

# Hafslund AS

Kingdom of Norway, Utilities

Issuer

A

Outlook

Stable

Short-term debt

S-1

Senior unsecured debt

A

**Lead Analyst**

Per Haakestad  
+47 67 21 96 73  
[p.haakestad@scoperatings.com](mailto:p.haakestad@scoperatings.com)

**Related methodologies**

[General Corporate Rating Methodology, Apr 2026](#)  
[Europea Utilities Rating Methodology, Apr 2026](#)  
[Government Related Entity Rating Methodology, Sep 2025](#)

**Rating composition**

Business Risk Profile		
Industry Risk Profile	BB+	BBB+
Competitive Positioning	A-	
Financial Risk Profile		
Credit metrics	A+	A
Cash flow generation	Good	
<b>Preliminary Credit Assessment</b>		<b>A-</b>
Supplementary Rating Drivers		
Liquidity	+/-0 notches	+/-0 notches
Financial policy	+/-0 notches	
Governance and structure	+/-0 notches	
<b>Secondary Credit Assessment</b>		<b>A-</b>
External Rating Drivers		
Parent/government support	+1 notch	+1 notch
Peer context	+/-0 notches	
<b>Issuer rating</b>		<b>A</b>

**Key metrics**

Scope credit ratios*	Scope estimates			
	2024	2025	2026E	2027E
Scope-adjusted EBITDA interest cover	14.8x	12.4x	12.7x	9.4x
Scope-adjusted debt/EBITDA	1.4x	1.3x	1.1x	1.8x
Scope-adjusted debt/EBITDA (excl. shareholder loans from Oslo)	0.9x	0.9x	0.7x	1.3x
Scope-adjusted free operating cash flow/debt	12%	27%	31%	-5%
Liquidity	>200%	>200%	>200%	>200%

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**Rating sensitivities**

**The upside scenario for the ratings and Outlook is :**

- Improved business risk profile, e.g. through improved segmentation and diversification, while maintaining a strong financial risk profile (remote)

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

- Leverage (debt/EBITDA) sustained above 2x
- Loss of government-related-entity status due to change of ownership (remote)

\*All credit metrics refer to Scope-adjusted figures.

## 1. Key rating drivers

### Positive rating drivers

- Second largest domestic power generator, benefitting from low-cost hydro facilities with water reservoir capacity and flexibility, with limited obsolescence risk
- Indirect exposure to robust grid operations from its 50% ownership in Norway's largest power grid company, Elvia, through recurring dividend inflows from Eidsiva Energi AS
- Long-term, supportive and committed municipality owner in Oslo municipality, justifying a one-notch uplift under external rating drivers
- Manageable indebtedness and good internal capex funding capacity, supporting financial flexibility, also relative to higher-levered domestic competitors with similar business risks

### Negative rating drivers

- Large exposure to power price fluctuations for its energy generation, exemplified by weak cash flow and credit ratios when market prices are low, such as in 2020, with limited long-term risk mitigation through hedging
- Risk that elevated capex in next years combined with likely maintenance of dividend policies will increase debt and pressure credit metrics
- Limited geographical outreach within and outside Norway
- Weakness in district heating regulation applicable to Hafslund Celsio, with revenues linked to power prices and no cost pass-through mechanism, which reduces earnings visibility

## 2. Rating Outlook

The **Stable Outlook** reflects Scope's expectation that Hafslund's credit metrics will remain consistent with the current rating, including leverage of below 2x over the medium term.

## 3. Corporate profile

Hafslund is a Norwegian utility, based in Oslo. It is one of the main power generators in Norway, with additional activities in district heating and exposure to grid operations through Eidsiva Energi AS stake. Hafslund is wholly owned by Oslo municipality.

One of the main power generators in Norway

## 4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
2 Jun 2026	Affirmation	A/Stable
4 Jun 2025	Upgrade	A/Stable
5 Jun 2024	Affirmation	A-/Positive

## 5. Financial overview (financial data in NOK m)

Scope credit ratios	Scope estimates					
	2023	2024	2025	2026E	2027E	2028E
EBITDA interest cover	20.2x	14.8x	12.4x	12.7x	9.4x	8.5x
Debt/EBITDA	0.8x	1.4x	1.3x	1.1x	1.8x	2.1x
Debt/EBITDA (excl. shareholder loans from Oslo)	0.4x	0.9x	0.9x	0.7x	1.3x	1.5x
Free operating cash flow/debt	17%	12%	27%	31%	-5%	8%
Liquidity	>200%	>200%	>200%	>200%	>200%	>200%
<b>EBITDA</b>						
Reported EBITDA <sup>1</sup>	14,536	9,965	12,223	13,715	10,591	9,699
add: recurring dividends from associates	1,196	719	651	663	675	688
less: value changes of power and currency derivatives	(1,562)	(85)	(191)	-	-	-
<b>EBITDA</b>	<b>14,170</b>	<b>10,599</b>	<b>12,683</b>	<b>14,378</b>	<b>11,266</b>	<b>10,386</b>
<b>Funds from operations (FFO)</b>						
EBITDA	14,170	10,599	12,683	14,378	11,266	10,386
less: interest	(700)	(714)	(1,023)	(1,131)	(1,198)	(1,223)
less: cash tax paid	(13,838)	(7,117)	(5,050)	(5,672)	(6,708)	(4,381)
<b>Funds from operations</b>	<b>(368)</b>	<b>2,768</b>	<b>6,610</b>	<b>7,574</b>	<b>3,359</b>	<b>4,782</b>
<b>Free operating cash flow (FOCF)</b>						
Funds from operations	(368)	2,768	6,610	7,574	3,359	4,782
Change in working capital	162	60	464	-	-	-
Non-operating cash flow	3,323	538	203	-	-	-
less: capital expenditures (net)	(1,217)	(1,502)	(2,744)	(2,700)	(4,300)	(3,000)
less: lease amortisation	(45)	(49)	(61)	(62)	(63)	(65)
<b>Free operating cash flow</b>	<b>1,855</b>	<b>1,815</b>	<b>4,472</b>	<b>4,812</b>	<b>(1,004)</b>	<b>1,717</b>
<b>Interest</b>						
Net cash interest per cash flow statement	700	714	1,023	1,131	1,198	1,223
<b>Interest</b>	<b>700</b>	<b>714</b>	<b>1,023</b>	<b>1,131</b>	<b>1,198</b>	<b>1,223</b>
<b>Debt</b>						
Reported financial (senior) debt	15,363	17,769	21,416	20,433	23,962	24,208
add: shareholder loans from Oslo	5,422	5,422	5,422	5,422	5,422	5,422
less: cash and cash equivalents	(10,239)	(8,306)	(10,672)	(10,693)	(9,709)	(8,464)
add: non-accessible cash	337	282	177	177	177	177
<b>Debt</b>	<b>10,883</b>	<b>15,167</b>	<b>16,343</b>	<b>15,339</b>	<b>19,852</b>	<b>21,343</b>

<sup>1</sup> Excluding profit and loss from associates and joint ventures.

## 6. Environmental, social and governance (ESG) profile<sup>2</sup>

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

Hafslund benefit from exposure to hydropower generation, which limits transition risks and supports utilisation of power plants given the low costs and negligible carbon emissions. It also underpin Hafslund’s status as a government-related entity, given the requirement of two-thirds public ownership in large hydropower facilities.

Efficient and clean power generation

Hafslund focuses its growth projects on sustainable areas, which, in addition to hydro, include wind power (e.g. the acquired Tonstad wind farm and ongoing developments such as the Aremark project) and carbon capture and storage/CCS.

Growth areas focused on sustainability

Hafslund’s district heating operations make extensive use of excess heat from waste incineration, which promotes a circular economy. The company is building (together with Aker Solutions and SLB Capturi) one of the world’s first climate-positive waste incineration plants at Klemetsrud with the development of CCS capabilities. Albeit weighing on cash flows over the next few years with Hafslund’s Celsio’s share of total capex<sup>3</sup> projected to be around NOK 4bn, the project will support Hafslund’s ESG profile (beyond 2029, when the facility is expected to be completed), providing exposure to carbon-negative end-treatment of residual waste. The CCS project is aimed at reducing Oslo’s CO2 emissions by around 20%.

Heat business aiming at circular economy, supplemented by carbon capture and storage over the long term

Hafslund applies market standard governance principles, which are credit-neutral.

No issues on governance

<sup>2</sup> 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.

<sup>3</sup> Around NOK 9bn based on issuer’s disclosures, whereof around NOK 5bn will be covered through a state support agreement and by Oslo municipality.

## 7. Business Risk Profile: BBB+

Hafslund’s business risk profile is considered good, but overall a rating constraining factor, mainly due to diversification effects and the company’s high exposure to industry-inherent risks related to the generation of power from non-regulated capacities.

Business risk profile remains weakest link of Hafslund’s issuer rating

Hafslund’s business risk profile remains underpinned by its strong competitive position in the Norwegian utility sector as the second largest power generator. The company supplies 10–15% of the domestic power consumption, through its predominantly hydro-based generation portfolio, ensuring a favorable position in the merit order system and negligible carbon emissions, with limited risk of asset obsolescence.

Leading power generator in Norway with a low-cost and low carbon generation capacity

The utility’s operating profile is supported by exposure to regulated grid operations through the 50% ownership in Eidsiva Energi AS (rated *A-/Stable*) and important district heating infrastructure in the Oslo area through the 60% ownership in Hafslund Celsio. These regulated or quasi-regulated businesses contributes approximately 10–15% of recurring EBITDA and help offset the volatility of non-regulated power generation. While Hafslund’s sale of its 49% stake in Fredrikstad Energi in 2025 reduces the exposure to regulated activities, this has a relatively limited impact on business risks, given the small magnitude relative to the Eidsiva Energi stake.

Credit-supportive cash flow diversity related to grid operations and district heating/cooling

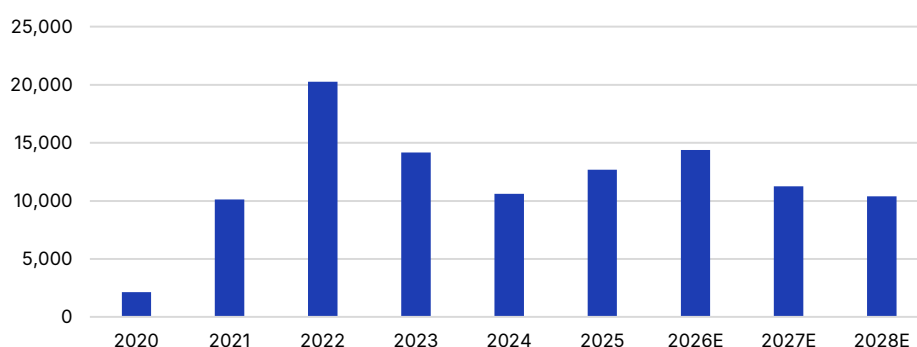
Hafslund’s strategic location in southeast Norway, combined with solid reservoir capacity (covering about 50% of annual production) and its low-cost hydro operations, supports high utilisation and achievement of attractive market prices, with additional revenues from ancillary services (e.g. participation in reserve markets and sale of guarantees of origins). Although a growing share of earnings from the lower-margin district heating operations and normalising power prices could dilute profitability slightly, we expect the company’s EBITDA margin and return on capital employed to remain above 70% and 10%, respectively, over the next years.

Efficient operations

Hafslund’s business risks remain important, however, given its high dependency on non-controllable external factors such as volatile power prices in the relevant pricing areas and its limited hedging activities, with risks amplified by Hafslund’s limited geographical diversification (i.e. limited exposure to non-correlated power generation markets).

Geographical outreach and high exposure to industry-inherent risk remain rating constraints

**Figure 1: Scope-adjusted EBITDA in NOK m**



Source: Hafslund, Scope estimates

The ongoing CCS project could diversify and increase the earnings of Hafslund Celsio when operational, but it remains subject to successful execution over the next few years. We view the signed contracts with Microsoft and Frontier for certificates for negative emissions as risk-reducing, since they cover a high share of potential revenues for the first 10 years.

Ongoing CCS project

## 8. Financial Risk Profile: A

We expect that Hafslund will maintain strong credit metrics and good cash flow generation, consistent with an unchanged financial risk profile.

Unchanged financial risk profile

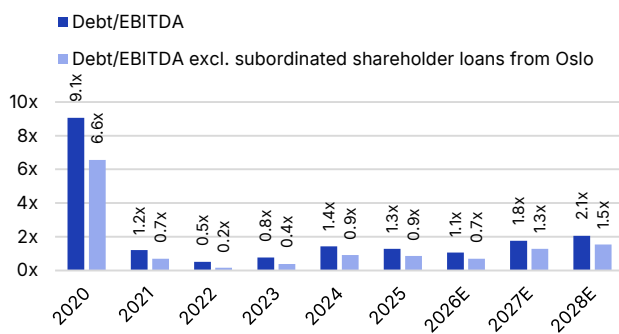
We expect leverage in terms of debt/EBITDA to remain below 1.5x at least through 2026 due to currently favorable market conditions, which we do not see as sustainable. Assuming normalising market conditions, with average power prices in the NO1/NO5 pricing areas decreasing towards NOK 550-600/MWh, we expect leverage to increase during 2027-2028 to around 2x, and to remain below 2x excluding the subordinated shareholder loans from Oslo. The projected increase in leverage also reflects our expectation that high expansionary capex for the CCS and Hemsil 3 projects, in combination with the maintenance of shareholder remuneration, will require an increase in debt.

Leverage to increase in 2027-2028

We project Hafslund’s aggregated FOCF to be positive over 2026–2028 despite the high expansionary capex, illustrating the company’s good ability to fund capex internally. The higher capex relative to our previous rating case reflects a more front-loaded profile of the CCS project in Hafslund Celsio, as well as Hafslund’s decision to build the Hemsil 3 power plant. The latter was announced in November 2025.

Good ability to fund capex internally

**Figure 2: Leverage**



Source: Hafslund, Scope estimates

We expect EBITDA interest cover to weaken below 10x over the next few years, from above 12x in 2025, but remain strong. This is based on our expectations of higher net interest payments due to higher debt and interest rates, combined with lower EBITDA levels stemming from the assumed market normalisation.

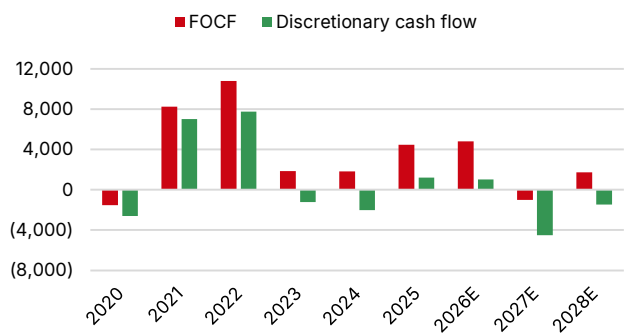
We highlight that leverage exceeds 2x towards the end of our forecast. If reaching such level, and we do not expect a timely, subsequent deleveraging path (e.g. due to weaker power prices or lower-than-anticipated contributions from the CCS project, paired with lack of sufficient of balancing measures), this would likely result in downward ratings pressure.

**9. Supplementary Rating Drivers: +/- 0 notches**

Liquidity: adequate. We expect liquidity coverage to remain above 200%. This is supported by available cash and liquid assets of over NOK 10,000m at YE 2025 and a NOK 4,000m unused committed credit facility. Hafslund’s established access to diverse funding sources, such as bonds, bank loans, private placements, commercial paper and shareholder loans, also reinforces its (re)financing flexibility.

Adequate liquidity

**Figure 3: Cash flows, NOK m**



Source: Hafslund, Scope estimates

Interest cover to remain strong

**Table 1: Liquidity sources and uses (in NOK m)**

	2025	2026E	2027E
Unrestricted cash (t-1)	8,024	10,495	10,516
Open committed credit lines (t-1)	2,500	4,000	4,000
FOCF (t)	4,472	4,812	(1,004)
Short-term debt (t-1) <sup>4</sup>	2,294	991	1,980
<b>Liquidity</b>	<b>&gt;200%</b>	<b>&gt;200%</b>	<b>&gt;200%</b>

Source: Hafslund, Scope

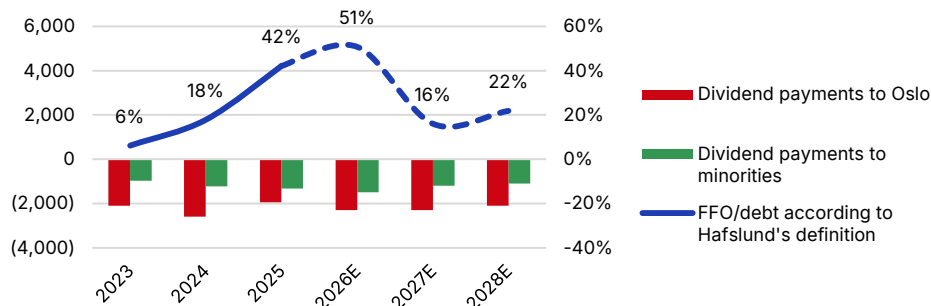
We have not made any explicit adjustment for Hafslund’s financial policy. However, the company remains focused on retaining a solid investment-grade rating and actively monitors quantitative and qualitative factors affecting its credit quality. We emphasise, in particular, its public commitment to maintain FFO/debt above 20% over time, which provides reassurance that Hafslund will manage investments and shareholder remuneration in a way that does not endanger the maintenance of a strong credit profile.

Prudent financial policy

Through 2027–2028, we expect the cushion to the 20% FFO/debt level in Hafslund’s financial policy to be reduced amid increasing debt. This incorporates our assumption that Hafslund will maintain dividend payments to Oslo based on the municipality’s published financial plan for 2026–2029, stipulating a level of NOK 2,050m–2,100m annually beyond 2026. It also considers the cash outflows to minority interests (mainly to Eidsiva Energi AS from Hafslund Kraft AS), which add pressure on discretionary cash flow on top of that stemming from dividend payments to Oslo.

Expected reduction of financial policy cushion through 2027–2028

**Figure 4: Shareholder remuneration (NOK m, lhs) and FFO/debt according to Hafslund’s financial policy definition (rhs)**



Source: Hafslund, Scope estimates

## 10. External Rating Drivers: +1 notch

The rating continues to incorporate a one-notch uplift to the A- secondary credit assessment, resulting in an A issuer rating. This follows the framework set out in our rating methodology for government-related entities with a bottom-up rating approach. We deem Oslo’s creditworthiness to be higher than Hafslund’s as a standalone entity, with at least a ‘medium’ capacity for a credit uplift. We assess Oslo’s willingness to provide extraordinary support to be ‘medium’, given Hafslund’s primary exposure to hydropower generation assets, which need to be in the hands of public authorities. Overall, the rating uplift is restricted to one notch, in line with other Scope-rated Norwegian utilities with majority or full public ownership but no explicit guarantees on their debt or financial support.

One-notch uplift to the secondary credit assessment based on government-related entity status

<sup>4</sup> The maturity profile does not consider the NOK 2,075m subordinated loan from CCS Finansiering AS as an ordinary short-term debt position in 2026. While the loan has been classified as a short-term debt position on the company’s 2025 balance sheet due to the debtor’s right to claim payment of an extraordinary instalment, we believe the loan is most likely to mature in 2042 given no current plans of an instalment per our understanding.

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## 11. Debt ratings

The rated debt is issued at parent level (Hafslund AS). Senior unsecured bonds display standard bond documentation, including pari passu and negative pledge.

We have affirmed Hafslund's senior unsecured debt rating at A, the same level as the issuer rating.

Senior unsecured debt rating: A

The short-term debt rating has been affirmed at S-1. This is based on the company's A/Stable issuer rating and robust short-term debt cover, as well as proven access to bank financing and capital markets debt.

Short term debt rating: S-1

**Scope Ratings GmbH**

Lennéstraße 5, D-10785 Berlin  
Phone: +49 30 27891-0  
Fax: +49 30 27891-100  
[info@scoperatings.com](mailto:info@scoperatings.com)

**Scope Ratings UK Limited**

1 King William Street  
London, EC4N 7AF  
Phone: +44 20 3059 1051  
[info@scoperatings.com](mailto:info@scoperatings.com)



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