



Renewable Energy Will Soar Over the Next Decade

Description

The growing popularity of renewable sources of energy has sounded the death knell for coal, creating considerable secular headwinds for nuclear power, which became tremendously unpopular after the 2011 Fukushima nuclear disaster.

By the end of 2018, world renewable installed capacity expanded by almost 8% to 2.4 million megawatts (MWs). Analysts believe it expanded by around the same amount during 2019.

Strong growth

Renewables are [rapidly growing](#) in popularity because of the push to minimize climate change by reducing carbon emissions. Apart from that important and powerful secular tailwind, the decreasing cost of renewable sources of electricity has significantly boosted their popularity.

Industry research, including from the U.S. EIA, illustrates that hydro, solar and onshore wind all produce electricity more cheaply than either coal with carbon capture or nuclear.

The EIA expects that renewable sources of electricity, primarily solar and wind, will overtake nuclear and coal-fired power generation in the U.S. in 2020.

In fact, hydro is the lowest cost form of power generation from renewable and cheaper than non-renewable sources of electricity. This is an important point to note given that hydro, onshore wind and solar have far less environmental impact than coal or nuclear.

Unlike nuclear, however, there's no need to dispose of hazardous waste, which can remain highly toxic for decades, becoming a potential environmental disaster similar to Fukushima or Chernobyl.

It is for these reasons that [nuclear power](#) and coal-fired electricity generation are in terminal decline, rendering those industries and related mining activities industries to avoid.

Delivering value

One of the best stocks to cash in on the rapidly growing popularity of renewable power generation is **Brookfield Renewable Partners** (TSX:BEP.UN)([NYSE:BEP](#)). The company delivered a stunning 73% over the last year, beating the **S&P/TSX Composite Index's** 18% return.

There is every indication that Brookfield Renewable will deliver further substantial value in 2020 and beat the broader market.

Not only will it benefit from the powerful secular tailwind discussed, but Brookfield Renewable is on track to continue expanding its assets and grow earnings.

After struggling to unlock value from its quality portfolio of renewable energy assets with 18,000 megawatts (MW) of installed capacity, it is finally generating considerable value.

That's due to improved rainfall and water levels, which has significantly boosted electricity production from Brookfield Renewable's hydro-plants, which account for 74% of its installed capacity.

This is particularly important to note because hydro's low costs makes those assets especially profitable for Brookfield Renewable. For the first nine months of 2019, total power generation expanded by almost 7% year over year, giving funds from operations per unit a notable 27% increase.

Through a series of acquisitions, the partnership has also diversified its portfolio by boosting its solar and wind facilities.

Brookfield Renewable recently announced that it would acquire all the remaining stock of **TerraForm Power** that it or its affiliates don't already own, which amounts to 38% of TerraForm's float. Once complete, it will further diversify Brookfield Renewable's assets and boost earnings.

Brookfield Renewable is also working on 151 MW of hydro, wind and solar projects, which on completion between the end of 2019 and 2021 will add around US\$11 million to Brookfield Renewable's FFO.

Steadily growing earnings will support Brookfield Renewable's distribution and its plans to increase the payment by 5% to 9% annually. In fact, the partnership has hiked the distribution for the last 10-years straight to see it yielding a juicy 4%.

Foolish takeaway

The uptake of renewable energy and global installed capacity continues to expand at a rapid clip as the push to fight climate change gains ever greater momentum.

That secular tailwind will serve as a powerful driver of earnings growth for Brookfield Renewable, which, along with its strategy of capital recycling and developing new assets will ultimately boost its market value.

Patient investors will be rewarded by the partnership's regularly growing sustainable distribution

yielding just over 4% while they wait for its stock to appreciate.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

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