



2 Energy Stocks to Earn a Dividend Yield up to 7%

Description

Investing in energy stocks comes with a high degree of risk. As you buy top oil producers and the companies linked to this crucial sector of the economy, you get exposed to one of the most cyclical trades, where you never know what's going to come tomorrow.

One way to minimize this risk is to invest in energy infrastructure companies that run pipelines, build storage facilities, or provide gas and electricity to your homes and offices. These companies are not directly exposed to the commodity markets. Their rate-regulated structure helps them generate stable cash flows and pay regular dividends.

Here are two companies from the energy space that are in strong growth phases and yet offer quite attractive yields.

Brookfield Renewable

The Bermuda-based [Brookfield Renewable Partners LP](#) (TSX:BEP.UN)(NYSE:BEP) operates one of the world's largest publicly traded renewable power companies, producing 16,000 MW of capacity and managing 820 facilities in North America, South America, Europe, and Asia.

The consumption of renewable energy is growing fast, as the technological improvements help cut costs and make it affordable. The International Energy Agency sees continued strong growth in renewables through 2022, with renewable electricity capacity forecast to expand by over 920 GW, an increase of 43%.

With a diversified asset base, Brookfield is well positioned to benefit from this surge. In 2017, it commissioned 75 MW of new capacity, while progressing an additional 248 MW of construction and advanced-stage projects that are expected to enter commercial operations in the next four years.

This growth strategy has helped the company produce steady earnings, dividend growth, and decent capital gains for its investors.

Trading at \$39.72, BEP stock currently pays a quarterly dividend of US\$0.49 per share. The company has hiked the payout each year since it started trading in 2011. With an annual dividend yield of 6.21%, Brookfield is a top-yielding renewable stock to own.

TransAlta Renewables

The Calgary-based **TransAlta Renewables Inc.** ([TSX:RNW](#)) is another clean energy stock to benefit from the changing energy mix. The company manages 30 facilities globally to produce energy from gas, hydro, and wind sources.

But its stock has been under pressure for the past one year, falling 21% as the company borrowed to fund its expansion. Last month, the company announced it will buy three assets from **TransAlta Corporation**, including a wind farm in Minnesota and solar projects located in Massachusetts with a total purchase price of \$166 million.

The company's shares plunged more than 6% yesterday when it announced it will issue 11.8 million new common shares at \$12.65 a share to fund these transactions and pay down debt. Despite this temporary setback, I think TransAlta's 7.28% yield is too attractive to ignore, especially when demand for clean energy is rising.

Trading at \$12.38, [TransAlta's valuations](#) have become compelling after this plunge, and if you're bullish on the future of clean energy, then this stock is a good bargain.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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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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