



## Want Far Superior Returns in 2022? Invest in Climate-Friendly Business Models

### Description

Deloitte reported that 2022 promises new growth paths for the renewable energy industry. The global consulting firm said renewable energy growth and the demand for cleaner energy sources from most market segments are ready to accelerate next year.

One of the world's largest alternative investment management companies has the same assessment as Deloitte. **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)) says investors face a historic opportunity if they put their money in renewable energy assets. Brookfield's chief executive of renewable power and co-head of transition investing, Connor Teskey, said, "The [market opportunity](#) is truly massive."

While Connor admitted that the stakes are high, the [potential rewards are high](#), too, due to the very attractive commercial opportunities in investing in renewables and in the transition. Thus, besides BAM, **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)) should be among the top [ESG investment](#) prospects for 2022.

### Transition investing

Investors should watch for technologies that will emerge as the dominant power forms, as the transition from old to new energy forms happens. Deloitte likewise noted the growing interest in next-generation clean energy technologies.

According to Connor, it would take around US\$100 trillion to US\$150 trillion to eradicate greenhouse gases (GHG) over the next three decades. The \$115.78 billion asset management firm expects to raise more than US\$15 billion for its new impact fund. The size of the fund alone indicates "the interest in transition investing."

As of September 30, 2021, BAM had US\$80 billion available capital for deployment into new investments. In Q3 2021, net income rose 402.2% to \$2.72 billion versus Q3 2020. Notably, distributable earnings increased 39.6% year over year to US\$1.24 billion.

Besides renewable power, BAM invests in infrastructure and real estate and provides private equity and insurance solutions. Investing in this stock is like investing in the backbone of the global economy. For only \$73.83 per share, you can expect strong, risk-adjusted returns.

## Pure-play renewable power platform

If you prefer a pure-play renewable power platform, Brookfield Renewable is right up your alley. This \$12.64 billion company is a major public subsidiary of BAM. It operates and invests directly in the renewable power sectors such as hydro (49%), wind (22%), utility solar (16%), and energy transition (13%).

Apart from being a global leader in decarbonization, the company has renewable capacity across multiple technologies. It boasts best-in-class assets and a strong contract profile that assure investors of high-quality cash flows. Brookfield Renewable's portfolio currently has an operating capacity of 56,000 MW in five continents.

In the nine months ended September 30, 2021, revenue grew 5.1% to US\$3 billion versus the same period in 2020. The net loss increased 147.5% year over year to US\$99 billion due to higher direct operating costs, management service costs, and interest expenses. Notably, funds from operations in Q3 2021 grew 32% to \$210 million versus Q3 2020.

Brookfield Renewable has no meaningful near-term maturities. Likewise, it maintains a robust liquidity position with US\$3.3 billion in available funds. The renewable energy stock trades at \$45.96 per share and pays a higher dividend (3.63%). Its parent company pays a modest 0.89% yield.

## Superior returns

Deloitte sees renewables to be one of the most competitive energy sources in many areas. The reasons are rapid technology improvements and decreasing costs of renewable energy resources. Thus, companies with climate-friendly business models should deliver far superior returns.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:BN (Brookfield Corporation)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:BN (Brookfield)

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