Bulletin:

EnBW Withdrawal From Two U.K. Offshore Wind Farms Leaves Material Sunk Costs But Is Absorbed At Current Rating

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This report does not constitute a rating action.

FRANKFURT (S&P Global Ratings) Jan. 20, 2026--German integrated utility EnBW Energie Baden-Württemberg AG (A-/Stable/A-2) announced on Jan. 15, 2026, that it will discontinue its involvement in the Mona and Morgan offshore wind projects in the U.K. after failing to secure contracts for difference (CfDs) in the U.K. government's seventh allocation round (AR7). The following day, the company announced it is selling its 50% stake in the Mona project to its partner JERA Nex bp (JNbp), an offshore wind joint venture between BP and JERA, while the Morgan project will be terminated.

This decision leaves material sunk costs and is a setback for EnBW's offshore wind strategy. However, our ratings and outlook remain unchanged at this stage, since the deteriorating investment conditions for the write-down of these projects can be absorbed at the current rating, and there are limited near-term cash flow implications. The company affirmed its 2025 adjusted EBITDA guidance of €4.8 billion-€5.3 billion, a metric calculated before impairments.

The withdrawal results in a €1.2 billion non-cash impairment in EnBW's 2025 annual financial statements, reflecting the write-down of accumulated development costs and capitalized lease payments. S&P Global Ratings will exclude the charge from adjusted EBITDA and funds from operations (FFO), but we note that the capitalization of related payments over the life of this investment artificially boosted our EBITDA and FFO metrics. We understand that no termination costs are expected for Mona, as EnBW is selling its stake to JNbp. EnBW cited a further deterioration of conditions, including significant supply chain cost increases, higher interest rates, and ongoing project implementation risks. Most critically, the failure to secure CfDs, which provide long-term revenue certainty through government-backed electricity price guarantees, made the projects uneconomical under EnBW's investment criteria.

This case highlights that material upfront cash outflows in offshore developments can crystallize before the final investment decision, increasing project risks as a result of a deterioration in the economics. EnBW and its partner paid substantial upfront costs for seabed lease rights through the U.K. Crown Estate's 2021 fourth leasing round, which were capitalized and did not flow through to EBITDA. The €1.2 billion impairment now recognizes the full extent of these sunk costs.

The loss of 50% of 3 gigawatt (GW) development capacity is a material setback, but manageable within EnBW's diversified investment pipeline. EnBW had been developing the two projects in the Irish Sea since 2021 together with JNbp. The canceled capacity compares with EnBW's total renewable pipeline of approximately 25 GW (gross, including the participation of all shareholders). While the withdrawal reduces near-term renewable capacity growth, we think the company retains sufficient investment opportunities and flexibility to reallocate capital expenditure to other projects--including the 960 megawatt He Dreiht offshore wind farm and the recently awarded 1 GW Dreekant project in the German North Sea--or to other renewable assets like onshore wind, solar, batteries, or its regulated network business. At this stage, we do not anticipate any material downward revision to EnBW's investment plan of up to €50 billion through 2030. The company is set to expand its installed capacity from renewables to 10 GW-11.5 GW (gross) from 7 GW by 2030.

Related Research

- Industry Credit Outlook 2026: EMEA Utilities, Jan. 14, 2026
- Tear Sheet: EnBW Energie Baden-Wuerttemberg AG, July 7, 2025,