



Clean Energy Is the Theme for the Next 5 Years

Description

As Democrats sweep all three chambers of government, political power in the United States is set for a dramatic shift. Over the next five years, investors can expect the world's largest economy to implement progressive policies and perhaps make a renewed push towards clean energy.

That's what makes clean energy stocks so attractive over the next half-decade. The industry is expected to grow at an annually compounded rate of 6% until it's worth US\$1.5 trillion (CA\$1.9 trillion) by 2025. Fortunately, there are plenty of publicly listed Canadian companies deeply involved in this sector.

Algonquin Power ([TSX:AQN](#))([NYSE:AQN](#)) is one such stock well positioned to break out given its exposure to the U.S. clean energy sector. The Canadian utility company has heavy investments in the U.S., a market with tremendous opportunities for growth.

Competitive edge

Algonquin stock is up 52% from March 2020. In the recent quarter, revenues were up by 3%, with adjusted EBITDA increasing 6%. This performance has highlighted the company's role as a safe haven for investors trying to avoid the volatility of the rest of the stock market.

Algonquin Power accrues its competitive edge in the clean energy sector by serving 2.7 million hydro and natural gas utility customers. The company also controls three gigawatts of contracted renewable energy.

Besides these, Algonquin Power boasts of a diversified portfolio of high-quality utility and renewable assets. These assets continue to generate robust free cash flow.

Exciting dividend yield

The stock is currently trading with a forward price-to-earnings ratio of 20, making it affordable compared to industry standards. The stock also boasts an impressive 3.8% dividend yield, making it an exciting pick for income-focused investors eyeing opportunities in the renewable energy sector.

Algonquin Power has increased its dividends by 10% over the past decade.

For investors eyeing long-term passive income, Algonquin Power is a perfect fit. There is tremendous optimism around long-term dividend increase thanks to its robust free cash flow.

In fact, my Fool [colleague Daniel Da Costa](#) believes the company's core utilities operations make it one of the most reliable stocks in the industry. The 3.7% dividend yield is so secure, in his opinion, it should be on Warren Buffett's radar! I must say I agree.

Bottom line

America's environmental policies have a dramatic impact on our economy. As an energy exporter that shares a border with the world's largest energy consumer, Canada needs to keep a close eye on American politics and consumer demand.

This year, the liberals have secured power. Which means environmental protection is back on the agenda for the next five years. That puts Canadian green energy stocks like Algonquin Power in an excellent position. It's a robust stock that offers a hefty dividend. Keep an eye on it.

CATEGORY

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