Coal Phasing Out: Consider These 2 Stocks for a Greener Utility Industry

Description

When it comes to power generation, Canada is one of the most naturally gifted countries in the world. About 60% of our power comes from hydro and only 7% from coal, which is by far the worst fossil fuel, as it puts out more carbon dioxide per unit of energy than any other fossil fuel. The U.S. is still at 10%, but they are trying to phase out coal as soon as they can as well.

The pattern can be seen in other places of the world. The world's largest mutual fund company Black Rock, along with other financial institutions, is looking into plans for coal-based power plants in Asia. Several financial institutions are involved in the plan, and the original proposals were made by the Asian Development Bank. The concept is to buy the powerplants operating in Asian countries, keep operating them for 15 years at most, and then shut them down.

This will shorten the current timeline for the coal phase-out in the region quite significantly. Alternative power sources are the future, and relevant business and power companies are expected to see significant traction in the coming years. So, you might consider getting ahead of the curve and buy into "green" utility ahead of time.

A green utility company

Algonquin (TSX:AQN)(NYSE:AQN) covers both ends of the utility business. The company has its own power generation facilities and a total capacity of about three GW, and two-thirds of it comes from clean renewables. Through its Liberty brand, the company offers regulated power, water, and natural gas utility to about a million consumers in the U.S. and Canada.

The company is rapidly growing its alternative power generation capacity and is already a well-established player that has covered a lot of ground. It's also financially sound and has pretty decent growth and dividend stock. It's currently offering a juicy, 4.2% yield and has a 10-year CAGR of 19.4%, making it not just an environmentally conscious choice but a profitable one as well. And the cherry on top is its fair valuation.

A green power producer

If you are looking for a pure power-generation play, **Northland Power** (TSX:NPI) should be on your radar. The company has an operational power-generation capacity (net) of 2.2 GW, and about 1.6 GW is under development. The company focuses on four power sources: offshore wind (its largest portfolio segment), on-shore wind, solar, and natural gas. However, no gas power plant is under development.

The future of the company is tied entirely to wind- and solar-powered electricity generation. NPI is one of the stocks that spiked after the market crash. It wasn't a decent growth stock before the crash, and it has already started to slip from its recent peak. And if you wait for it to hit the bottom of its current slump, you might get a better valuation deal *and* a better yield than the current 2.7%.

Foolish takeaway

Alternative energy is the future (unless fusion power plants become a reality in the near future), and as more consumers become aware of greener options, they might choose them over existing and less environmentally friendly options. Breakthroughs in turbine designs and solar panels can also expedite this industry's growth. You can put them in your TFSA for a tax-free dividend income stream.

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