

Energy Insight Europe

July 2023

Credit analysis on Europe's utilities and oil & gas sectors

Europe's grid operators need regulated returns to improve as capex burden rises; hedging promises electricity producer gains, but consumer pain; IOCs' understandable renewables caution; a new nuclear era?

Scope Group's regular round-up of latest research on companies in the European energy sector, from electricity producers to grid operators and integrated oil & gas companies

Europe's electricity grid operators: waiting for returns to catch up with capex surge

July 2023 — “Increased remuneration on investments might apply only or mostly to new investments and usually kick in when current regulatory periods end – hence the importance of companies’ recent and continuing efforts to stabilise their finances.”



Sebastian Zank
Managing Director



Marco Romeo
Senior Specialist

European utilities: continued electricity price hedging promises producer gain, consumer pain

April 2023 — “What is good for the earnings and credit metrics of the utilities in question is detrimental for the off-takers of generated electricity... who will have to bear the cost of elevated prices for an extended period.”



Sebastian Zank
Managing Director

Oil and gas: IOCs’ caution on renewables reflects financing conditions, market uncertainty

April 2023 — “Integrated oil and gas companies have good economic reasons for caution over low-carbon energy projects: the rising cost of capital exposes their poor rate of return compared with short-cycle oil, gas projects amid commodity-cycle uncertainty.”



Marlen Shokhitbayev
Director

Nordic utilities: north-south price gap benefits grid operators, TSOs; southern generators also gain

November 2022 — “The pricing divergence is just one example of Europe’s still disjointed power markets.”



Michael-Marco Simonsen

Associate Director



Per Haakestad

Senior Specialist

European utilities: liquidity improves; guarantees show state support vital

September 2022 — “Other financial pressures are building for the European sector in general over and above the collateral issue, with potential long-term consequences for investment.”



Sebastian Zank

Managing Director



Marco Romeo

Senior Specialist

Europe rethinks nuclear power as longer-term fix to market, climate, security challenges

March 2022 — “New investment in nuclear power could help Europe stabilise diminishing supplies of baseload electricity as coal and old nuclear power stations close – without relying just on natural gas as an alternative – but only in the longer term.”



Anne Grammatico

Associate Director

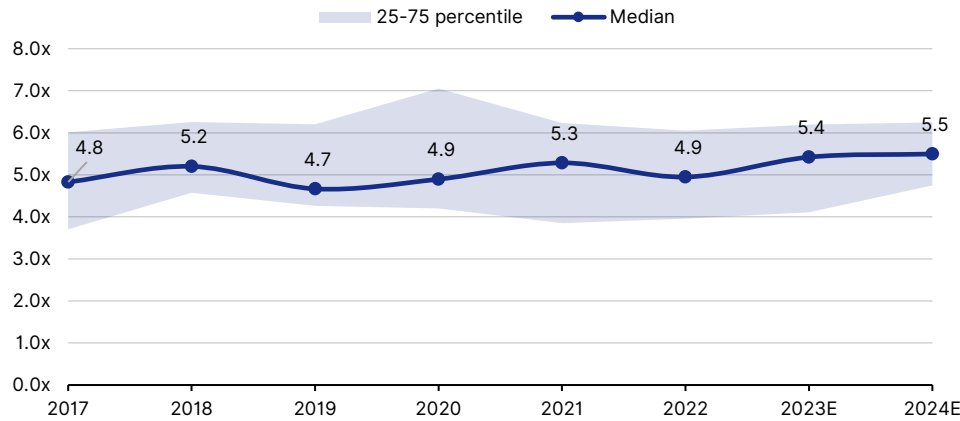


Sebastian Zank

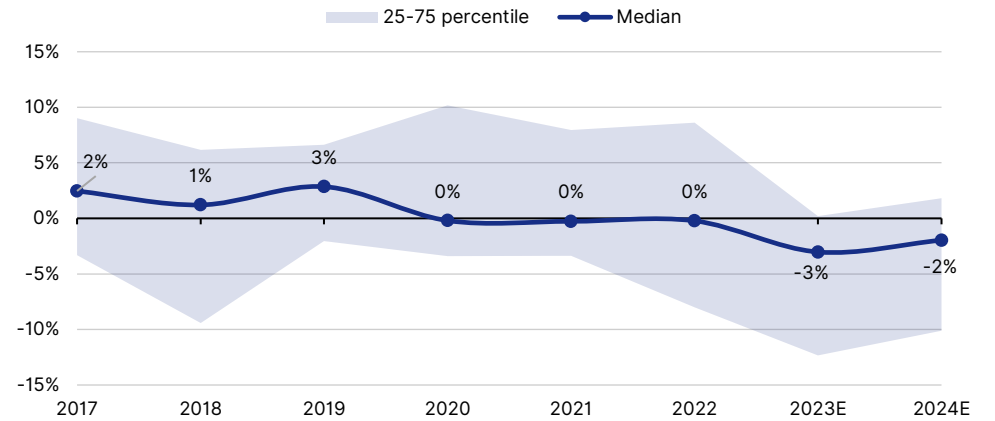
Managing Director

Scope's peer group for grid operators – key credit metrics

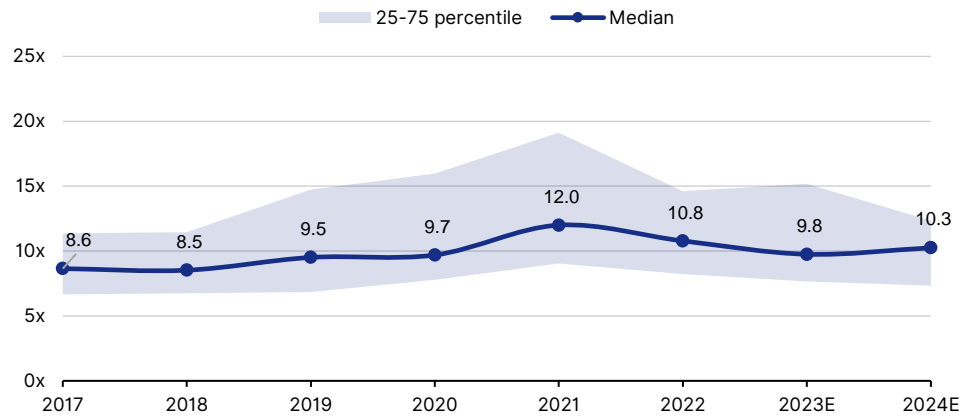
Leverage (Scope-adjusted debt / EBITDA)



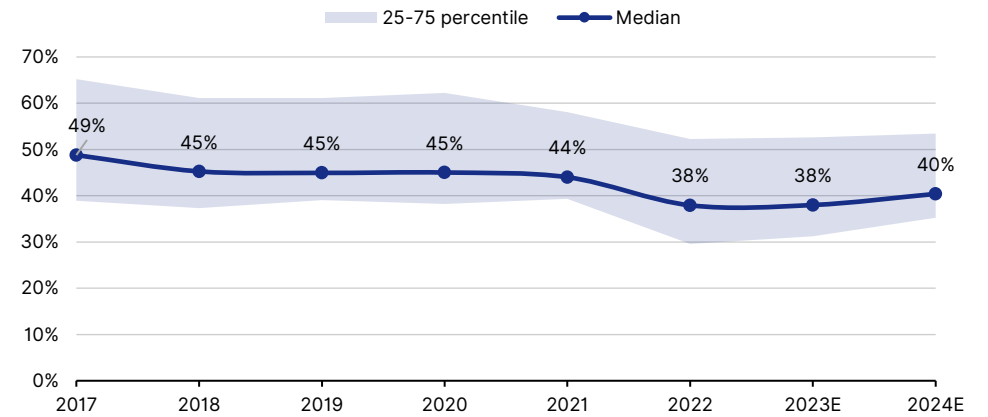
Cash flow cover (Scope-adjusted FOCF / debt)



Debt protection (Scope-adjusted EBITDA / interest)



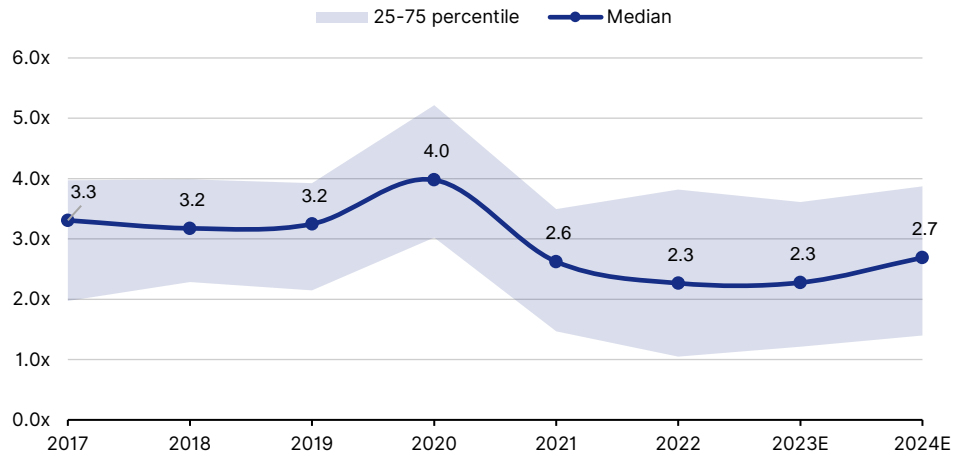
Profitability (Scope-adjusted EBITDA margin)



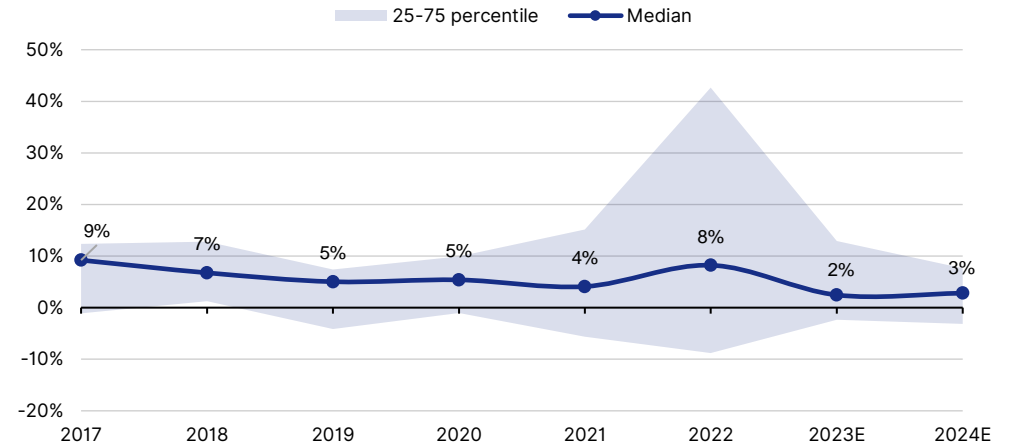
Source: Scope data based on 19 covered grid operators which include public, subscription and private ratings

Scope's peer group for integrated utilities and generators – key credit metrics

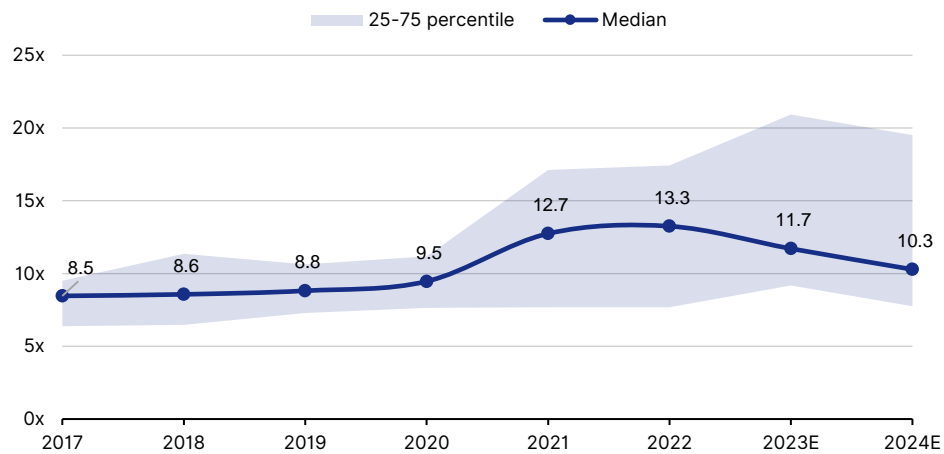
Leverage (Scope-adjusted debt / EBITDA)



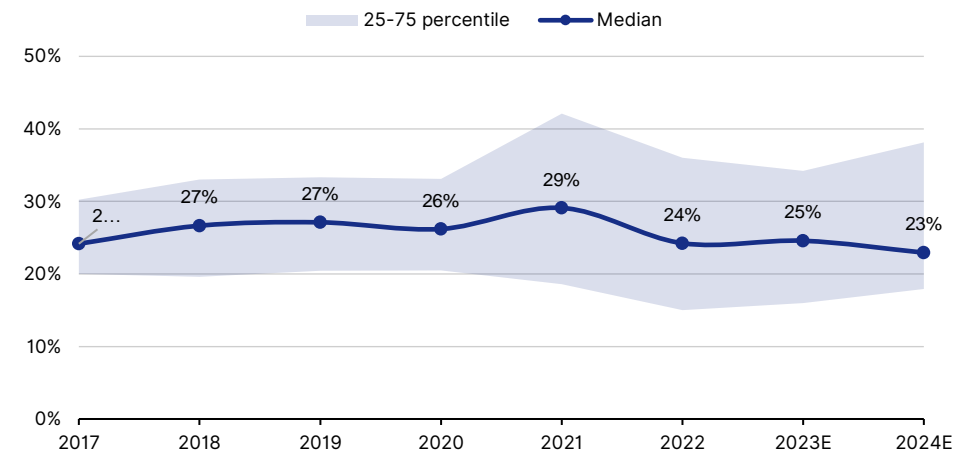
Cash flow cover (Scope-adjusted FOCF / debt)



Debt protection (Scope-adjusted EBITDA / interest)



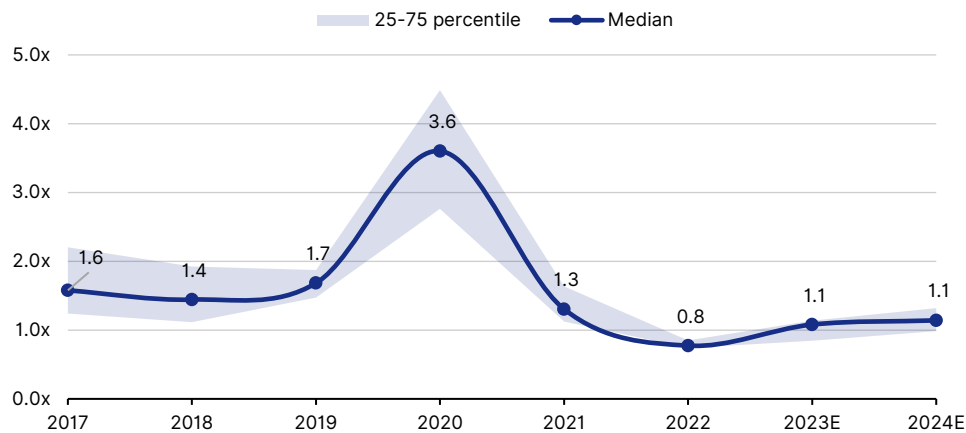
Profitability (Scope-adjusted EBITDA margin)



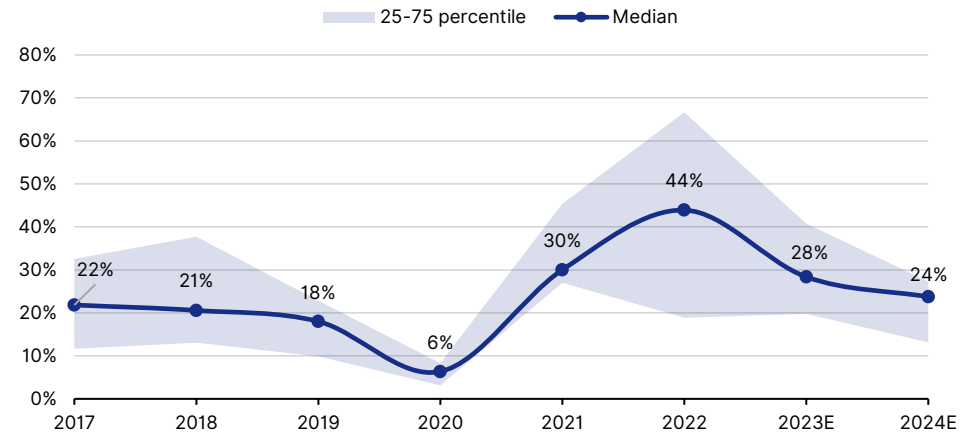
Source: Scope data based on 31 covered integrated utilities and power generators which include public, subscription and private ratings

Scope's peer group for oil and gas corporates – key credit metrics

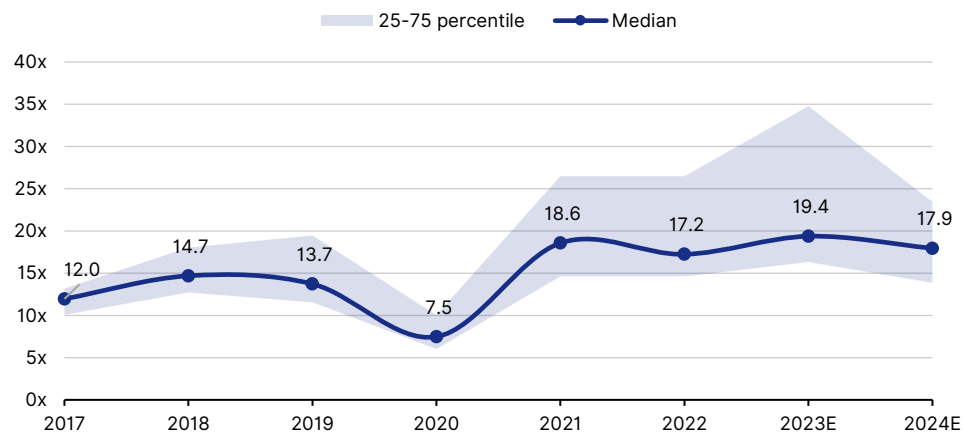
Leverage (Scope-adjusted debt / EBITDA)



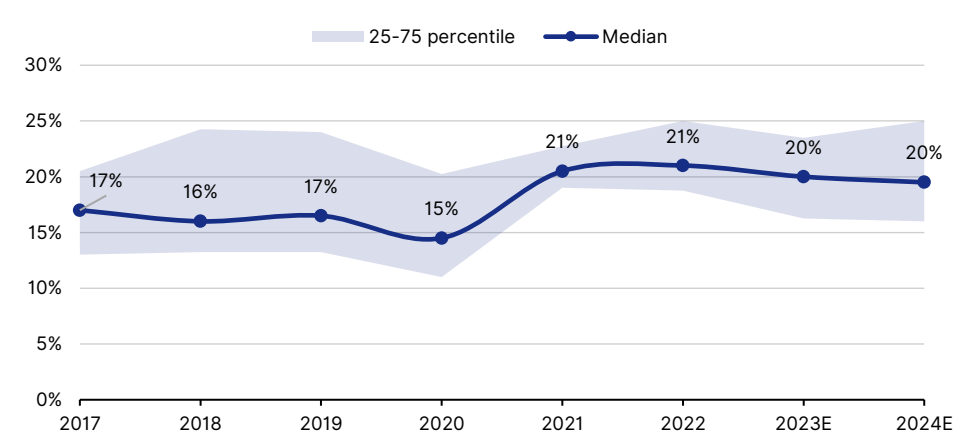
Cash flow cover (Scope-adjusted FOCF / debt)



Debt protection (Scope-adjusted EBITDA / interest)

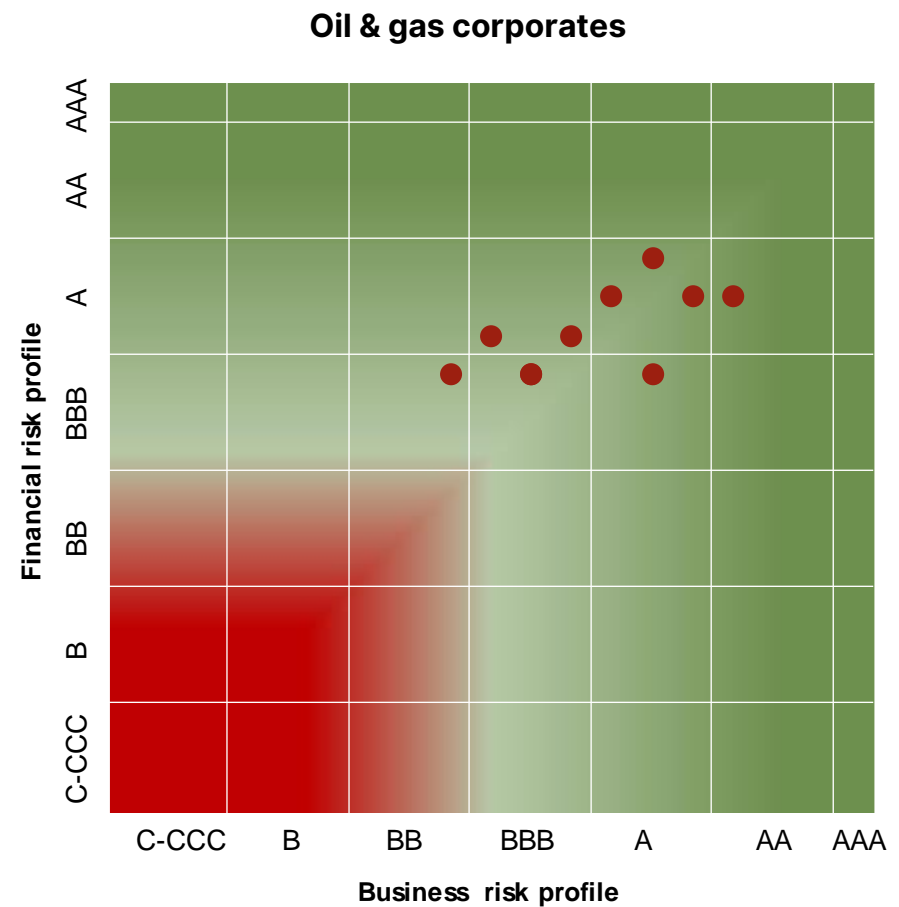
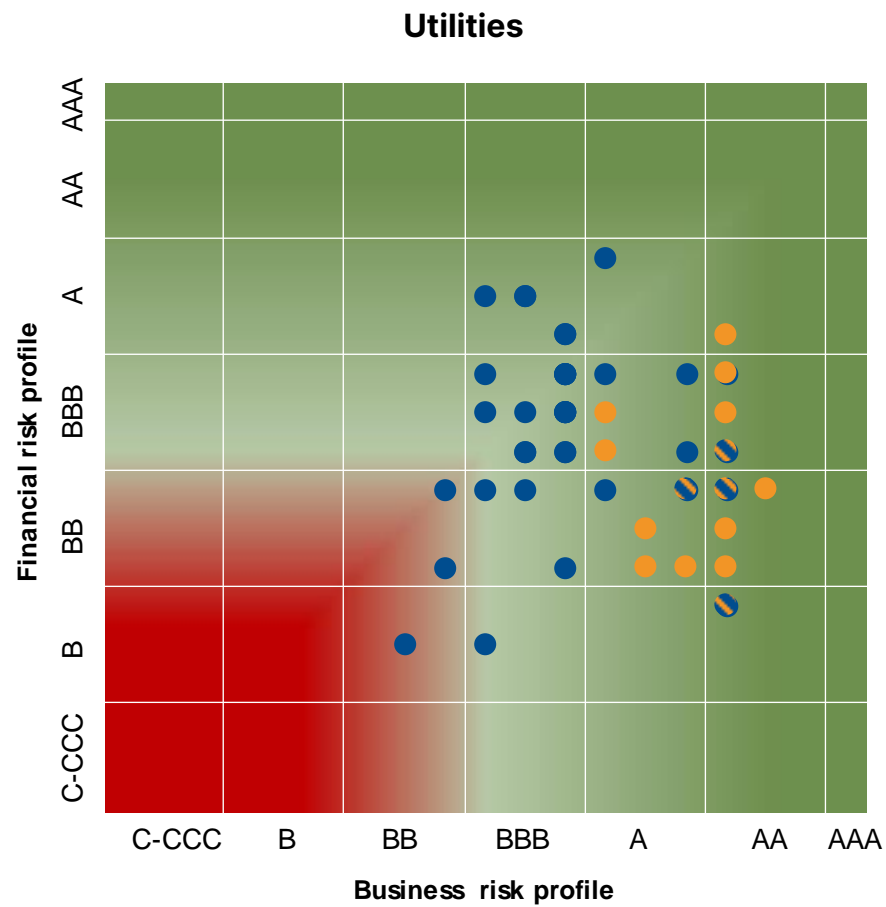


Profitability (Scope-adjusted EBITDA margin)



Source: Scope data based on 10 covered oil and gas incumbents

Scope's energy-related corporates peer group – combinations of business and financial risk profiles



● Integrated utilities and power generators

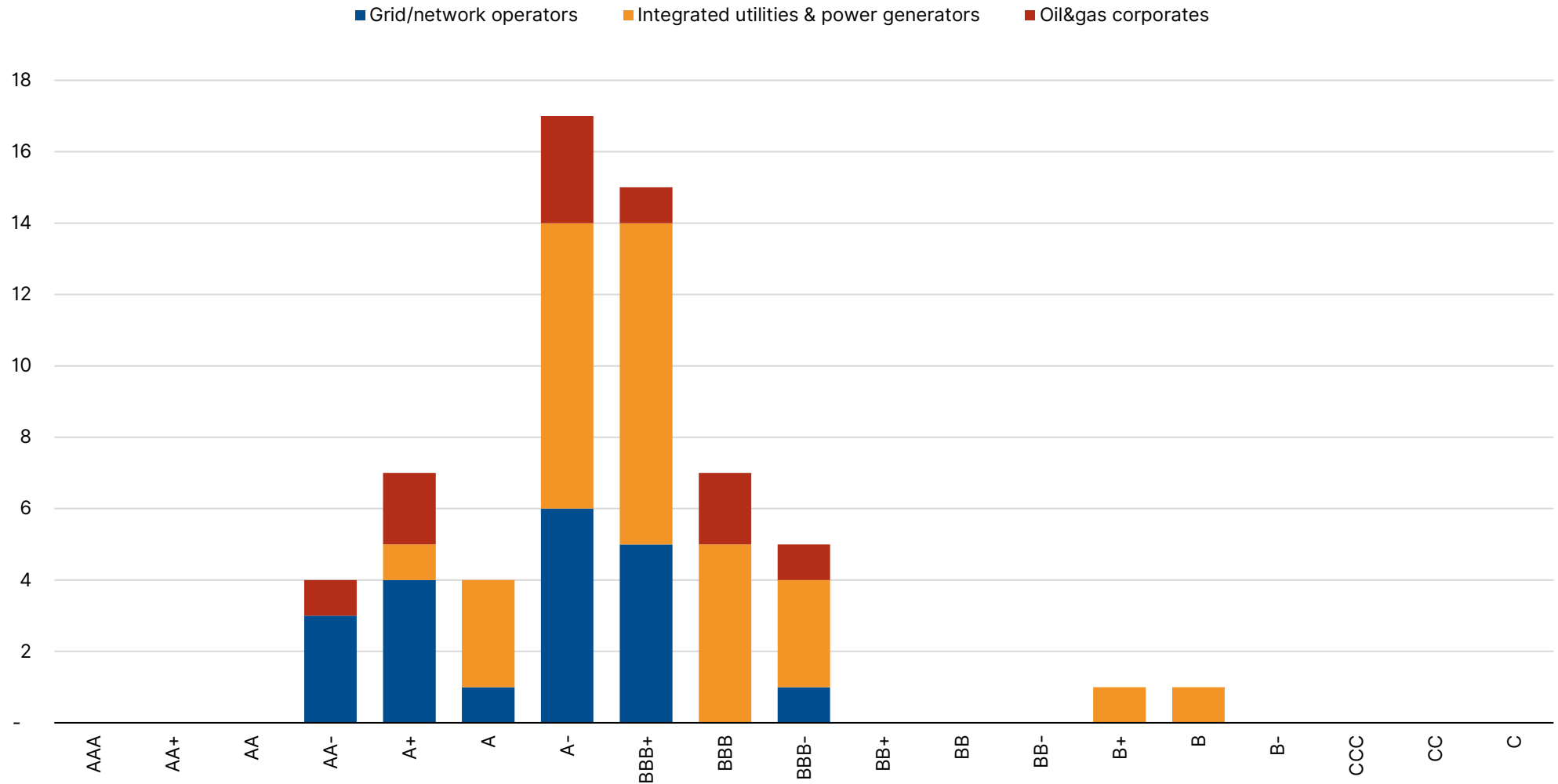
● Oil and gas incumbents

● Grid and network operators

Notes: 1) Data includes assessments for public, subscription and private ratings; 2) Some rated entities have the same combination on the business and financial risk profile resulting in an overlap of data points

Scope's energy-related corporates peer group

Final ratings incl. rating impact from shareholder structure/GRE status



Source: Scope data based on 61 covered companies which include public, subscription and private ratings

Recent sector-relevant research

Jul 2023	Europe's electricity grid operators: waiting for returns to catch up with capex surge
Apr 2023	European utilities: Continued electricity price hedging promises producer gain, consumer pain
Apr 2023	Oil and gas: IOCs' caution on renewables reflects financing conditions, market uncertainty
Nov 2022	Nordic utilities: north-south price gap benefits southern generators; TSOs also gain
Sep 2022	European utilities: liquidity improves; Uniper nationalisation, guarantees show state support vital
Jul 2022	Germany's gas squeeze: partial temporary solution takes shape to cutting Russian gas dependence
Jul 2022	Credit Talk: Oil & gas companies keep capex in check as they confront a cycle like no other
Jun 2022	Credit Talk: government intervention risks spoiling utilities' investment plans, credit quality
Apr 2022	Assessing the oil & gas sector's carbon footprint: TotalEnergies, Repsol are standard setters in European IOC's transformation
Mar 2022	Europe rethinks nuclear power as longer-term fix to market, climate, security challenges
Mar 2022	Limiting Russian oil and gas imports: Europe's delicate balancing act
Mar 2022	European oil & gas: risks mount for Europe-based companies as Russia-Ukraine conflict intensifies
Mar 2022	War in Ukraine will impact long-term EU energy policy
Mar 2022	Mixed credit outlook for European infrastructure and project finance
Feb 2022	European energy price crunch aggravated by Russia-Ukraine conflict
Nov 2021	Spain spares tax pain for Iberdrola, Endesa; higher prices promise cashflow gains mostly from 2023
Oct 2021	European energy shock: policy rethink is one of seven insights from supplier, consumer squeeze
Jun 2021	Corporate ESG debt: EU regulation, investor demand broadens, deepens issuance pool, spurs innovation
Jun 2021	Integrated oil & gas: credit outlook remains stable amid rising prices, environmental pressures
Apr 2021	ESG considerations for the credit ratings of utilities
Mar 2021	Capex quandaries divide European industry: utilities ramp-up; telecoms growth; oil & gas, chemicals decline
Feb 2021	European utilities credit outlook 2021: capex, Covid-19 fallout to test sector's financial stability
Jan 2021	Oil & gas credit outlook 2021: more resilient sector keeps costs in check; ESG pressure mounts
Dec 2020	Investors must assess fundamental value to capture stress resilience of merchant projects
Apr 2020	Integrated oil & gas companies cut capex by 25%, tap debt markets in dash for cash amid oil glut
Mar 2020	European utilities' credit outlook stable; Covid-19 industry disruption poses longer-term threat
Feb 2020	European utilities outlook 2020: ESG-linked debt to become increasingly standard for sector funding
Oct 2019	European electricity: Renewables-based PPAs transform sector
Sep 2019	Mobility transition and utilities Governments, utilities face emissions, opportunities, challenges from electric-car boom





















Latest public rating actions on energy-related ratings from Corporates and Project Finance

Jun 2023	Scope affirms issuer rating of Helgeland Kraft AS at BBB/Stable
Jun 2023	Scope affirms BBB issuer rating on TrønderEnergi and changes Outlook to Positive
Jun 2023	Scope upgrades ALTEO's issuer rating to BBB-/Stable from BB+, resolving the under-review status
Jun 2023	Scope upgrades Hafslund's issuer rating to A- from BBB+ and maintains the Positive Outlook
Jun 2023	Scope upgrades issuer rating of Å Energi (previously known as Agder Energi) to A-/Positive
May 2023	Scope affirms A+/Stable issuer rating of Austrian utility EVN AG
May 2023	Scope upgrades to BB from B+ the Senior Unsecured Bonds issued by PoSolar Ktf
May 2023	Scope affirms Pannonia Bio's BB+ issuer rating, changes Outlook to Negative
May 2023	Scope downgrades the Class A1 Guaranteed secured securities issued by Virtuo Finance SARL
Apr 2023	Scope upgrades issuer rating of Lyse AS to A-/Stable from BBB+/Stable
Mar 2023	Scope has completed a monitoring review for Gode Wind 1 Investor Holding GmbH
Mar 2023	Scope assigns first-time BBB-/Stable issuer rating to Opus Tigáz Zrt
Mar 2023	Scope assigns first-time issuer rating of BBB+/Stable to Arva AS with Stable Outlook
Mar 2023	Scope affirms Envien Magyarország's rating at BB/Stable
Jan 2023	Scope affirms Eidsiva's issuer rating at BBB+/Stable
Jan 2023	Scope has completed a monitoring review for Borkum Riffgrund 2 Investor Holding GmbH
Dec 2022	Scope has completed a monitoring review for CPPIB Renewables Europe Sà.r.l.
Dec 2022	Scope places ALTEO's BB+ issuer rating under review for a possible upgrade
Dec 2022	Scope upgrades Akershus Energi's issuer rating to A-/Stable
Dec 2022	Scope assigns S-1 short-term debt rating to Axpo Holding and financing subsidiary Axpo International
Nov 2022	Scope upgrades SKL AS's issuer rating to BBB+/Stable
Nov 2022	Scope affirms B/Stable issuer rating on independent power producer MET Hungary Solar Park
Oct 2022	Scope converts Terna's ratings into unsolicited subscription ratings available on ScopeOne
Oct 2022	Scope affirms BBB+ issuer rating on Haugaland Kraft AS and raises Outlook to Positive
Oct 2022	Scope affirms its A-/Stable issuer rating on Tensio AS
Oct 2022	Scope affirms ALTEO's BB+/Stable issuer rating
Sep 2022	Scope affirms Uniper's BBB- issuer rating and revises the Outlook to Stable
Sep 2022	Scope affirms Encavis AG's BBB- issuer rating, revises Outlook to Positive

Note: Rating actions on subscription ratings to be found on Scope One

Corporate Ratings – Public ratings on European utilities

Public Utilities Ratings

 <p>BBB-/Stable</p> <p>Germany Power utility</p>	 <p>A-/Positive</p> <p>Norway Integrated utility</p>	 <p>A-/Stable</p> <p>Norway Integrated utility</p>	 <p>BBB/Positive</p> <p>Norway Integrated utility</p>	 <p>BBB-/Stable</p> <p>Hungary Integrated utility</p>
 <p>A+/Stable</p> <p>Austria Integrated utility</p>	 <p>A-/Positive</p> <p>Norway Integrated utility</p>	 <p>BBB+/Stable</p> <p>Norway Integrated utility</p>	 <p>BBB+/Stable</p> <p>Norway Integrated utility</p>	 <p>BBB-/Stable</p> <p>Hungary Regulated grid operator</p>
 <p>S-1*</p> <p>Switzerland Integrated utility</p>	 <p>A-/Stable</p> <p>Norway Integrated utility</p>	 <p>BBB+/Positive</p> <p>Norway Integrated utility</p>	 <p>A-/Stable</p> <p>Norway Regulated grid operator</p>	 <p>B/UR</p> <p>Hungary Renewables IPP</p>
 <p>BBB-/Positive</p> <p>Germany Renewables IPP</p>	 <p>BBB+/UR</p> <p>Norway Integrated utility</p>	 <p>BBB/Stable</p> <p>Norway Integrated utility</p>	 <p>BBB+/Stable</p> <p>Norway Regulated grid operator</p>	 <p>B+/UR</p> <p>Hungary Integrated utility</p>

* Only short-term debt rating is public, issuer rating only available to particular subscribers

Corporate Ratings – Subscription ratings on European utilities











Subscription Utilities Ratings

 Rating* France Integrated utility	 Rating* Italy Integrated utility	 Rating* Italy Regulated grid operator	 Rating* Belgium Regulated grid operator	 Rating* Finland Integrated utility	 Rating* Finland Regulated grid operator	 Rating* Spain Regulated grid operator
 Rating* France Integrated utility	 Rating* Italy Integrated utility	 Rating* Italy Integrated utility	 Rating* Netherlands Regulated grid operator	 Rating* Sweden Integrated utility	 Rating* Norway Regulated grid operator	 Rating* Czech Republic Integrated utility
 Rating* France Regulated grid operator	 Rating* Italy Regulated grid operator	 Rating* Italy Integrated utility	 Rating* Netherlands Regulated grid operator	 Rating* Norway Integrated utility	 Rating* Estonia Regulated grid operator	
 Rating* France Regulated grid operator	 Rating* Italy Integrated utility	 Rating* Italy Regulated grid operator	 Rating* Netherlands Regulated grid operator	 Rating* Denmark Integrated utility	 Rating* Estonia Integrated utility	

Rating* - these ratings are available only for the subscribers to Scope One

Corporate Ratings – Subscription ratings on European oil & gas corporates

Subscription Oil & Gas Corporates Ratings

 UK Integrated oil & gas Rating*	 Italy Integrated oil & gas Rating*	 Norway Integrated oil & gas Rating*	 Hungary Integrated oil & gas Rating*	 Austria Integrated oil & gas Rating*
 Poland Integrated oil & gas Rating*	 Spain Integrated oil & gas Rating*	 UK Integrated oil & gas Rating*	 France Integrated oil & gas Rating*	 Germany E&P / Integrated oil & gas Rating*

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