Use the Sell-off to Invest in a Greener Future With ESG

Description

Environmental, social, and governance (ESG) investing has seen an incredible rise in popularity within the past few years. Fund managers and investors alike, when faced with the choice between generating a return on their capital or generating a return *and* making a difference on the environment, are readily choosing the latter.

With stocks at fire-sale prices, despite the past two days' rally, here's a chance to get some ESG names at great discounts.

Carbon reductions are the forefront of economic policies

The world's most populous regions have embraced greener policies. For example, the E.U. has set a goal of reducing greenhouse gas emissions by 40% in 2030 and is currently on track to exceed that target. Moreover, the E.U. has also targeted 32% of electrical production to come from renewable sources during the same period.

China, while off to a slower start, has targeted 2030 to be the year in which CO2 emissions are set to peak, while non-fossil fuel sources will power 20% of the country.

India, a shining star, is on track to achieve 60-65% of its power generation to come from non-fossil sources and is set to reduce its emissions intensity as a share of GDP, below the 33-35% below the level set in 2005.

These shifting policies toward green power have led to a surge in renewable electricity production. In 2018, renewable sources account for 6,700 terawatts of global power, up from 2,800 terawatts the decade before.

Investors have taken notice

The drive to modernize power generation has caught the attention of investors. From an economic perspective, it makes little sense to rely on coal power generation when it’s already cheaper to generate electricity from renewable sources.

According to data from CarbonTracker, over 60% of global coal power plants are generating electricity at higher cost than it could be produced by building new renewables. By 2030, it will be cheaper to build new wind or solar capacity than to continue operating coal in all markets. Furthermore, since coal plants take on average 15 to 20 years to recoup their costs, the 499 gigawatts of coal generation planned worldwide will inevitably lead to a loss of $600 billion for investors.

Based on these underlying metrics, investors and fund managers are increasingly turning to ESG and away from fossil fuel investing. According to Morningstar, 2019 saw ESG funds record net inflows of $20.6 billion, up four times from the numbers just four years prior.

Brookfield Renewable Partners: One of the best names in the sector

Given where we are, ESG will be a bullish theme for years to come. As the trends are extremely favourable towards this style of investing, stocks with an ESG image will benefit from continued buying pressure from investors and fund managers. One name that stands out is **Brookfield Renewable Partners** (TSX:BEP.UN)(NYSE:BEP). It is a favourite among income investors, thanks to its 6% annualized dividend-growth rate since 2012.

Furthermore, Brookfield benefits from an investment grade balance sheet (rated BBB+) and a geographically diverse footprint of renewable assets across North & South America, Europe, and Asia.

Currently, the portfolio can generate 18.3 thousand megawatts of renewable power, which results in a reduction of 27 million tonnes of CO_2 emissions worldwide. With the Brookfield brand behind it, this power generator is one of the best bets to play the long-term growth of ESG.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
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vmatsepudra