European utilities: Balanced outlook amid accelerating capex

Integrated and grid utilities to remain resilient, while pressure mounts for Norwegian firms

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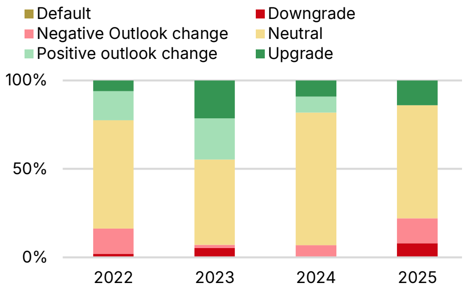
European utilities are navigating an intensive, multi-year power-grid investment cycle. While capex has risen gradually in recent years, the vast scale of planned upgrades for the decade ahead remains the main challenge to the sector's credit quality.

This pressure is most visible among transmission operators in central Europe, where required grid upgrades are much larger than for peers in southern Europe and distribution network operators. To manage this, many utilities have credit-balanced funding plans, combining retained cashflow, debt, hybrid bonds and equity injections. Some governments are also stepping in to provide strategic support, such as the purchase by German state-owned bank KfW of a 25% stake in TenneT Germany earlier this month. Credit metrics are likely to weaken, but our ratings reflect how this deterioration is offset, at least partially, by robust business risk profiles and new capital support. Therefore, if funding remains on track, we expect no extra rating pressure for grid utilities.

For 2026, the credit outlook is broadly stable across the sector, though a clear regional divide has emerged. Integrated utilities are well place to manage this investment cycle due to stronger balance sheets, positive free cashflow from generation and supply, and flexibility through asset sales. In contrast, Norwegian utilities face higher capex and rigid dividend payments to municipal owners.

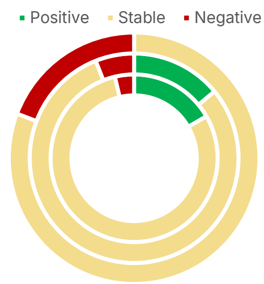
Currently, about 20% of our coverage carries a Negative Outlook, about half of which is related to Nordic utilities. Outside of this regional pocket, the sector appears well prepared for 2026, shifting its focus from securing funding to the steady execution of large-scale investments.

Figure 1: Fading ratings momentum following the commodity-price driven boost post-2022
Rating actions for European Utilities since 2022



Source: Scope Ratings, based on about 50 European utilities

Figure 2: Nearly 20% of ratings have a negative outlook as of end-2025
Outer circle: YE 2025; Middle: 2024; Inner: 2023



Source: Scope Ratings, based on about 50 European utilities

Table 1: Key trends impacting credit quality

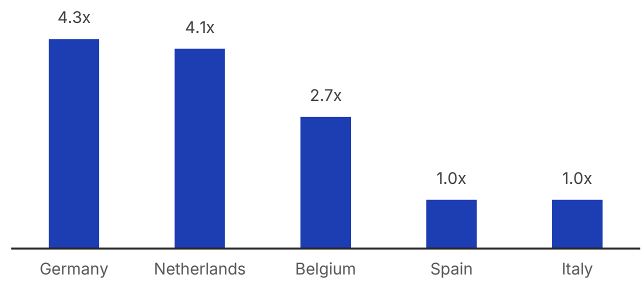
+	Continental power prices remain broadly stable and well above historical average levels
+	Supportive regulatory frameworks and balanced funding plans for grid operators
+	Solid balance sheets and positive FOCF contribution from generation for integrated utilities
−	High leverage and persistently negative FOCF for regulated utilities
−	Strict dividend mandates and rising capex for Norwegian utilities
−	Growing risk of cannibalisation and weaker capture prices for renewable generation

1. Ratings balance weaker metrics, equity support plans for grid operators

Capex to rise steeply in Germany, Netherlands and Belgium.

Large-scale investment needs in electricity grid infrastructure remain a key credit challenge, particularly in Belgium, the Netherlands, France and Germany. For grid operators such as TenneT, Elia, RTE, Alliander and Enexis, annual capex in 2026-27 will be double that of 2023-24. Across our European grid-operator coverage, companies will invest EUR 45bn a year, a dramatic four-fold increase relative to the EUR 11-12bn yearly run rate in 2020-21.

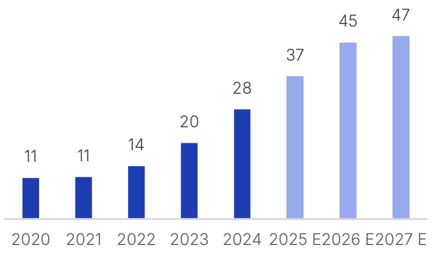
Figure 3: Estimated transmission capex relative to the existing asset base (2025-34)



Source: Scope's estimates based on TSOs and government planning documents

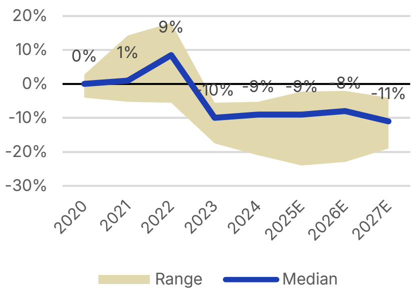
Regulatory frameworks across Europe are adapting to this challenge, having proposed or introduced several investment-friendly measures such as higher allowed returns, greater returns specifically for new investments, and remuneration of work-in-progress projects. While these are a step forward, electricity grid operators still face a wide gap between heavy upfront capex and the actual realisation of cashflow, leading to negative FOCF/debt ratios across most of our coverage.

Figure 4: Capex for European grid utilities (EUR bn)



Source: Scope Ratings based on 14 covered utilities

Figure 5: FOCF/Debt ratio for European grid utilities

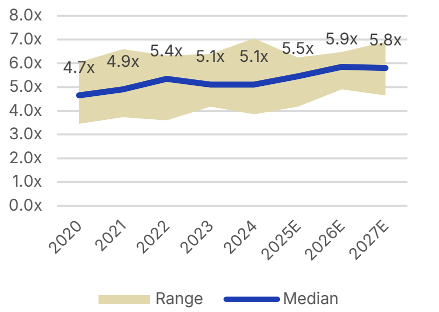


Source: Scope Ratings based on 14 covered utilities

We expect grid companies to rely on external financing, mainly debt, to cover their funding needs over the medium term. To manage this, many operators have announced funding plans that appear, in our view, balanced from a credit perspective. Furthermore, some companies have already completed equity increases (e.g. Elia, TenneT) or plan to do so, taking advantage of the improving regulatory framework to attract new investors. Ultimately, the ability to maintain the current credit quality will depend on how well these firms execute their funding plans.

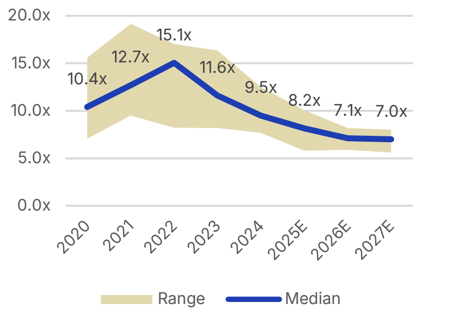
Across our European grid operator coverage, we expect Scope-adjusted debt/EBITDA at around 6.0x during 2026-27, a material increase compared with the average of about 5.0x over 2020-24. Interest cover ratio will fall towards about 7.0x by 2026-27, down from levels above 10x in recent years. Our ratings already account for this trend, as we balance weaker financial ratios against the grid operators' strong business risk profiles and the support provided by recent or planned equity injections.

Figure 6: Leverage for European grid utilities



Source: Scope Ratings based on 14 covered utilities

Figure 7: Interest cover ratio for European grid utilities



Source: Scope Ratings based on 14 covered utilities

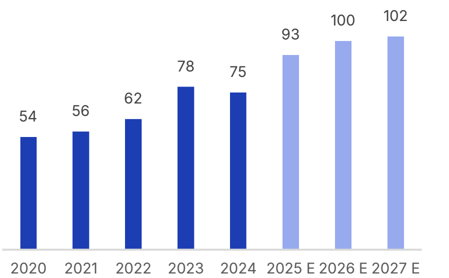
Besides the impact on metrics, the rapid acceleration in investment brings significant operational challenges. Execution risk remains high despite efforts to streamline permitting and expand supply chain capacity. In fact, regulatory bottlenecks and component shortages have caused several grid operators to fall behind targets. While these delays may slow down the expected deterioration of credit metrics, any potential upside is likely to be temporary. A more gradual deployment of capital simply shifts the financial pressure to later periods. Furthermore, supply chain bottlenecks can cause significant capex inflation, driving up total investments relative to the original budgets.

2. Integrated utilities are well positioned to face the funding challenge

Integrated companies face relatively lower investment burden

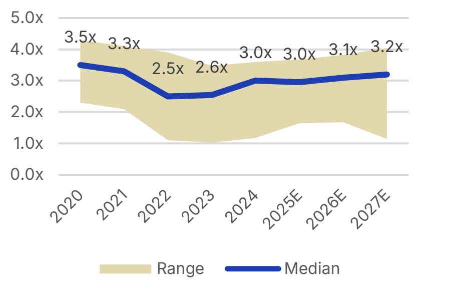
Integrated utilities with a sizeable footprint on electricity networks, such as Iberdrola, Enel or EnBW, also face increases in capex. However, the impact is diluted across the group due to the companies' diversification, resulting in just 30-35% capex increases in 2026-27 relative to 2023-24. We expect only a mild increase in leverage by 2027, still broadly in line with the leverage levels observed in 2020-24. Relative to regulated peers, integrated utilities have stronger balance sheets and a greater capacity to self-finance those investments due to positive free cashflow from generation and supply as well as other infrastructure segments. Strategic asset rotations, particularly within their renewable energy portfolios, also provide flexibility to further strengthen their financial positions and defend credit quality.

Figure 8: Capex for EU integrated & power generation utilities (EUR bn)



Source: Scope Ratings based on 18 covered utilities

Figure 9: Leverage for EU integrated & power generation utilities

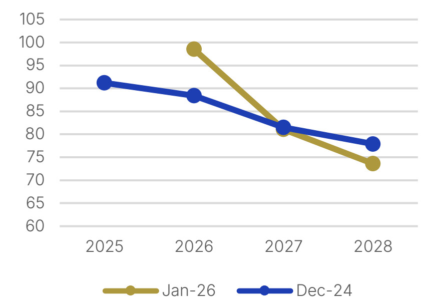


Source: Scope Ratings based on 18 covered utilities

Generation activities should continue to generate positive FOCF

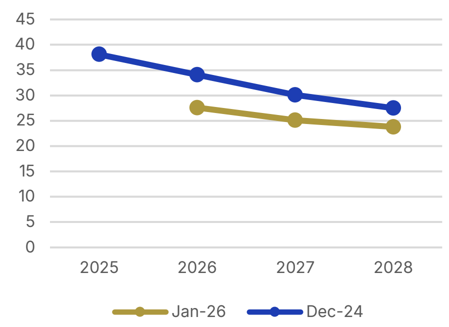
On the generation side, the fundamental environment remains supportive in most price zones. While the benefit of elevated hedges has gradually rolled out, wholesale electricity prices remain broadly flat year-on-year, and still well above historical averages. Meanwhile, gas-fleet margins are well supported by positive spark spreads for 2026.

Figure 10: German power curve (EUR/MWh)



Source: EEX (Baseload forwards), Scope

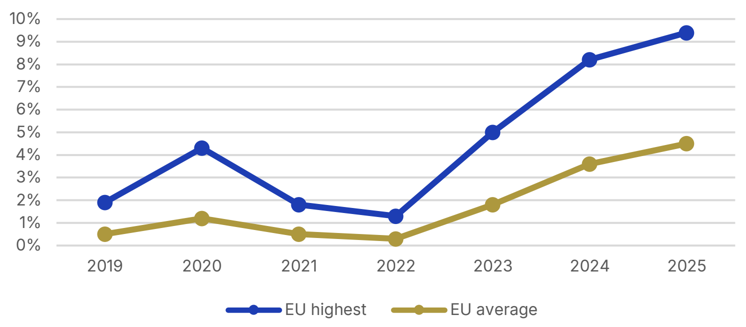
Figure 11: TTF gas curve (EUR/MWh)



Source: ICE Endex, Scope

The rise in renewable penetration across Europe is becoming a structural challenge, resulting in growing price cannibalisation and volatility. Eurelectric data shows that negative price hours across Europe are on an upward trend, averaging 4.5% of the year during 2025. However, most utilities maintain sufficiently diversified portfolios across power markets and technologies to manage these risks in the medium term.

Figure 12: Share of hours with negative prices during a given year



Source: Elda, Eurelectric Power Barometer 2025, Scope

3. Fixed dividends and weak power prices add risks for Norwegian utilities

Nordic utilities have to pay dividends to municipal shareholders

Norwegian utilities are facing a period of heightened financial pressure as massive capital expenditure requirements for grid upgrades and electrification targets collide with rigid dividend obligations to municipal owners. These investments are essential to support Norway's goal of a 95% emissions reduction by 2050. Regional price disparities compound the issue; northern utilities have faced below-cost pricing due to overcapacity and limited transmission, leaving them vulnerable to rating pressure if the normalisation signalled by forward prices fails to take place in 2026–27. While southern operators benefit from stronger cash flows, they must still balance heavy investment programmes against dividend policies to avoid credit deterioration.

Credit implications are already emerging, characterised by weakening metrics and Negative Outlooks for less diversified issuers. Financial flexibility is further limited by persistent dividend payouts to municipality owners and regulatory uncertainty regarding resource rent taxation, which has deterred international investment. While larger entities like Å Energi and Eviny are better positioned due to scale, a tightening energy balance by the 2030s will increase the pressure to expand hydro capacity and navigate political resistance to wind development. Regulatory clarity and disciplined capital allocation will be critical to sustaining long-term investment momentum.

4. Rating coverage

Scope's peer group of rated entities with a public or a subscription rating. Private ratings not included.

Rated entity	Rating	Country of origin	Sub-sector
Å Energi AS	A-/Stable	NO	Integrated utility
A2A SpA	Subscription rating available on ScopeOne	IT	Integrated utility
Akershus Energi AS	A-/Stable	NO	Power generator
Alliander NV	A+/Stable	NL	Grid operator
ALTEO NYRT	BBB-/Stable	HU	Integrated utility
Arva AS	BBB+/Stable	NO	Grid operator
Axpo Holidng AG	Only short-term debt rating of S-1 available	CH	Integrated
Cez as	Subscription rating available on ScopeOne	CZ	Integrated utility
EDF SA	Subscription rating available on ScopeOne	FR	Integrated utility
EDP SA	Subscription rating available on ScopeOne	PT	Integrated utility
Eidsiva Energi AS	A-/Stable	NO	Grid operator
ELIA GROUP SA	Subscription rating available on ScopeOne	BE	Grid operator
Elia Transmission Belgium SA	Subscription rating available on ScopeOne	BE	Grid operator
EnBW AG	Subscription rating available on ScopeOne	DE	Integrated utility
Enel SpA	Subscription rating available on ScopeOne	IT	Integrated utility
Enexis Holding NV	Subscription rating available on ScopeOne	NL	Grid operator
Engie SA	Subscription rating available on ScopeOne	FR	Integrated utility
EVINY AS	A-/Stable	NO	Integrated utility
EVN AG	A+/Stable	AT	Integrated utility
FINGRID OYJ	Subscription rating available on ScopeOne	FI	Grid operator
Fortum Oyj	Subscription rating available on ScopeOne	FI	Integrated utility
Greenergy Holding Vagyonkezelő Zrt	BB/Negative	HU	Power generator
HAFSLUND AS	A/Stable	NO	Integrated utility
HAUGALAND KRAFT AS	A-/Negative	NO	Integrated utility
Helgeland Kraft AS	BBB/Negative	NO	Integrated utility
Iberdrola S.A.	Subscription rating available on ScopeOne	ES	Integrated utility
Lyse AS	A-/Negative	NO	Integrated utility
MET Hungary Solar Park Kft.	BB-/Stable	HU	Power generator
Nordkraft AS	BBB/Negative	NO	Integrated utility
Nord-Trøndelag Elektrisitetsverk AS	BBB/Stable	NO	Integrated utility
OPUS TIGÁZ Gázhálózati Zrt.	BBB/Stable	HU	Grid operator
ORSTED A/S	Subscription rating available on ScopeOne	DK	Power generator
Østfold Energi AS	BBB+/Stable	NO	Power generator
RTE RESEAU DE TRANSPORT D ELECTRICITE	Subscription rating available on ScopeOne	FR	Grid operator
Snam SpA	Subscription rating available on ScopeOne	IT	Grid operator
Sogn og Fjordane Energi AS	BBB/Stable	NO	Integrated utility

Statkraft AS	Subscription rating available on ScopeOne	NO	Power generator
SUNNHORDLAND KRAFTLAG AS	BBB+/Stable	NO	Power generator
TenneT Holding BV	Subscription rating available on ScopeOne	NL	Grid operator
Tensio AS	A-/Stable	NO	Grid operator
TERNA RETE ELETTRICA NAZIONALE SPA	Subscription rating available on ScopeOne	IT	Grid operator
Tronderenergi AS	BBB+/Stable	NO	Power generator
Uniper SE	BBB/Stable	DE	Power generator
Vardar AS	BBB+/Negative	NO	Power generator
Vattenfall AB	Subscription rating available on ScopeOne	SE	Integrated utility

Related research

Norwegian utilities face rising capex demands while cash outflows remain constant, November 2025
European electricity: Germany, Netherlands, Belgium grapple with EUR 200bn-plus grid capex challenge, October 2025
Spain's renewable energy push risks running into reliability, pricing, investment obstacles, October 2025
European utilities: less price support, more capex leave credit outlook less positive but balanced, February 2025

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