Green Energy Is on Fire in 2020: Where to Invest $1,000 Right Now!

Description

Green energy has been a top industry for **TSX** investors throughout 2020 for several reasons.

Green energy stocks are highly defensive, and they offer significant long-term growth potential. The services they provide have extremely inelastic demand, and companies have long-term power-purchase agreements in place.

So, when there was fear earlier this year about how the pandemic would affect the economy, there was never much fear about these businesses losing income. And because they are both defensive and offer great long-term growth, these stocks have been some of the top performers this year.

Here are three green energy stocks to consider today.

High-growth stock

Northland Power (TSX:NPI) is the first green energy stock I'd consider taking a position in today.

Northland is one of the top growth stocks in the green energy sector. This is due to the company having such strong management and high-quality assets.

Northland has more than 2,000 megawatts of generating capacity. Its clean energy assets consist mainly of onshore and offshore wind as well as solar.

Northland also recently bought a utility business that helps make it even more attractive. This is because it adds more defensive to Northland's business. The company is a relatively safe investment anyway, with 90% of its generating capacity contracted and more than 10 years weighted average duration on its power-purchase agreements.

In addition to defence, though, the company has a tonne of assets under construction or in development. In total, Northland has nearly 50% of its current generating capacity that will come online within the next few years, offering some spectacular growth.

The stock pays a 2.8% dividend, but the real reason to buy it is for its capital gain potential. Year to date, the stock is up more than 60%, and in the last three years, Northland has more than doubled in price.

Steady green energy stock

TransAlta Renewables (TSX:RNW) is another high-quality green energy stock to consider. The company has steady operations, making it an ideal company you can hold for the long term.

The company reported earnings Friday morning, and once again, results were basically right in line with expectations.

Looking forward, TransAlta reaffirmed its 2020 guidance for earnings before interest, taxes, depreciation, and amortization (EBITDA) as well as adjusted funds from operations (AFFO). Management continues to expect 2020 EBITDA of $445-$475 million as well as AFFO of $350-$380 million.

The fact it has reaffirmed its guidance is a good sign but not at all surprising. The stock is one of the lower-risk businesses in the green energy space because it's so steady.

Plus, it's in the strongest financial position by far. TransAlta's net debt to capital is just 26% compared to the average of its peers, which is more than 60%. Furthermore, its net debt to EBITDA for 2020 will be around 1.7 times. And that's if TransAlta only manages to hit the bottom of its EBITDA range. 1.7 times is exceptionally low as the average of its peers is above 5.1 times.

In the last year, the stock is up nearly 27%, outpacing the TSX by more than 30%.

Defensive green energy stock

Algonquin Power and Utilities (TSX:AQN)(NYSE:AQN) is the last stock to consider. The company is the safest investment of the three. In fact, because two-thirds of Algonquin's business comes from its utilities segment, you could say that Algonquin is more of a higher-growth utility stock.

The company will offer investors significant defence through the recession caused by the coronavirus pandemic. Plus, you'll get the long-term exposure to its green energy business, which has a tonne of growth potential.

Currently, Algonquin has over 1,900 megawatts of renewable energy-generating capacity. This comes from solar, wind, and hydro assets. The company has another 756 megawatts in development, though, which will bring a massive increase to its sales when they come online.

Plus, in addition to the growth and defence, the stock also pays a dividend that is increased constantly.

It currently yields more than 4.1%, an attractive rate for such a high-growth stock.

The stock is up 14% year to date and more than 70% over the last three years, highlighting what a solid long-term growth business Algonquin is.

Bottom line

From a risk-to-reward perspective, these green energy stocks are some of the top choices during the pandemic. So, if you have $1,000 to invest today, I would start here.

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