

Investments and financing

Investment in our electricity network is among the most important action we take. Our objective is for customers to receive an uninterrupted supply of electricity – now and in the future. To meet society’s needs, Ellevio is making extensive investments. In 2023, investments including acquisitions amounted to SEK 3,663 million and the pace of investment will increase further in the coming years.

SEK 945 billion: this is the amount needing to be invested in Sweden’s electricity network over the next 20 years, according to the Electricity Network Report 2023. This is almost as much as the entire national budget of Sweden for one year. Swedish network companies, whether state-owned, privately owned, municipal companies or local electricity associations, need to make record-high investments to manage the transition to the electricity system of the future. This is essential to meet the growing demand for electricity, maintain high availability and enable Sweden to meet its climate targets. As one of the country’s largest electricity network companies, Ellevio is responsible for a considerable proportion of these investments.

A lot – but must be more

Over the past five years, Ellevio has invested a total of SEK 16.5 billion and in the coming years these investments will be even greater. This refers to modernising, digitising, weather-proofing, increasing capacity and expanding and enabling the connection of new fossil-free generation sources. Other examples include flexibility solutions, developing digital services for energy efficiency and control and enabling charging infrastructure.

Since its foundation in 2015, Ellevio has more than tripled investments in its electricity networks to meet the expectations of customers and enable increased electrification. And now the high rate of investment is set to increase further.

A prerequisite for these investments is the ability to attract capital, and this requires an electricity network regulation that is long-term, stable and predictable.

We at Ellevio are very anxious not to lose steam. Establishing reasonable conditions for attracting capital to the major investments in weather-proofing, network capacity and automation required to meet electricity needs is thus one of our most important priorities. We work to ensure a long-term, stable and predictable network regulation.

Huge need for capital

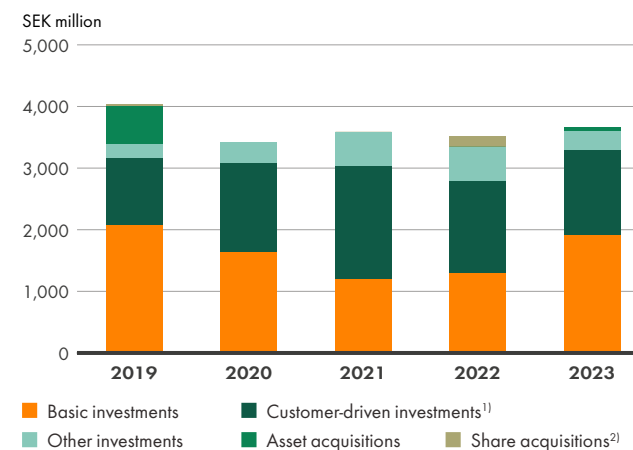
Financing through loans is needed in addition to the capital invested by Ellevio’s owners and what can be generated from the operations.

The financing strategy entails striking a balance between minimising the cost of capital and ensuring access to debt financing at all times. Our objective is for Ellevio to have a capitalisation structure corresponding to a credit rating of “Investment Grade”, i.e. a level corresponding to at least BBB– for the company’s Class A debt.

Ellevio has loans from external lenders with collateral in the company’s assets and subordinated shareholder loans to Ellevio AB’s holding company, which are then loaned to Ellevio AB. The fact that the loans are subordinate means that if the company were to file for bankruptcy, the lenders would only be repaid once amortisations and interest on other loans have been paid. They therefore entail a higher risk.

The average financing interest rate for Ellevio’s external loan financing, including interest hedging derivatives, amounted to around 3.0 percent at year-end 2023 (2.8), and the average remaining term was 5 years (5).

Investments including acquisitions, 2019–2023



¹⁾ Investments initiated by our customers, such as investments in the connection of new homes, industries and wind farms to the electricity network.

²⁾ Acquisition of the shares in Edsbyns Elnät AB in 2022, and in three companies with assets in Laforsen’s substation in 2019 and Elverket Vallentuna AB in 2019.

Investments and financing

Shareholder loans with terms until 2040 have an interest rate of 6.0 percent (6.0). In 2023, SEK 1,000 million was paid in interest on the shareholder loans.

EIB loans for projects in Stockholm

In January 2023, Ellevio took out a loan from the European Investment Bank (EIB), which invests in projects that contribute to the EU's sustainability targets. The loan of SEK 1 billion will be used to co-finance the remodelling of the Värtan and Skanstull substations in Stockholm – two projects that are crucial to ensuring Stockholm's long-term energy supply.

The loan has a term of ten years and will partly finance the reconstruction projects. The payment date was 31 January 2023.

New green framework and bond issue

In 2023, Ellevio launched a new green financing framework to promote investments that contribute to the Paris Agreement and the UN Sustainable Development Goals.

The new framework is consistent with the EU taxonomy and, according to the taxonomy, electricity networks are an "enabling activity" for climate change mitigation. 100 percent of Ellevio's sales in 2023 are compatible with the taxonomy.

The new green financing framework has been reviewed by the independent rating agency ISS ESG, one of the world's leading credit rating agencies in the field of sustainable investment.

The ISS concludes that the framework;

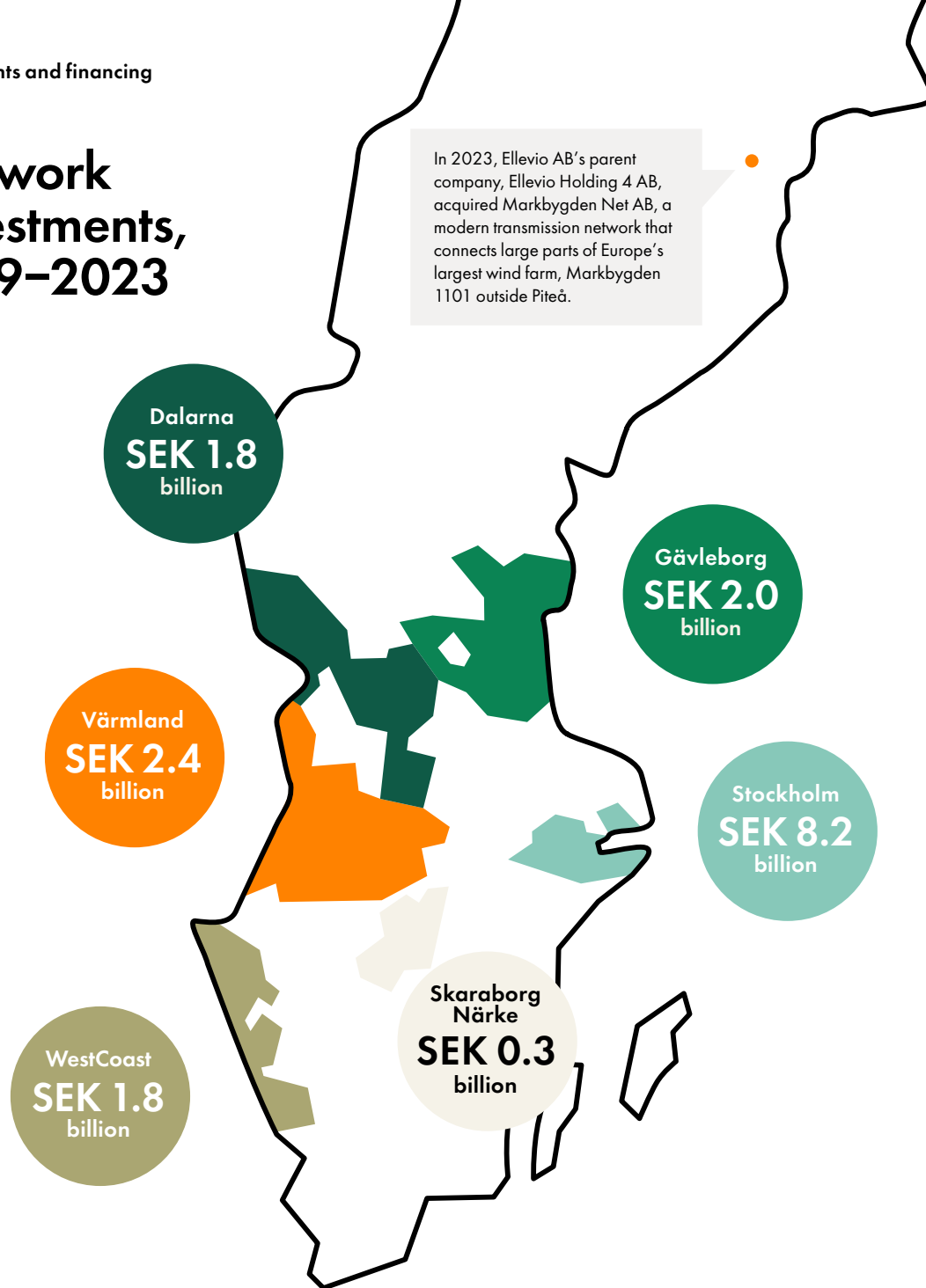
- is in line with the ICMA Green Bond Principles and the LMA Green Loan Principles,
 - will fund projects that contribute to UN Sustainable Development Goal 13: "Climate action",
 - is in line with the EU taxonomy concerning climate change mitigation criteria, "Do No Significant Harm" and Minimum Safeguards.
- In June, Ellevio issued SEK 3 billion in green bonds with a maturity of six years. The proceeds have been earmarked for financing investments in the electricity network in accordance with the EU taxonomy and sustainable investment criteria – which is in turn in line with Ellevio's green framework.

An investor report will be published in the second quarter of 2024.



The Värtan substation in Hjorthagen is an important hub for Stockholm's electricity. It is currently undergoing a complete redevelopment and a new indoor substation was inaugurated in 2023.

Network investments, 2019–2023



Dalarna

Approx. 36,000 customers

- Modernisation and weather-proofing of local networks to increase resilience to weather and reduce power outages are in progress. These projects are being undertaken in locations such as Gömslet, Idre fjäll, Hornberget, Örebäcken and Hemulberget. Several projects were completed during the year and new ones will be launched in 2024. This also included Ellevio's first electrically powered project, Sustainability Orsa, see page 19 and 97–98.
- A new substation is being planned in Borlänge to ensure an electricity supply to the battery factory that Northvolt will build in Kvarnsveden.
- A large number of new customers have been connected, including charging stations, mobile network masts and new facilities at Idre Fjäll.
- Network investments totalled SEK 242 million (535) in the Dalarna network area in 2023.

Gävleborg (Hälsingland, Gästrikland)

Approx. 74,000 customers

- Weather-proofing of local networks by burying cables is underway. A large number of secondary substations are also being replaced. These projects are being undertaken in Sunnanåsbo, Renshammar, Sörvåna and Fröste.
- A large number of new customers have been connected, including charging stations, mobile network masts and the new bandy arena in Bollnäs.
- Network investments totalled SEK 387 (278) million in the Gävleborg network area in 2023.

Skaraborg–Närke

Approx. 27,000 customers

- Weather-proofing of local networks by burying cables is underway, and a large number of secondary substations are also being replaced. Work has been carried out in Forsvik, Udenäs, Bällefors and Kullåsen.
- In Mariestad and at the Korstorp and Brodderud stations, work on planning and concessions got underway for the cables to Volvo’s planned battery factory.
- A new substation will be constructed outside Lindbacka to power a 30-MW solar farm. Permit planning was initiated during the year.
- A large number of new customers have been connected, including charging stations.
- Network investments totalled SEK 77 million (87) in the Skaraborg-Närke network area in 2023.

Värmland

Approx. 104,000 customers

- In Värmland, weather-proofing of the local network by burying cables has continued. A large number of secondary substations are also being replaced. Projects continued during the year in such areas as Ed, Torkilsbyn, Trötvik, Gammelkroppa and Torsby.
- The construction of a new regional network power line between Kil and Munkfors was completed, which has both reduced the risk of outages and increased capacity so that more production can be connected.
- A large number of new customers have been connected, including charging stations, mobile phone masts, a fish farm and a sawmill.
- Network investments totalled SEK 497 million (477) in Värmland network area in 2023.

Stockholm (City of Stockholm, Ekerö, Lidingö, Täby, Nynäshamn, Vallentuna)

Approx. 596,000 customers

- The Värtan substation, an important hub for electricity distribution in Stockholm, is being redeveloped. In 2023, the first phase – a new 110 kV indoor substation (GIS substation) – was inaugurated. The project is Ellevio’s largest to date and is scheduled for completion in 2026.
- Construction of a new 400 kV cable between Beckomberga and Bredäng was completed and the dismantling of the old overhead lines began.
- The expansion of the substation in Skanstull continued, including the completion of the basement, foundation and wall sections. The project is estimated to be complete in 2025.
- In the local networks, many major projects are underway to modernise and increase capacity and reliability, including in Ekerö, Herrängen, Kungsholmen, Slussen, Gärdet and Tallkrogen.
- In addition to the network reinforcements, a number of charging infrastructure projects have been implemented, and Ellevio is also building new grids in development areas such as Täby Park and the Slakthus area.
- The modernisation and rebuilding of the electricity network in Ekerö got underway. The project includes burying of cables, replacement of selected secondary substations, preparations for increasing the voltage, demolition of overhead lines and clearing of power lanes, and will be completed in 2027.
- In 2023, network investments totalled SEK 1,843 million (1,419) in the Stockholm network area.

West Coast (Halland, Bohuslän)

Approx. 132,000 customers

- On the West Coast, redevelopments and reinforcement continued in areas such as the southern archipelago of Gothenburg. Around 100 km of land and underwater power lines were replaced and weather-proofed to ensure some 3,200 households have a modern electricity grid. The work will be completed in 2024.
- Work continued in Särö and Onsala to provide 14,000 households with a modern network. Around 18 kilometres of power lines are being buried and 150 new capacity-enhancing secondary substations are being installed. This will open the door to more charging wall boxes and solar panels.
- In Hjälmstad, the weather-proofing and modernisation work on the local network will be completed by 2023.
- A large number of new customers have been connected and interest in charging infrastructure is high in the area.
- Network investments totalled SEK 386 (399) million in the West Coast network area in 2023.

Västernorrland

In Tovåsen, in the municipality of Ånge, a wind power cluster is being established which, when fully developed, will be able to generate up to 1,500 MW of electricity. Ellevio is responsible for the regional network and the grid was built to connect 660 MW of new wind power capacity in 2023. Another customer-initiated project in the same municipality is the planning of a hydrogen factory.



“The acquisition brings us closer to several large electricity producers and electricity-intensive sectors.

Johan Aggeryd
Head of Strategy and Acquisitions at Ellevio.

ACQUISITIONS IN THE GROUP

“Ellevio is now in Norrbotten

In 2023, Ellevio expanded northwards by acquiring the electricity network company Markbygden Net. Johan Aggeryd is Head of Strategy and Acquisitions at Ellevio. He explains more about the deal here.

What?

“Markbygden Net has a modern transmission network with a distribution capacity of 1,700 MW, connecting about half of Europe’s largest onshore wind farm, Markbygden 1101, outside Piteå. The network connects five wind power operators, and the assets purchased by Ellevio consist of overhead lines, substations and transformers connected to the national network.”

Why?

“Norrbotten is Sweden’s showcase for the industrial transition, and this acquisition brings us closer to several large electricity producers and electricity-intensive industries. Ellevio’s ability to secure the flow of green electricity to industry and to be a long-term, stable and present partner has also been strengthened.”

How?

“We bought Markbygden Net from wind power developers Svevind and Enercon and took possession on 20 September 2023. At the same time, we gained two new colleagues in Markbygden Net’s CEO and Technical and Security Manager.”