Looking for Growth Stocks? Try the “Green Economy”

Description

From electric vehicles to self-regulating buildings, from renewable energy to wide-moat recycling businesses, there is a green economy play to suit every investor. With a recent study by University College London (UCL) highlighting just how much of the U.S. economy is dominated by environmentally friendly business practices plus a growing trend towards clean energy production, it’s clear the “green dollar” is gaining traction.

Going green is a trillion-dollar industry

Not everyone likes number crunching, but when it comes to data-driven stories, some new analysis from UCL should make green investors sit up and take notice. A new study analyzing the importance of low-carbon industries has highlighted that US$1.3 trillion in sales revenue is generated by the green economy in America and supports in the region of 9.5 million full-time workers.

The figures are impressive. That income represents around 7% of the country’s GDP, for instance, while those employment figures account for more than 4% of the total workforce. While investors are already aware of the green energy megatrend, it’s interesting to see just how significant sustainability has been for American economic growth and recovery since 2007.

Electric vehicles are an international growth trend

For a strong play on electric vehicles, Canadians wishing for a fairly indirect, low-exposure route to growth in the Chinese green economy should consider snapping up shares in **Magna International**.

Magna is a key player in the auto parts industry in Canada, designing and building essential automotive systems, vehicle assemblies, and other parts and modules. Magna is active in the North American markets, but is also involved in Europe, Asia, and other international zones.

Magna’s partnership with the **Beijing Electric Vehicle Company** to supply electric vehicles to meet China’s quotas for the new vehicular fleet puts the company front and centre in the green sector and makes its stock a strong buy for investors bullish on international trade. Paying a modest 2.76% dividend yield, the stock is also suitably for a passive-income portfolio.

The clean energy megatrend is only just getting started

A 4.16% dividend yield makes **Algonquin Power and Utilities** (TSX:AQN)(NYSE:AQN) a top pick for the climate-conscious income investor, while its diversifying spread of assets and business areas adds a further defensive element. A strong play for dividends and growth, Algonquin is a key operator in the clean energy space, with facilities spread across North America, comprising over 50 energy production sites and more than 20 utilities.

The company has two main areas of operation: energy production and utilities. The former segment sees the company buy and run hydroelectric, wind, thermal, and solar power assets, while the latter oversees a range of water, electricity, and natural gas operations. Through its Liberty Utilities subsidiary, Algonquin serves customers in 12 key American states.

Algonquin's Q3 is due November 7, so expect some price volatility around that date. Some analysts are cautious, with the consensus split between a hold and a moderate buy signal. However, investors seeking a sustainable source of dividends in a key low-carbon player should consider adding shares in the company to a long-range passive-income portfolio.

The bottom line

While the push towards renewable energy is a hot global megatrend, other low-carbon industries, such as energy-regulating buildings and the recycling sector, form part of a larger, growing economy. Both clean energy and electric vehicles offer investors a combination of capital growth and sustainable passive income over the long term.

CATEGORY

1. Dividend Stocks
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