2 Renewable Energy Dividend Stocks to Buy in 2020

Description

Renewable energy is taking over the grid. While regulations and environmental concerns are helping the movement, the transition is largely fueled by simple economics.

Across North America, the all-in cost of energy for renewable projects is *lower* than most fossil fuels, and that's not even accounting for subsidies. While many investors still think of solar and wind as uneconomic — that was certainly the case even just a few years ago — falling prices have changed the game.

The trick is that renewable energy is a technology. And just like the cost of a computer or phone, prices fall as technology advances. Over the last 20 years, for example, the cost of a solar panel has fallen by more than 95%. Similar reductions have been made for the cost of wind.

This trend will only persist, as technology continues to improve year after year, pushing costs lower. We're almost certainly entering a massive boom cycle for renewable technologies. Be sure to take advantage with the following stocks.

Size matters

Brookfield Renewable Energy Partners (TSX:BEP.UN)(NYSE:BEP) is one of the largest renewable energy companies on the planet. It owns an energy generation portfolio consisting of more than 18,000 megawatts of capacity fueled by 5,253 facilities spread throughout North America, South America, Europe, and Asia. Hydroelectric dominates its energy mix, comprising 74% of its portfolio.

With an $11 billion market cap and a hyper-focused business model, Brookfield can use its scale to acquire major projects with few bidders. Its network extends around the globe, and it's often first in line for any monetization or privatization efforts.

Because renewable power is so reliable to generate and comes with near-zero ongoing costs, Brookfield can reasonably estimate its projected returns on every projects. According to management, the company aims to generate "long-term annualized total returns of 12%-15%, including annual distribution increases of 5-9% from organic cash flow growth and project development."

Those are some pretty impressive targets, but since 2000, the company has actually *outpaced* these goals. As the renewable boom gains steam, expect Brookfield to continue capitalizing.

Diversify your bets

Innergex Renewable Energy (TSX:INE) also has a large interest in hydroelectric, but it's also experiencing rapid growth in solar and wind. Last quarter, revenues grew 23%, nearly all of which was fueled by wind and solar additions. Over the last 12 months, free cash flow has totaled $100.5 million, fully supporting a dividend that yields 3.7%.

With a history dating back to 1990, Innergex has a proven record when it comes to asset allocation, a key skill for investing in long-term renewable assets. Today, it owns projects in Canada, France, the U.S., and Chile. With a global presence and diversified energy mix, this stock is a perfect way to make a broad bet on renewables.

Almost all of Innergex's assets are tied to long-term pricing agreements, greatly reducing year-to-year volatility. EBITDA margins, for example, were exactly 74% in 2014, 2015, 2016, 2017, and 2019. Now that's stability!

Due to the company's long-term agreement approach, don't expect as much growth as Brookfield, but the mitigated risk still makes it a balanced bet for the year to come.

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3. TSX:INE (Innergex Renewable Energy)

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Date
2025/08/25
Date Created
2020/01/24
Author
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