S&P Global
Ratings

Research

Research Update:

EnBW Energie Baden-Wuerttemberg AG Outlook Revised To Negative On Weakening Credit Metrics; 'A-/A-2' Ratings Affirmed

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Rating Action Overview

- We expect EnBW Energie Baden-Wuerttemberg AG's (EnBW) credit metrics to weaken from 2026, on weaker EBITDA due to lower generation margins and high investments, leading to minimal headroom under the current rating. While EnBW remains committed to its up to €50 billion investment plan for 2024-2030, the deployment has shifted to later years and to the network business, resulting in slower earnings growth.
- Nevertheless, we factor in continued supportive financial policy and EnBW's financial flexibility to support credit metrics. We also assume that the share of more stable, low-risk earnings (from regulated network activities and long-term contracted renewable generation) consistently represents more than 60% of total EBITDA on a proportional basis excluding minority interests.
- We revised our outlook on our rating on EnBW Energie Baden-Wuerttemberg AG to negative from stable and affirmed our 'A-/A-2' long- and short-term issuer credit ratings on EnBW Energie Baden-Wuerttemberg AG.
- The negative outlook reflects that we would lower the rating if our adjusted funds from operations (FFO)-to-debt ratio (on a proportionate basis, excluding minority interests) remains below 18% in the next 18-24 months.

Rating Action Rationale

We expect lower EBITDA and high investment requirements in networks, which will leave minimal headroom under the current rating, to underpin EnBW's credit metrics weaking from 2026. Following a strong performance in 2025, with adjusted FFO to debt of 23.5% on a proportionate basis (excluding minority interests), we forecast EnBW's S&P Global Ratings-adjusted EBITDA to decline to approximately €4.4 billion in 2026 (from €4.8 billion in 2025). This decline is attributable to lower energy prices and generation margins, the absence of earnings

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contributions from the Lippendorf lignite power plant following its disposal, higher overhead costs, and various temporary effects.

Furthermore, the transition to lower remuneration levels for certain offshore windfarms with feed-in tariffs is expected to cause a moderate decrease in Renewables EBITDA during 2026-2028, despite the commissioning of the 960 megawatt (MW) offshore wind plant He Dreiht and new onshore and solar capacities. Combined with lower power price assumptions and shifted deployment of the investment plan toward the end of the decade, the aggregate EBITDA for 2026-2027 is now estimated to be approximately €800 million lower than our previous expectations. We forecast adjusted EBITDA to reach about €5.0 billion in 2027 and €5.6 billion in 2028. The company has published its 2030 EBITDA guidance of €5.8 billion-€6.6 billion, about €500 million lower than our previous forecast. Consequently, we expect S&P Global Ratings-adjusted FFO to debt on a proportionate basis to weaken to an average of 17.6% for 2026-2028, falling below the 18.0% threshold commensurate with the current rating.

EnBW is committed to its up to €50 billion investment plan for 2024-2030. However, the timing of deployment has shifted toward later years, leading to slower earnings growth as the company is investing more in stable but lower-return networks. A disciplined investment approach--exemplified by the decision to exit the Mona and Morgan offshore wind projects in the U.K. earlier in 2026--will lead to declining capital expenditure (capex) in renewables (specifically offshore and solar) during 2026-2028. This shift also reflects challenging market conditions for European offshore wind, which may affect EnBW's 1 gigawatt (GW) Dreekant project in Germany and its 2.9 GW Morven project in the U.K. (both of which have not yet reached a final investment decision). Additionally, our forecasts reflect a re-phasing of TransnetBW's transmission network investments, with part of the anticipated capex now expected to occur later than previously assumed. Hydrogen network investments have also slowed due to market demand uncertainty.

The up to €50 billion capex plan is less front-loaded than previously anticipated, resulting in slower earnings growth. For 2025-2027, we estimate total gross investment at approximately €23.1 billion, roughly 10% below our previous estimate of €25.5 billion. However, due to significantly lower divestments--including reduced farm-downs and asset rotations via participation models--net investments in 2026-2027 should be higher than expected. As a result, adjusted net debt is forecast to continue to increase to €20 billion-€21 billion by 2028, up from €13.3 billion in 2025.

In our view, EnBW targeting a business mix where more than 70% of consolidated EBITDA is derived from low-risk operations (76% in 2025), including regulated grid operations and largely long-term contracted or guaranteed renewable power generation, is rating supportive. The company maintains a unique integrated business model with a robust portfolio spanning the entire value chain. Its strategic capital allocation has shifted toward regulated grid assets (60%-70% of allocation, up from 60%), with the remaining split in sustainable generation infrastructure (25%-30%, including renewables and hydrogen-ready/flexible generation), and smart customer infrastructure (5%-10%). We expect EnBW's share of EBITDA from regulated network business to remain sustainably above 50% on a consolidated basis and comfortably above 45% on a pro rata basis, which will gradually enhance earnings resilience and cash flow stability.

EnBW is pursuing a risk-sharing strategy by divesting minority stakes in high-quality assets, and we will continue to monitor earnings quality and potential cash leakage. We identify a dilution risk to earnings quality, as the company has sold equity stakes primarily in high-quality, low-leverage assets, such as the 50.1%-owned power transmission system operator TransnetBW, He Dreiht, and other long-term contracted power generation assets. We estimate that, on average for 2026-2028, the share of regulated activities and long-term contracted renewable generation (via feed-in tariffs and PPAs) will be 64%-68% on a proportionate basis, compared to 69%-73% on a consolidated basis. Similarly, our proportionate FFO to debt is 450 basis points (bps)-500 bps lower than on a consolidated basis for 2026-2028 (17.6% vs. 22.3% on average).

Our rating factors in the assumption of continued supportive financial policy and EnBW's strong commitment to maintaining solid investment-grade ratings. In our view, should the proportionate FFO-to-debt ratio not recover to at least 18% for a prolonged period, additional measures, such as capex reductions or deferrals and further asset disposals, could be considered to support the company's financial metrics. We note EnBW's favorable track record of shareholder support, characterized by relatively low dividend payouts in recent years and significant capital increases, such as the €3.1 billion capital increase completed in July 2025. In addition, EnBW increased its hybrid stock by €1 billion in February 2026 (for more details please refer to "EnBW Energie Baden-Wuerttemberg Proposed €1 Billion Hybrid Notes Rated 'BBB-'; Intermediate Equity Content Assigned," Feb. 3, 2026). Furthermore, support from the local government reflects a moderate likelihood of extraordinary support, which translates into a one-notch uplift from the stand-alone credit profile (SACP).

Finally, there is upside potential in operating performance that is not currently reflected in our base case. This includes potentially higher energy prices than in our base case given the geopolitical tensions, potential higher cost savings from the broader implementation of efficiency programs to optimize the cost structure, as well as the possibility of higher regulatory returns in the next period due to proposed changes in the German regulatory framework (e.g., a unified weighted average cost of capital and cost-plus models for power transmission operators).

Outlook

The negative outlook reflects the risk that EnBW's FFO to debt on a proportionate basis (excluding minority interests) could remain below our 18% downside threshold between 2026-2028 due to slower earnings growth and still high investments.

Downside scenario

We could lower our rating on EnBW if we no longer think that its proportionate FFO to debt could recover to at least 18% in the next 18-24 months. This could stem from company's insufficient remedy measures to mitigate the pressure on credit metrics or further weakening EBITDA generation.

Upside scenario

We will revise the outlook to stable once EnBW restores its proportionate FFO to debt above 18% on a sustainable basis.

Company Description

EnBW is a leading vertically integrated utility in Germany. The group is principally engaged in electricity generation and trading, as well as the operation of electricity grids. Its gas activities include storage, trading, and portfolio management, while the downstream business covers the transmission, distribution, and sale of gas.

In addition to the traditional EnBW brand, the group serves its German household and industrial customers under the Yello and Naturenergie names, as well as those of its subsidiaries such as Stadtwerke Düsseldorf and VNG, targeting different market segments. EnBW aims to continue to position its business mix toward less volatile renewable generation and stable grid operations, with both segments representing more than 70% of EBITDA on a consolidated basis.

EnBW is predominantly active in Germany, where it generates more than 85% of its EBITDA and where its operations focus on the State of Baden-Wuerttemberg, a center of manufacturing and engineering. The group is also the majority shareholder of Stadtwerke Düsseldorf AG (not rated). In addition, EnBW has operations in the U.K., France, the Czech Republic, Austria, Switzerland, and Turkiye.

The State of Baden-Wuerttemberg and Zweckverband Oberschwäbische Elektrizitätswerke (Zweckverband OEW), an association of municipalities in Baden-Wuerttemberg, each own 47% of EnBW. The remaining shares are held in free float by several associations of municipalities in Baden-Wuerttemberg and private investors. EnBW is listed on the stock exchanges in Frankfurt and Stuttgart in the regulated market, with a market capitalization of about €22.5 billion as of July 21, 2026.

Our Base-Case Scenario

Assumptions

- Earnings from system critical infrastructure are expected to increase modestly during 2026-2028 due to increased network usage and strong investment activity.
- Earnings from renewables are expected to decrease moderately, as growth from the commissioning of He Dreiht and new onshore/photovoltaic capacities is offset by lower remuneration for certain offshore wind farms with feed-in tariffs.
- Earnings from thermal generation and trading are expected to decline, as growth from fuel-switch plants and liquefied natural gas expansion is offset by declining market prices, with 2026 performance further effected by the sale of the lignite plant in Lippendorf.
- Gross investments are forecast to be about €50 billion over the 2024-2030 period, with at least 85% of capex aligned with the EU taxonomy and focused primarily on grid infrastructure and renewables.
- Capex, net of customer contributions, capitalized interest, and capitalized development costs, is expected to be about €7.0 billion on average over 2026-2028.
- The share of renewables in the energy mix is set to increase from 66% in 2025 to approximately 75%-80% by 2030, driven by substantial decarbonization efforts and a planned coal exit by end-2028.
- The Ultranet project, a 342-kilometer (km) high-voltage direct current corridor, is currently under construction and is targeted for commissioning by the end of 2026.
- The 960 MW He Dreiht offshore wind farm in the German North Sea is expected to be fully commissioned by summer 2026.

- EnBW is committed to building approximately 750 km of hydrogen-ready pipelines to Germany's planned 9,000 km hydrogen core network, with further expansion depending on market demand and the regulatory framework.
- Generation hedge levels of 70%-90% for 2027, gradually declining to 20%-50% for 2028, and below 20% for 2029, reflecting the company's rolling hedging strategy and market exposure management over time.
- Dividends to be received from equity investments are expected to average about €230 million annually over 2026-2028, which are added to EBITDA.
- Dividend distributions, including those to minority shareholders, are expected to average approximately €1.0 billion annually over 2026-2028.
- The company will maintain a €3.5 billion hybrid stock through 2028.
- Over 98% of EnBW's share capital is held by public-sector entities--primarily the State of Baden-Wuerttemberg and Zweckverband OEW (94%)--ensuring stable, long-term ownership.

Key metrics

EnBW Energie Baden-Wuerttemberg AG--Forecast summary

Period ending	**Dec-31-2024**	**Dec-31-2025**	**Dec-31-2026**	**Dec-31-2027**	**Dec-31-2028**
(Mil. EUR)	2024a	2025a	2026e	2027f	2028f
Revenue	34,463	34,324	43,831	41,678	40,449
EBITDA (reported)	5,090	4,676	4,248	4,939	5,469
Plus: Operating lease adjustment (OLA) rent	--	--	--	--	--
Plus/(less): Other	(524)	108	171	141	137
EBITDA	4,567	4,784	4,419	5,080	5,606
Less: Cash interest paid	(586)	(697)	(698)	(759)	(876)
Less: Cash taxes paid	(937)	(348)	(101)	(265)	(259)
Plus/(less): Other	--	314	188	153	123
Funds from operations (FFO)	3,044	4,054	3,808	4,209	4,594
Interest expense	1,078	1,051	974	1,035	1,152
Cash flow from operations (CFO)	2,629	4,253	3,004	3,290	3,696
Capital expenditure (capex)	5,170	6,387	7,166	7,355	6,380
Free operating cash flow (FOCF)	(2,541)	(2,134)	(4,162)	(4,065)	(2,684)
Dividends	788	819	952	1,039	1,122
Share repurchases (reported)	--	--	--	--	--
Discretionary cash flow (DCF)	(3,329)	(2,953)	(5,114)	(5,104)	(3,806)
Debt (reported)	19,505	19,813	21,221	21,656	22,628
Plus: Lease liabilities debt	1,253	1,415	1,466	2,627	2,784
Plus: Pension and other postretirement debt	1,436	1,034	1,220	1,102	964
Less: Accessible cash and liquid Investments	(7,833)	(8,761)	(6,640)	(5,272)	(4,368)
Plus/(less): Other	(172)	(234)	(804)	(983)	(1,151)
Debt	14,189	13,267	16,463	19,131	20,857
Cash and short-term investments (reported)	8,486	9,618	7,497	6,129	5,225
Adjusted ratios					
Debt/EBITDA (x)	3.1	2.8	3.7	3.8	3.7

EnBW Energie Baden-Wuerttemberg AG--Forecast summary

FFO/debt (%), consolidated	21.5	30.6	23.1	22.0	22.0
FFO/debt (%), proportionate	15.3	23,5	18.0	17.6	17.3
FOCF/debt (%)	(17.9)	(16.1)	(25.3)	(21.2)	(12.9)
EBITDA margin (%)	13.3	13.9	10.1	12.2	13.9

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. EUR--euro.

Liquidity

We assess EnBW's liquidity as adequate because we forecast that its sources will exceed uses by more than 1.8x over the next 12 months, from March 31, 2026. We note that EnBW's liquidity was exposed to large intra-year working capital swings at its trading activities in the past. However, we think that EnBW has prudent risk management policies in place, consistent with an adequate liquidity assessment.

EnBW's proven diverse access to capital markets and good banking relationships support our assessment. In May 2026, EnBW upsized its sustainability-linked syndicated credit facility to €2.5 billion from €2.0 billion and extended the maturity by one year to July 2031. It also has a €2 billion commercial paper program in place.

Principal liquidity sources	Principal liquidity uses
• Cash and liquid investments of about €10.0 billion; • Undrawn committed credit lines totaling nearly €6.4 billion, maturing beyond the next 12 months; and • Forecast cash FFO of about €3.0 billion-€3.5 billion.	• Debt maturities of about €1.8 billion over the next 12 months; • Moderate working capital outflows of about €0.2 billion-€0.3 billion; • Total gross capex of €7.5 billion-€7.8 billion; and • Dividend distributions of about €0.8 billion-€1 billion.

Covenants

We understand that there are no restrictive covenants in the group's debt documentation.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of Dec. 31, 2025, EnBW's financial debt of €19.8 billion mainly consisted of €12.5 billion senior unsecured bonds, €3.7 billion of bank liabilities, and €0.5 billion of other financial liabilities. In addition, EnBW has €3.0 billion of hybrid bonds outstanding.

Analytical conclusions

We rate EnBW's senior debt 'A-', in line with the issuer credit rating.

We arrive at our 'BBB-' issue rating on the group's hybrid debt by notching down from our 'bbb+' SACP on EnBW, because we do not anticipate that the moderate likelihood of extraordinary support from EnBW's shareholders would extend to its hybrid instruments.

In addition, the two-notch difference from the SACP reflects our notching methodology, which calls for deducting the following:

- One notch for subordination because our long-term issuer credit rating on EnBW is investment-grade (that is, higher than 'BB+'); and
- An additional notch for payment flexibility, to reflect that EnBW can indefinitely defer interest payment without triggering an event of default.

Rating Component Scores

Component	
Foreign currency issuer credit rating	A-/Negative/A-2
Local currency issuer credit rating	A-/Negative/A-2
Business risk	Strong
Country risk	Very low risk
Industry risk	Low risk
Competitive position	Strong
Financial risk	Significant
Cash flow/leverage	Significant (medial volatility table)
Anchor	bbb
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Neutral
Comparable rating analysis	Positive (+1 notch)
Stand-alone credit profile	bbb+
Related government rating	AA+/Stable/A-1+
Likelihood of government support	Moderate (+1 notch)

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, Oct. 13, 2025
- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 2025
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, 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

Related Research

- Industry Credit Outlook Update Europe: Utilities, July 16, 2026
- EnBW Energie Baden-Wuerttemberg Proposed €1 Billion Hybrid Notes Rated 'BBB-'; Intermediate Equity Content Assigned, Feb. 3, 2026
- Bulletin: EnBW Withdrawal From Two U.K. Offshore Wind Farms Leaves Material Sunk Costs But Is Absorbed At Current Rating, Jan. 20, 2026
- Tear Sheet: EnBW Energie Baden-Wuerttemberg AG, July 7, 2025

Ratings List

Ratings List		
Ratings Affirmed; Outlook Action		
	To	**From**
EnBW Energie Baden-Wuerttemberg AG		
Issuer Credit Rating	A-/Negative/A-2	A-/Stable/A-2
Ratings Affirmed		
EnBW Energie Baden-Wuerttemberg AG		
Junior Subordinated	BBB-	
Commercial Paper	A-2	
EnBW International Finance B.V.		
Senior Unsecured	A-	
Commercial Paper	A-2	