



2 Canadian Green Stocks to Buy Right Now

Description

U.S. President Joe Biden has been giving green stocks a shot in the arm with his US\$2 trillion green-friendly infrastructure plan. Biden's proposed Energy Efficiency and Clean Energy Standard (EECES) is pushing for emission-free electricity generation by 2035, which is pretty ambitious. But given the man seems more than willing to open up the wallet to push firms to do their part in achieving renewable energy goals, the Biden administration's proposal could set a new standard that ought to be followed. Generous renewable tax credits and all the sort could serve as rocket fuel for the green stocks, many of which have already been [flying high](#).

Canadian green stocks to buy amid renewed renewable tailwinds

For ESG investors who've yet to punch their ticket to the green energy trend, it's not too late. Many renewable energy stocks on the **TSX Index** remain modestly valued compared to their U.S. counterparts.

You don't need to risk your shirt on a capital-intensive EV (electric vehicle) maker to capitalize on one of the biggest secular trends of our time. In this piece, we'll have a look at two of the most undervalued Canadian green stocks that I'd look to scoop up today.

Algonquin Power & Utilities

Regulated utility and renewable energy powerhouse **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) recently took a jab to the chin amid the worst of the coronavirus pandemic. The firm's growth projects hit a bump in the road, but shares are well-positioned to bounce back on the other side of this pandemic.

The stock is coming off a steep 12% correction, and it's one that contrarian Canadian investors ought to be nibbling away at. Algonquin shares look ridiculously cheap at just 12.1 times trailing earnings and

5.7 times sales, both of which are on the lower end as far as green stocks are concerned. The slightly swollen 4%-yielding dividend is well supported and well positioned to grow at an above-average rate over the next decade as the firm continues to capitalize on high-ROIC growth projects.

Fellow Fool contributor Chris MacDonald recently [remarked](#) on Algonquin's incredibly high operational efficiency metrics: "This company offers investors with some of the best operational efficiency metrics of its peers. Its profit margin of 47% absolutely blows away the industry average of 13%. And there's a reason for this. Algonquin has managed to pick up high-quality assets at discounted prices over the years, benefiting long-term investors looking for cash flow growth machines."

MacDonald is right on the money. Algonquin can allow investors to have their cake (growing dividends) and eat it, too (big capital appreciation over time). With green energy tailwinds thrown into the equation, it becomes more apparent that AQN is one of the better green stocks out there.

Northland Power

Northland Power ([TSX:NPI](#)) bounced like a coiled spring back in 2020 after years of consolidating around the low-to-mid \$20s. Shares more than doubled from their March 2020 trough to their February 2021 peak before pulling back 17% to \$42 and change, where the stock currently sits today.

The stock trades at 24.2 times trailing earnings, with a juicy but below-average 2.8% dividend yield, thanks in part to the stock's massive run last year. Although I'm no fan of chasing stocks after massive runs, Northland Power stock is far cheaper than most other green stocks out there. Northland's growth pipeline could fuel massive dividend hikes for years to come, and the valuation, I believe, doesn't reflect the calibre of defensive growth you'll be getting from the name.

Although the company is fundamentally sound, with a cheap stock, investors should be wary over the head-and-shoulders technical pattern that looks to be in the works. If the full pattern comes to fruition, NPI stock could find itself back at \$35 and change. If Mr. Market gives you a chance to pick up the name at such a level, I'd look to back up the truck. The name is already a cheap green stock right here. If not for the ominous technical pattern, I'd probably have already initiated a position.

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

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