



3 Green Energy Stocks to Buy Now With \$3,000

Description

The markets are suffering from a case of willful myopia. It was only in March that the markets crashed so hard and so fast that pundits were writing Great Depression editorials. Oil traded briefly at negative dollars. It seems fitting, then, that energy is among one of the most defensive plays on the **TSX**. Upside from the green power trend is among the [strongest long-term energy themes](#).

There are risks even in the green power sector, though. The bottom line for green electricity production is simple, but worrisome: The price of electricity itself. Usage is down, meaning that electricity is becoming cheap. It's not as bad as the hydrocarbon situation, though.

It's not even as bad as the flooded uranium market – though the latter is showing some signs of improvement. But cheap electricity is a concern nonetheless.

Growth in green energy may slow during the near-term because of the pandemic. The current situation makes sit-down meetings impossible, for instance.

However, **Northland Power** was ahead of the game when it came to building an international network of wind power partnerships. **Brookfield Renewables** packs diversification and hallmark “Brookfield” asset management expertise. And **Algonquin Power & Utilities** marries a sturdy utilities play with a 4.7% yield.

Fundamentals and yields are attractive right now

Brookfield Renewable Partners pays a 4.5% dividend yield fed by reliably diversified revenue streams. This name draws income from Europe and the Americas, packing wind, solar, and hydroelectric exposure. This would be the one stock to buy for [green power upside](#) if an investor had to pick just one name. Valuation could be better, with a P/B of 1.7 times book.

However, overvaluation is becoming part of the territory when it comes to green power investing. Look at Northland's market ratios, such as a P/B of around 5 times book. AQN sells for twice book, although it technically trades at a 30% discount below its future cash flow value. This beats Northland's 20%

discount.

Still, these are names that could continue to grow for years to come. Rather like tech stocks, green energy picks are a play for steady upside rather than “buy it quick” value opportunities. There is also plenty of room for growth as world economies begin to retool for a low-carbon future.

Outlooks are positive for green energy stocks

AQN is looking at 38% annual earnings growth, for instance. Its 78% payout ratio also leaves room for dividend growth. AQN’s five-year returns could total 150%. Investors could expect similar total returns from Brookfield Renewable Partners of 140% by 2025.

Northland Power is a play for a range of green energy sources. What makes it really interesting, though, is its growing offshore windfarm empire, which has been diversifying across Europe and Asia. Total returns of 130% in the next five years round out a buy thesis.

Stashing \$1,000 in each of these names now could net big returns by 2025. With a median percentage return of 140%, this mini-portfolio would rake in \$4,500.

However, these positions can be built on over time. By buying in smaller amounts during down cycles, investors can amass larger positions at decreasing outlay with considerable growth potential.

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