

Sogn og Fjordane Energi AS

Kingdom of Norway, Utilities

Rating composition

Business Risk Profile		
Industry risk profile	BB+	BBB-
Competitive position	BBB	
Financial Risk Profile		
Credit metrics	A-	BBB
Cash flow generation	BB+	
Liquidity	+/-0 notches	
Standalone credit assessment		BBB-
Supplementary rating drivers		
Financial policy	+/-0 notches	+1 notch
Parent/government support	+1 notch	
Governance & structure	+/-0 notches	
Peer context	+/-0 notches	
Issuer rating		BBB

Key metrics

Scope credit ratios*	Scope estimates			
	2023	2024	2025E	2026E
Scope-adjusted EBITDA interest cover	16.9x	10.3x	12.5x	17.4x
Scope-adjusted debt/EBITDA	2.1x	3.3x	3.0x	2.1x
Scope-adjusted free operating cash flow/debt	1%	10%	4%	9%
Liquidity	79%	280%	172%	74%

Rating sensitivities

The upside scenario for the ratings and Outlook:

- Debt/EBITDA sustained below 2.5x with cash flow coverage improving towards break-even.

The downside scenarios for the ratings and Outlook (individually):

- Debt/EBITDA sustained above 4x.
- Loss of the government related entity (GRE) status (remote).

*All credit metrics refer to Scope-adjusted figures.

Issuer

BBB

Outlook

Stable

Short-term debt

S-2

Senior unsecured debt

BBB

Lead Analyst

Thomas Faeh
+47 93 05 31 40
t.faeh@scoperatings.com

Related methodologies

[General Corporate Rating Methodology, Feb 2025](#)
[European Utilities Rating Methodology, Jun 2025](#)
[Government Related Entities Methodology, Sept 2025](#)

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1. Key rating drivers

Positive rating drivers

- Strong profitability supported by low-cost, renewable power generation; predominantly from large-scale hydro assets
- Integrated utility model with direct exposure to environmentally friendly power generation, and indirect exposure to electricity distribution, retail as well as fiber infrastructure and services
- GRE status: long-term, supportive, and committed municipality owners, justifying an uplift from the standalone rating in accordance with our GRE methodology

Negative rating drivers

- Exposure to volatile power prices for unhedged generation output
- Limited geographical diversification with most activities based in a regional service territory – increasing the presence of event risk (e.g. political or regulatory changes or adverse weather)
- Some asset concentration risk within the power generation portfolio

2. Rating Outlook

The Outlook is Stable, reflecting our expectation that Sogn og Fjordane Energi's (SFE) leverage (debt/EBITDA) will remain at around 3x for the next few years, despite continued, higher-than-historical investments in line with the company's ambition for further growth.

3. Corporate profile

Sogn og Fjordane Energi is a regional, integrated utility company based in Sandane, Norway. The company operates in the following sectors: hydropower generation, electricity grids (via associated company Linja), telecommunications networks (fibre-optic broadband), and electricity downstream. It operates primarily in the mid-western NO3 region of Norway, with minor exposure to the NO5 area.

The company is owned by 19 municipalities within its service territory and Eviny (A-/Stable, public ownership). The power generation business is operated within SFE, while the grid business is in the associated company Linja (owned 33.3% by SFE, 33.8% Tafjord Kraft, 32.9% Tussa Kraft; both other owners are also publicly owned).





4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
05 Mar 2026	Affirmation	BBB/Stable
04 Mar 2025	New	BBB/Stable

5. Financial overview (financial data in NOK m)

Scope credit ratios	Scope estimates					
	2022	2023	2024	2025E	2026E	2027E
EBITDA interest cover	13.4x	16.9x	10.3x	12.5x	17.4x	13.4x
Debt/EBITDA	2.5x	2.1x	3.3x	3.0x	2.1x	3.0x
Free operating cash flow/debt	13%	1%	10%	4%	9%	-5%
Liquidity	217%	79%	280%	172%	74%	79%
EBITDA						
EBITDA	1,264	893	565	640	965	762
add: Recurring associate dividends received	-	-	26	40	50	50
Other items	-	-	-	-	-	-
EBITDA	1,264	893	591	680	1,015	812
Funds from operations (FFO)						
EBITDA	1,264	893	591	680	1,015	812
less: interest	(95)	(53)	(57)	(54)	(58)	(60)
less: cash tax paid	(140)	(452)	(284)	(134)	(161)	(165)
Other non-operating charges before FFO	(93)	(147)	(117)	-	-	-
Funds from operations	936	242	133	491	795	586
Free operating cash flow (FOCF)						
Funds from operations	936	242	133	491	795	586
Change in working capital	(84)	(36)	206	-	-	-
Non-operating cash flow	(37)	9	5	-	-	-
less: capital expenditures (net)	(390)	(187)	(137)	(400)	(600)	(700)
Other items	-	-	-	-	-	-
Free operating cash flow	425	28	206	91	195	(114)
Interest						
Net cash interest per cash flow statement	95	56	61	58	62	64
add: interest component, operating leases	-	-	-	-	-	-
add: 50% of interest paid on hybrid debt	-	-	-	-	-	-
add: other items	(1)	(3)	(3)	(3)	(3)	(3)
Interest	95	53	57	54	58	60
Debt						
Reported financial (senior) debt	4,065	2,944	2,497	2,441	2,385	2,729
less: cash and cash equivalents	(861)	(1,030)	(522)	(404)	(291)	(298)
add: pension adjustment	-	-	-	-	-	-
add: other debt-like items	-	-	-	-	-	-
Debt	3,204	1,914	1,975	2,037	2,095	2,431

6. Environmental, social and governance (ESG) profile¹

Environment	Social	Governance
Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency) 	Labour management	Management and supervision (supervisory boards and key person risk) 
Efficiencies (e.g. in production)	Health and safety (e.g. staff and customers)	Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate) 
Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables)	Clients and supply chain (geographical/product diversification)	Corporate structure (complexity) 
Physical risks (e.g. business/asset vulnerability, diversification)	Regulatory and reputational risks	Stakeholder management (shareholder payouts and respect for creditor interests) 

ESG factors:  credit-positive  credit-negative  credit-neutral

We consider SFE's business model to be centred on the production of clean, low-cost hydroelectric power. This model limits stranded-asset risk and supports the long-term, high utilisation of its power plants, securing a strong position in the merit order. Moreover, SFE's focus on large-scale hydropower (above 10 MW) reinforces its GRE status, as Norwegian regulation requires such assets to be at least two-thirds publicly owned.

Clean energy generation

Despite the recent changes to the taxation of power-generating assets in Norway, we still view the framework conditions for utilities as stable. The regulatory regime for power distribution has been consistently robust and provides transparent visibility on future cash flows.

¹ These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.

7. Business risk profile: BBB-

With its dominant exposure to power generation, SFE's financial performance remains closely tied to achievable power prices, which are inherently volatile. By contrast, its exposure to regulated grid activities through its 33% stake in Linja provides more stable earnings due to the sector's high entry barriers. However, this segment remains comparatively small, contributing around 15% of EBITDA on a long-term average.

Industry risk profile: BB+

SFE's annual mean hydropower production in western Norway is around 2.2 TWh, generated from its directly owned hydroelectric plants. The company benefits from reservoir capacity equivalent to about 40% of its mean annual output, linked to power plants with varying levels of installed capacity. In addition to hydropower, SFE also has wind generation assets, which produced 134 GWh in 2024.

Mean annual hydropower volume of 2.2 TWh

Although SFE is a relatively small power producer in Norway by market share, we still assess its market position as good, supported by its low-cost and flexible hydropower portfolio. These assets occupy a strong position in the merit order and are capable of providing valuable peak-load capacity. SFE aims to increase its annual average power generation to around 4 TWh by 2040, driven primarily by further investments in hydro and wind power, and to a lesser extent in hydrogen production and biogas.

Small size balanced by strong merit order position

Thanks to their reservoir storage, several of the company's large-scale hydropower plants are well positioned to gain importance as dispatchable power sources in the years ahead. This will become increasingly valuable as the energy transition accelerates and the Nordic and European power systems integrate a higher share of variable renewable generation, such as wind and solar. The operational flexibility provided by reservoir-based hydropower also enhances profitability by enabling more active and effective participation in the power-balancing markets.

In the downstream electricity segment, SFE operates through its 26.5% stake in Wattn AS, a leading local electricity supplier serving around 100,000 customers. SFE also has a 40.29% stake in Enivest, which owns and operates a fibre-optic network serving more than 28,000 residential and 2,000 commercial customers. New regulations may require fibre-network operators with significant market shares to allow access to other providers, but compensation mechanisms are expected to ensure continued network investment.

In January 2026, SFE and Eviny announced their intention to sell Enivest. Such a divestment could have a modest negative impact on SFE's business risk profile but may strengthen its financial risk profile if the transaction generates substantial proceeds. Our base case does not factor in a sale of Enivest due to uncertainty regarding timing, the likelihood of completion, and the potential cash inflows.

We consider SFE's geographical diversification to be limited relative to larger European utility incumbents operating across multiple jurisdictions, though it is broadly in line with that of other Norwegian utilities.

Limited geographical diversification

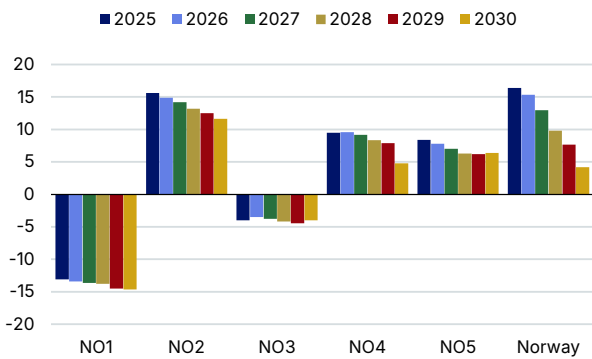
SFE's hydropower assets are concentrated primarily in western Norway, with additional capacity in the southwest (NO3 and NO5 bidding zones). While this regional concentration limits geographical diversification, pricing risk is partially mitigated through exposure to interconnected Nordic and European power markets.

SFE's customer base is adequate, reflecting its position as one of the largest integrated regional utilities in Norway. The company serves around 100,000 customers/connection points in power distribution and approximately 30,000 customers in fibre-optic services. While this remains smaller than that of larger regional, national, or cross-border peers, the breadth of SFE's activities across several non-correlated business areas contributes somewhat to cash flow stability than the absolute size of its customer base.

Adequate customer diversification

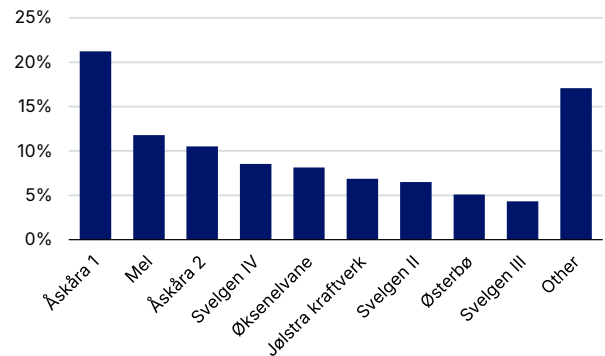
SFE's service territory is assessed to have growth prospects comparable to most areas in western and southern Norway. This is supported by expectations of economic growth, increasing electricity demand driven by new industry and electrification, and anticipated population growth, such as outlined in forecasts from Statistics Norway (SSB).

Figure 1: NVE’s expectations for energy balances by bidding area as of June 2025, TWh



Sources: NVE (Norwegian Water Resources and Energy Directorate), Scope

Figure 2: Share of hydropower generation by power plant

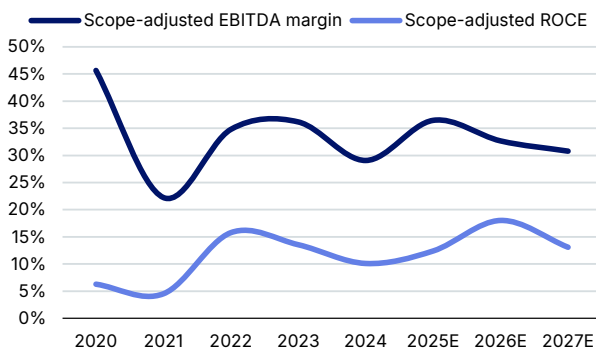


Sources: SFE, Scope estimates

We assess asset concentration risk in SFE’s generation portfolio as moderate, with the largest plant, Åskåra1, representing around 21% of total generation capacity and the three largest plants accounting for 44%. While we consider the likelihood of a prolonged outage at one or more key facilities to be low, such an event cannot be ruled out. The financial impact of a shutdown would, however, be mitigated by SFE’s business interruption insurance.

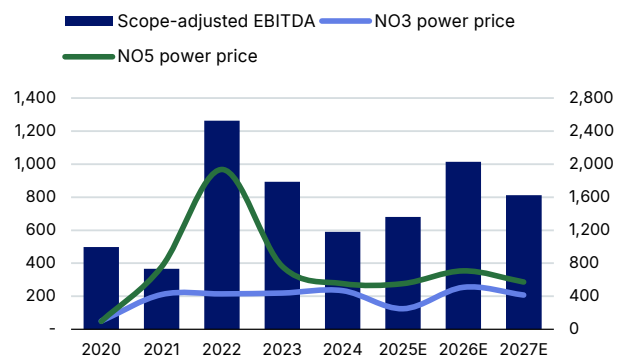
SFE’s profitability is underpinned by its exposure to low-cost, predominantly hydropower-based generation. The company’s EBITDA margin stands at 30%–35%. However, this margin includes a substantial volume of energy purchases (NOK 800m in 2025), which are understood to relate largely – though not entirely – to market activities conducted on behalf of Wattn. These transactions have a broadly net-zero impact on EBITDA. Excluding these activities, the underlying margin would be higher, and we estimate a ‘production margin’ of more than 60%.

Figure 3: Profitability



Sources: SFE, Scope estimates

Figure 4: EBITDA (NOK m, RHS) versus the average power price in NO3 and NO5 (NOK/MWh, LHS)



Sources: SFE, Nordpool, Scope estimates

8. Financial risk profile: BBB

The financial risk profile is assessed stronger than the business risk profile, reflecting relatively modest leverage and high interest cover.

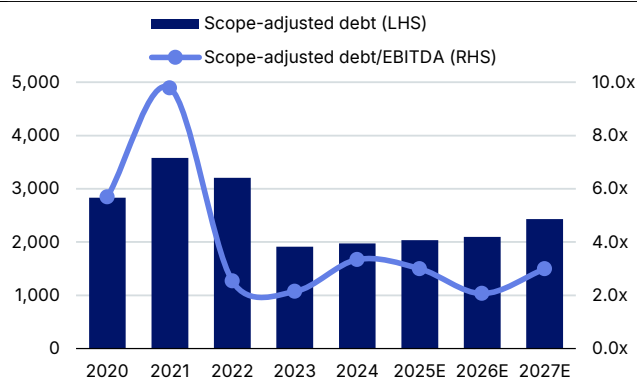
Our financial projections for 2026–2027 are mainly based on:

- An average power price in NO3 of NOK 410-510/MWh and in NO5 of around NOK 570-710/MWh (high end in 2026)
- Annual hydropower volumes (consolidated) of around 2.2 TWh
- Total investments of around NOK 600-700m per annum for 2026 and 2027
- The dividend policy will be maintained, with payouts set at 70% of the previous year's net income (at a minimum of NOK 150m), with adjustments made for minorities and associated companies.

Leverage (debt/EBITDA) is estimated at around 3x in 2025 and is expected to decline toward 2x in 2026, driven by higher electricity price expectations, before stabilising at around 3x in subsequent years given more moderate medium-term price forecasts and inherent earnings volatility. The spike in 2020 was mainly due to low power prices, while the increase in 2021 reflected regional price differences and their impact on financial contracts. Our leverage assessment focuses primarily on non-regulated activities, given the comparatively small contribution from Linja's grid-related dividend income to EBITDA.

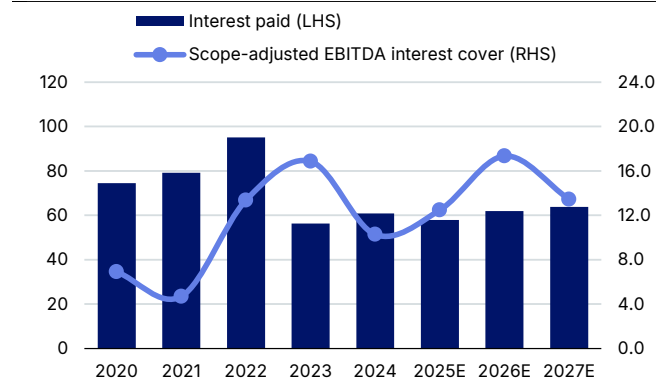
Leverage of around 2.5x to 3.0x expected

Figure 5: Debt/EBITDA (RHS) and debt (NOK m, LHS)



Sources: SFE, Scope estimates

Figure 6: EBITDA interest coverage (RHS) and interest (NOK m, LHS)



Sources: SFE, Scope estimates

SFE's interest cover benefits from its substantial exposure to fixed-rate debt contracted before the rise in market rates. The estimated average effective interest rate of 3.8% in 2025 still reflects this protection, although it has increased from 3.3% in 2024 following recent refinancings. From this low starting point, we expect the average rate to rise gradually as new debt is issued to fund growth and to replace maturing facilities.

EBITDA interest coverage was strong at 10.3x in 2024 and is projected to remain comfortably above 10x in 2025–2027, supported by expected EBITDA growth and the limited volume of upcoming maturities that could materially alter interest costs.

FOCF has shown significant variability in recent years, driven mainly by investment activity. The sharply negative FOCF in 2021 was caused by exceptionally high capex of NOK 1.1bn related to the construction of the Lutelandet wind farm alongside a hydro project – an unusually large investment level for SFE. This contributed to an average negative FOCF of NOK 132m over 2019–2023.

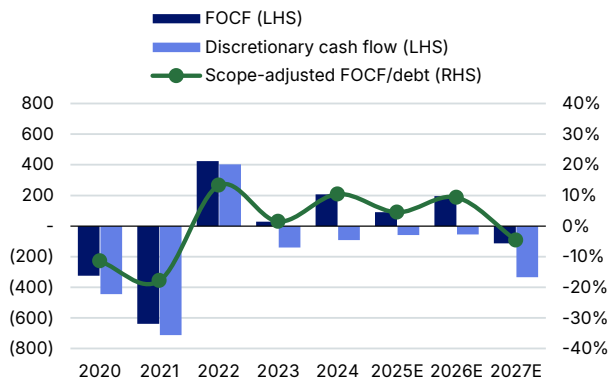
Historically negative cash flow cover due to high investments

FOCF turned strongly positive in 2024, supported by working-capital releases. For 2025–2027, we expect FOCF to remain break-even to positive on average but volatile, despite relatively high annual capex of NOK 400–700m, reflecting fluctuations in cash generation from the underlying power-production business. Part of this capex is likely to qualify for tax deductions under Norway's

Slightly positive cash flow expected on average

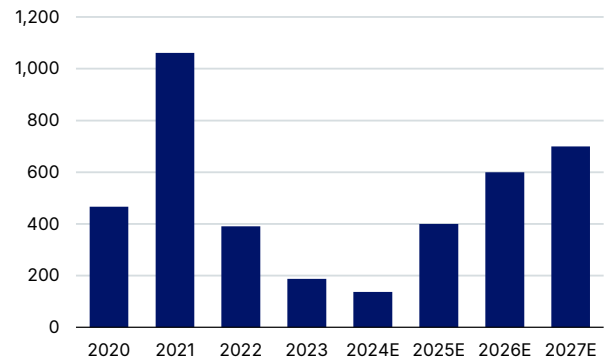
resource rent tax regime, which should reduce cash tax payments in subsequent years and support overall cash flow.

Figure 7: Cash flows, NOK m



Sources: SFE, Scope estimates

Figure 8: Capex, NOK m



Sources: SFE, Scope estimates

Liquidity is adequate, supported by solid coverage of the 2026 maturities despite numerical coverage below 100%. Upcoming 2026 maturities consist of a NOK 500m bond in March, a NOK 250m bond in September, and NOK 56m on an amortising NIB loan. The March bond has already been fully refinanced through a new NOK 500m bond issued in November 2025, leaving only the NOK 250m September maturity to be addressed. As a result, the remaining capital-market refinancing need for 2026 is limited to NOK 250m. For 2027, capital-market maturities amount to NOK 200m.

Adequate liquidity

Liquidity is further supported by our view that SFE benefits from good access to external financing, underpinned by its established track record of issuing debt in both the bank and bond markets.

SFE has access to a NOK 500m committed revolving credit facility from Nordea, which is used primarily to facilitate power purchases for its associated company Wattn. In addition, the company maintains a NOK 300m revolving credit facility for general corporate purposes. Neither facility is included in the liquidity assessment, as they are short-term in nature or not intended to support general corporate purposes.

Table 1. Liquidity sources and uses (in NOK m)

	2024	2025E	2026E
Unrestricted cash (t-1)	1,030	522	404
Open committed credit lines (t-1)	-	-	-
FOCF (t)	206	91	195
Short-term debt (t-1)	442	356	806
Liquidity	280%	172%	74%

Sources: SFE, Scope estimates

9. Supplementary rating drivers: +1 notch

SFE's financial policy has no additional credit impact beyond what is already captured in our assessment of the financial risk profile. The company's dividend policy stipulates a payout ratio of 70%, adjusted for minorities and contributions from associated companies, based on the previous year's net profit, with a cap of 40% on debt maturing within the next 12 months. The overarching objective is to maintain credit metrics consistent with an investment-grade profile.

+1 notch for GRE status

The issuer rating incorporates a one-notch uplift to the standalone credit assessment of BBB-, reflecting SFE's status as a government-related entity. This follows the bottom-up approach set out in our Government-Related Entities Methodology. The uplift reflects the public sponsor's high capacity and medium willingness to provide support. While the company plays a role in meeting some of its owners' policy objectives, we also note that SFE's large hydropower plants must be at least two-thirds owned by state or municipal entities. The resulting uplift is consistent with that applied to other Norwegian utilities we assess, which are majority or fully publicly owned but do not benefit from explicit guarantees or formalised financial support.

10. Debt ratings

We have affirmed the BBB senior unsecured debt rating, in line with the issuer rating.

Senior unsecured debt rating: BBB

The affirmed S-2 short-term debt rating is based on the underlying BBB/Stable issuer rating and reflects better than adequate short-term debt coverage as well as adequate access to bank and capital markets financing.

Short-term debt rating: S-2

Related research

[European utilities' credit outlook is balanced despite accelerating grid capex in investment upswing, February 2026](#)

[Norwegian utilities face rising capex demands while cash outflows remain constant, December 2025](#)

Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin

Phone: +49 30 27891-0

Fax: +49 30 27891-100

info@scoperatings.com

Scope Ratings UK Limited

52 Grosvenor Gardens

London SW1W 0AU

Phone: +44 20 7824 5180

info@scoperatings.com



Bloomberg: RESP SCOP

[Scope contacts](#)

[scoperatings.com](https://www.scoperatings.com)

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