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CREDIT ENERGY

Investment boom to keep utilities bond supply elevated

We expect utilities to see another year of high bond supply in 2027. Alongside a modest uptick in redemptions, stubbornly high capital expenditure continues to push companies towards bond markets



We expect high bond supply in 2027 for utilities due to redemptions and high capital expenditures

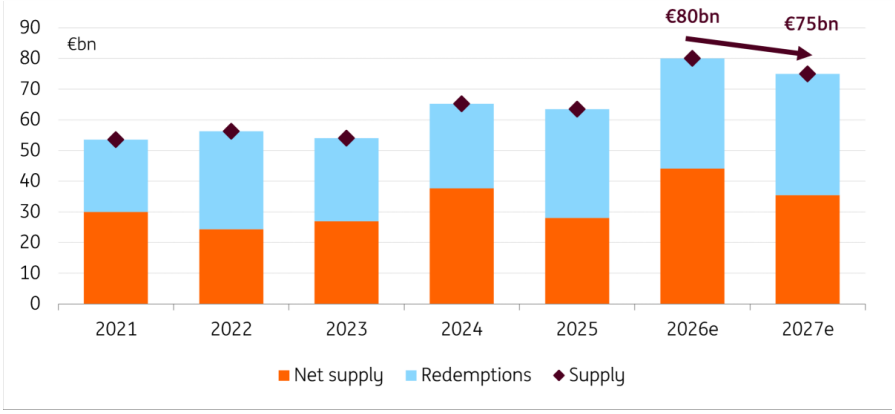
We forecast European utilities to raise €75bn via bond markets in 2027

2027 is likely to be another eventful year for European utilities. Geopolitical uncertainty, volatility in energy markets and significant investment pipelines, together with the associated funding needs, should remain key drivers for the sector going into next year.

We forecast €75bn of total bond supply from investment-grade utilities in 2027, only slightly below the €80bn we have pencilled in for full-year 2026. Net supply also remains firmly positive at €35bn next year, although somewhat below the €44bn in 2026.

Utilities bond supply set to stay elevated with high capex and redemptions

Realised and forecast euro-denominated bond issuance vs redemptions from investment grade utilities



Source: ING, Dealogic

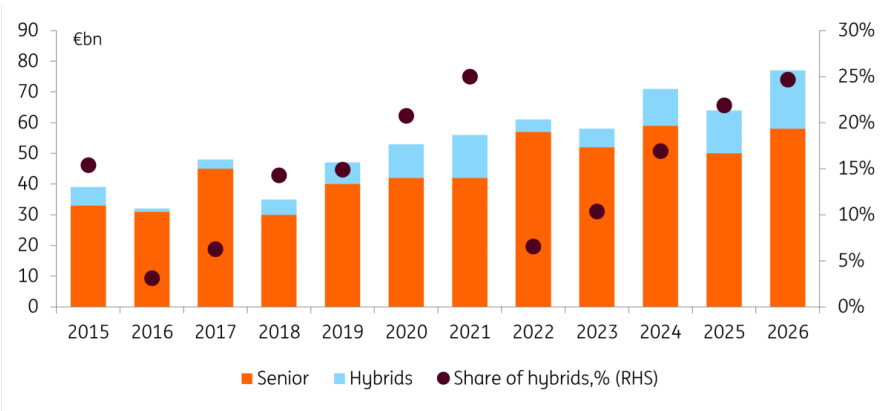
Corporate hybrids remain an important part of the funding mix

Utilities have raised €19bn with corporate hybrids so far in 2026, the highest level since 2015. Hybrid issuance helps protect the credit profiles of these companies as they finance their extensive investment pipelines with debt alongside cash flows.

While we expect corporate hybrids to remain an important part of the funding mix of utilities in 2027, the choice between senior and hybrid funding will always reflect market conditions and the relative pricing of the two instrument classes.

Utilities hybrid supply at record highs in 2026

Euro-denominated bond issuance from investment grade utilities



Source: ING, Dealogic

High capital expenditure drives supply

Alongside redemptions, bond supply continues to be driven by large capital expenditure. We expect combined investment to top €200bn next year for large European utility issuers. German names have the highest investment needs for 2027, up around 30% year-on-year,

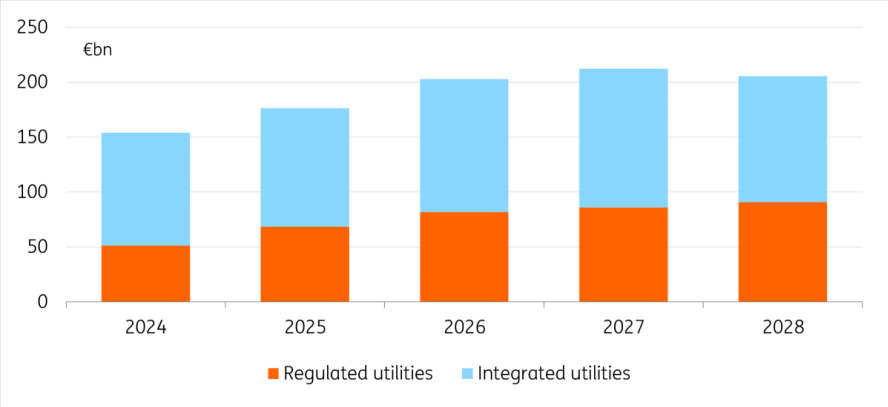
while Italian, UK, and Dutch names are also among those seeing a clear increase.

The energy transition continues to drive significant investment needs, with growing electrification and renewable generation requiring substantial expansion and reinforcement of transmission and distribution grids. Regulated utilities are particularly impacted by higher grid investments, but integrated utilities are also likely to see higher capital expenditure next year.

Higher interest rates may make some companies more selective in their investments. The bulk of these programmes is likely to proceed, however, as the acute investment needs of many network utilities are unlikely to change any time soon. Potential execution constraints could delay the timing of some capex, but we do not expect this to have a major impact on overall bond supply.

Investments to remain at high levels

European utilities capital expenditure



Source: ING estimates, company data

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