Get Big Passive Income From These Renewable Energy Kings!

Description

Renewable energy stocks that pay big passive income are facing powerful secular tailwinds as the world looks to transition away from fossil fuels to greener and more sustainable sources of energy.

Compared to a pipeline, renewable energy companies have the advantage of being better able to access capital for projects while still enjoying the same benefits that come with having regulated cash-flow generative operations. Because of the nature of their industry, renewable energy stocks can finance a high dividend payout to satisfy investors while also being able to invest it lucrative growth projects.

The result? Above-average capital appreciation, larger (sustainable) dividends, and huge dividend growth potential.

Not to mention that such ESG (environment, social, governance) stocks stand to enjoy long-lived tailwinds, as investors seek to not only invest to get a great risk-adjusted return but also to do their part to save the environment. The power behind ESG-friendly green energy stocks is profound, and if you can nab a decent valuation, you can improve your shot at sustaining market-beating results over the long-term for your passive income portfolio.

Consider **Northland Power** (TSX:NPI) and **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN), two cheap renewable energy kings that have a lot to offer.

Northland Power: A hot passive income stock

Northland Power is an underrated green power producer engaged in the production of energy using wind, solar, natural gas, and biomass. The stock was stuck in a consolidation channel for many years, and I urged investors on numerous occasions to pick up the stock before it had a chance to bounce like a coiled spring.

Shares of NPI eventually bounced over 87% in under two years, but shares still seem undervalued, given the firm's low-risk growth profile and the bountiful dividend, which currently yields 3.2%. Today, the stock trades at 5.8 times book value, 5.6 times cash flow, and 10.4 times EV/EBITDA, all of which are pretty much in-line with historical averages.

While NPI stock isn't as cheap as it used to be, given the growth to be had in offshore wind projects, I'd say the fair price of admission is well worth paying for the passive income. Add a consistent 2020 guidance into the equation and Northland Power is a must-buy for young investors looking to grow their wealth for the next decade and beyond.

Algonquin: A classic buy the dip for dividend investors

While Northland Power has been surging over the past year following its multi-year drought of underperformance, Algonquin has been on an opposite trajectory. After having outperformed for years, Algonquin fell into a slump in 2020, with shares getting clobbered amid the COVID-19 crisis.

The company reported less-than-stellar second-quarter results, with adjusted EBITDA numbers of $176.3 million falling short of the $192.3 million consensus. There was some COVID-19 impact, but following another liquidity raise, it doesn't seem as though the company is ready to pull the brakes on its impressive growth projects.

The company is going to go full speed ahead with new projects, so investors can expect 10% in annual dividend growth through 2021 (and possibly beyond), as the firm bounces back from its nasty correction.

Such dividend growth over time can do wonders for a passive income stream! The stock is down 18% from all-time highs and is trading at just 2.1 times book value, making the name a great value given the high calibre of the assets.

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2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:NPI (Northland Power Inc.)

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