1 Canadian Income Stock to Buy as the Fed Goes Green

Description

While there’s still some controversy over climate science in some quarters, there are few investors who would refuse to listen to a warning from the Federal Reserve. Its first conference on the subject took place last week, titled “The Economics of Climate Change.” The conclusions were stark and centred on the need for monetary policy to take into consideration the risks from changes in the climate.

Climate change is already hurting the economy

Notable highlights from the conference included the assertion that the global GDP could drop as much as 7% by the end of the century if no further mitigating steps are taken to address climate change. However, if the world were to adhere to the objectives laid out by the Paris Accord, the total loss in that time period would be in the region of 1%.

Economists were on hand to talk the conference through some key points. Early signs of climate-affected financial risk included prosaic concerns such as reduced worker productivity from increased heat as well as some big numbers. An estimated US$500 billion in losses have been incurred in the last five years from climate and weather-related events.

Monetary policy will have to deal with unexpected impacts. As Governor Lael Brainard stated, “These risks may include severe weather events that can disrupt standard clearing and settlement activity and increase the demand for cash. Banks also need to manage risks surrounding potential loan losses resulting from business interruptions and bankruptcies associated with natural disasters.”

The main takeaway was that events such as wildfires and flooding will increase as climate change accelerates, having a direct effect on finance via disrupted payment systems, bank failures, and damage to the economy through impacts to the workforce, infrastructure, and other key industrial areas. From heavy AC dependency to rocketing insurance premiums, costs are already being felt.

A quick pick for green energy exposure

Northland Power (TSX:NPI) is a strong play for dividends in the renewables space. It pays a solid dividend, yielding 4.5% at its current price, and it's popular this week, up 3% on average over the last five days of trading at the time of writing. Furthermore Northland has picked up more than 25% over the last 12 months. Trading closer to its year-long high point of $27, Northland has soared more than 27% above its 52-week low of $20.80.

Its sizeable market cap, mix of quality assets, and global diversification make Northland a key stock to add to an energy portfolio as the economy slowly swings away from hydrocarbon fuels and into key renewables. Northland is an especially strong pick for exposure to the wind power sector and is active perhaps most notably in Europe, where it owns a controlling stake in the Gemini Offshore Wind Park.

The bottom line

Energy investors looking to either diversify their portfolios away from oil, or even avoid it altogether, have a strong alternative in the green economy. Renewables are set to continue carving a bigger niche in the energy landscape, with wind, solar, thermal, and wave energy adding to the mix of clean energy sources such as natural gas and nuclear power.

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