Stash These Renewable Energy Stocks in Your TFSA for the Long Haul

Description

It is no secret that the Toronto Stock Exchange has struggled mightily to start 2018. The TSX came in 77th out of 93 global exchanges in the first quarter of 2018. The slumping Canadian energy sector, which is weighted heavily on the TSX, has dragged down the index so far this year. Oil and gas investment has plummeted in Canada since 2014, and U.S. tax reform has sparked even more capital outflow.

Fortunately, there are options for investors that want to bet on an industry that is expected to benefit from the decline of fossil fuels. According to a new report from the United Nations Environment Programme (UNEP), the world added more solar power capacity than any other type of energy in 2017. Solar investment increased 18% from 2016 to $160.8 billion in 2017. Global investment in renewable energy hit $200 billion in 2017, with over $120 billion of that investment coming from China.

Today, we are going to look at two companies that could benefit from these trends and also possess footprints in fast-growing international markets.

Brookfield Renewable Partners LP (TSX:BEP.UN)(NYSE:BEP)

Brookfield Renewable is a renewable power-generating company that operates in North America, Europe, Columbia, Brazil, and other countries. Shares of Brookfield Renewable have plunged 11.9% in 2018 as of close on April 9. The company released its 2017 fourth-quarter and full-year results on February 7.

In 2017, Brookfield Renewable reported that funds from operations (FFO) climbed to $581 million compared to $419 million in 2016. Proportionate adjusted EBITDA rose to $1.14 billion in comparison to $942 million in the prior year. The company commissioned 75 megawatts of new capacity in 2017 and made small investments in India and China.

Brookfield Renewable also offers an attractive quarterly dividend yield of 6.2%. In spite of its recent dip, Brookfield Renewable remains an attractive long-term stash for any portfolio.

TransAlta Renewables Inc. (TSX:RNW)

TransAlta Renewables is a Calgary-based company that owns a portfolio of renewable and natural gas power-generation facilities and other assets. TransAlta Renewables stock has plunged 13.3% in 2018 as of close on April 9. The company released its fourth-quarter results on February 22.

For the full year, comparable EBITDA increased $17 million year over year to $424 million. This was in large part due to the commissioning of the South Hedland power station, a 150-megawatt power station in the Pilbara region of Western Australia. In the fourth quarter, the company reported net earnings of $33 million, which represented a $7 million increase from the prior year.

TransAlta Renewables also announced a quarterly dividend of $0.07833 per share, representing a 7.9% dividend yield. The stock has been in a major slump, correlating with the exit of the United States from the Paris Climate Agreement, courtesy of President Donald Trump. Investors soured on renewables for a period in 2017, but green energy is again gaining steam, as countries gear up to phase out fossil fuels. Both of these stocks are attractive long-term holds that could potentially scoop up tax-free gains through income and capital growth going forward.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
3. TSX:RNW (TransAlta Renewables)

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Date
2025/08/25
Date Created
2018/04/10
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