Media Release:

Orsted A/S And Orsted Wind Power TW Holding A/S Downgraded To 'twA/twA-1' On Delayed Farm-Downs; Outlook Stable

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Rating Action Overview

- S&P Global Ratings recently lowered its long-term global scale rating on Danish offshore wind company **Orsted A/S** to 'BBB-' from 'BBB'. The rating agency also lowered its assessment of Orsted's stand-alone credit profile (SACP) to 'bb+' from 'bbb-'.
- Orsted faces increased risk from the U.S. offshore wind market that prevents its divestment of an equity stake in Sunrise Wind and associated non-recourse project financing under the prevailing market conditions. Farm-downs are an important pillar of Orsted's business and financial strategy; therefore, any delay directly weakens the company's credit metrics. Furthermore, the U.S. administration's recent stop order for offshore works at Orsted's 50%-owned wind project Revolution Wind further strengthens this view.
- The rating outlook is stable to reflect Orsted A/S' announcement that it had raised fully underwritten equity of Danish krone (DKK) 60 billion which creates some headroom for its credit metrics. This assumes that any delay cause by the stop order for Revolution Wind will not last more than three-to-six months.
- We have therefore lowered the long-term local-scale issuer credit rating on **Orsted A/S** and **Orsted Wind Power TW Holding A/S** (Orsted TW) to 'twA' from 'twA+' with a stable outlook to reflect the additional headroom from the equity raised. At the same time, we affirmed the 'twA-1' local scale short term rating on the companies.

Rating Action Rationale

The one notch downgrade reflects the challenges Orsted A/S faces in executing its strategy and the lack of capital expenditure (capex) flexibility. Orsted's inability to carry out its planned project refinancing and disposal of 50% of its U.S.-based Sunrise Wind project, which adds to the repeated negative news on its key offshore operations, has prompted us to lower our view of Orsted's business risk to fair from satisfactory. Orsted also disclosed that the combined run-EBITDA of Revolution Wind and Sunrise Wind will total about DKK5.5 billion (DKK4.5 billion being Orsted's share), following some DKK100 billion of investment (our estimate of Orsted's share; corresponding to a very high about $10 per watt). This implies a weak return on investment in the low single digits.

The change in the business risk is mostly driven by the increased project execution challenges, farm-downs execution, concentration risk, and increasingly challenging industry conditions for the global offshore wind industry. Notably in the U.S. where Orsted still has significant exposure, about 36% of capex, more than DKK50 billion over 2025-2027 relates to U.S. projects. However, challenging conditions are not limited to the U.S., as Orsted's decision earlier this year to discontinue the 3-gigawatt (GW) Hornsea 4 project in its core U.K. operating area highlighted. We estimate that the project will cost Orsted about DKK5 billion (including DKK2.9 billion cancellation fees), and the stop meant it had to withdraw from the contract for difference (CfD) agreement with the U.K. government obtained shortly before.

The stop order on Revolution Wind reduces Orsted's rating headroom, exacerbated by increasing political risk related to U.S. offshore wind projects and a heightened risk of cost overruns. Following the announcement, we updated our base case to include a three-to-six-month delay to the project and we believe, for now, the ratings will be unaffected; we do not factor in any other stop or cancellation of any project. We note that another U.S. offshore wind project, Equinor's Empire Wind, which was stopped earlier in 2025 was able to resume work about a month later.

We note a high degree of unpredictability around when the project can resume and whether the stop order will mean the second-half 2026 completion date is delayed. Offsetting this uncertainty at the rating and business-risk levels is our understanding that Orsted's financial flexibility will soon be boosted by the DKK60 billion equity raise it announced on Aug. 11, 2025. However, if the stop order resulted in a significant delay of the project, this could weaken Orsted's credit metrics in 2027 such that the project's expected EBITDA contribution of about DKK1,000 million for the full year (Orsted's 50% stake) is at risk. For 2025 and 2026, knock-on effects will mainly relate to increased operating costs and potential write-downs as we still assume the project will begin operation during 2026. Regardless of the outcome, we expect Orsted will need to pay for some equipment that has been ordered, and which will likely amount to DKK5 billion.

All offshore operations have been stopped. According to Orsted, Revolution Wind is about 80% complete and the remaining capital expenditure (capex) needed is about DKK5 billion (Orsted's share). The underlying power purchase agreements do not include any penalty fees for delays or cancellations. However, if Orsted is not able to complete Revolution Wind, we expect it will lose the federal government investment tax credit cash-in. Our assumption is that the total tax equity proceed exposure on these two assets are approximately DKK 25 billion, based on Orsted's 50% ownership of Revolution Wind and assumed 100% ownership of Sunrise Wind.

At this stage we assume Orsted can continue installing its other big U.S. offshore project, Sunrise Wind. The project consists of 84 turbines with 924 MW of total installed capacity, and the project is about 35% completed, with a remaining investment of DKK40 billion (DKK60 billion in total). A stop order on Sunrise Wind, or a longer-than-we-assume stop order on Revolution Wind, or the cancellation of either, could lead us to revise our ratings and/or outlook on Orsted.

The farm-down strategy has been a key pillar of Orsted's business strategy, but this business model now pertains higher risk. Previously, we viewed Orsted's track record on execution as predictable. However, the cancellation of the disposals of Sunrise Wind severely and directly hinders credit metric performance compared with the previous base case (S&P Global Ratings' report published in April 2025), given the meaningful size and sometimes very high cost of projects per megawatt (MW). For example, the Sunrise Wind total investment of DKK60 billion (very high $10 million/MW), whereof DKK40 billion remain, and the project's completion rate is only at about 35%.

Capex inflation, project management challenges, increasing political risks in the U.S., and the concentration risk of Orsted's project portfolio on a small number of massive assets, were not fully captured in the previous business risk assessment of satisfactory. We believe this influenced the ability for the company to timely farm-down and project finance the Sunrise Wind project in the U.S., which was management's earlier strategy. Based on project costs, we estimate this implies at least about DKK30 billion less of sales proceeds than we previously assumed. This situation contrasts to most peers with a satisfactory business risk profile, which typically benefit from a more diversified generation mix and are less exposed to construction and farm-down risks of a similar magnitude.

The company's more aggressive growth strategy, which it embarked on in 2021 has led to several challenges, including write-downs and strategic revisions, which are less prevalent among its peers that have had more nuanced strategy revisions.

The scale and scope of the company's projects also introduce a higher degree of single-asset construction risks in today's operating environment. The higher risk of cost inflation and delays, some outside of Orsted's control, will have a more severe impact on the group's creditworthiness if any of the major projects are delayed. The largest projects, including Sunrise Wind, Hornsea 3, and Baltica 2, require more than DKK100 billion in investment over 2025-2028; about 1.3x more than EBITDA (cumulative over the same period, before interests, taxes, and minority cash flow leakage from projects that are in operation).

An equity raise of DKK60 billion has a significant positive effect on liquidity and credit metrics, helping to stabilize the ratings at investment-grade. The equity injection partly offsets the financial impact, because we assume that Orsted will receive DKK60 billion in cash from the parent company's common equity issuance early in the fourth quarter of 2025. The Danish government has confirmed it will maintain its 50.1% stake, with the remainder now underwritten by a syndication of banks--BNP Paribas, Danske Bank A/S, and J.P Morgan SE as joint global coordinators with Morgan Stanley--and BofA Securities Europe SA and Goldman Sachs International will act as joint bookrunners. The syndicate was announced after the stop order on Friday, which further strengthens our belief that the equity injection will be carried out. This will have a material positive impact on ratios and liquidity. We assume that funds from operations (FFO) to debt (adjusted for minority dividends) of about 50% by end of 2025, and we expect FFO to debt of 35%-40% over 2026-2027.

We also note that the company's S&P Global Ratings-adjusted free operating cash flow (excluding proceeds from divestments) will remain heavily negative, with a deficit of about DKK30 billion on average over 2025-2027, which underpins the need for successful asset rotation to fund the committed investments, despite the equity raise.

We note that the company and owners are committed to a three-year parent company dividend stop before cash payouts resume in 2027. It is our understanding that that dividend amount should not be affected (increased) even though the number of shares would have dramatically increased over the same period.

In our view, Orsted has successfully executed the project financing for its Changhua projects, which is a shift in the group's financial strategy. The company consolidates 100% of the project (and debt) but plans to dispose of more than 50% of the project during 2025. Upon successful execution, we could potentially analytically deconsolidate the project, which could result in about DKK7 billion less in debt.

The execution of the updated strategy, with solid progress of construction projects and farmdowns are still a key concern for the rating. In our view, Orsted's progress on its other offshore projects is going according to plan. We expect Orsted will commission projects of about 2.5 GW in total during 2026, and about 5.6 GW the following year. According to the company, it would require about DKK145 billion of committed capex until 2027. And while the equity raise of DKK60 billion supports the funding of the capex, Orsted is still reliant on farm-downs as the key funding source. Our assumption is that the company will collect proceeds of about DKK35 billion through farm-downs.

Despite the discontinued divestment of Sunrise Wind, we expect Orsted will be able to farm down its 50% stake in U.K.-based Hornsea 3 and divest its 50% stake in Taiwan-based Changhua 2a and 2b. The potential divestment of these wind farms will remain a key focus of our surveillance. We note positively that Orsted's management has indicated that it is in exclusive discussions with a partner for a true sale of the 50% Hornsea 3 stake. In our base case, we expect the divestment for Hornsea 3 will take place during 2025, while the divestment for Changhua 2a and 2b will be concluded during 2026. Post sale, we expect half the DKK30 billon project costs for Hornsea 3 will be shared with the buying partner and for Orsted's high asset-concentration risk to somewhat reduce. We estimate Orsted's capex stake related to Hornsea 3 at about DKK30 billion, but that would double if an incoming partner were unwilling to take on a 50% share of the project's capex needs, which will have a material negative impact on the company's funding and credit ratios.

We also revised our view of Orsted's management and governance to moderately negative. The change reflects the credit impact of Orsted's high-risk strategy that, to some extent, its management inherited. Under this position, Orsted is potentially exposed to very material delays and/or cost overruns. We do not see any peers with similar issues of a similar magnitude.

We consider Orsted A/S to be a government-related entity that benefits from a moderate likelihood of extraordinary government support from Denmark. Therefore, we include one notch of uplift to the rating. This is based on our assessment of Orsted's strong link with the Danish government, which holds a 50.1% majority stake in the company, and its limited role for the government. The announced equity raise with a proportionate participation from the government of Denmark does not change our assessment of the rating support. We think that the government's participation and commitment to retaining the same ownership stake after the equity raise is in line with the existing level of ongoing support. We also think that the company's role is of limited importance to the country, as most investments for the next three to four years will be dedicated to projects outside Denmark.

Outlook

The stable outlook reflects our expectation that Orsted will maintain sufficient headroom within its rating level, enabling it to absorb uncertainties related to its U.S.-based offshore wind projects and the farm-down of other major developments, notably Hornsea 3 and Changhua 2a and 2b. We also expect Orsted will be able to restore profitability with FFO to debt (adjusted for minority dividends) clearly above 30%. We do not factor in additional downside to project execution, whether in the U.S. or other regions of operations.

Downward scenario

We could lower the rating on Orsted if the stop work order on Revolution Wind exceeds three-to-six months, or if its other U.S. project, Sunrise Wind, also receives a stop order, or if either were cancelled. Absent remedial actions, any of these events could lead us to downgrade Orsted by one notch or more, as rating headroom is now very limited. If we see a material deterioration in operating performance over the coming years, or there is a significant increase in capex or acquisitions, rating pressure could also build. However, we view the latter two scenarios as unlikely, given Orsted's current strategic focus and financial policy.

Pressure could also arise if the execution of its farm-down strategy and timeline were disrupted, for example if it did not divest its full ownership of Hornsea 3 by 50% or the farm-down happened under terms we deemed unfavorable to Orsted, by the end of 2025. Additional rating pressure could build if uncertainty and execution risks surrounding project construction increase. Also, if its broader farm-down strategy does not materialize in the way we assume, this could lead FFO to debt (adjusted for minority dividends) to decline to below 30%.

We could also lower the rating by one notch if we thought the likelihood of government support had diminished. This could occur if the Danish government appeared less willing or able to support Orsted, or if it no longer retained a majority ownership stake. However, we consider such a scenario unlikely over the next two years.

Upward scenario

We see limited potential to raise our rating on Orsted over the next two years. To consider an upgrade we would need to see reduced regulatory risk, low execution risks related to planned farm-downs, and sustained divestments. Alternatively, a demonstrated shift away from its project funding strategy, which is dependent on farm-downs, could also support a higher rating.

Company Description

Orsted, formerly known as DONG Energy, was founded in 1972. The company has operated in the offshore wind sector since 1991 and is a global market leader (excluding China) in this sector. As of 2024, Orsted had achieved a total installed renewable capacity of 18.2 GW, which encompasses offshore wind, onshore wind, solar photovoltaic, battery storage, and bioenergy plants. Orsted has set an ambitious target of reaching 22 GW of installed renewable capacity by the end of 2026.

As of Dec. 31, 2024, the Danish government owned more than 50% of Orsted. As per the political agreement, we expect that the government's stake in the company will continue to exceed 50% in the near future.

Our Base-Case Scenario

Assumptions

- Denmark's real GDP to increase by about 2.0% in 2025 and 1.5% in both 2026 and 2027.
- S&P Global Ratings-adjusted EBITDA of DKK25 billion-DKK28 billion in 2025, increasing to about DKK30 billion in 2026, in line with management's guidance.
- Annual onshore wind electricity production of about 17 terawatt-hour (TWh)-18 TWh.
- Annual offshore wind electricity production of about 21 TWh-23 TWh during 2025 and 2026, increasing to 30 TWh-35 TWh because of the commissioning of:
- Borkum Riffgrund 3--913 MW in the first quarter of 2026;
- Changhua 2b and 4--920 MW in the first half of 2026;
- Revolution Wind--704MW in the second half of 2026;
- Sunrise Wind--924MW in the second half of 2027;
- Hornsea 3 / BESS--2,852 MW / 300 MW in the second half of 2027; and
- Baltica 2--1,498 MW in the second half of 2027.
- No major acquisitions.
- Capex of about DKK55 billion in 2025, reducing to about DKK40 billion–DKK45 billion per year in 2026 and 2027.
- No dividends to majority shareholders in 2025–2026 to the government; dividends to minority interests totaling DKK2.0 billion-DKK2.5 billion annually from 2025.
- Dividends to majority shareholder will resume in 2027.
- DKK60 billion of equity issuance raised in 2025, with the Danish state contributing in proportion to its 50.1% ownership stake.
- Divestment of a 50% stake in Hornsea 3 taking place in 2025.
- Successful and timely divestment of Changhua 2a and 2b and its onshore wind activities in the EU in 2026.

Key metrics

Orsted A/S–Taiwan Ratings Forecast Summary

(Mil. DKK)	2022a	2023a	2024a	2025e	2026f	2027f
EBITDA	21,132	13,119	31,698	24,000-28,000	28,000-32,000	30,000-35,000
Funds from operations (FFO)	16,501	5,654	20,123	17,000-21,000	18,000-22,000	27,500-32,500
Capex	33,004	37,750	41,643	55,000-65,000	40,000-50,000	40,000-50,000
Free operating cash flow (FOCF)	(21,322)	(9,925)	(27,871)	(35,000)-(40,000)	(30,000)-(40,000)	(15,000)-(25,000)
Dividends	5,811	6,359	713	2,500-3,000	2,700-3,200	6,000-7,000
Debt	52,813	68,803	86,916	40,000-45,000	40,000-50,000	70,000-80,000
Adjusted ratios						
Debt/EBITDA (x)	2.5	5.2	2.7	1.5-2.0	1.3-1.8	2.0-3.0
FFO/debt (%)	31.2	8.2	23.2	35-55	35-55	30-45

All figures are adjusted by Taiwan Ratings Corp., unless stated as reported. Figures for the forecast period are based on Taiwan Ratings Corp.'s base case scenario. a--Actual. e--Estimate. f--Forecast. DKK--Danish Krone.

Liquidity

The short-term issuer credit rating on Orsted is 'twA-1'. We estimate that liquidity sources will cover liquidity uses by more than 1.5x over the next 12 months and more than 1.0x in the following 12 months. We expect liquidity sources will exceed uses even if EBITDA decline by 30% over the next 12 months. The liquidity position is also supported by the absence of restrictive financial covenants in the company's loan documentation and its solid relationships with banks. We consider the equity injection of DKK60 billion as very supportive.

Principal liquidity sources

- Cash and cash equivalents of about DKK20 billion.
- Access to about DKK54 billion in undrawn committed credit facilities maturing after one year.
- Cash FFO of DKK17.5 billion over the next 12 months.
- Equity raise of DKK60 billion.

Principal liquidity uses

- Debt maturities of about DKK5.2 billion in the next 12 months.
- Capex of about DKK52 billion.
- Dividends of about DKK3 billion.

Rating Component Score

Issuer Credit Rating: twA/Stable/twA-1
Note: The descriptors below are in comparison with global obligors.
Business risk: Fair

- Country risk: Low Risk
- Industry risk: Moderately High Risk
- Competitive position: Fair

Financial risk: Intermediate

- Cash flow/Leverage: Intermediate

Anchor: twa-
Modifiers

- Diversification/Portfolio effect: Neutral (No impact)
- Capital structure: Neutral (No impact)
- Financial policy: Neutral (No impact)
- Liquidity: Strong (No impact)
- Management and governance: Moderately Negative (No impact)
- Comparable rating analysis: Neutral (No impact)

Stand-alone credit profile: twa-

- Likelihood of government support: Moderate (+1 notch from SACP)

Related Criteria & Research

Related Criteria

- General Criteria: Guarantee Criteria - October 21, 2016
- General Criteria: Hybrid Capital: Methodology And Assumptions - February 10, 2025
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013
- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Corporates | General: Sector-Specific Corporate Methodology - July 07, 2025
- Criteria | Corporates | General: Corporate Methodology - January 07, 2024
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014
- General Criteria: Methodology: Industry Risk - November 19, 2013
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions - March 25, 2015
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings - March 28, 2018
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating - October 01, 2010
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities - January 07, 2024
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments - April 01, 2019

Related Research

- Research Update: Orsted Ratings Affirmed Despite U.S. Administration's Stop-Work Order On Revolution Wind; Outlook Stable, www.capitaliq.com, August 28, 2025
- Research Update: Orsted A/S Downgraded To 'BBB-' On Farm-Down Of Offshore Wind Stalls; Outlook Stable Thanks To Timely Equity Raise, www.capitaliq.com, August 14, 2025
- Taiwan Ratings' Ratings Definitions – November 11, 2021

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Downgraded

	To	From
Orsted A/S		
Orsted Wind Power TW Holding A/S		
Issuer Credit Rating	twA/Stable/twA-1	twA+/Negative/twA-1

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.taiwanratings.com for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.