



## Got \$500? 2 Insanely Cheap Energy Stocks Yielding 5.5%

### Description

While oil and gas stocks are at [cyclical](#) peaks, renewable energy stocks are oversold. A few months back, the world talked about carbon emissions and the urgency to reduce them. But energy shortage has shifted the attention to oil and gas as an immediate solution to the winter energy crisis. This has created an opportunity for value investors to lock in a dividend yield of over 5.5%.

### The value proposition of renewable energy stocks

The energy industry is seeing a shift where the oil and gas development is slowing and that of renewable energy is rising. The last two years have been exciting for the renewable energy industry, as the United States accelerated its CO2 efforts. When Joe Biden became the U.S. president, renewable energy stocks surged because of his clean energy proposition.

Then came the Russia-Ukraine war. Instead of dampening hopes, the war accelerated investment in renewables. [Europe](#) and America identified wind and solar energy as a way to reduce dependence on Russian oil and achieve energy security in the long term while reducing CO2 emissions.

The renewable energy industry is at the cusp of significant long-term secular growth, as countries aim to halve CO2 emissions by 2030. The world needs more green energy projects to achieve this target. However, the rising commodity prices and supply chain shock has slowed the development. The supply chain could take a few years to stabilize. When it does stabilize, wind and solar farm development could accelerate. These projects have a high turnaround rate, as they have the backing of government funding and policies.

### Two cheap energy stocks with high dividend yields

The recent [market downturn](#) has created a selloff in the renewable energy space, creating an opportunity to lock in high dividend yields for a long time. Below are two such energy stocks that are oversold:

- **TransAlta Renewables** ([TSX:RNW](#)): 5.85%
- **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)): 5.58%

## TransAlta Renewables

The company acquires, develops, operates, and maintains wind, natural gas, hydro and solar power-generation facilities. It has almost three GW of power generation capacity fully contracted for the long term with creditworthy counterparties. This ensures the company earns stable cash flow from existing facilities. It increases cash flow by acquiring and developing new facilities and diversifying its portfolio across Canada, the United States, and Australia.

In 2021, outages in the Canadian Wind segment kept TransAlta Renewables's adjusted EBITDA flat. But the addition of 428 MW of contracted power generation capacity increased its adjusted EBITDA by 13% in the [first quarter](#). It has an expansion project underway that will add an annual EBITDA of AU\$6-\$7 million once completed in the second half of 2023.

The growing government support could help TransAlta win more projects, thereby increasing its cash flow in the long term. The current downturn has pulled the stock down 17% from its April high, increasing its dividend yield to 5.8%. It is a good entry point to buy a stock that has been paying regular monthly dividends since 2014.

## Algonquin Power & Utilities

Algonquin has a broader portfolio of power generation and utilities. It acquires and refurbishes underutilized hydroelectric, wind, solar and thermal power facilities. It also distributes electricity, natural gas, water, and wastewater treatment. The company has been paying regular quarterly dividends since 2009 and even increased it at a compounded annual growth rate (CAGR) of 20.9%.

As a utility company, it sees seasonal demand during winters as heating requirements increase. The stock surged over 10% between October and December in the last five years except 2021. The market downturn has put Algonquin stock at its pandemic low and pushed it into the oversold category. Seasonal demand could drive its share price in the second half.

A \$250 monthly investment in the above two stocks for the rest of the year can help your \$6,000 investment churn \$300 in annual passive income from 2022 onwards.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:RNW (TransAlta Renewables)

## **PARTNER-FEEDS**

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

## **PP NOTIFY USER**

1. kduncombe
2. pujatayal

## **Category**

1. Energy Stocks
2. Investing

## **Date**

2025/07/04

## **Date Created**

2022/06/26

## **Author**

pujatayal

default watermark

default watermark