



## Could Quebec Become a Hydrogen Hotspot?

### Description

Quebec is by far the largest hydropower producer in the country, which has contributed to the province becoming the cheapest electricity producer in all of Canada. And since Canada is already one of the most “affordable” electricity producers in the world, Quebec’s electricity rates really stand out.

This was one of the major draws for many crypto miners that either started out in or relocated to Quebec. They could enjoy low energy costs while still staying green — a win-win from two perspectives. And it’s becoming the key attraction for many European countries.

Europe is decarbonizing at a faster rate than many other regions in the world, and there is a high demand for the cleanest burning gas, hydrogen, to power Europe’s industries. But if the hydrogen is produced using fossil fuel, then we are back to square one. That’s why clean power producers like Hydro-Quebec, the public company in the province of Quebec, are in great demand. The company is the fourth-largest hydropower producer in the world.

And if the trend is established, and Hydro-Quebec alone is not enough to sate the demand of European hydrogen producers looking to set up camp in Quebec, some Quebec-based private companies might see demand rise.

### A renewable energy company

**Boralex** ([TSX:BLX](#)) might not be hydropower-oriented, but it *is* renewable-focused. And even if the cost of electricity it produces is not comparable to Hydro-Quebec, it might still be lower than Europe’s.

Ironically, [the company](#) already has a strong presence in Europe, especially when it comes to wind farms, and it can compete for prices there; it might be better positioned than many Canadian power producers to serve Europe’s green power needs.

Currently, the stock is trading at a 30% discount from its 2021 peak valuation, which has pushed the dividend yield up to 1.7%. The dividends might not be very attractive, but the long-term growth potential of the company certainly is. Even if it's not because of Europe's focus on Quebec.

## A hydro-focused renewable energy company

**Innergex** ([TSX:INE](#)) is another [renewable company](#) based in Quebec that relies quite heavily on hydropower. About 44% of the electricity it produces comes from hydropower. A similar proportion comes from wind and the rest from solar.

Even though the company is planning to lean more heavily on wind and solar in the future, it is still well positioned to meet any short-term demand hikes that might arise if Europe starts focusing on Quebec-powered hydrogen production.

The stock is even more attractive compared to Boralex. That's partly because of its more generous 3.5% yield and partly because its pre-pandemic growth was relatively more consistent. Now that it has normalized after the post-pandemic spike, the stock is perfectly poised to start growing at its pre-pandemic rate, making it a very strong long-term, dividend-growth stock.

## Foolish takeaway

The demand for hydrogen is getting a lot of attention due to the natural gas supply slump during winters, but if European companies do start investing in hydrogen production plants in Quebec and initiate contracts with local power producers for clean electricity, the revenue streams might stay strong all year long. This can trigger a strong [bull market](#) phase in the hydropower/renewable power sector in Quebec.

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1. Dividend Stocks
2. Investing

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1. TSX:BLX (Boralex Inc.)
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