



Follow Bill Gates into Clean Energy by Investing in Northland Power Inc.

Description

The world's richest man Bill Gates recently announced that in collaboration with other wealthy individuals, he had established a US\$1 billion investment fund aimed at championing clean energy production. This comes after the Paris Agreement established in 2015 that seeks to reduce greenhouse-gas emissions and eventually remove fossil fuels, particularly coal, from the global energy mix.

These measures will add considerable momentum to the secular trend to renewable sources of energy and will act as a powerful long-term tailwind for renewable energy utility **Northland Power Inc.** ([TSX:NPI](#)).

Now what?

What differentiates Northland Power from other renewable energy companies is that it is focused on wind, solar, and natural gas power generation rather than hydro. This is particularly important because of the cost and complexity, along with the environmental damage, that is associated with hydroelectric projects.

Northland's operational assets give it 1,394 megawatts of installed capacity, the majority of which comes from natural gas-powered facilities. Unlike wind and solar, natural gas power is ideal for meeting base-load energy demand because it is not subject to the vagaries of climate in order to produce electricity.

Furthermore, Northland remains focused on expanding its operations and boosting its renewable energy presence, particularly in wind power generation.

It currently has 336 megawatts of offshore wind facilities under construction in the Netherlands and 282 megawatts in Germany. On completion, these will bulk up its presence in Europe, which is a region that has shown itself to be favourably disposed to increasing the amount of electricity generated from renewable sources.

In fact, wind power now forms an essential part of the energy mix for the European Union; the region

has over 130,000 megawatts of installed wind capacity, much of which is located in Germany.

These projects are expected to commence full operations in 2017 and generate reliable long-term cash flows from fixed-price agreements that are locked in place for 15 years in the Netherlands and 10 years in Germany. Once they are up and running, they will give Northland's earnings a healthy bump; it is estimated that EBITDA will more than double by 2018.

There is also little to no risk that any moves made by Trump to limit renewable energy development will spill over into the E.U. because of the significant contribution they already make to the region's energy mix.

Northland has also established a presence in Mexico, where it is evaluating opportunities that have arisen because of reforms to Mexico's energy industry. The Mexican government has established an ambitious target of generating 50% of all energy from renewable sources by 2050. This gives Northland considerable development opportunities that will boost its growth potential in coming years.

So what?

Northland is well positioned to benefit from the secular trend to clean renewable sources of energy, which will gain further momentum from the Paris Agreement on climate change and Bill Gate's clean energy investment fund. While investors wait for this to translate into higher earnings and stock price, they will continue to be rewarded by the sustainable dividend, which is currently yielding a juicy 5%.

CATEGORY

1. Dividend Stocks
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1. Editor's Choice

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1. TSX:NPI (Northland Power Inc.)

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Author
mattdsmith

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