S&P Global
Ratings

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Statnett SF

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Ratings Score Snapshot

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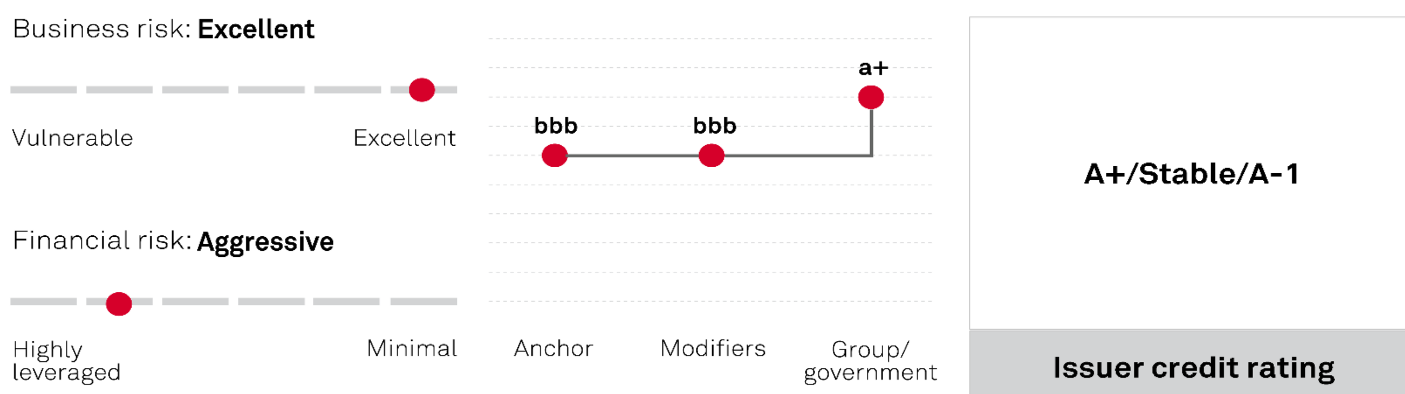

Credit Highlights

Overview

Key strengths	Key risks
A strong position as Norway's monopoly power transmission system operator (TSO).	High investments, given Norway's electrification strategy and goal of reducing carbon emissions by at least 50% by 2030 compared to 1990 levels, and becoming carbon neutral by 2050.
Stable and predictable regulatory framework that we view as credit supportive, allowing for solid cost recovery--although with a two-year lag.	Annual discretionary cash flow (DCF) of about negative NOK7 billion-NOK10 billion, driven by high capital expenditure (capex) and dividends.
Statnett's extensive investment plans drive the good prospect for healthy earnings and cash flow growth. We expect reported EBITDA to increase toward Norwegian krone (NOK) 9 billion-NOK11 billion by 2027, up from NOK7 billion-NOK8 billion historically.	Expected annual NOK5 billion-NOK10 billion of congestion income. This is volatile in nature, although beneficial for liquidity purposes, increasing International Financial Reporting Standards (IFRS) metrics' volatility.
Commitment to a robust 'A' rating or above to support access to funding with a clearly defined dividend payout of 50% of underlying net profit.	
Fully owned and controlled by the Norwegian government (AAA/Stable/A-1+), which will likely provide support, historically shown through lower dividends and equity injections when needed.	

Statnett benefits from stable and predictable cash flow generation, thanks to a supportive regulatory framework. We see the Norwegian regulatory framework as very credit supportive, allowing for full operating cost recovery albeit with a two-year time lag (Statnett's allowed revenue is calculated annually based on operating costs from two years before). As a result, 2024 permitted revenues has increased to NOK20 billion to recover increased costs incurred in 2022. Over the following years (2025-2028), we expect permitted revenues to be about NOK18 billion-NOK20 billion and permitted EBITDA to stabilize at approximately NOK9 billion-NOK10 billion. Deviations between IFRS and permitted revenue are recorded annually as higher or lower revenues and used to adjust tariffs for the following years. Since 2023, the regulatory formula's method of calculating allowed revenue has had a 70% weight on Statnett's efficiency score (from 60% previously)

Differences in electricity prices in the Nordic price areas result in IFRS earnings volatility, which is challenging to predict and provides transitory liquidity benefits rather than any long-term credit benefit. Statnett reported EBITDA of NOK11.5 billion in 2022 and NOK1.7 billion in 2023, and funds from operations (FFO) of NOK10.4 billion in 2022 and negative NOK0.5 billion in 2023. A boost of congestion income reported as revenue over 2021-2022 (NOK28.2 billion) drove higher metrics in 2022 and resulted in FFO to debt of 15.8% in 2021 and 24.4% in 2022. The congestion income, in turn, was a result of very high price differences between the Nordic countries and price zones in Norway. To compensate for this event, Statnett returned NOK11.3 billion to grid customers in 2023 and lower tariffs close to zero for half of 2022 and full year 2023 which resulted in much weaker metrics at year-end 2023 with FFO to debt of negative 1%. It also enables Statnett to reduce the accumulated balance of higher revenues to NOK3.8 billion at end-2023 from NOK9.3 billion at end-2022. We therefore see the cash inflow as temporary and having a neutral effect on credit although it increases volatility in S&P Global Ratings-adjusted FFO-to-Debt and liquidity position.

Congestion income will continue to bring volatility although we expect Statnett's higher/lower revenue balance to be neutral by end of 2024. We forecast Statnett will continue benefitting from congestion income of about NOK6.0 billion-NOK8.0 billion over 2024-2028 (NOK1.2 billion already received as of the first quarter of 2024) which, to compensate, should result in Statnett applying lower tariffs each year than what the regulatory framework allows for. Based on an accumulated balance of higher revenues of NOK3.8 billion at end-2023, and to reach close to zero at end 2024, we expect Statnett's IFRS revenues to amount to NOK15 billion-NOK16 billion (NOK3.8 billion lower than the NOK20 billion permitted revenues). This would result in an IFRS EBITDA of NOK5 billion-NOK6 billion and a FFO of about NOK3 billion compared with permitted EBITDA of NOK10.2 billion and permitted FFO of NOK7.4 billion. From 2025 and subject to no new peak in congestion income we expect IFRS revenues and permitted revenues to converge toward each other with FFO to debt around 8.0% well within our 6%-9% thresholds for Statnett's 'bbb' stand-alone credit profile (SACP).

Statnett's financials will be constrained by its large debt-funded investment program of about NOK10 billion-NOK14 billion annually over 2024-2028. Statnett's investments have historically been partly financed by debt, resulting in financial debt increasing to NOK54.6 billion at end-2023 from about NOK38 billion in 2017. The upcoming investment program of about NOK100 billion-NOK150 billion over the next 10 years is underpinned by the requirement for Statnett to strengthen and expand the Norwegian grid as part of the government's electrification plan. This compares with about NOK70 billion invested over the last 10 years and highlights Statnett's important position in Norway, since the TSO is required to facilitate electrification needed to lower national carbon dioxide emissions. It includes strengthening the grid to accommodate expanding connections from offshore wind as well as the electrification of most domestic industries. We forecast financial debt to increase to about NOK100 billion by 2028.

The company is fully owned by the government and an essential part of the national infrastructure. Our 'A+' rating on Statnett benefits from four notches of uplift for government support. We do not expect a change in the ownership support, given the importance of Statnett to the country's electrification and carbon neutrality target, as demonstrated in historical equity injections and the lowering of dividends to allow for higher investments. In addition, and as per law, only the government can own Statnett. We do not expect any changes to such conditions.

Outlook

The stable outlook reflects our expectation that Norway's stable and predictable regulatory framework will continue to support Statnett's cash flow.

Downside scenario

The primary rating driver is the SACP. We would consider a downgrade if FFO to debt fell below 6%, with no signs of recovery. This could occur, for example, if:

- Statnett's capex increases beyond our expectations;
- The Norwegian regulator's benchmark assessment results in a very low efficiency score; or
- Statnett changes its financial policy, becoming more aggressive.

In addition, we could lower the rating if our assessment of the likelihood of extraordinary government support for Statnett weakens, which we do not anticipate at this stage.

Upside scenario

We could raise the ratings if Statnett's financial risk profile strengthens compared with our forecasts. This could result from a deleveraging plan or scaling down of its investment plan combined with a credible commitment to stronger credit metrics, with permitted FFO to debt sustainably above 9% in times of stable market conditions and power prices. We would also expect debt to EBITDA below 8x on average in such a scenario.

Our Base-Case Scenario

Assumptions

- Inflation in Norway of about 3.2% in 2024, 2.7% in 2025, and 2.3% in 2026.
- Congestion income of €400 million-€450 million expected in 2024 (NOK4.6 billion equivalent) with about NOK7.0 billion expected by Statnett on an annual basis going forward. We expect the accumulated balance of congestion income to be cancelled by end-2024 offsetting the full effect from 2022.
- An efficiency score of about 95%-99% for Statnett over the forecast period.
- Average interest rates of 3.5%-4.5% over 2024-2027.
- A corporation tax of 22% with no tax payment expected over our forecast horizon, as approved by the state, and as directed by the corporate law.
- Investments increasing toward NOK10 billion-NOK12 billion over 2024-2025 and about NOK15 billion afterward.
- Regulated asset base (RAB) included in the formula incorporating work-in-progress (WIP) and commissioned assets and growing toward NOK100 billion by end 2025 and NOK130 billion by end 2028 from NOK80 billion in 2023.
- Flat dividends of 50% of profits based on permitted profits. This translates into dividends of NOK750 million-NOK1.5 billion annually.

Key metrics

Statnett SF--Forecast summary

Period ending	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. NOK)	2020a	2021a	2022a	2023a	2024e	2025f	2026f	2027f
Revenue	10,762	14,412	22,993	11,600	15,698	18,532	19,076	20,139
Gross profit	9,909	11,161	15,285	6,007	9,839	12,994	12,823	13,945
EBITDA (reported)	6,742	7,965	11,503	1,744	5,816	8,851	8,740	9,832
Plus: Operating lease adjustment (OLA) rent	--	--	--	--	--	--	--	--
Plus/(less): Other	138	53	7	14	--	--	--	--
EBITDA	6,880	8,018	11,510	1,758	5,816	8,851	8,740	9,832
Less: Cash interest paid	(967)	(648)	(1,065)	(2,226)	(2,775)	(2,694)	(3,033)	(3,461)
Less: Cash taxes paid	4	8	(4)	(10)	(71)	--	--	--
Plus/(less): Other	--	--	--	--	--	--	--	--
Funds from operations (FFO)	5,917	7,378	10,441	(478)	2,971	6,157	5,707	6,371

Statnett SF--Forecast summary

EBIT	4,044	4,860	8,558	(1,254)	2,426	5,299	4,950	5,785
Interest expense	926	723	1,178	2,237	2,821	2,740	3,079	3,507
Cash flow from operations (CFO)	6,336	8,141	9,105	(7)	2,789	5,751	5,111	5,291
Capital expenditure (capex)	8,505	6,533	4,926	5,527	9,908	11,893	14,701	14,849
Free operating cash flow (FOCF)	(2,169)	1,608	4,179	(5,534)	(7,119)	(6,142)	(9,590)	(9,558)
Dividends	1,261	1,039	737	296	767	1,702	1,220	1,074
Share repurchases (reported)	--	--	--	--	--	--	--	--
Discretionary cash flow (DCF)	(3,430)	569	3,442	(5,830)	(7,886)	(7,844)	(10,810)	(10,632)
Debt (reported)	55,694	53,510	47,164	54,633	61,814	69,658	80,468	91,100
Plus: Lease liabilities debt	201	224	240	228	219	211	203	196
Plus: Pension and other postretirement debt	193	108	167	119	119	119	119	119
Less: Accessible cash and liquid Investments	(2,674)	(3,088)	(3,613)	(3,247)	(3,794)	(3,794)	(3,794)	(3,794)
Plus/(less): Other	(5,856)	(3,981)	(1,198)	(3,718)	(966)	(894)	(800)	(705)
Debt	47,558	46,774	42,760	48,016	57,394	65,301	76,197	86,916
Equity	18,938	21,467	26,978	24,119	22,308	22,970	23,818	25,412
FOCF (adjusted for lease capex)	(2,169)	1,608	4,179	(5,534)	(7,111)	(6,134)	(9,582)	(9,550)
Interest expense (reported)	642	576	957	1,942	2,515	2,246	2,276	2,341
Capex (reported)	8,765	6,653	5,102	5,776	10,168	12,341	15,458	15,969
Cash and short-term investments (reported)	2,947	3,794	5,232	4,499	3,794	3,794	3,794	3,794
Adjusted ratios								
Debt/EBITDA (x)	6.9	5.8	3.7	27.3	9.9	7.4	8.7	8.8
FFO/debt (%)	12.4	15.8	24.4	(1.0)	5.2	9.4	7.5	7.3
FFO cash interest coverage (x)	7.1	12.4	10.8	0.8	2.1	3.3	2.9	2.8
EBITDA interest coverage (x)	7.4	11.1	9.8	0.8	2.1	3.2	2.8	2.8
CFO/debt (%)	13.3	17.4	21.3	(0.0)	4.9	8.8	6.7	6.1
FOCF/debt (%)	(4.6)	3.4	9.8	(11.5)	(12.4)	(9.4)	(12.6)	(11.0)
DCF/debt (%)	(7.2)	1.2	8.0	(12.1)	(13.7)	(12.0)	(14.2)	(12.2)
Lease capex-adjusted FOCF/debt (%)	(4.6)	3.4	9.8	(11.5)	(12.4)	(9.4)	(12.6)	(11.0)
Annual revenue growth (%)	11.6	33.9	59.5	(49.5)	35.3	18.1	2.9	5.6
Gross margin (%)	92.1	77.4	66.5	51.8	62.7	70.1	67.2	69.2
EBITDA margin (%)	63.9	55.6	50.1	15.2	37.1	47.8	45.8	48.8
Return on capital (%)	6.3	7.2	12.4	(1.8)	3.2	6.3	5.3	5.4
Return on total assets (%)	5.1	5.8	10.0	(1.4)	2.6	5.2	4.4	4.6
EBITDA/cash interest (x)	7.1	12.4	10.8	0.8	2.1	3.3	2.9	2.8
EBIT interest coverage (x)	4.4	6.7	7.3	(0.6)	0.9	1.9	1.6	1.6
Debt/debt and equity (%)	71.5	68.5	61.3	66.6	72.0	74.0	76.2	77.4
Debt fixed-charge coverage (x)	7.4	11.1	9.8	0.8	2.1	3.2	2.8	2.8
Debt/debt and undepreciated equity (%)	71.5	68.5	61.3	66.6	72.0	74.0	76.2	77.4

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

Company Description

Statnett is Norway's national electricity TSO and owner of the Norwegian power transmission grid. It owns and operates the Norwegian power transmission network across Norway's five price zones and connects the power system to neighboring countries including Sweden, Denmark, Germany, the Netherlands, and the U.K.

Fully owned by the Norwegian government through the Ministry of Energy, Statnett reported an EBITDA of NOK1.8 billion in 2023.

Peer Comparison

Statnett's main peers are Finland-based Fingrid, Belgium-based Elia Transmission Belgium, and Netherlands-based TenneT. All peers are electricity TSOs that, like Statnett, operate under predictable, independent, and supportive regulatory frameworks.

Fingrid has stronger financials than Statnett. It finances its capex program with operating cash flow, which has resulted in stronger credit ratios. Other peers predominantly use debt funding, like Statnett. As such, Fingrid's SACP is the highest of the peers.

Elia and TenneT are both electricity TSOs operating in their domestic countries and in Germany (50Hertz and TenneT). Both companies have extensive investment programs that focus on German operations to reinforce their networks and enable the transmission of electricity from the North (renewables generation) to the South (Thermal) in line with political decisions to exit coal and nuclear generation. Similarly, to Statnett, their investment programs weigh on their credit metrics and are mostly debt funded.

Compared to peers, Statnett benefits from a very high likelihood of government support, notably due to its legal status, since only the government can own 100% of the company, and it's very important role in Norway's electrification. We believe this results in a higher likelihood of government support than its peers.

Statnett SF--Peer Comparisons

	Statnett SF	Fingrid Oyj	Elia Transmission Belgium SA/NV	TenneT Holding B.V.
Foreign currency issuer credit rating	A+/Stable/A-1	A+/Stable/A-1	BBB+/Stable/--	A-/Stable/A-2
Local currency issuer credit rating	A+/Stable/A-1	A+/Stable/A-1	BBB+/Stable/--	A-/Stable/A-2
Period	Annual	Annual	Annual	Annual
Period ending	2023-12-31	2023-12-31	2023-12-31	2023-12-31
Mil.	NOK	NOK	NOK	NOK
Revenue	11,600	14,715	14,306	25,700
EBITDA	1,758	3,468	5,565	6,310
Funds from operations (FFO)	(478)	2,608	4,197	(544)
Interest	2,237	343	998	5,094
Cash interest paid	2,226	476	769	5,285
Operating cash flow (OCF)	(7)	2,380	4,062	1,642
Capital expenditure	5,527	3,339	8,179	81,752
Free operating cash flow (FOCF)	(5,534)	(959)	(4,117)	(80,110)
Discretionary cash flow (DCF)	(5,830)	(2,450)	(6,017)	(82,940)
Cash and short-term investments	3,247	4,338	6,020	3,340
Gross available cash	3,247	5,189	6,020	3,340
Debt	48,016	6,253	40,918	283,903
Equity	24,119	6,589	33,200	78,216

Statnett SF--Peer Comparisons

EBITDA margin (%)	15.2	23.6	38.9	24.6
Return on capital (%)	(1.8)	19.0	4.7	0.7
EBITDA interest coverage (x)	0.8	10.1	5.6	1.2
FFO cash interest coverage (x)	0.8	6.5	6.5	0.9
Debt/EBITDA (x)	27.3	1.8	7.4	45.0
FFO/debt (%)	(1.0)	41.7	10.3	(0.2)
OCF/debt (%)	(0.0)	38.1	9.9	0.6
FOCF/debt (%)	(11.5)	(15.3)	(10.1)	(28.2)
DCF/debt (%)	(12.1)	(39.2)	(14.7)	(29.2)

Business Risk

As Norway's electricity TSO that owns and operates the network, Statnett is key to the country's goal to increase electrification while reducing carbon emissions by at least 50% by 2030 compared to 1990 levels and achieving carbon neutrality by 2050 in line with EU directives. To continue ensuring strong security of supply, and enable value creation and new demand, Statnett must increase interconnections domestically as per its extensive investment plan.

Statnett is also fully regulated by the Norwegian Water Resources and Energy Directorate and benefits from a monopoly position in the country. We believe that the regulatory framework for TSOs in Norway is very supportive, which is a key aspect of our assessment of Statnett's excellent business risk profile (see "Norwegian Electricity Distribution And Transmission Regulatory Framework: Supportive," published Oct. 15, 2020), and supports Statnett's stable cash flows, full cost recovery, and rapid RAB growth.

The framework follows a revenue-cap model based on operators' RAB, regulatory return, and efficiency score. Although there are no fixed regulatory periods as in neighboring countries, we see the framework as successful in establishing predictable revenue while allowing for full cost recovery (although with a two-year lag), a fair return on investments, and significant incentives for efficiencies. As a result of high system costs in 2022 to be recovered two years after, the permitted revenues for 2024 have been approved at NOK20 billion from NOK16.7 billon permitted in 2023.

While Statnett's operations are fully regulated, congestion income both from domestic and international sources results in some earnings volatility due to its unpredictable nature. Congestion income has been unusually high reaching NOK5.6 billion in 2021 and NOK22.7 billion in 2022, because of higher power prices and more bottlenecks throughout the Nordic area. In 2023, Statnett recorded NOK9.9 billion of congestion income. From 2024 onward, we expect the level of congestion income to reduce from these extremely high levels but remain volatile and higher than pre-2021 levels at about NOK6 billion-NOK8 billion annually.

As a result of congestion income, Statnett's IFRS reported revenue can be higher or lower than the revenue the regulatory framework permits (permitted revenues). As the company pays back revenue that exceeds the permitted amount by adjusting tariffs, this usually tends to normalize over a few years. We believe Statnett will adjust tariffs annually taking into consideration the higher/lower revenues to give back/retrieve from consumers and ensure its IFRS revenues remain at about annual permitted revenues as per the regulatory formula.

As of end-2022, Statnett had accumulated higher revenue of about NOK9.3 billion. As a result, it chose to lower tariffs to close to zero for half of 2022 and all of 2023 as well as make extraordinary transfers of revenue to distribution networks for both years, which led to an accumulated higher revenue of about NOK3.8 billion at end-2023. We believe Statnett will be able to reach neutral higher/lower revenue balance as of end-2024 through lower tariffs than what the regulatory formula would allow.

Although we recognize that the payback of higher revenue and the volatility of congestion revenue can create large fluctuations in revenue year on year, we expect the balance of higher/lower revenue to be neutralized annually and the permitted profit to remain somewhat stable.

Financial Risk

The regulatory formula allows for full cost recovery with a two-year lag. As a result, 2024 permitted revenues has increased to NOK20 billion to recover increased costs incurred in 2022. Over the following years (2025-2028), we expect permitted revenues to remain at approximately NOK18 billion-NOK20 billion and permitted EBITDA to stabilize to about NOK9 billion-NOK10 billion. We also forecast Statnett will continue benefitting from congestion income of about NOK6.0 billion-NOK8.0 billion over 2024-2028 (NOK1.2 billion already received as of the first quarter of 2024) which, to compensate, should result in Statnett applying lower tariffs each year than what the regulatory framework allows. To compensate for the high 2021 and 2022 congestion income received, Statnett directly returned NOK11.3 billion to grid customers and lower tariffs close to zero for half year 2022 and full year 2023. As a result, the accumulated balance of congestion income as of end-2023 was decreased to NOK3.8 billion from NOK9.3 billion at end-2022.

To reduce the accumulated balance close to zero at end 2024, we expect Statnett's revenues from tariffs combined with received congestion income to total NOK15 billion-NOK16 billion. This would result in an IFRS EBITDA of NOK5 billion-NOK6 billion and a FFO of about NOK3 billion compared with permitted EBITDA of NOK10.2 billion and permitted FFO of NOK7.4 billion. From 2025, and subject any new peak in congestion income, we expect IFRS revenues and permitted revenues to converge toward each other with FFO to debt around 8.0% well within our 6%-9% thresholds for Statnett's 'bbb' SACP.

Statnett's FFO is also boosted by the Norwegian tax policy. The Norwegian tax authority has reclassified tax payments for Statnett's maintenance investments, resulting in no cash taxes expected to be paid until Statnett stops maintenance investments. This compares with tax expense of about NOK1.0 billion in 2024 and NOK0.6 billion-NOK0.7 billion thereafter, which would have had a negative effect on FFO to debt. The noncash payment of the taxes does not build tax liabilities.

Over 2024-2028, we also expect Statnett to invest up to NOK70 billion (NOK35 billion over 2019-2023) to upgrade its transmission system and enhance Norway's supply security. Investments will be debt-funded, which we view as a constraint for the rating. As a result, we forecast net debt to increase to about NOK91 billion in 2027 from NOK54.6 billion reported in 2023.

Statnett also benefits from a supportive financial policy of commitment to a robust 'A' rating or above to keep attracting long-term funding. The dividend policy is flexible, as demonstrated by the change to 25% payout over 2015-2019 to compensate for increasing investments. Since 2019, the historical 50% payout based on regulated net income (not IFRS) was reinstated. We now expect dividends to increase toward NOK1.0 billion-NOK1.4 billion over 2025-2028 from NOK0.7 billion in 2022 alongside the growth in permitted net income. However, we believe this policy to be flexible to support Statnett's 'A+' rating.

Statnett SF--Financial Summary

Period ending	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023

Statnett SF--Financial Summary

Reporting period	2018a	2019a	2020a	2021a	2022a	2023a
Display currency (mil.)	NOK	NOK	NOK	NOK	NOK	NOK
Revenues	9,139	9,641	10,762	14,412	22,993	11,600
EBITDA	5,195	5,452	6,880	8,018	11,510	1,758
Funds from operations (FFO)	4,345	4,482	5,917	7,378	10,441	(478)
Interest expense	813	999	926	723	1,178	2,237
Cash interest paid	830	972	967	648	1,065	2,226
Operating cash flow (OCF)	3,740	4,174	6,336	8,141	9,105	(7)
Capital expenditure	8,174	9,129	8,505	6,533	4,926	5,527
Free operating cash flow (FOCF)	(4,434)	(4,955)	(2,169)	1,608	4,179	(5,534)
Discretionary cash flow (DCF)	(4,760)	(5,439)	(3,430)	569	3,442	(5,830)
Cash and short-term investments	3,475	2,196	2,674	3,088	3,613	3,247
Gross available cash	3,475	2,196	2,674	3,088	3,613	3,247
Debt	42,786	44,156	47,558	46,774	42,760	48,016
Common equity	16,194	17,783	18,938	21,467	26,978	24,119
Adjusted ratios						
EBITDA margin (%)	56.8	56.6	63.9	55.6	50.1	15.2
Return on capital (%)	5.8	5.1	6.3	7.2	12.4	(1.8)
EBITDA interest coverage (x)	6.4	5.5	7.4	11.1	9.8	0.8
FFO cash interest coverage (x)	6.2	5.6	7.1	12.4	10.8	0.8
Debt/EBITDA (x)	8.2	8.1	6.9	5.8	3.7	27.3
FFO/debt (%)	10.2	10.2	12.4	15.8	24.4	(1.0)
OCF/debt (%)	8.7	9.5	13.3	17.4	21.3	(0.0)
FOCF/debt (%)	(10.4)	(11.2)	(4.6)	3.4	9.8	(11.5)
DCF/debt (%)	(11.1)	(12.3)	(7.2)	1.2	8.0	(12.1)

Reconciliation Of Statnett SF Reported Amounts With S&P Global Adjusted Amounts (Mil. NOK)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2023									
Company reported amounts	54,633	24,119	11,600	1,744	(1,547)	1,942	1,758	228	296	5,776
Cash taxes paid	-	-	-	-	-	-	(10)	-	-	-
Cash interest paid	-	-	-	-	-	-	(1,977)	-	-	-
Lease liabilities	203	-	-	-	-	-	-	-	-	-
Incremental lease liabilities	25	-	-	-	-	-	-	-	-	-
Postretirement benefit obligations/ deferred compensation	119	-	-	-	-	-	-	-	-	-

Reconciliation Of Statnett SF Reported Amounts With S&P Global Adjusted Amounts (Mil. NOK)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Accessible cash and liquid investments	(3,247)	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	-	-	249	(249)	(249)	-	(249)
Dividends from equity investments	-	-	-	14	-	-	-	-	-	-
Asset-retirement obligations	558	-	-	-	-	46	-	-	-	-
Nonoperating income (expense)	-	-	-	-	293	-	-	-	-	-
Reclassification of interest and dividend cash flows	-	-	-	-	-	-	-	14	-	-
Debt: Foreign currency hedges	(4,276)	-	-	-	-	-	-	-	-	-
Total adjustments	(6,617)	-	-	14	293	295	(2,236)	(235)	-	(249)
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	48,016	24,119	11,600	1,758	(1,254)	2,237	(478)	(7)	296	5,527

Liquidity

We assess Statnett's liquidity as adequate. This is supported by our view of available liquidity resources--including cash, FFO, and available credit facilities--which we estimate will cover expected cash outflows by 1.1x over the 12 months from March 31, 2024.

We also assume that liquidity sources will exceed uses even if EBITDA were to drop by 10%. Statnett's solid relationships with banks and high standing in the credit markets further support the company's liquidity position, as demonstrated by the €500 million 3.375%, 12-year bond issuance on Feb. 26, 2024. As of March 31, 2024, we estimate the following principal liquidity sources and uses:

Principal liquidity sources

- NOK4.5 billion in unrestricted cash including cash received from congestion income;
- Access to undrawn committed revolving credit facilities totaling NOK8 billion; and
- FFO of about NOK3.5 billion-NOK 4 billion and some accruing congestion income for the year 2024.

Principal liquidity uses

- Debt of NOK6 billion maturing over the next 12 months;
- Annual investments of about NOK10 billion-NOK11 billion; and
- NOK1 billion of dividends in 2023.

Environmental, Social, And Governance

Environmental, social, and governance factors are a neutral consideration in our credit analysis for Statnett.

The utility industry, including TSOs, faces short- and long-term risks from environmental factors, but also safety and societal issues when cabling in challenging terrains and environments, such as under the sea, and over or through mountains. Overall, we think that environmental risks are not material for Statnett from a credit quality perspective. The utility industry at large is challenged by climate change and a general transition away from fossil energy sources into volatile renewable generation. This affects Statnett's status as a TSO, with its role to ensure security of supply and balance the system. Statnett has an excellent track record in terms of project execution. Although the company's projects are exposed to high-risk situations, it has a good health and safety record, and regularly reviews procedures. We assess Statnett's management and governance as neutral, based on the company's consistently good operating track record, effective project planning, and active approach toward corporate social responsibility.

Government Influence

The long-term issuer credit rating on Statnett is four notches higher than the 'bbb' SACP. This reflects our view of the very high likelihood that the government of Norway would provide timely and sufficient extraordinary support to the company in the event of financial distress, and is based on Statnett's:

- Very important role as Norway's monopoly TSO, including its clear public-policy position within the country's energy market, and as a supplier to the strategically important oil industry.
- Very strong link with Norway, demonstrated by its full government ownership, remote privatization prospects due to its legal status, and strategic importance to the government

Issue Ratings--Subordination Risk Analysis

Capital structure

Statnett's debt structure comprises senior unsecured debt in the form of bonds and loans issued at the parent level.

Analytical conclusions

We rate debt issued by Statnett 'A+', the same as the long-term issuer credit rating, because no significant elements of subordination risk are present in the capital structure.

Rating Component Scores

Foreign currency issuer credit rating	A+/Stable/A-1
Local currency issuer credit rating	A+/Stable/A-1
Business risk	Excellent
Country risk	Very Low
Industry risk	Very Low
Competitive position	Strong
Financial risk	Aggressive
Cash flow/leverage	Aggressive
Anchor	bbb
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	bbb

Related Criteria

- 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
- 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
- ARCHIVE | Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- ARCHIVE | Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- 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

- Three Northern European TSOs Ratings Affirmed As Congestion Income Is Broadly Credit Neutral; Outlooks Remain Stable, April 14, 2023

Ratings Detail (as of June 12, 2024)*

Statnett SF	
Issuer Credit Rating	A+/Stable/A-1
Senior Unsecured	A+
Issuer Credit Ratings History	
14-Jan-2010	A+/Stable/A-1
14-Oct-2009	AA/Watch Neg/A-1+
30-Jun-2009	AA/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.