European utilities double down on investment in green energy

Enel, Iberdrola show how energy security, electricity demand are driving capex despite "greenlash"

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Europe's integrated power utilities remain committed to spending heavily on renewable energy despite fading political and regulatory impetus for the green transition as urgency grows for investment to improve energy security and meet rising demand. The surge in oil and natural gas prices with the outbreak of war in the Middle East has again underlined Europe's vulnerability to outside energy shocks given its dependence on gas imports. It is a weakness similarly exposed by Russia's full-scale invasion of Ukraine in 2022 – even if the scale of the new shock depends on how long the conflict interferes with energy exports from the region.

At the same time as energy security increasingly concerns European capitals, policy makers face growing push-back – the so-called "greenlash" – from industry and some national governments to soften EU environmental rules and the carbon market to help lower energy prices.

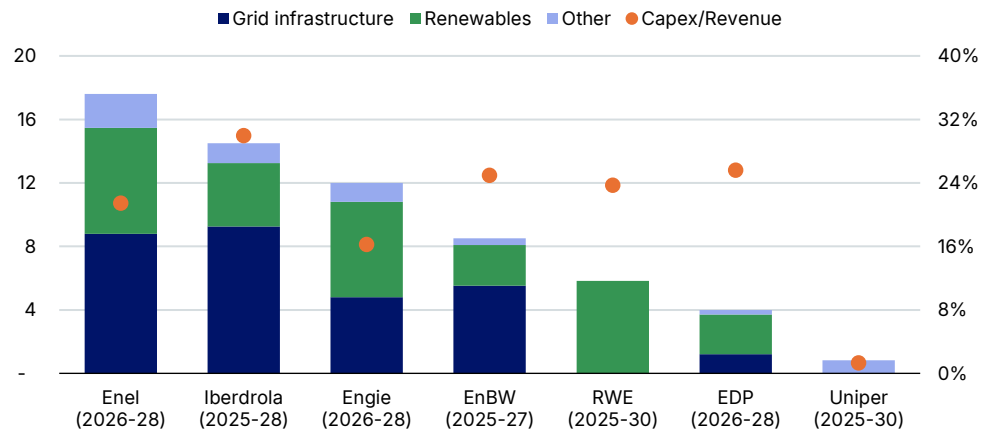
Yet for the power utilities, electricity demand continues to grow inexorably, forecast to rise 1.4x globally between 2024 and 2035, driven by electric mobility (+4x), AI and data-centres (+3x), industrial electrification (+30%), and residential automation (+30%), according to Italian utility Enel. In Europe, demand will grow by at least 50% by 2035, led by information technology, EVs and heat pumps, according to Spanish utility Iberdrola.

This is the context for decisions by Enel and Iberdrola, two of Europe's largest integrated utilities, to reaffirm their commitment to investment in renewables and grids through ambitious, multi-year strategic plans that raise capital expenditure and scale up low-carbon infrastructure. Portugal's EDP and Germany's EnBW and RWE are also investing heavily though France's Engie and Germany's Uniper are exceptions.

The credit implications are modest. For Enel and Iberdrola, intensifying capex is supported by robust balance sheets, disciplined funding plans and visible cashflows, posing little risk to ratings.

Figure 1: Still going green: European utilities' investment mix (annual average, EUR bn)

Enel and Iberdrola are leading investment in renewable energy in terms of earmarked capex



Source: companies' strategic plans. Note: Engie grid-renewables split is our estimate; Uniper: "other" as no split provided.

1. Europe utilities ramp up renewables investment despite greenlash

Electrification is accelerating above expectations

The approach from most of Europe's leading players in the sector suggests that even if the energy transition is less of a regulatory or political obligation, there are other powerful political and commercial drivers for allocating significant amounts of capital to renewable energy (**Table 1**) and associated investments in grid infrastructure which ensure the seamless integration of volatile renewable energy sources.

Table 1: Investment plans breakdown (EUR bn)

Company	Grids	Renewables	Other	Total	*Per annum*
Enel (2026-28)	>26	~20	~6	**53**	**17.7**
Iberdrola (2025-28)	37	~16	~5	**58**	**14.5**
Engie (2026-28)		~90%	~10%	**34-38**	**~12**
EnBW (2025-27)	n.a.	n.a.	n.a.	**~26**	**~8.6**
RWE (2025-30)	n.a.	majority of plan	n.a.	**35**	**5.8**
EDP (2026-28)	3.6	7.5	0.9	**12**	**4**
Uniper (2025-30)	n.a.	n.a.	n.a.	**~5**	**~0.8**

Source: company reports, Scope Ratings

The issue of "greenlash" has emerged as political and social pushback against climate policies across the EU, prompting some dilution of the Green Deal in 2025. In addition, infrastructure bottlenecks – grid saturation, supply-chain shortages, and slow permitting – threaten progress in offshore wind and solar deployment, with several major projects delayed to 2026 or later.

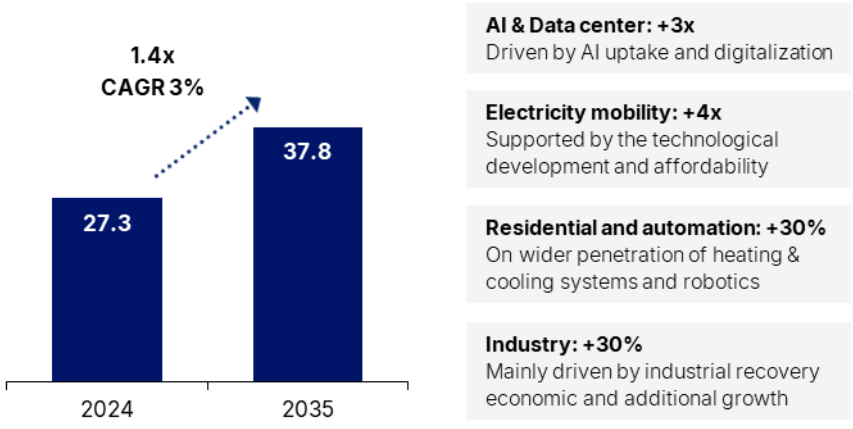
Economic constraints have set back projects that looked feasible in the recent past but no longer satisfy developers' or investors' hurdle rates. EU solar installations are likely to fall by 0.7% to 1.4% in 2025 on a year-on-year basis – new capacity expected around 64-65 GW compared with 65.6 GW in 2024 – the first drop in a decade, raising concerns about meeting 2030 climate goals.

Yet, the forces driving the transition remain powerful. Europe requires additional annual green investment of 2.7–3.7% of GDP through 2030 to stay on track toward climate neutrality, according to 2025 estimates from the European Central Bank. European citizens still support investment in renewable energy, according to recent EU and Eurobarometer opinion polls, even if local opposition to particular projects has often slowed development.

And electricity demand is growing, as Enel's forecasts suggest (**Figure 2**).

Figure 2: Expected trend of global electricity demand ('000 TWh)

Acceleration of global power demand..



Source: Enel's Capital Markets Day presentation

2. Case study – Enel's EUR 53bn renewables-focused plan (2026-28)

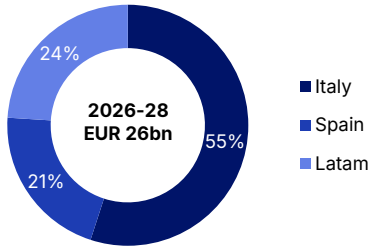
Enel's 2026–28 investment plan reinforces the centrality of renewable energy in its medium-term strategy at an even greater scale and geographic breadth compared with the 2025-27 plan.

EUR 53bn in total investments, with two core pillars

The Italian utility will channel over EUR 26bn into grid reinforcement, digitalisation and regulated infrastructure, driving a 22% increase in its regulated asset base (RAB) by 2028.

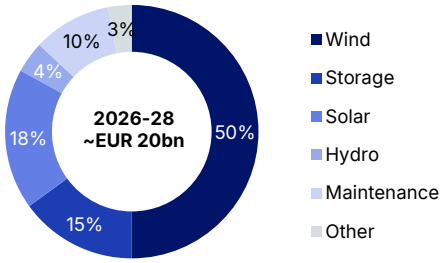
Another EUR 20bn – which is a EUR 8bn uplift versus the prior plan – will be intended to renewables, with 75% allocated to wind and "programmable" technologies (including hydro and BESS), with about 15 GW new capacity additions planned.

Figure 3: Grids investments breakdown by geography



Source: Enel's Capital Markets Day presentation 2026

Figure 4: Renewables investments breakdown by type



Source: Enel's Capital Markets Day presentation 2026

A strong preference for stable, Tier-1 environments

Enel will concentrate its renewable expansion in countries with regulated schemes, long-term power purchase agreements (PPAs) and investment visibility – primarily Europe, the US and selected LatAm markets, ensuring a 200–300 bps IRR-WACC spread on renewable projects.

The Italian utility expects 90–100% of regulated and contracted EBITDA which is also secured by long-term PPAs of more than 10 years, reducing cash-flow volatility at a time when wholesale price swings and political interventions have increased.

Strategic accelerators

Enel is investing heavily in brownfield acquisitions in the US and EU to fast-track additional renewable capacity with lower construction risk, adding about 3 GW in 15 months.

The group is also seeking AI-enabled efficiency gains, targeting EUR 0.7bn additional efficiencies by 2028, freeing resources in principle for more investment.

Enel sees the energy transition as a structural growth engine and is allocating capital accordingly – raising renewable capex, securing revenues, and expanding the regulated asset base that underpins long-term credit strength.

3. Case study – Iberdrola's EUR 58bn green, grid-focused plan (2025-28)

Iberdrola's 2025–2028 strategy is unambiguous: renewables and networks are the core of long-term value creation.

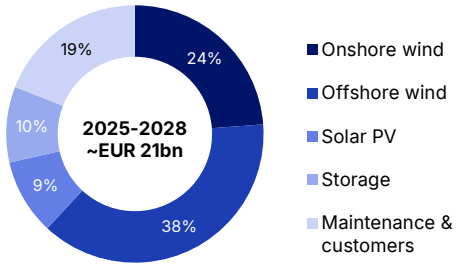
A massive EUR 58bn investment programme

The Spanish utility plans EUR 58bn in gross investments for 2025–28, with around EUR 21bn earmarked for renewable power and customers, and EUR 37bn for networks – a two-thirds, one-third split favouring regulated grid assets.

This underscores two convictions:

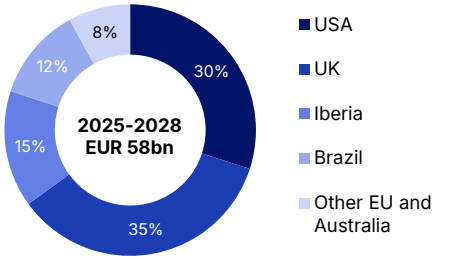
1. Renewables remain profitable under PPAs, contracts for difference (CfDs) and long-term contracted models covering about 85% of production.
2. Grids are the enabler of the energy transition, with RAB expected to grow +40% by 2028 to EUR 70bn.

Figure 5: Renewables investments breakdown by type



Source: Iberdrola's Capital Markets Day presentation 2025

Figure 6: Total gross investments breakdown by country



Source: Iberdrola's Capital Markets Day presentation 2025

Renewable scale and quality

Iberdrola will invest EUR 21bn in renewable power, including:

- EUR 8bn offshore wind,
- EUR 5bn onshore wind,
- EUR 2bn solar PV,
- EUR 2bn storage, with more than 90% of renewable investments in A-rated countries and 75% of projects already under construction.

A strategic pivot towards predictability

The company is strengthening its long-term contracted profile from 60% to 75% of EBITDA by 2028, reducing merchant exposure and locking in stable cash flows – clear evidence that the company sees renewable energy not as a speculative play but as a financially resilient asset class.

Iberdrola is betting heavily – and rationally – on regulated grids and renewables, confident in supportive regulatory frameworks across the UK, US and EU. In a moment where others hesitate, Iberdrola is scaling.

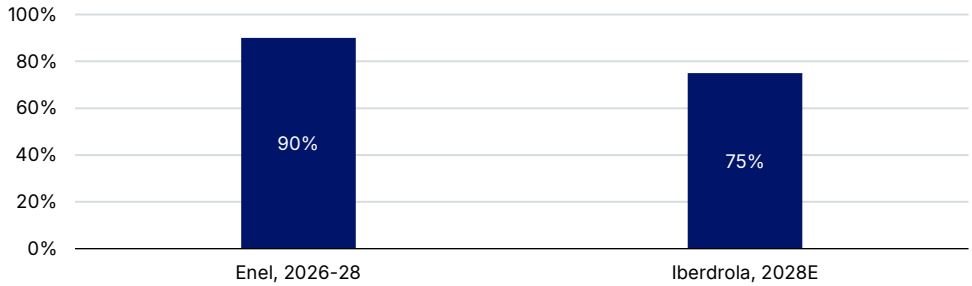
4. Credit quality resilience at Enel and Iberdrola

Enel and Iberdrola investments bolster resilience

Heavy as planned capex is at Enel and Iberdrola, we see no material threat to credit quality. Both companies have robust balance sheets, disciplined funding plans and highly visible cashflows, particularly regarding their investments in electricity networks.

Figure 7: Good cashflow visibility at Enel, Iberdrola

Regulated/contracted share of EBITDA: Enel (≥90% cumulated 2026–28), Iberdrola (75% by 2028)

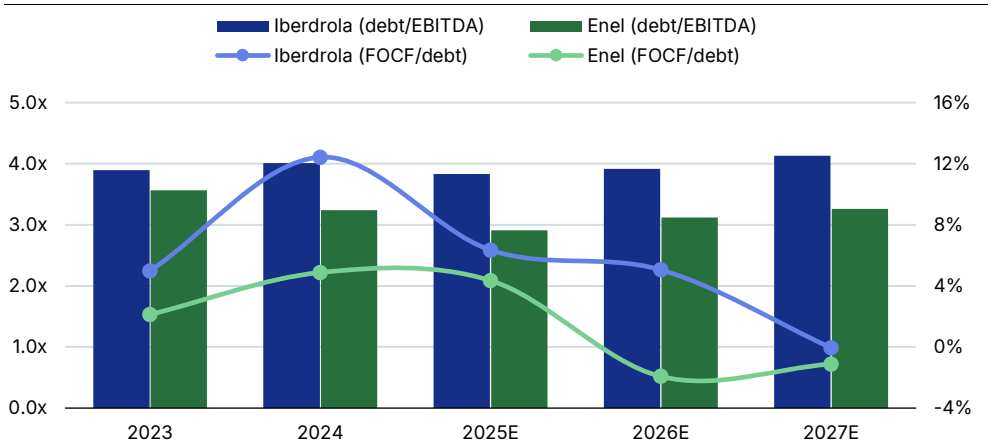


Source: Companies' Strategic Plans

On the financial side, Enel is deliberately taking on more leverage but within conservative guardrails. The utility's net debt/EBITDA of around 2.5x in 2025 about 3.0x by 2028, albeit still below peers, supported by EUR 23.4bn of liquidity made up of EUR 5.3bn cash and EUR 18.1bn undrawn committed credit lines. Enel's funding mix also includes partnerships, asset rotation, financing through grants and hybrid debt, which limits pressure on leverage and preserves rating headroom.

Iberdrola likewise reaffirms its BBB+/Baa1 rating objective, underpinned by operating cashflow, asset rotation/partnerships and no need for additional equity at least until the end of the decade, reinforcing the view that the step-up in capex can be managed within current rating categories. This will likely keep FOCF at least at breakeven levels, thereby providing containing pressure on indebtedness and leverage ratios.

Figure 8: Resilient credit metrics despite increasing pressure from higher capex



Source: Companies annual reports and strategic plan, Scope estimates

Regulated grids and PPAs de-risk growth, fortifying long-term credit

On the business risk side, both plans are deliberately skewed to low-risk, regulated networks, which expand the RAB and deliver inflation-linked, regulated returns.

Enel guides to a +22% RAB uplift to EUR 58bn by 2028 and Iberdrola targeting around EUR 70bn by 2028 (+40%), a mix that enhances earnings stability through the cycle. In generation, visibility is likewise high, albeit lower than for grids: Enel expects 90–100% of renewables EBITDA to be secured under 10-year-plus PPAs, while Iberdrola aims for about 75% of group EBITDA to be regulated or long-term contracted by 2028, with more than 90% of renewable investments concentrated in A-rated countries – all of which reduces merchant risk and shields margins from power-price volatility.

Geography also supports risk mitigation: both issuers emphasise Tier-1/A-rated jurisdictions (notably the US and UK in networks), aligning capex with transparent, multi-year regulatory frameworks and proven cost-recovery mechanisms.

5. Conclusion: better business-risk profiles buttress capex capacity

Strategically, the utilities choices strengthen merit-order positioning and lower carbon exposure, improving portfolio resilience and the durability of cashflows.

Business risk profiles improve even as capex rises…

This is consistent with our broader sector work showing that rising renewables and networks enhance business risk profiles even as capex rises.

Net-net, the scale, visibility and funding discipline embedded in the Enel and Iberdrola plans mean that ambitious investments are more likely to underpin than to erode credit strength, supporting stable (or improving) credit profiles while accelerating the energy transition.

… Acting to offset financial risks or enhance funding capacity

Overall, for some utilities, an improvement in business risk (e.g. higher share of earnings from contracted and regulated activities) offsets a potential deterioration in the financial-risk outlook side.

For other utilities, the potential improvement in business risk would coincide with a broadly unchanged financial-risk profile allowing the utility to finance the growing capex commitment from internal sources.

6. Annex: related research

Middle East conflict: sovereign credit implications contained for now; energy dependence key March 2026

European utilities' credit outlook is balanced despite accelerating grid capex in investment upswing February 2026

Corporate outlook: prospects uneven, trending negative, as secular forces cut across credit cycle February 2026

Norwegian utilities face rising capex demands while cash outflows remain constant December 2025

Spain's renewable energy push risks running into reliability, pricing, investment obstacles October 2025

European utilities: less price support, more capex leave credit outlook less positive but balanced February 2025

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