CREDIT OPINION
20 May 2024

Update

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RATINGS

NextEra Energy Capital Holdings, Inc.

Domicile	Juno Beach, Florida, United States
Long Term Rating	Baa1
Type	Senior Unsecured - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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NextEra Energy Capital Holdings, Inc.

Update to credit analysis

Summary

NextEra Energy Capital Holdings, Inc. (NEECH, Baa1 stable) is an intermediate holding company subsidiary of NextEra Energy, Inc. (NEE, Baa1 stable), one of the largest power and utility holding companies in North America. NEE owns Florida Power and Light Company (FPL, A1 stable), one of the largest and financially strongest regulated vertically integrated electric utilities in the US, which is the foundation of its overall credit quality. NEECH's credit is closely linked to that of NEE due to the unconditional and irrevocable guarantee that NEE provides on all of its debt and payment obligations.

Consequently, NEECH's credit profile incorporates the consolidated financial strength of the entire NEE organization, which includes NextEra Energy Resources LLC (NEER) (46% of NEE's segment assets as of 31 December 2023), FPL (53%), and corporate and other assets (1%). NEER holds a large, diverse portfolio of clean energy, primarily renewable assets with stable cash flow generation from projects under long-term contracts with creditworthy counterparties. We expect NEECH's ratio of cash flow from operations pre-working capital (CFO pre-W/C) to debt to be in the 7-9% range, which is lower than historical levels as parent debt has increased as the company continues its strong growth and invests heavily in new projects. For 2023, NEECH's ratio of CFO pre-W/C to debt was roughly 9%. NEE has strengthened its business risk profile by de-emphasizing merchant power activities and focusing on growing its lower-risk long-term contracted renewables and FERC regulated gas pipeline and electric transmission businesses, a credit positive.

This Credit Opinion focuses on NEE's assets not including FPL. Please refer to www.moodys.com for further discussion in the credit opinions of NEE and its regulated utilities, FPL and Trans Bay Cable.

Credit strengths

- Unconditional and irrevocable guarantee from parent, NextEra Energy
- Strong access to the capital markets
- Continued strong growth of clean-energy portfolio with emphasis on long-term contracted assets with creditworthy counterparties
- Further diversification into low-risk, regulated or contracted infrastructure (gas pipelines and electric transmission) businesses adds to diversity and predictability of cash flow

Credit challenges

- Large negative free cash flow continues to require substantial debt issuance
- Holding company debt percentage is one of the highest in the sector, constraining the ratings of the corporate family
- Project execution risk remains at NEER as it continues an elevated investment program, although company has a strong track record
- Structural subordination of debt to non-recourse project level debt

Rating outlook

NEECH's stable outlook reflects the unconditional and irrevocable guarantee provided by NEE on NEECH's debt and other obligations, which we expect will remain in place without modification. The stable outlook also considers that, as new projects are placed in-service, NEECH's financial metrics will remain stable such that its ratio of CFO pre-W/C to debt will be in the 7-9% range. We expect NEECH's financial profile, coupled with the strong financial condition of FPL, will continue to support the overall credit quality of NEE. The stable outlook also reflects our expectation that NEECH will continue to reduce its business risk by focusing on growing its long-term contracted renewables business and limiting exposure to non-contracted merchant activities.

Factors that could lead to an upgrade

NEECH could be upgraded if NEE is upgraded. An upgrade of NEE is unlikely in the near future due to the high percentage of holding company debt, elevated capital project investments financed with substantial debt, single state concentration of its principal utility that is exposed to extreme weather events, and the company's aggressive M&A appetite. Longer term, NEE could be upgraded if there is material debt reduction at NEECH such that the percentage of holding company debt declines substantially as a percentage of total debt and consolidated financial metrics improve such that NEE's ratio of CFO pre-W/C to debt is sustained above 20%.

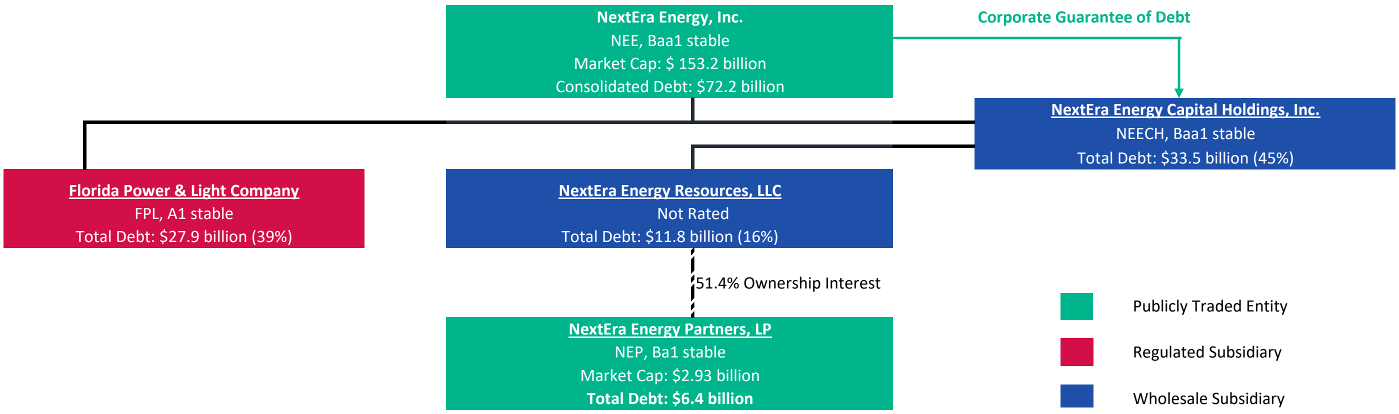
Factors that could lead to a downgrade

NEECH could be downgraded if NEE is downgraded or if the unconditional guarantee from NEE is modified or revoked. NEE could be downgraded if we do not expect its ratio of CFO pre-W/C to debt to improve and be sustained above 17%. NEE could also be downgraded if the regulatory environment deteriorates in Florida, such that there are delays in cost recovery; or there are adverse tax or environmental policy developments that negatively affect NEER's renewable energy business. A downgrade could also occur if NEE's business risk profile deteriorates meaningfully or if its holding company level debt increases from current levels. A downgrade of FPL could lead to a downgrade of NEE, due to the importance of the utility to the parent.

Profile

NextEra Energy Capital Holdings, Inc. is a guaranteed intermediate holding company subsidiary of NextEra Energy, Inc., one of the largest power and utility holding companies in North America. NEE's principal operating utility is Florida Power and Light Company, one of the largest and financially strongest regulated vertically integrated electric utilities in the US, which is core to NEE's credit quality. NEECH is the principal debt financing vehicle for NEE's businesses outside of the Florida utility and is the holding company of NextEra Energy Resources (NEER). NEER is an intermediate holding company for NEE's independent power projects as well as its ownership interests in natural gas pipelines, and through a subsidiary it also has a 51.4% ownership interest in yieldco NextEra Energy Partners, LP (NEP, Ba1 stable). NEECH's other subsidiaries include NextEra Energy Transmission (NEET), which holds FERC regulated electric transmission assets.

Exhibit 1
Organizational Chart



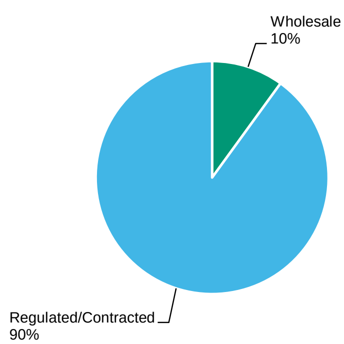
Total/Consolidated Debt As of 31 December 2023; NEE & NEP Market Capitalization as of 15 May 2024.
Source: Company Filings, Company Website

Detailed credit considerations

NEER is a leader in the renewable energy sector with strong growth potential and a risk profile that is mitigated by long term contracts

NEER, which accounts for roughly 30% of NEE's EBITDA, continues to increase the contracted portion, currently about 70%, of its large portfolio of renewable assets and we expect this to continue. At the same time, NEE's regulated and contracted assets combined to account for about 90% of adjusted EBITDA.

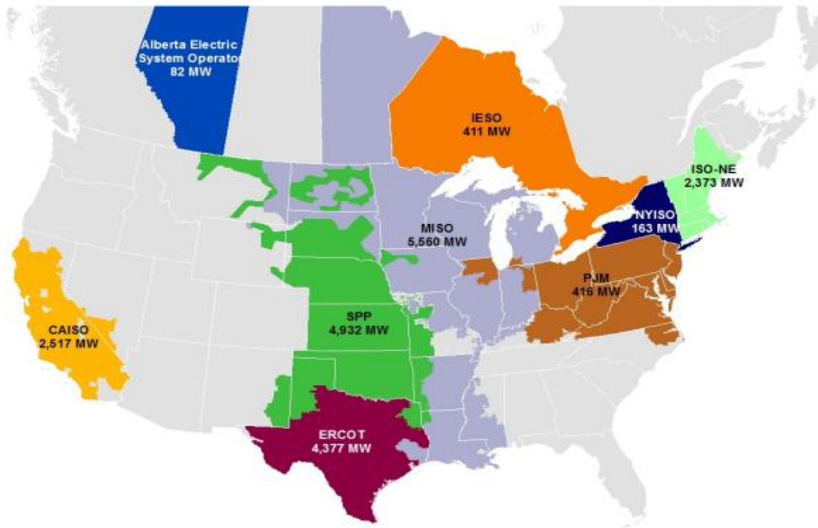
Exhibit 2
NextEra's 2023 business mix based on adjusted EBITDA



Regulated assets include FPL, FERC regulated transmission assets and pipelines.
Source: Company filings

NEER has a large, diverse portfolio of generation assets, and is the largest owner of wind and solar generation in North America. Strong demand for renewable energy provides NEER with growth opportunities to sell renewable power under long-term contracts, primarily to investment grade counterparties that are attracted to the generally low cost of renewable power, or are seeking to satisfy environmental mandates, make progress on carbon transition or meet customer preferences. Additionally, as the US, like other countries globally, continues to progress towards carbon free generation, renewable energy will continue to be in high demand. The long term revenue visibility from contracted, predominantly renewable assets, which entail no fuel risk or commodity price exposure, is in contrast to the typically higher risk associated with unregulated power companies that are exposed to wholesale merchant power sales as well as challenged coal plants. Although NEER continues to invest heavily in development and project execution risk remains, NEER has a strong track record of completing projects on time and within budget.

Exhibit 3
NEER generation capacity by region



Source: Company filings

Although many utilities have met or are close to meeting their near-term renewable portfolio standards, utilities continue to increase their carbon reduction goals longer term. At the same time, NEER continues its efforts to contract with large, creditworthy corporations, further diversifying its customer base.

On 16 August 2022, the Inflation Reduction Act (IRA) was signed into law which, among other things, included extensions for wind and solar tax credits on renewable projects that start construction before the later of 2034 or the end of the calendar year following the year in which greenhouse gas emissions from US electric generation are reduced by 75% from 2022 levels; a new solar PTC; a stand alone battery ITC; the ability to transfer renewable energy tax credits to a third party; and a 15% corporate minimum tax based on pre-tax income for years after 2022. The extension of tax credits, continuous technological improvements and reduced costs, as well as overall strong renewable demand, should continue to be positive for NEER's future business growth.

As a result of the IRA, FPL is eligible for PTCs related to solar projects that entered service beginning in 2022, which results in a greater tax benefit, and consequently, customer savings approximating $400 million. Pursuant to FPL's 2021 rate agreement, federal or state corporate tax changes can be reflected in customer rates during the term of the agreement. As such, FPL refunded customers approximately $36 million in January 2023 and implemented a decrease in annualized retail base revenues of approximately $70 million beginning this year.

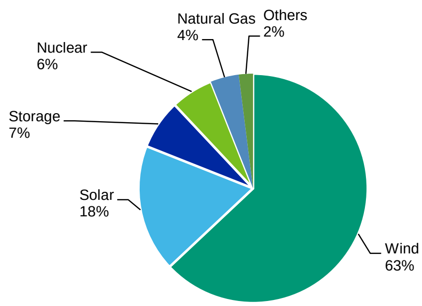
NEER's cash flow continues to increase as new generation capacity is constructed and long-term contracts are added. NEER generally manages the construction of renewable projects to make the most of the federal tax credits available. The company's capital expenditures remain elevated due to continued high demand for renewables. As such, NEER has grown its renewable capacity from approximately 16 GW in 2016 to approximately 34 GW in 2023.

Exhibit 4
NEER's development program remains elevated with over 20 GW in its backlog of signed contracts (MW)

	2023-2024 Signed Contracts	2023-2024 Expectations	2025-2026 Signed Contracts	2025-2026 Expectations	2023-2026 Expectations
Wind	4,075	4,000-4,800	1,799	8,000-9,800	12,000-14,600
Solar	5,832	5,500-6,600	7,200	9,400-12,400	14,900-19,000
Energy Storage	2,486	2,500-2,800	2,650	2,600-4,000	5,100-6,800
Wind Repowering	184	100-400	444	600-1,000	700-1,400
Total	12,577	12,100-14,600	12,093	20,600-27,200	32,700-41,800

Source: Company filings

Exhibit 5
NEER's generation fuel mix based on MW (Includes NEP)



Source: Company filings

Further diversification into low-risk regulated and contracted infrastructure assets strengthens business risk profile

As part of NEE's strategy to strengthen its overall business risk profile, NEER has been investing in FERC regulated gas pipelines and electric transmission assets, which diversifies its portfolio beyond renewable projects. Additionally, the company continues to grow its investments in energy storage, which is an emerging technology growth area in the renewable sector and will support further growth in wind and solar energy installation. The $1.5 billion Sabal Trail (represents NEE's 42.5% ownership interest) and the related $500 million Florida Southeast Connection gas pipelines went into service in 2017.

NEE also has a 33% ownership interest in the roughly $7.8 billion Mountain Valley Pipeline (MVP), which was severely delayed due to the receipt of certain state and federal permits. Similar to other gas pipeline construction projects, the MVP had experienced cost overruns and delays largely related to permitting and environmental concerns. However, the project's construction is close to complete and is expected to be in-service by mid-year 2024. NEE had completely written off its entire investment in MVP mainly due to past legal and regulatory challenges and the potential that the pipeline would not reach commercial operation. If and when MVP is completed, it and other FERC regulated pipelines in operation are expected to generate stable cash flow under long-term contracts and will help support NEE's overall credit metrics.

NextEra Energy Transmission's (NEET) portfolio includes operating assets in California, Illinois, Indiana, Kansas, Kentucky, Nevada, New Hampshire, New York, Oklahoma, Texas and Ontario, Canada, as well as numerous projects under development in the United States and Canada. In total, NEET operates approximately 12,600 circuit miles and 1,200 substations in North America. The company has won several federally regulated greenfield projects in Canada, California and other states, as regulators have slowly opened up transmission development to parties other than incumbent utilities through FERC Order 1000. NEET has been able to secure almost $5B of greenfield transmission projects over the last decade and it plans to continue to bid into upcoming competitive transmission solicitations.

NEE remains majority owner of NEP but separation from sponsor gradually continues over time

NEP, a yieldco formed by NEE in 2014, has a diversified portfolio of assets by geography, by number of projects as well as by fuel type - with 8.0 GW of wind, 1.8 GW of solar and battery storage 0.3 GW spread over 94 projects and the Pennsylvania Mead Pipeline assets (1.7 bcf/day). The projects are located in 30 states over four broadly diversified regions – the northeast, the west coast, the southern great plains and the upper midwest. All projects benefit from fixed price, long-term contracts, with approximately 90 different counterparties, most considered investment grade (average Baa2 credit quality), with an average remaining life of about 14 years. On 8 May 2023, NEP announced that it planned a process to sell its seven gas pipelines, which include the STX Midstream and Meade assets, in 2023 and 2025, respectively.

The governance changes at NEP beginning on 1 January 2018, which included deconsolidation on a US GAAP accounting basis, have had mixed credit implications, with features that strengthened its attractiveness to investors but which also reduced the benefit that NEP receives from being a part of the NEE corporate family. NEE's current ownership interest in NEP is approximately 51.4%, down from about 54.7% in the beginning of 2022. We expect NEE's ownership interest will gradually decline through equity dilution as new NEP equity is issued through the conversion of preferred units and convertible notes as well as from NEP's decision to exercise future CEPF buy-out options and NEE's periodic sales of its NEP units. In May 2023, NEE and NEP announced a structural modification to IDR fees, whereby fees provided to NEE from NEP will be suspended through, at least, 2026.

The yieldco sector can sometimes face challenging capital market conditions, especially volatile equity prices, which can make issuing equity on an accretive basis difficult. NEP has seen considerable volatility in its equity price since its IPO, and it is currently well off its high reached in November 2021. From the beginning of January 2023 to its low in October of the same year, NEP's share price dropped roughly 68%, due to volatility in the market with regard to the macro-economic environment, interest rate sensitivity, and renewable supply chain constraints as well as a reduction in the company's growth expectations. The equity price has recovered modestly since then. NEP's simplification plan announced in May, the suspension of the IDR fees and pipeline asset sales reflect the company's attempt to sustain its strong access to the capital markets, which has been maintained, as well as to alleviate concerns about its ability to finance future convertible equity portfolio financing obligations without materially increasing leverage and weakening credit quality.

For more detail about the credit considerations of NEP please refer to its Credit Opinion available on www.moodys.com

Substantial holding company leverage constrains credit metrics when excluding FPL's cash flow

As of 31 December 2023, NEECH had $33.5 billion of total debt which is 42% of NEE's consolidated debt, including the proportional consolidation of its ownership in NEP. Although NEE's holdco debt is down from approximately 50% at the end of 2022, the percentage of holding company debt remains one of the highest within the regulated utility sector, and is a constraint on the credit quality of the entire corporate family. Approximately $3.7 billion of the NEECH holdco obligations are junior subordinated hybrid debt, to which we assign 50% equity credit in Moody's standard adjustments. The hybrid securities can be credit enhancing by providing a loss cushion for senior creditors.

The holding company debt includes $2 billion of debentures related to equity units issued in 2022. These securities trigger the mandatory issuance of new equity in three years from the time of issuance. As has been the case historically, we expect NEE to use the proceeds from the new equity to pay down holding company debt. When taking a forward view on the conversion of these equity units and assuming the company pays off debt with the proceeds as it has done historically with previous equity units, NEE's holdco debt would fall to approximately 40% of consolidated debt, including the proportional consolidation of its ownership in NEP. We expect NEE's percentage of holding company debt to modestly and gradually decline over time.

The roughly $33.5 billion of NEECH holdco debt is structurally subordinated to the approximately $11.8 billion of non-recourse debt, mostly at NEER's power projects. (NEECH holdco debt is also structurally subordinated to the approximately $27.9 billion of debt at FPL, which includes commercial paper, as of 31 December 2023). Much of the non-recourse debt is tied to NEE and/or NEECH in some way, either through sponsorship of the underlying projects or tax interrelationships including guarantees of production tax credits on wind projects. These projects are important to NEE's growth initiatives and shareholder returns, and generate valuable tax benefits. However, NEE divests projects regularly and, at times, has shown it would not support a non-recourse project that is not performing well as demonstrated in 2013 when NEE walked away from a $1 billion Spanish solar project after it defaulted when the government unexpectedly changed its tariffs.

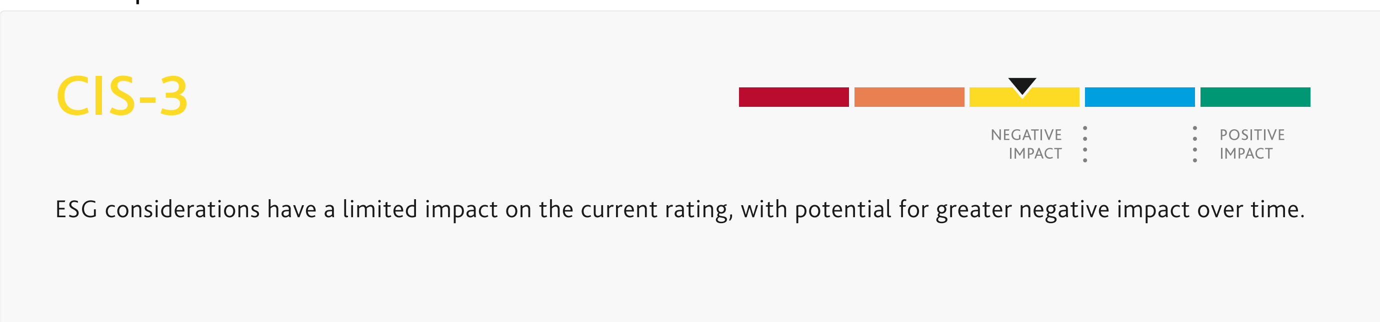
Although NEECH and NEER are entities of considerable size with substantial amounts of debt outstanding, they do not file their own audited SEC financial statements. NEE also does not file credit agreements with the SEC. NEE does publish consolidating financial statements that provide a condensed view of NEECH's stand-alone financial metrics.

NEECH's financial metrics are weaker than historical levels as the company has increased parent level debt and continues to invest heavily in its renewable energy business. For the 12-months ended 31 December 2023, NEECH's ratio of CFO pre-W/C to debt was roughly 9%, which is slightly down from the 10% range a few years ago. Going forward, we expect NEECH's financial profile to remain relatively stable including a ratio of CFO pre-W/C to debt in the 7-9% range. Cash flow from operations has averaged about $2.7 billion over the last five years, as more projects have been in construction while others have gone into service. As such, we expect the stability of NEECH's financial profile, coupled with the strong financial profile of FPL, will continue to support the overall credit quality of NEE.

ESG considerations

NextEra Energy Capital Holdings, Inc.'s ESG credit impact score is CIS-3

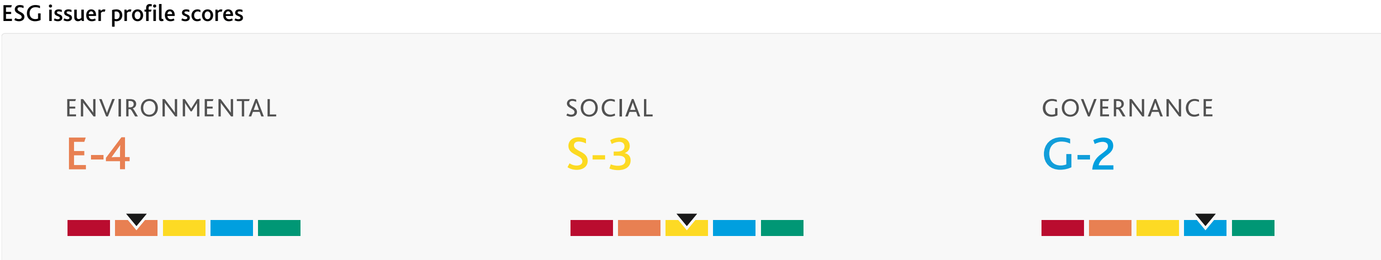
Exhibit 6
ESG credit impact score



Source: Moody's Ratings

ESG scores and narratives are aligned with those of NextEra Energy, Inc.. NEE's **CIS-3** indicates that ESG considerations have a limited impact on the current credit rating with potential for greater negative impact over time. Physical climate risks from a service territory prone to hurricanes and tropical storms drives the high environmental risk score. Governance risk and exposure to demographic and social trends, such as a less supportive regulatory environment and customer affordability concerns, could weaken credit quality over the long-term.

Exhibit 7
ESG issuer profile scores



Source: Moody's Ratings

Environmental

ESG scores and narratives are aligned with those of NextEra Energy, Inc.. NEE's **E-4** issuer profile score largely reflects high physical climate risks resulting from hurricanes and tropical storms in its core Florida market. NEE's carbon transition risk is not considered a material risk because it has a diverse portfolio of generation with minimal coal, growing renewable energy resources, and a supportive regulatory framework. The company's nuclear generation fleet adds risks of waste management and pollution. While NEE has not had any problems with its nuclear fleet or nuclear waste to date, it remains an inherent risk for nuclear operators in the industry. The fossil fuel generation is balanced by NEER's ownership of the largest portfolio of renewable power projects in North America.

Social

ESG scores and narratives are aligned with those of NextEra Energy, Inc.. NEE's **S-3** issuer profile score considers the operation of nuclear generation which heightens the risk of responsible production, while demographics and societal trends may increase public concern over environmental, social, or affordability issues that could lead to adverse regulatory or political intervention. NEE's social risks are somewhat offset by FPL's low customer rates that are below the national average, strong customer and load growth, as well as the robust and independent regulatory framework in which it operates. The regulatory framework provides strong assurance that the company will be able to recover storm costs from customers, even where these can be politically controversial.

Governance

ESG scores and narratives are aligned with those of NextEra Energy, Inc.. NEE's **G-2** issuer profile score is broadly in line with other utility holding companies. The company's financial policy is to maintain the capital structure of its utility, FPL, established in its regulatory rate constructs with any dividends distributed to the parent offset by sufficient equity injections to maintain the utilities' target capital structure. NEE's governance score also incorporates a board structure and policies with a relatively low number of independent directors; and additional organizational complexity with its majority-owned affiliate, NEP.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Additional ESG considerations

When assessing NEECH's ESG considerations, we incorporate those of its parent and guarantor, NEE. As a holding company of predominantly regulated utilities and a large renewable energy developer and operator, one of NEE's primary goals is to provide customers with affordable, reliable and clean energy to power their homes and businesses, which are important social factors. From a governance perspective, policies that result in a strong financial position are important for managing the company's businesses, environmental and social risks, particularly amid the group's elevated capital expenditure program.

NEE is strongly positioned for carbon transition within the utility sector because of its minimal coal exposure and substantial ownership of modernized and efficient natural gas-fired generation assets. In June 2022, NEE announced its Real Zero decarbonization plan with the goal to be completely carbon emissions-free by no later than 2045. NEE has reduced its carbon dioxide emissions rate for decades and, as of 2022, has achieved a 61% reduction, compared to a 2005 adjusted baseline. NEE's limited coal exposure only relates to legacy Gulf Power's 25% share of Scherer Unit 3 (215 MW) since its 50% ownership of the Daniel coal plant in Mississippi (500 MW) was retired from service in January 2024.

Liquidity analysis

NEECH has a sufficient but somewhat constrained liquidity profile as a result of the need to finance its large capital investment program, refinance a substantial amount of debt maturities, and potentially provide for material contingent calls related to its hedging and marketing activities. However, NEECH has demonstrated an ability to manage its liquidity profile effectively, primarily through strong access to bank and debt capital markets.

NEECH's liquidity profile is impacted by NEER's elevated capital investment program, particularly due to strong growth and development of new renewable power projects, which typically results in substantial negative free cash flow. Its negative free cash flow position continues to be significant. In 2023, NEECH's cash flow from operations was $3.2 billion compared to capital expenditures of $15.6 billion and parent contributions of $5.4 billion. Consistent with the company's historical financial policies, NEECH largely financed its negative free cash flow of $7.1 billion through a combination of project finance debt, tax equity, long and short-term debt and with proceeds from projects sold (outright or equity interests) to third parties and to NEP.

As of 31 December 2023, NEECH had nearly $11.1 billion of net available liquidity, which included $2.6 billion of cash; $10.1 billion of availability on its revolving credit facilities, net of about $2.3 billion of commercial paper borrowings; and full availability on $1.4 billion of bilateral revolving credit facilities. NEECH's $10.1 billion bank revolving line of credit facility backstops its CP program. NEECH also has $3.5 billion of letter of credit facilities with $2.8 billion of letters of credit outstanding. The LC facilities are only available for the issuance of letters of credit. The commitments are laddered, with the vast majority terminating in 2028. NEECH does not have a material adverse change clause in its bank credit facilities, although it does have one financial maintenance covenant of a maximum consolidated debt-to-capitalization ratio that it does not disclose. The company has indicated that it was in compliance as of 31 December 2023.

NEECH's next significant debt maturity is $750 million of debentures due in June 2024. We do not expect the company to have any difficulty paying off or refinancing its near-term maturities.

Ratings

Exhibit 8

Category	Moody's Rating
NEXTERA ENERGY CAPITAL HOLDINGS, INC.	
Outlook	Stable
Bkd Senior Unsecured	Baa1
Bkd Jr Subordinate	Baa2
Bkd Commercial Paper	P-2
PARENT: NEXTERA ENERGY, INC.	
Outlook	Stable
Issuer Rating	Baa1

Source: Moody's Ratings

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