Green Power vs. Uranium: Which Energy Source Should You Invest for 2022?

Description

Investing in green energy seems like a smart idea. The world is going green, and businesses that are already well-established in that market would benefit from that transition. But before jumping on this logically-sound investment bandwagon, there are certain limitations of green power that you have to keep in mind and why the world might not be able to shift completely off-fossil as soon as you think.

This will help you make up your mind about what you should invest in, in the near future.

The case for green power

Green power isn't the ideal power source from an environmental perspective alone. Rather, it's a smart forum to transfer to because they are "renewables." The world is not likely to run out of sunlight, wind, and even hydropower anytime soon, whereas fossil fuel *will* get used up sometime in the future.

But it's a good idea to keep green power's limitations, for now, especially the wind and solar power. Even though we *can* capture the power these renewables have to offer, we have no control over them. The U.K.'s recent power supply-demand conundrum has indicated what a simple change in weather pattern can do to a purely renewable-based power source.

Regardless of the challenges, the era of renewables is coming, and sooner or later, companies like **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) will get to reap the full benefit of the investments they have made into renewables. And the benefits will transfer to Algonquin investors as well in the form of capital gains and dividends.

Unlike some renewable-based companies that are but promises, Algonquin is a powerful investment now from a value investors' perspective. It's trading at almost a fair valuation and offers a healthy 3.8% yield. The company also has decent capital appreciation potential, as evidenced by its 10-year compound annual growth rate (CAGR) of 17.3%. The utility business is stable enough, and you might consider buying Algonquin and hold on to it for a time when green power dominates the grids.

The case for uranium

Uranium, as a clean but dangerous fuel source, is expected to fill many gaps inherent to green power. Since it relies upon a storable fuel source, the energy output can be significantly more predictable and reliable. But nuclear plants are difficult and time-consuming to erect.

However, if more countries start commissioning nuclear power plants and start building up their reserves, the price of the metal will rise, and companies like the Saskatoon-based **Cameco** (TSX:CCO)(NYSE:CCJ) might keep growing. The stock of the world's largest publicly-traded uranium company has already grown over 170% in the last 12 months.

It also pays dividends, but the yield is quite low (0.23%). One reason to consider this uranium stock if the underlying asset experiences a major demand hike is that it might offer more consistent (albeit paced) upward growth than smaller uranium companies.

Foolish takeaway

Both green power and uranium are good assets to hold, even if you are not simply buying them from an ESG investment's perspective. Uranium is likely to pay off faster and sooner, whereas green power might take time to fully materialize its potential. In either case, choosing the right company to invest in is just as crucial as getting the market dynamics right.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:CCJ (Cameco Corporation)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:CCO (Cameco Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

PP NOTIFY USER

1. adamothman
2. arosenberg

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/23
Date Created
2021/11/18
Author
adamothman