Research Update:

Statkraft Outlook Revised To Negative On Weakening Performance; 'A/A-1' Ratings Affirmed

March 25, 2025

Primary contact

Per Karlsson
Stockholm
46-84-40-5927
per.karlsson
@spglobal.com

Secondary contact

Eileen X Zhang, CFA
London
44-20-7176-7105
eileen.zhang
@spglobal.com

Rating Action Overview

- Softer power prices and delays in asset disposals resulted in weaker-than-anticipated financial metrics for Statkraft AS in 2024.
- The group's S&P Global Ratings-adjusted funds from operations (FFO) to debt stood at 22% in 2024, well below our expectations.
- We see a risk that the FFO to debt may not recover to above 30% over 2025-2027, reflecting uncertainties associated with the company's execution of planned asset sales, as well as its weaker operational performance.
- We therefore revised our outlook on Statkraft to negative from stable and affirmed our 'A/A-1' ratings.
- The negative outlook reflects a possible one-notch downgrade if Statkraft fails to achieve its planned asset sales in the next six-12 months, or persistent weaker power prices lead to FFO to debt below 30%.

Rating Action Rationale

We revised the outlook to negative, primarily to reflect our view that Statkraft's credit metrics may not recover in 2025-2027. We see a risk that Statkraft's S&P Global Ratings-adjusted FFO to debt will remain below 30% during 2025-2027, following the recently reported outturn for 2024. Lower power prices and high tax payments, in combination with a delay in asset disposals, all contributed to the lower performance than expected in 2024, where FFO to debt stood at 22% compared with our previous expectation of 50%-60%, and 118% reported in 2023.

2024 results reflect Statkraft's revenue sensitivity to power prices, despite its highly efficient and flexible hydro assets. In 2024 EBITDA stood at Norwegian krone (NOK) 34.4 billion, versus our expectation of about NOK40 billion-NOK45 billion. The underperformance mainly reflects softer power prices. Nordic system prices decreased to an annual average of €36 per megawatt hour (/MWh) in 2024 from about €56/MWh in 2023. We expect Nordic power prices to remain around €33-€37/MWh in 2025-2026. As most of Statkraft's earnings and cash flow generation comes from spot sales in the Nordic region, our updated forecast implies EBITDA around NOK28 billion-NOK33 billion in 2025 and 2026.

Statkraft is one of the most efficient power producers in Europe, with very low operating costs at around €11-€13/MWh. It also has high flexibility in terms of production volumes thanks to its hydro power assets. We continue to view its strong domestic position in Norway as the key strength of its business model. With only about one-third of production being hedged, Statkraft is exposed to spot price developments more so than peers. Power prices therefore tend to have a greater impact on its profitability and cash flow. We expect Statkraft to be able to continue to outperform the system prices, though, thanks to the flexibility it has in its hydro operations, which we believe partially offset the lower hedging positions.

Due to a high tax burden, Statkraft's cash flow conversion is low. The timing effect in Statkraft's tax payments also had a particular material impact on the 2024 credit metrics. The NOK11.5 billion in FFO was after a hefty NOK20.5 billion cash tax payment that was based on the strong 2023 result when EBITDA was about NOK43.0 billion. The effective tax rate of 66.7% implies weak EBITDA-FFO conversion compared with most other rated utilities we rate. We expect the tax burden will ease somewhat in 2025 and 2026, which should support a gradual improvement in FFO to NOK14 billion-NOK17 billion.

Acquisitions and capital expenditure (capex) pushed debt up in 2024. We believe Statkraft's capex and acquisition spending peaked in 2024, with a total at about NOK34 billion reported. Acquisitions made up NOK18 billion, mainly for Enerfin, which signed in November 2023 but was paid in 2024, and the rest was in capex. On top of that, a hefty NOK13 billion was paid in dividends, leading to a weak discretionary cash flow to debt ratio of 33%. As our previous assumption of NOK11 billion of asset sales didn't materialize in 2024, adjusted debt increased to NOK52 billion, up from NOK14 billion in 2023 and our previous expectation of NOK35 billion-NOK50 billion.

Lower spending and assets sales could support the current 'A' rating, but timing and price is uncertain. In 2025 and 2026 we assume spending on capex and acquisitions will moderate somewhat, to NOK13 billion-NOK17 billion in total. Of this we include maintenance capex of NOK5.0 bilion-NOK7.0 billion and investment by Baltic cable into the Greenlink of expected just above NOK2.0 billion. We understand that management still has the intention to dispose assets to offset the impact of lower cash flow generation. As of year-end 2024, the group reported NOK7.8 billion of assets up for sale. However, we believe the figures could increase to NOK10 billion-NOK20 billion. If Statkraft realizes a NOK20 billion asset sale in the near term, FFO to debt ratios could return to above 30% in late 2025 and 2026. Uncertainty about timing and price is high, however, notably for its district heating operation, which had low or even negative EBITDA contribution in 2023 and 2024, and also for its operation in Chile that was part of the Enerfin transaction.

We continue to factor a two-notch uplift into our rating on Statkraft for extraordinary government support. The group is 100% owned by Norway (unsolicited; AAA/Stable/A-1+). We see the risk of privatization as remote, given the law stipulates that hydro assets should remain at least two-thirds publicly owned.

Outlook

The negative outlook reflects the risk that Statkraft's credit ratios could remain below 30% over 2025-2027. If we did not expect an improvement in credit ratios, we could downgrade Statkraft to A-.

Downside scenario

We could lower the ratings on Statkraft if it fails to execute on its planned asset sales and achieve sufficient income to support the recovery of its FFO-to-debt ratio above 30% in the next six-12 months. The ratings could also come under pressure if electricity prices in the Nordic region continue to soften beyond our current assumptions, leading to weaker operational performance than we assumed.

Upside scenario

We could revise the outlook to stable if a stronger power price and timely execution of asset sales bring the FFO-to-debt ratio comfortably above 30%. This would, however, likely require achieving asset sales close to NOK20 billion and Nordic power prices returning to €40-€45/MWh.

Company Description

Norway-based Statkraft is the largest renewable hydro energy producer in Europe, with about 66 terawatt hours (TWh) of generation in 2024. Its EBITDA stems from power generation, with the vast majority from hydro production in Norway, but also to a large extent from market operations, including trading and risk optimization, origination, and market access for smaller generators. About 80%-85% of EBITDA typically stems from its Nordic activities. Other generation sources are onshore wind, solar, and district heating. Statkraft operates in other markets outside the Nordic countries, such as the rest of Europe, South America, India, and Nepal. The company is pursuing expansion of its renewable portfolio in Europe and the Americas. The operations in India are expected to be disposed. Over time, around 75% of net investment capacity is expected to be deployed in Nordic and European activities, with some yearly variations.

Our Base-Case Scenario

Assumptions

- Nord Pool system price to average about €33-€37/MWh in 2025, and the same in 2026.
- Statkraft's total annual European production volume of about 60-65 TWh, of which about 65%-70% exposed to Nordic spot prices and about 4-5 TWh from the rest of the word.
- Limited margin calls related to trading and hedging.
- Long-term contracts with fixed prices for about one-third of estimated production.
- Capex and acquisitions of about NOK14 billion-NOK17billion in 2025
- Dividends based on previous year's net profit: 85% of earnings related to Norwegian hydro; and 35% of earning from other activities.

- Hydro generation tax in Norway being paid the following year.
- Divestment and farm down over 2025-2026; with expected proceeds of about NOK10 billion-NOK20 billion.

Key metrics

Statkraft AS--Key metrics

	--Fiscal year ended Dec. 31--				
(Bil. NOK)	**2023a**	**2024a**	**2025e**	**2026f**	**2027f**
EBITDA	43	34	27-33	25-30	25-30
Funds from operations (FFO)	17	12	14-17	13-16	15-18
Capex	9.0	12.0	14-17	10-15	10-15
Dividends	17.2	13.0	8.7	7-8	7-8
Debt	14	52.8	48-58	50-60	50-60
Adjusted ratios					
Debt/EBITDA (x)	0.3	1.5	1.3-2	1.3-2	1.3-2
FFO/debt (%)	118.5	21.8	26-32	26-32	29-34
DCF/debt (%)	(124.0)	(33.1)	(8-16)	5-(5)	25-50

Liquidity

We assess Statkraft's liquidity as strong. We expect the company will maintain liquidity sources that exceed uses by about 2.0x over the next 12 months and 1.5x in the subsequent 12 months started Jan. 1, 2025. We also assume liquidity sources will exceed uses even if EBITDA were to decrease by 30%. We understand Statkraft's credit facilities are free from onerous financial covenants. We view the company as having solid relationships with its banks and a high standing in credit markets. The company's main source of back-up facility is its revolving €1.3 billion credit facility, which matures in March 2029, currently undrawn. We expect the state ownership to further increase access to bank financing. We view risk management as very prudent overall.

Principal liquidity sources

- Cash and cash equivalents of NOK31billion;
- Access to about unused committed facility of NOK15.3 billion; and
- Cash FFO, which we expect to be about NOK16 billion.

Principal liquidity uses

- Debt maturities of NOK about 7.5 billion;
- Some working capital
- Capex around NOK13-17 billion; and
- Dividends of NOK8 billion-NOK9 billion.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	A/Negative/A-1
Local currency issuer credit rating	A/Negative/A-1
Business risk	Strong
Country risk	Very Low Risk
Industry risk	Moderately High Risk
Competitive position	Excellent
Financial risk	Intermediate
Cash flow/leverage	Intermediate
Anchor	bbb+
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Strong
Management and governance	Neutral
Comparable rating analysis	Neutral
Stand-alone credit profile	bbb+

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010

Ratings List

Ratings list		
Ratings Affirmed; Outlook Action		
	To	**From**
Statkraft SF		
Statkraft AS		
Statkraft Energi AS		
Issuer Credit Rating	A/Negative/A-1	A/Stable/A-1
Foreign Currency	A/Negative/A-1	A/Stable/A-1
Ratings Affirmed		
Statkraft AS		
Senior Unsecured	A	