



Top 3 Solar and Green Energy Stocks

Description

According to the United Nations, the world will have to invest roughly \$3 trillion every year for the foreseeable future to shift away from traditional fuel sources to clean energy alternatives like solar, wind, and hydroelectricity.

Everyone can agree that the transition is expensive and won't be easy. Adding to the complications is the fact that a significant number of people across the world simply deny that there's any problem to solve.

However, I believe even the most hardcore skeptic can agree on one critical point: people will switch to the cheapest source of energy. According to a report from asset management firm **Lazard**, the cost to produce energy from the sun and wind is now below that of coal or gas in many parts of the world. As more producers create solar panels and deploy wind turbines, economies of scale will kick in, and the cost will drop further.

This is an incredible opportunity for investors and entrepreneurs across the world, regardless of political leanings. With that in mind, here are the top three Canadian stocks for a bet on the growing demand for green energy.

TransAlta Renewables ([TSX:RNW](#))

Over the course of 2018, TransAlta Renewables produced over 3,652 gigawatt hours (GWh) of renewable energy from an extensive network of 21 wind facilities, 13 hydroelectric facilities, seven natural gas generation facilities, one solar facility, and one natural gas pipeline.

Production units are spread across Canada, the United States, and Australia, with a combined production capacity of 9,700 MW. That's roughly enough energy to power a million homes.

Not only is it the biggest player in the solar energy and green power sector, TransAlta is also one of the most [stable dividend stocks](#) on the exchange. The current dividend yield is close to 6.8%. Dividends have compounded at an annual rate of 6% since the company listed in 2013. With a payout ratio above 80%, TransAlta is like a green energy investment fund with stable earnings and tremendous growth potential.

The diverse portfolio of energy assets and geographical locations augments the opportunity further.

Boralex ([TSX:BLX](#))

Another company that strikes the critical balance between growth and income is Quebec-based Boralex. Launched in 1997, the company has been gradually expanding operations, hiring more people and deploying larger energy production facilities across the country. The company's network of power plants is spread across Canada, the northeastern United States, and France. Total installed capacity is 1,909 MW.

The stock provides a 3.6% dividend yield, which is lower than TransAlta, but the payout ratio is just 30%, which means there's room for expansion. However, the company is losing money, and its total debt burden is four times as large as its equity.

Northland Power ([TSX:NPI](#))

With a diverse portfolio of energy assets, this Toronto-based independent producer has been around since the 1980s. The company is profitable, provides a 5% dividend yield, and is valued at 12 times its annual earnings.

However, total debt is an astounding five times equity, which is considerably higher than others on this list.

Bottom line

All three stocks on this list are stable green energy producers with lucrative dividends and great outlooks for growth. However, based on debt, valuation, and track record, my pick would be TransAlta.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BLX (Boralex Inc.)
2. TSX:NPI (Northland Power Inc.)
3. TSX:RNW (TransAlta Renewables)

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