



3 Stocks to Benefit From the Push to Prevent Climate Change

Description

Trump's ascent to the oval office has been a blow for moves to curb global warming and halt climate change. His plans to make the U.S. energy independent and reinvigorate the coal industry will cause the rollback of many of the carbon emission regulations enacted by the Obama administration.

Nonetheless, the desire to limit global warming and prevent climate change remains one of the most powerful secular trends that currently exists. It will benefit those companies that are positioned to benefit from the push for cleaner sources of energy, particularly electricity generation.

Now what?

Clearly, renewable energy companies stand to benefit the most. A major beneficiary will be **Brookfield Renewable Partners L.P.** ([TSX:BEP.UN](#))([NYSE:BEP](#)) which is one of the largest publicly listed producers of renewable energy globally. It has a globally diversified portfolio of hydro, wind, and now solar assets that have 10,700 megawatts of capacity and operate in developed as well as emerging markets.

The steep barriers to entry along with growing demand for electricity, especially in emerging markets such as Brazil and Colombia, bode well for higher earnings.

Furthermore, the completion of the needle-moving acquisition of Colombia's third-largest power generator Isagen S.A. in 2016 coupled with the partnership's moves to branch out into solar through the **TerraForma Power Inc.** (NASDAQ:TERP) deal will give EBITDA a healthy lift. While investors wait for this to translate into a firmer bottom line and higher stock price, they will be rewarded by that very attractive 6% yield.

Diversified utility **Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)) is a standout pick which will benefit from the powerful tailwind created by the secular trend to clean energy.

It operates renewable energy plants that have a total of 1,150 megawatts of capacity, but, more importantly, since closing The Empire District Electric Company purchase, it is now one of the largest water, gas, and electricity distribution utilities. This gives it considerable defensive qualities that protect

it from economic downturns and ensure its earnings will continue to grow as demand for those staples rises.

It also means that its earnings are quite stable, particularly when compared to Brookfield Renewable, which generates most its earnings from hydro power. The amount of electricity generated from hydro is quite variable; it's highly dependent on water levels and water flow. In recent years, poor hydrology has had a sharp impact on Brookfield Renewable's performance.

These characteristics, along with Algonquin's 2016 asset purchases, will give earnings a solid bump, helping to ensure the sustainability of its juicy 5% yield and adding more dividend hikes to an already impressive record of seven years straight.

It's not just renewable energy utilities that will benefit from the trend to clean energy. Beaten-down natural gas producers also stand to benefit.

You see, natural gas-fired power generation is expanding rapidly because of gas's tendency to burn cleaner than coal, and it is far more cost effective than both fossil fuels and renewables. Natural gas has become the transitional fuel of choice for clean electricity production, which should have a significant increase in demand as more gas-fired plants come online.

One natural gas producer well positioned to benefit from this phenomenon is **Painted Pony Petroleum Ltd.** (TSX:PPY). It has made significant inroads into reducing costs; its 2016 netback rose by an impressive 41% year over year. Along with an expected 85% year-over-year increase in production during 2017, this leaves it well positioned to benefit from higher gas prices.

So what?

The secular trend to cleaner renewable sources of energy is acting as a powerful tailwind for not only renewable energy providers, but also for natural gas producers. Now is the time for investors to add these three stocks to their portfolios to enjoy the long-term appreciation in their earnings.

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2. Investing

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