Green Energy Stocks Could Make You Rich

Description

Green hydrogen is the Next Big Thing in growth stocks. But finding ways to invest in it directly aren't easy – at least, not yet. However, there are already some strong plays in this field, despite the fact that cost-effective green hydrogen doesn't yet exist to scale.

Green hydrogen is an emerging theme in the renewables space

One thing that green hydrogen will need a lot of is energy. But the power that will be used for green hydrogen splitting comes from renewable sources, hence the name. This makes names such as **Northland Power** (TSX:NPI) a strong bet for the long term.

Wind farms and solar arrays are likely to be in high demand in a post-pandemic world retooled for green energy.

The International Energy Agency is also turning full bull on green power. According to one of this year's IEA press releases, "Renewables are set to be the only energy source that will grow in 2020, with their share of global electricity generation projected to jump thanks to their priority access to grids and low operating costs."

The energy sector is clearly ripe for investment opportunities as the world undergoes a paradigm shift in power production. In the same press release, IEA Executive Director Dr. Fatih Birol stated, "Only renewables are holding up during the previously unheard-of slump in electricity use."

One solid stock to play the green power revolution

Perhaps only scaled-up solar arrays could provide firepower of the magnitude required by green hydrogen producers. A match could be found in Heliogen, a company backed by Bill Gates and currently looking to scale up its AI-powered solar energy system.

Heliogen could even go public, offering a pure play on solar power generation as a cost-efficient alternative to hydrocarbon fuels.

TSX investors looking for a quicker fix could consider adding Northland to a stock portfolio. Northland pays a 3.9% dividend yield covered by a 70% payout ratio, leaving room for dividend growth and also indicating some stability in payments.

With its P/B of 7.7 times book, the stock could be cheaper. A pullback is unlikely at this stage in Northland’s trajectory, though. Potential shareholders should consider buying at its current valuation and holding for the long term.

This name is not without risk, however. Lower wholesale electricity market prices could weigh on Northland’s offshore wind facilities, for instance. Investors bullish on a reasonably timed recovery may want to bet instead on Northland’s long-term contracts — contracts that bring in secure revenue for the diversified energy company, whose partnerships span the Netherlands to East Asia.

Capital gains have been steady for Northland, though they have slowed in the past year. Still, a 20% year-on-year share price appreciation is nothing to be sniffed at, especially in the current market.

It turned in a strong first quarter this week and is on track to hit its guidance despite the pandemic. In short, this is a strongly performing stock in a growth sector.

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