



3 Green Energy TSX Stocks to Buy in 2021

Description

The world is moving towards green energy amid concerns over rising pollution levels, which has led renewable energy stocks to increase over the last few years. Meanwhile, with Joe Biden, a strong proponent of clean energy, taking oath as the 46th president earlier this month, the upward momentum in these renewable stocks could continue. With Democrats controlling both Senate and House, the government could also implement favourable policy changes quickly. Amid the conducive environment, here are the three green energy stocks, which can deliver high returns this year.

Northland Power

After delivering impressive annualized returns of over 19% in the last five years, **Northland Power** ([TSX:NPI](#)) is up around 9% this year. Meanwhile, the rally could continue, given its promising growth prospects and a favourable environment. The company currently operates or has an economic interest in 2.68 gigawatts of power-generating facilities.

It is also [constructing](#) 1.5 gigawatts of power-generating facilities, including its acquisition of three onshore wind development projects in New York. These acquisitions could also provide the company an entry into the lucrative U.S. green energy market. Despite its growth prospects and the recent increase in its stock price, its valuation looks attractive, with its forward price-to-earnings multiple standing at 25.6.

Northland Power has been paying monthly dividends since 1997. The company currently pays monthly dividends of \$0.1 per share, representing an annualized payout of \$1.2 per share and a dividend yield of 2.4%.

Algonquin Power & Utilities

My second pick would be **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)), which runs regulated utility businesses and operates or has an economic interest in 35 clean energy facilities. The company sells 85% of the power generated from these facilities through long-term power-purchase agreements,

with its weighted average contract life standing at 13 years. These long-term contracts protect the company's financials from price and volume fluctuations, thus providing stability to its earnings.

Meanwhile, Algonquin Power & Utilities has planned to invest \$9.4 billion over the next five years, including \$6.3 billion on regulated utilities and the remaining \$3.1 billion on renewable power-generating facilities. These investments could increase its rate base at an annualized growth rate of 11.2%, while its adjusted EPS could grow at an annualized rate of 8-10% from 2021 to 2025.

The company pays quarterly dividends of \$0.2019, representing an annualized payout of \$0.81 per share and a dividend yield of 3.7%. While growing renewable assets offer high-growth prospects to the company, its regulated utility assets protect from downside risks. So, [I believe Algonquin Power & Utilities would be an excellent buy.](#)

TransAlta Renewables

My final pick would be **TransAlta Renewables** ([TSX:RNW](#)), which owns or has an economic interest in 44 power-generating facilities that can together generate 2.5 gigawatts of power. Meanwhile, the company sells most of the power produced from these facilities through long-term contracts, thus shielding its financials from price and volume fluctuations.

Along with organic growth, the company also focuses on acquisitions to expand its business. Since going public in 2013, it has completed acquisitions worth \$3.4 billion. Its latest purchase includes three assets from TransAlta Corporation, increasing its power-generating capacity by 303 megawatts. The company also intends to invest \$890 million to \$960 million over the next couple of years on secure growth projects, which could boost its financials.

TransAlta Renewables has been raising its dividends at an annualized rate of 4% since its IPO. The company currently pays monthly dividends of \$0.078 per share, representing an annualized payout of \$0.94 per share and a healthy dividend yield of 4.2%.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

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

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