Research Update:

Ireland-Based Integrated Utility Electricity Supply Board Upgraded To 'A' On Government Support; Outlook Positive

September 30, 2025

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Rating Action Overview

- We view the announcement of a €1.5 billion equity injection in Electricity Supply Board (ESB) from Ireland (AA/Positive/A-1+), which should be executed in the coming months, as positive. We consider that Ireland is highly likely to support ESB if needed, which provides a two-notch uplift to ESB's 'bbb+' stand-alone profile credit profile (SACP).
- On a stand-alone basis, we view the high share of regulated earnings (70%) providing cash flow stability to ESB until the end of the decade as positive. However, this is slightly offset by the high share of off-balance sheet debt (31% of ESB's 2024 reported net debt) that contributes additional risk to ESB's credit quality in our view. This is because offshore wind construction presents higher risks of delays and cost overruns, which could prompt higher equity injection than contracted at final investment decision.
- Therefore, we now include ESB's share of off-balance sheet debt related to the sole offshore wind project under construction, Inch Cape, in our financial assessment. This leads to funds from operations (FFO) to net debt averaging 18% over 2025-2027, well above our 16% guidance for the 'bbb+' SACP.
- We raised our long- and short-term issuer credit rating on ESB to 'A/A-1' from 'A-/A-2' to reflect that the company benefits from a higher likelihood of support and a central role in strengthening onshore transmission and distribution networks. We also raised our ratings on the senior unsecured debt to 'A' from 'A-'. We affirmed the positive outlook which mirrors the outlook on Ireland, reflecting our expectation that ESB will continue to generate most of its profits from regulated power transmission and distribution operations under a supportive regulatory framework.

Rating Action Rationale

We think that ESB will benefit from higher support from the Irish government, as evidenced by the agreed capital injection. This provides a two-notch uplift to the long-term issuer credit rating to 'A' from 'A-'. The Irish state owns 97.1% of the company and considers ESB strategically important because it is the largest Ireland-based power generator and the monopoly power distributor and transmission owner. In our view, ESB's knowledge of offshore wind construction, through its two joint ventures (JVs; Neart na Gaoithe [NnG] and Inch Cape), and its requirement to increase networks' investment heightens its role for Ireland--which we now view as “very important” from “important”. This is because ESB--similar to peers such as Scotland-based SSE PLC, France-based Electricite de France S.A., and Croatia-based Hrvatska Elektroprivreda d.d.--will need to be at the forefront of the energy transition through ensuring full electrification of the island. This is in line with EU goals, which comes from improving and securing the transmission and distribution networks as well as investing in renewables so that Ireland has 5 gigawatt of offshore wind by 2030. Therefore, in our view, ESB's role is in line with major state-owned integrated utility throughout Europe. The recent announcement of a €1.5 billion equity injection from the government to support network investments, is, in our view, strong evidence of increased government support.

We expect the announced €1.5 billion equity injection from the state to be received in the coming months, supporting the metrics well above 16%. The start of new regulatory periods in Northern Ireland (April 2025) and Ireland (January 2026) should support growth in EBITDA with regulated EBITDA increasing to €1.8 billion in 2028 from €1.2 billion in 2024; the remaining €750 million coming from generation and supply activities in Ireland and the U.K. We expect net investments to reach about €2.6 billion annually over 2025-2028 from €1.5 million in 2024; 70% skewed toward network investments. To offset the increase in network investments, the government of Ireland announced a €1.5 billion equity injection that we expect will be received in the coming months. Combined with the current dividend policy of 40% profit after tax, we expect ESB to post annual negative discretionary cash flow of €1 billion from 2026 onward, which, in turn, should increase S&P Global Ratings-adjusted debt (excluding debt at joint-ventures) to about €9.7 billion in 2028 from €7.5 billion in 2024. This will translate into FFO to debt of about 20% on average over the forecast horizon on a stand-alone basis (excluding debt at JVs).

In our view, ESB's high share of regulated network activities will continue to support earnings stability and credit quality. The company is an integrated utility, with operations spanning over generation, electricity transmission asset ownership, electricity distribution, and customer supply in Ireland. It benefits from monopoly ownership of the onshore transmission and distribution networks in the Ireland and Northern Ireland. We expect ESB will generate about 70%-75% of its EBITDA from regulated power transmission and distribution activities over 2025-2029 under both Ireland and Northern Ireland’s regulatory frameworks we view as supportive which, in our view, supports the 'bbb+' SACP. The Northern Ireland Electricity Networks Ltd. (NIE) RP7 determination and the ESB Networks' draft determination indicates an increase of network investments for ESB Group (including ESB Networks and NIE Networks) by about 15%-20% annually to €2.5 billion in 2028 from €1.4 billion in 2024 to ensure stability of the electricity network in Ireland. However, we expect ESB Network’s increase to be partially covered by the €1.5 billion equity injection to be received by the government over the coming months. The current determination indicates a pre-tax real weighted average cost of capital (WACC) of 3.85% equivalent to about 5.00%-6.00% pre-tax nominal WACC in line with that of France and the proposed draft for Spain. Similar to other frameworks we view as supportive, the proposal includes that assets under construction enter the regulated asset base at the time of investment and at the cost incurred. It includes a force majeure mechanism allowing ESB Networks to request a tariff change within the period, should there be material deviations in costs due to force majeure such as a storm. We view this as a positive trend to the existing regulatory framework and will monitor the final determination.

However, in our view, higher risks are associated with offshore wind assets under construction and include off-balance sheet debt in our calculation. As of September 2025, ESB owns 50% of one project under construction (Inch Cape) which we expect to be commissioned in 2027. Although it is located by Scotland's shore, we view this asset as strategic for ESB as it enables ESB to gain extensive knowledge to then position itself in the future development of Irish offshore that is to come over the next decade. We view offshore wind construction as riskier than that of solar or onshore projects in general. This has materialized through the recently commissioned 450-megawatt offshore wind project NnG where significant cost overruns led to a total project debt including interests of £2.6 billion (€3.2 billion equivalent) as of end 2024. These material cost overruns led ESB and other financial partners to inject more equity than originally planned at final investment decision to finance higher construction costs. In our view, this indicates that risks over such constructions exist, and we reflect them by incorporating ESB's share of Inch Cape debt into our adjusted debt until commissioning of the assets, and if the assets are self-funding once in operations. This has a 200-basis-point effect on our FFO to debt, and, as such, we expect FFO to debt including under construction debt at JVs to average 18% over 2025-2027, which remains well above our 16% guidance for a 'bbb+' SACP. In our base case, we do not include any other significant project build-up such as the Celtic Sea as no decisions have yet been made

The positive outlook on ESB mirrors that on Ireland. On Nov. 15, 2024, S&P Global Ratings revised its outlook on Ireland to positive from stable given the overperformance in corporate tax receipt collections, which are driving fiscal surpluses in Ireland (see "Republic Of Ireland Outlook Revised To Positive On Extraordinary Fiscal Overperformance; 'AA/A-1+' Ratings Affirmed"). It was affirmed on Sept. 19, 2025. As such, should Ireland be upgraded one notch to 'AA+', this will trigger a similar action on our 'A' rating on ESB, all else remaining equal.

We view NIE as being strategically important to ESB. Operating the distribution network in Northern Ireland, NIE was acquired in 2010 by ESB and is currently 100% owned. Over our forecast horizon, it will represent up to 15% of ESB's EBITDA annually. While we understand that it is unlikely to be sold, the regulation in Northern Ireland requires NIE to maintain its independence from ESB subsidiaries notably in terms of funding and legal/regulatory requirements. In addition, NIE and ESB Networks answer to two separate regulators with different regulatory frameworks and periods. The regulatory framework in Northern Ireland is comparable to that applied by Ofgem to UK Electricity Network companies. Finally, the only means of support between the two entities is through the revolving credit facility provided to NIE on an arm’s length basis by ESB and renegotiated every few years, which we do not view as a strong, long-term commitment. As NIE's stand-alone credit quality is higher than that of ESB, we align the rating on both entities.

Outlook

The positive outlook on ESB mirrors the positive outlook on Ireland as we expect Ireland to continue to support ESB throughout the extensive investment phase.

We anticipate that the utility will continue to post stable and predictable earnings in the low risk regulated networks business while also benefitting from its strong market position in the Irish electricity generation and supply markets and no major cost overruns during the construction of

Inch Cape, which should translate into FFO to debt remaining at about 18%, on average, over the medium term.

Downside scenario

We would revise the outlook to stable if we took a similar action on Ireland or should we view a weakening of the SACP to 'bbb'. This could occur if there was a less supportive financial policy resulting in FFO to debt, including off-balance sheet debt of projects under construction, falling below 16%.

Upside scenario

We would raise the ratings on ESB if we took a similar action on Ireland, all else being equal.

Company Description

ESB was established in 1927 and is 97.1% owned by the government of Ireland. It reported an S&P Global Ratings-adjusted EBITDA of roughly €2 billion for 2024.

ESB is an integrated utility predominantly operating in Ireland and Northern Ireland. It has a strong market position across the island. ESB's activities span power generation, electricity transmission and distribution, and power supply. ESB is the monopoly owner of the onshore transmission and distribution grids in Ireland and Northern Ireland with an RAB of approximately €13.8 billion as of end 2024 (comprising ESB Networks' €11.1 billion and NIE Networks' €2.7 billion) and has a 25% share in the integrated single electricity generation market across the whole island.

Our Base-Case Scenario

Assumptions

Our base-case assumptions for 2025-2029:

- Real GDP growth for Ireland of 2.5% in 2025, 2.3% in 2026, 2.2% in 2027, and 1.9% in 2028.
- Real GDP growth for the U.K. of 0.9% in 2025, 1.4% in 2026, 1.6% in 2027, and 1.4% in 2028.
- Annual electricity demand increase of 3.0%-3.5% in Ireland.
- Pre-tax real WACC of 3.80% for the fifth price review (PR5) (2021-2025), expected to be about 3.85% for PR6 starting in January 2026 based on the draft determination. We expect the final decision to incorporate a higher WACC.
- Continued regulatory visibility and high predictability of earnings from ESB's Ireland-based network operations as well as its subsidiary, NIE that started the new six-year regulatory period in April 2025.
- EBITDA margin increasing from 25% to about 33% by 2029 due to increasing share of EBITDA to be generated from regulated networks (about 70% on average) and the rest from generation and customer solutions.
- Annual net capital expenditure (capex; net of consumer contributions) and including equity injection in JVs of about €2.6 billion on average per year over 2025-2029, with about two-thirds invested in regulated networks.

- About €7 billion debt issuance over 2025-2029 to finance the increased capex and debt refinancing.
- €1.5 billion equity injection from the state expected over the coming months.

Key metrics

Electricity Supply Board--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. EUR)	**2021a**	**2022a**	**2023a**	**2024a**	**2025e**	**2026f**	**2027f**	**2028f**
EBITDA	1,493	1,686	1,982	1,905	1,800-1,900	1,900-2,000	2,300-2,400	2,500-2,600
Funds from operations (FFO)	1,214	1,312	1,627	1,464	1,400-1,500	1,500-1,600	1,800-1,900	1,900-2,000
Net Capital expenditure (capex)	935	1,142	1,511	1,487	2,000-2,200	2,500-2,700	2,600-2,800	2,800-3,000
Dividends	81	126	327	220	150-200	150-200	150-200	>300
Debt*	5,770	7,264	7,111	7,451	8,000-8,200	8,800-9,000	9,100-9,300	10,000-10,200
Adjusted ratios								
Debt/EBITDA (x)	3.9	4.3	3.6	3.9	4.0-4.5	4.0-4.5	4.0-4.5	3.8-4.3
FFO/debt (%)	21.0	18.1	22.9	19.7	17.0-17.5	17.0-17.5	19.0-19.5	19.5-20.0
DCF/debt (%)	6.7	(10.4)	9.0	(2.0)	(7)-(2)	(15)-(10)	(12)-(7)	(12)-(7)

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. EUR--euro. * Forecasts include ESB's share of debt at joint ventures for projects under construction.

Liquidity

We assess ESB's liquidity position as strong, reflecting our view that its liquidity resources will exceed its funding needs by more than 1.5x in the 12 months started June 30, 2025, and by above 1.0x for the following 12 months. The company's ongoing and proactive liquidity and debt management, solid relationships with banks, and ample, proven access to capital markets, further support our assessment.

Principal liquidity sources	Principal liquidity uses
• Available cash balance of about €1.5 billion; • An undrawn committed credit facility of €2.4 billion maturing in July 2030 with options to extend to July 2032; and • Annual FFO of about €1.6 billion.	• Debt maturities of about €950 million; • Capex of about €2.4 billion (net of customer contributions); and • Dividend payments of about €200 million.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	A/Positive/A-1
Local currency issuer credit rating	A/Positive/A-1
Business risk	Strong
Country risk	Low risk
Industry risk	Low risk
Competitive position	Strong
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	bbb
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Strong
Management and governance	Neutral
Comparable rating analysis	Positive
Stand-alone credit profile	bbb+

Related Criteria

- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, 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

- Republic Of Ireland Outlook Revised To Positive On Extraordinary Fiscal Overperformance; 'AA/A-1+' Ratings Affirmed, Nov. 15, 2024
- Utilities Handbook 2024: Western Europe Regulated Gas, Sept. 16, 2024

Ratings List

Ratings List		
Upgraded		
	To	**From**
Electricity Supply Board		
Issuer Credit Rating	A/Positive/A-1	A-/Positive/A-2
Senior Unsecured ST	A-1	A-2
ESB Finance DAC		
Senior Unsecured	A	A-