



Electric Vehicles and Regulations Should Boost Green Energy Stocks

Description

The global transportation industry is transitioning away from fossil fuels. Electric vehicles, or EVs, are taking the lead in terms of annual sales. In fact, several countries have introduced regulations to phase out traditional cars in favour of EVs by 2030. EV makers and auto part suppliers are the clear winners of this trend. But another big winner is the renewable energy providers.

The rise of EVs and cycles over the next decade imply that much of our energy consumption will move from fossil fuels to the electric grid. However, if the electric grid is dirty, this shift doesn't do much to offset our carbon footprint. This is why renewable energy providers are expected to gain tremendous market share in the years ahead.

TransAlta Renewables ([TSX:RNW](#)) should excite investors eyeing exposure in the burgeoning renewable energy space. The stock has nearly doubled in value since the lows registered in March 2020. The stock is now trading within striking distance of an all-time high. But considering the fact that this is one of the strongest players in a rapidly expanding, multi-trillion-dollar industry, there's plenty of room to grow further.

TransAlta's portfolio

TransAlta stands out from its competitors, partly because it boasts of a diversified [renewable portfolio](#) spanning the U.S., Canada, and Australia. Its portfolio encompasses wind, solar, and hydro energy. Additionally, the company has signed contracts for renewable energy supply that span decades, thus guaranteeing steady and recurring revenue for years.

The company is fresh from reporting impressive first-quarter results, in which funds from operations came in line with expectations at \$93 million. Comparable EBITDA was up 4% to \$123 million. Net income attributable to shareholders increased \$49 million due to higher financing income from investments in subsidiaries.

Dividend yield

TransAlta Renewables is well positioned to generate significant free cash flows, as the costs of green energy production decline over time. EBITDA could surge by 8% annually. Additionally, the company pays a monthly dividend of \$0.0783 per share, translating to an annualized dividend payout of about \$0.74 — a strong yield of above 4%.

TransAlta Renewables stock is currently trading at a price-to-earnings ratio of 38.5. That's a reasonable valuation considering its cash flows and robust business model. This green energy stock is well positioned for long-term, uninterrupted growth, given the ongoing transition to renewable energy sources.

Bottom line

The transition to green energy is inevitable. Consumers and regulators have made it clear that the future is electric. Over the past year, electric cars and electric cycles have seen a surge in demand. In some countries, EVs outsell traditional ICE cars. Now, regulators across the world want to speed up the transition. Several countries plan to phase out ICE vehicle sales by 2030.

This transition creates an opportunity for green energy providers, such as TransAlta Renewables. With its well-diversified global portfolio of green energy power plants, this company has an immense growth opportunity ahead of it.

This fairly valued, high-yield green energy stock deserves a spot on your long-term growth watch list.

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