



## 2 Canadian ESG Stocks for Income Investors

### Description

ESG investors are searching for good renewable energy stocks to buy in the **TSX Index** that pay reliable income and offer attractive upside potential.

### Algonquin Power

**Algonquin Power** ([TSX:AQN](#)) ([NYSE:AQN](#)) is based in Ontario, but the majority of the company's assets are located in the United States.

Algonquin Power owns solar, wind, hydroelectric, and geothermal power-generation facilities. It also operates water and natural gas distribution businesses. In the past 30 years, the company has grown substantially through acquisitions and internal development projects.

In total, Algonquin Power owns US\$15 billion in assets supplying more than one million customers. The power facilities, both operating and under construction, have the capacity to produce three gigawatts of electricity.

Algonquin power has raised the dividend by at least 10% per year over the past decade. The latest hike came when the company announced [Q1 2021 results](#). Revenue jumped 36% to US\$634.5 million in the quarter compared to the same period last year. Adjusted net earnings rose 21% to US\$124 million. Algonquin Power has a number of projects on the go that should continue to drive higher revenue and cash flow to maintain the positive track record.

The stock is down to \$19.50 from the 2021 high near \$22.50, giving investors a chance to buy Algonquin Power at a cheap price and pick up a solid 4.25% dividend yield. Investors have enjoyed great returns with this company. A \$10,000 investment in Algonquin Power just 10 years ago would be worth more than \$55,000 today with the dividends reinvested.

It wouldn't be a surprise to see Algonquin Power become a takeover target, as the industry consolidates, and alternative assets managers search for [ESG](#) acquisitions.

## TransAlta Renewables

**TransAlta Renewables** ([TSX:RNW](#)) is majority owned by **TransAlta** and serves as the drop-down vehicle for the parent company's renewable energy assets. TransAlta Renewables has wind, hydroelectric, and natural gas power-generation assets in Canada, the United States, and Australia.

The company buys assets from the parent company, invests in organic projects, and makes strategic acquisitions. Income investors have traditionally purchased the stock for its generous payouts. The share price has doubled over the past three years to \$20, reducing the yield, but investors can still pick up a yield of 4.6% at the current stock price near \$20.

TransAlta Renewables reported decent Q1 2021 results. The company generated \$123 million in comparable EBITDA. That's \$5 million more than the same period last year. Adjusted funds from operations were \$93 million, roughly the same as Q1 2020.

Liquidity remains good with access to \$1 billion, including more than \$400 million in cash. The stock is off its 2021 high of about \$24, so there could be 20% upside on a rebound.

## The bottom line on ESG investing

Income investors looking for reliable distributions for an ESG portfolio can get decent yields from Algonquin Power and TransAlta Renewables. The stocks look undervalued today, and the dividends should continue to grow at a steady pace. There is also chance investors could pick up a nice capital gain on a possible takeover.

If you only buy one, I would make Algonquin Power the first choice. Dividend growth should trend at 10% per year over the medium term, and the diversified asset base across various utilities and power generation makes it very appealing.

### CATEGORY

1. Energy Stocks
2. Investing

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:RNW (TransAlta Renewables)

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