handful of oil sands companies that have supported the climate-change policy in Alberta. The province hopes the emission caps on oil sands production will push companies like Suncor to further innovate and become more competitive.

Suncor has set specific goals for greenhouse-emission reductions, pledging to reduce emissions by 30% by 2030. CEO Steve Williams best described the company's position: "Climate change is happening. Doing nothing is not an option."

While Suncor does have a significant presence in the oil sands, the company does more than oil; Suncor also has a growing portfolio of clean-energy solutions, such as wind and biofuel facilities.



**Renewable energy companies could see an emerging opportunity**

Companies that primarily work with renewable energy sources, such as wind, hydro, and solar, stand to benefit from the coal-phase-out announcement. One such company is **TransAlta Renewables Inc.** ( TSX:RNW).

TransAlta has a sprawling network of hydro, solar, gas and wind facilities that span five provinces, including two provinces with coal-burning facilities that are impacted through the federal climate-change policy announced this week. The company also has facilities located in the U.S. as well as in Australia.

TransAlta has commented on Alberta's carbon policy in the past, noting that, if needed, the company could double the current renewable energy footprint in the province by redesigning some of the existing hydro plants and updating turbines in some of the existing wind-powered facilities. The company has yet to act on these potential upgrades, opting to wait for the ideal market conditions.

TransAlta offers prospective investors the benefit of a monthly dividend of $0.07 per share, which, at the current stock price, results in an impressive yield of 6.60%.

**CATEGORY**

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**TICKERS GLOBAL**

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dafxentiou