



TFSA Investors: North America's Best Renewable Energy Stock

Description

Innergex Renewable Energy ([TSX:INE](#)) owns three operating segments in areas of hydroelectric generation, [wind power generation](#), and solar power generation. Through those three operating segments, the company sells electricity produced by Innergex's hydroelectric facilities, wind farms, and solar farms to publicly owned utilities. Innergex also develops hydroelectric, wind, and solar facilities.

Serial acquirer

Since 1990, the company has been active in the [renewable power industry](#) and has acquired 37 hydroelectric facilities, 32 wind farms, and six solar energy farms, representing a net aggregate installed capacity of 2,742 megawatt (MW) and an energy storage capacity of 150 MW. Out of Innergex's 10 development projects, four are currently under construction and expected to reach commercial operation stage between 2021 and 2022. All the company's prospective projects are in various stages of development with a combined potential gross installed capacity of 6,875 MW.

Climate change impact

There are several factors that explain the company's growing role in supplying renewable power in North America, France, and Latin America. The growing demand for renewable energy is key to the energy transition to fight climate change, as supported by international agreements such as the Paris Agreement. Further, governments have adopted stable and long-term policies for climate change mitigation and for the procurement of new renewable energy capacity.

Strategic initiatives

At present, there is also a significant availability of long-term renewable energy purchase contracts with highly creditworthy counterparties. The implementation of non-discriminatory access to transmission systems has provided independent power producers, such as Innergex, with access to regional electricity markets. The company's capacity to evaluate and secure the best prospective sites for the

development of new projects in cooperation with local communities has served it well.

Rise of renewable energy

Over the past few years, the significant growth in renewable power generation in Canada has benefited Innergex's business. The company has secured several commitments to reduce greenhouse gas emissions in power generation in alignment with the national carbon pricing requirements introduced by the federal government. Renewable electricity generation in Canada is also supported by federal and provincial procurements that results in long-term fixed price contracts with Crown corporations, and incentives such as accelerated depreciation, and legislated commitments to renewable energy generation.

Future outlook of wind energy

Wind energy is a major part of Innergex's business. This energy source is now among the lowest-cost options for new electricity supply in most Canadian provinces. More wind energy has been built in Canada over the last five years than any other form of electricity generation, with installed capacity growing by an average of 16% per year for the past decade. The Canadian Renewable Energy Association ranks Canada as the ninth-largest producer of wind energy in the world, with an installed wind power capacity of more than 13,400 MW.

Future outlook

Innergex has done well to adequately forecast total construction costs, expected revenues and expected expenses for each project in a market with rapidly improving cost competitiveness of renewable energy generation facilities. The company's ability to make accretive acquisitions and to finance growth initiatives has enhanced the intrinsic value of Innergex's stock.

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