MOODY'S INVESTORS SERVICE

CREDIT OPINION
11 June 2021

Update

Rate this Research

RATINGS

Delek & Avner (Tamar Bond) Ltd.

Domicile	Israel
Long Term Rating	Baa3
Type	Senior Secured - Fgn Curr
Outlook	Negative

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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Delek & Avner (Tamar Bond) Ltd.

Update following announcement of sale

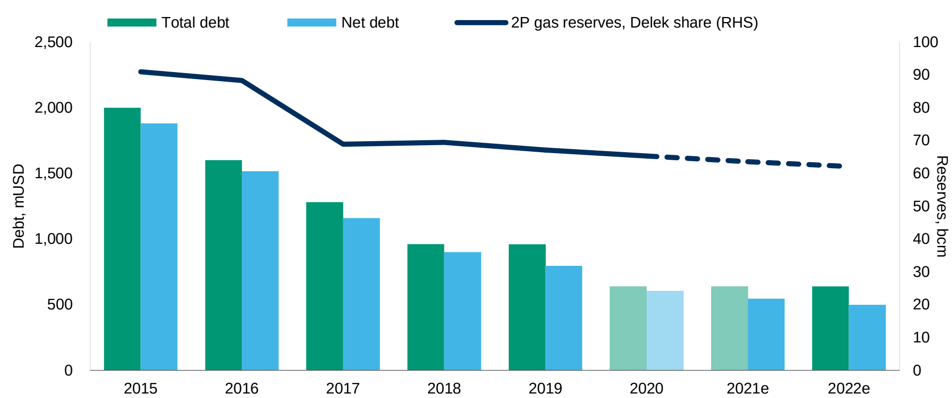
Summary

The credit profile of Delek & Avner (Tamar Bond) Ltd. is supported by significant gas reserves in the Tamar reservoir, the project's national importance to Israel (Government of Israel, A1 stable), strong historic and expected electricity demand growth driven by demographic growth and improvement in living standards, the project's strong operating track record, and a diversified pool of long term gas offtakers, anchored by a take-or-pay contract with the Israel Electric Corporation Limited (IEC, Baa2 positive) that runs until 2028.

These factors are balanced by lower achieved prices following the exercise of IEC's price reduction option and increasing competition from the neighbouring Leviathan and Karish fields. Changes to the agreement between the Tamar partners that give each partner the right to separately market their share of production may also increase competitive pressure. Recent disruption to production as a result of fighting in Gaza highlights risk associated with the project's location in a region and country exhibiting significant geopolitical risk.

On 26 April 2021, Delek Drilling Limited Partnership, the sponsor of Tamar Bond, announced that it had entered a non-binding memorandum of understanding to sell its interest in the Tamar project to Mubadala Petroleum, a subsidiary of Mamoura Diversified Global Holdings PJSC (Aa2 stable).[1] If completed, we expect the sale to trigger a mandatory redemption of the Tamar Bond notes by the end of 2021.

Exhibit 1
Tamar gas reserves have remained stable as the Issuer's debt has fallen



Historical 2P Gas reserves shown as estimated at year-end. The issuer's share of the Tamar project reduced from 31% to 22% in 2017. Moody's projections are Moody's opinion and do not represent the views of the Issuer
Source: Delek, Moody's Investors Service

Credit Strengths

» Substantial gas reserves

» Strong operating track record

» Strategic importance of the Tamar gasfield to Israel

» Long-term off-take agreements, including new contract with Dolphinus

» Growing gas demand in Israel

Credit Challenges

» Intense competition from other Israeli gas suppliers and risk of oversupply

» Quality of offtakers has deteriorated as IEC share has fallen

» Likely requirement for refinancing

» FFO to weaken from 2021 as government levy becomes payable

» Geopolitical event risk

Rating Outlook

The negative outlook reflects the likelihood of gas oversupply in Israel because of increasing competition from other gas fields in the region and the limited window remaining for Delek Drilling to divest its interest in the Tamar lease, as required under the Israeli Gas Framework, if the planned sale to Mubadala is not completed.

Factors that Could Lead to an Upgrade

Upward rating pressure is not currently anticipated. The outlook could be stabilised if:

» Tamar agrees material new take-or-pay gas sale and purchase agreements with high-quality offtakers and/or receives commitments from existing offtakers to maintain volumes at current levels; and

» Increased domestic demand and/or evidence of sustained strong exports reduce the risk of oversupply in the Israeli gas market

Factors that Could Lead to a Downgrade

The rating could be downgraded if:

» Reduced cash flow or debt market conditions call into question the company's ability to meet maturities in December 2023 and December 2025;

» There was significant disruption to operations of the Tamar field or EMG pipeline; or

» Moody's has significant doubt about the Sponsor's ability to complete the announced sale, or otherwise to divest its working interest in the Tamar lease at a price sufficient to redeem the Tamar Bonds by December 2021

Key Indicators

Exhibit 2

Key operating and financial metrics

Delek & Avner (Tamar Bond) Ltd.

12 month period	2016	2017	2018	2019	2020	2021 proj.	2022 proj.
Total off-take (bcm)	9.4	9.7	10.3	10.4	8.3	7.9	6.6
CFADS interest coverage	4.4x	5.0x	5.2x	6.1x	4.9x	3.8x	3.4x
DSCR (excl. reserves)	0.8x	5.0x	0.8x	6.1x	0.6x	3.8x	3.4x
FFO / Debt	20.1%	25.0%	26.9%	29.0%	34.0%	19%	12%

Note: DSCR is depressed in years when notes are repaid, as in 2016, 2018 and 2020. Moody's projections (proj.) are Moody's opinion and do not represent the views of the Issuer.
Source: Moody's Investors Service

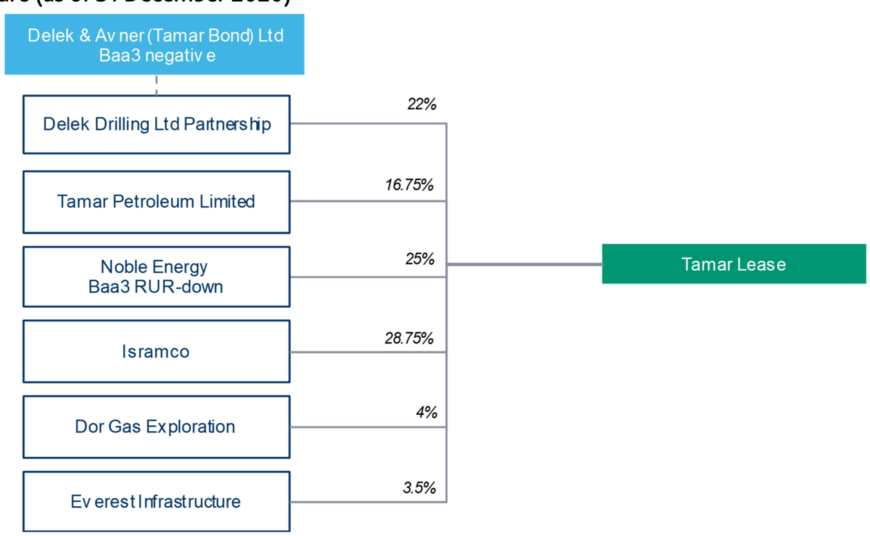
Profile

The Tamar gasfield (Tamar) is an operating deepwater field in the Eastern Mediterranean off the coast of Israel. The reservoir was discovered in January 2009, and in December 2009 Tamar Partners were granted a production lease (Tamar Lease) for a term of 30 years, with a 20-year extension option. As of 31 December 2020, the field had 219 billion cubic metres (bcm) of proven (1P) gas reserves.

Delek & Avner (Tamar Bond) Ltd is a special-purpose entity created in May 2014 to issue bonds secured by a first priority fixed pledge of Delek Drilling's direct working interest, currently 22%, in the Tamar lease. Recourse against the Sponsor is, subject to certain exceptions, limited to the collateral pledged by the Sponsor.

Exhibit 3

Tamar ownership structure (as of 31 December 2020)



Source: Moody's Investors Service

Recent Developments

Agreement to sell holding in the Tamar gasfield by the end of 2021

On 26 April 2021, Delek Drilling entered into a nonbinding memorandum of understanding with Mubadala Petroleum to sell its 22% interest in the Tamar project. The assets to be sold will include the partnership's interest in the lease, the Tamar off-take agreements and the related agreements between partners in the leases. The purchasers will pay a total up to $1.1 billion, including an unconditional payment of $1 billion and a contingent amount of up to $100 million which will be paid subject to certain terms and conditions being met. The Definitive Agreement will include certain conditions precedents including the approval of the Petroleum Commissioner.

Under the terms of the notes, a sale of Delek Drilling's working interest in Tamar would trigger a mandatory redemption of all of the Tamar notes at par, unless bondholders choose to waive this right. Its expected that once the sale is complete, the Tamar bonds will be repaid using the post-tax sales proceeds and cash on hand.

Under the provisions of the Israeli Gas Framework, published in August 2015, Delek Drilling is required to divest its entire working interest in Tamar by 17 December 2021. If the sale is not completed by this date, the right to sell the assets will be assumed by a trustee appointed by Israel's Antitrust Commissioner from a shortlist proposed by the Sponsor. The trustee will be required to sell the working interest within twelve months of appointment. If the sale to Mubadala is not completed, Delek Drilling could pursue a sale to another buyer or restructure the company to separate ownership of the Tamar and Leviathan fields (see Delek & Avner (Tamar Bond) Ltd. and Leviathan Bond Ltd.: Filing for London listing keeps Delek's options open, 2 December 2020).

Temporary outage will reduce 2021 cash flow

On 11 May 2021, the Minister of Energy ordered Tamar to cease production as a result of cross-border fighting between Israel and Palestinian armed groups in Gaza (see Geopolitical Risks – Israel: Current conflict has limited economic implications, but extended political instability is credit negative, 19 May 2021). The Tamar platform is located approximately 25 km off shore from Gaza and was a target of rocket attacks, according to news reports. Production resumed on 21 May following an agreed ceasefire.

We do not expect the outage to materially reduce Tamar's cash flow and credit metrics in 2021, even though minimum indemnity periods mean the project's business interruption insurance is unlikely to have applied. Since the commissioning of the Leviathan field (45% owned by Delek Drilling and financed through Leviathan Bond Ltd., Ba3 stable) in December 2019, Israel has multiple domestic gas sources and supplies were not interrupted.

Revised Settlement Agreement with IEC reduces price

On 31 January 2021, IEC agreed to a settlement under which the 0.81 bcm purchased from Tamar in Q4/2020 will be charged at a price lower than that in the Supply Agreement. IEC can also buy an additional 0.41 billion cubic metres from Tamar above the minimum contractual quantity during H1/2021 at a price which is lower than the gas price in the Supply Agreement. This modifies a previous agreement reached in April 2019, under which IEC would have reduced its volumes under the Tamar contract to the minimum level that the company is obligated to buy (around 3 bcm/year, less any carry-forward amounts, compared to 4.66 bcm purchased in 2018) and purchase any additional volumes from Leviathan.[2]

Agreement on separate marketing of Tamar gas

The Sponsor and Chevron directly own 47% of the Tamar project. However, the two companies own a larger 85% stake in the Leviathan project and the other Tamar partners have alleged that the companies have therefore conducted negotiations with gas off-takers in a manner that has favoured Leviathan.

In November 2019 these other partners – Tamar Petroleum, Isramco Negev, Dor Gas Exploration and Everest Infrastructures – made an "urgent request" to Israel's Competition Authority asserting that "the Tamar reservoir's ability to compete against the Leviathan reservoir [is] being frustrated by Noble and Delek" because they are preventing the other partners from marketing the Tamar gas to new and existing customers[3]. On 13 April 2020, the Competition Authority and other government bodies gave the Tamar partners a short period of time to modify the arrangements between them so that the Sponsor, Noble and Isramco will not have veto rights over decisions on the marketing of Tamar gas[4].

On 30 January 2021, the Tamar Partners signed a MOU that will enable them to market their respective shares in the gas in the Tamar reservoir separately. Although no separate sales have been agreed to date, this may increase competitive pressures in the Israeli gas market over time. This MOU was followed by a definitive agreement.

Detailed Credit Considerations

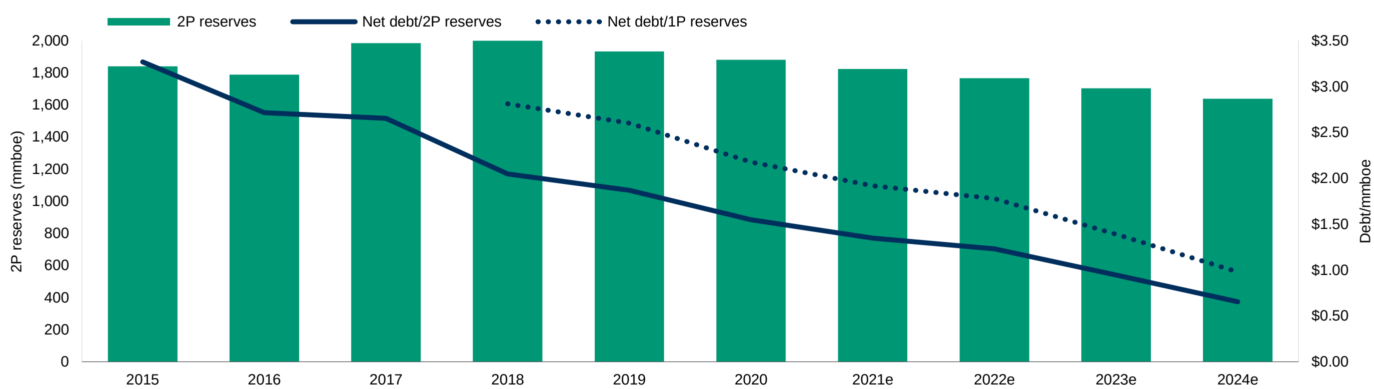
Substantial gas reserves mitigate refinancing risk

At the end of 2020, the independent reserves consultants Netherland, Sewell and Associates, Inc. (NSAI) estimated Tamar's 2P (>50% probability) reserves at 296.8 billion cubic metres of recoverable gas and 13.6 million barrels of condensate. On a 1P (>90% probability) basis, proven gas reserves are 219 billion cubic metres of gas and 10.0 million barrels of condensate.

Tamar's debt has fallen significantly since 2015, in absolute terms and relative to remaining reserves. Scheduled principal repayments of $400 million in 2016, $320 million in 2018 and $320 million in 2020, as well as a mandatory partial bond redemption of $320 million in 2017 (triggered by the sale of part of Delek's interest in the Tamar project, see Sale of part of interest in Tamar Gas field is credit neutral, 3 May 2017) has reduced the outstanding balance of the notes to $640 million. The next scheduled principal repayment of $320 million will occur in 2023, if the bonds are not redeemed before that date.

The expected reserves that would remain at maturity of the notes is a key mitigation to refinancing risk and support to the value of the security to Tamar bondholders. If production continues at around 10 bcm/year, we estimate the issuer will have net debt equivalent to only around $1 per barrel of 1P reserves at the time of the final scheduled debt maturity in 2025.

Exhibit 4
Debt has fallen steadily relative to reserves



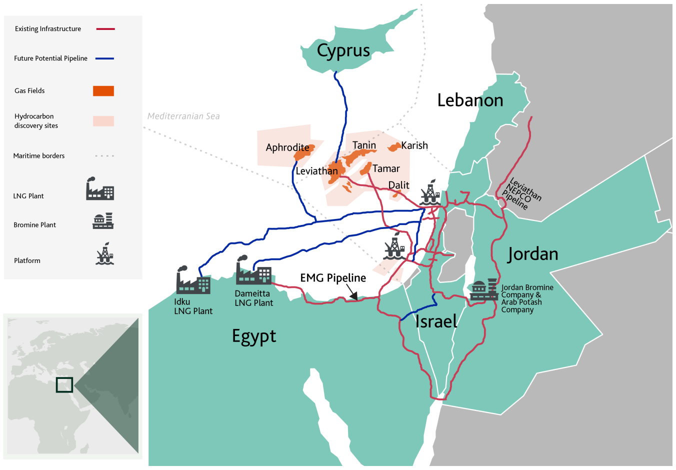
Source: Delek & Avner (Tamar Bond), Moody's estimates

Strategic importance to Israel but growing competition

Tamar was the only domestic gas supplier in the Israel market from the beginning of operations in March 2013 until December 2019, when operations at the neighbouring Leviathan gasfield started. Despite the loss of its virtual monopoly we consider that Tamar remains important to the security of energy supply of the country, bearing in mind Israel's geopolitical situation and the gas shortages of 2011 and 2012. We therefore expect the Government of Israel to remain supportive of the successful operations of Tamar despite the start of operations at Leviathan and expected operation of Karish.

The Leviathan reservoir, discovered in December 2010, has gas reserves estimated to be twice as large as Tamar's (see Leviathan Bond Ltd.: A long-lived gas resource in the Eastern Mediterranean, 30 July 2020). Gas production from the first phase of Leviathan started in December, and the field is expected to have a capacity of up to 12 bcm per year. In addition to Leviathan, Energean Israel expects first gas from the Karish field in mid-2022 and has agreed firm sales of 5.5 bcm/year, with the potential to produce up to 8 bcm/year (see Energean Israel Finance Ltd.: A new energy development in the Eastern Mediterranean, 3 March 2021). First gas from Karish has been delayed compared to the owner's previous expectations (see Rating Action: Moody's changes Energean Israel's outlook to negative, 1 June 2021).

Exhibit 5
Gas fields in Israel and Cyprus seas



Source: Delek, Moody's Investors Service

Exhibit 6
Tamar faces increasing competition

Gas field	Date of discovery	Date of first gas	Estimated reserves	Owners
Tamar	Jan-09	Mar-13	297 bcm (2P)	Chevron, Delek, Isramco, Tamar Petroleum , Dor, Everest
Leviathan	Dec-10	Dec-19	642 bcm (2P+2C)	Chevron, Delek, Ratio
Karish	May-13	Mid-2022	98.4 bcm (2P)	Energean
Tanin	Feb-12			
Aphrodite	Sep-11	TBD	124 bcm (2C)	Delek, Noble, Shell

Sources: Chevron, Delek Drilling, Energean, NSAI

The Aphrodite gasfield was discovered in 2011 in Cyprus seas but development has not yet commenced. In November 2019, the Cypriot government announced it had signed a 25-year exploitation licence for the field, which could be extended by 10 years, with a consortium comprising Chevron, Shell and Delek.

Risk of oversupply despite favourable underlying demand dynamics

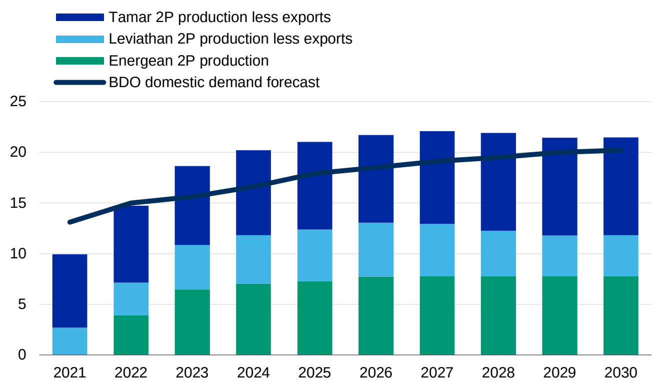
Gas supply and consumption in Israel grew from 1.7 bcm in 2005 to 12.0 bcm in 2020, according to economic consultants BDO. Although forecasts differ, there is general agreement that demand will continue to grow. The construction and increased utilisation of gas-fired generation will be a particularly significant driver. In 2015, the Ministry of National Infrastructure, Energy and Water instructed IEC to reduce coal fired generation by 15%, to be replaced with gas fired generation. In 2018, Israel committed to fully phasing out coal generation by 2030 and in 2019 said that this could occur by the end of 2025 and no later than 2026.

As a result, BDO forecasts that gas demand for electricity generation will grow from 8.8 bcm in 2020 to 13.6 bcm in 2026, when the last coal plants have closed. Despite this growth, it is likely that the Israeli market will be unable to absorb the productive capacity of the country's gasfields, even after taking account of exports to Jordan and Egypt.

In 2026, for example, Tamar, Leviathan and Karish together have total 2P production, as estimated by their respective reserve consultants, of 29.8 bcm, of which 8-10 bcm may be exported, leaving 20-22 bcm for the domestic market. BDO estimates that total domestic demand in that year will be 18.5 bcm.

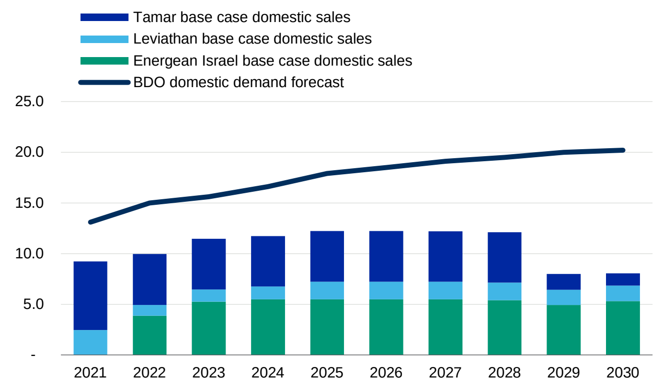
However, Moody's base case forecasts for each of the three fields are based on estimates of minimum take-or-pay volumes. In 2026, this accounts for only 12 bcm into the domestic market from the three fields. As a result, one or more of the projects are likely to have domestic sales in excess of their minimum take-or-pay volumes

Exhibit 7
2P output less export contracts vs domestic demand
bcm



Source: D&M, NSAI, Moody's Investors Service

Exhibit 8
Moody's base case domestic sales vs domestic demand
bcm



Source: Moody's Investors Service

Given the relatively low price of Energean Israel's GSPAs, we believe that the company is likely to win a disproportionate share of these additional volumes.

Anticipated oversupply has already contributed to more intense price competition in the domestic market, and may constrain production from the Tamar field.

We note that the governments of Israel, Greece and Cyprus have agreed to develop a gas pipeline from Israel to Europe, which may provide a further outlet for Israeli gas production.[5] However, the project faces significant risks and, even if it proceeds, will not be completed before 2025.

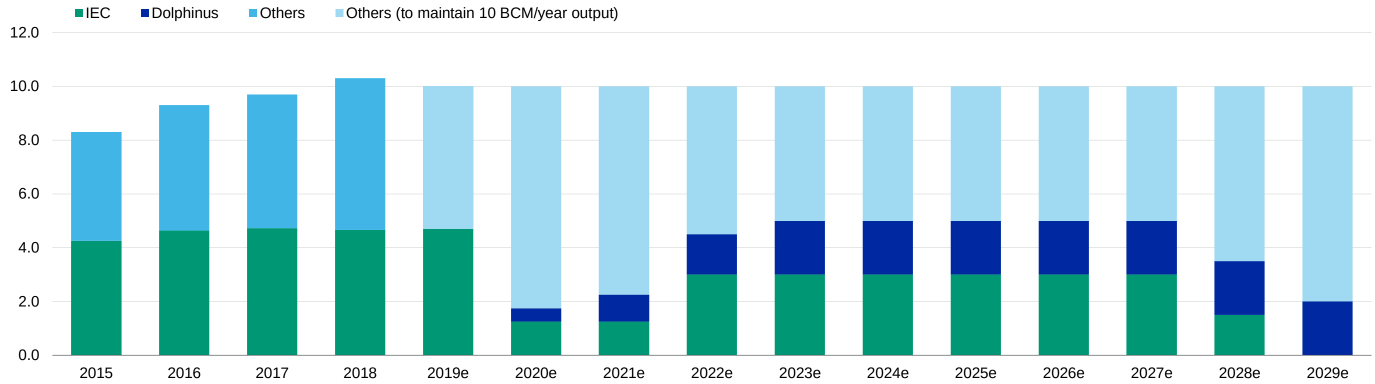
Contract renegotiations increase price, volume and counterparty risk

At financial close, the Sponsor entered into long-term gas sale and purchase agreements (GSPAs) with all of Israel's significant gas users. GSPAs covering the project's entire capacity through 2018 were signed with 30 customers. Although the GSPAs are long term in nature (typically 15 years) and stipulate minimum take or pay quantities of gas with defined pricing mechanisms, they typically included a clause allowing minimum volumes to be reduced at around the time of the anticipated production start date of the Leviathan gasfield. The flexibility in the contracts was included because of the Israeli government's wish to diversify gas supply sources to the domestic market.

Tamar's largest and most important GSPA is with IEC, the state-owned electricity utility. IEC has accounted for 45-50% of Tamar's output since 2014, and it has purchased approximately 32 billion cubic metres from Tamar as of December 2020. IEC received approximately 0.81 billion cubic metres in the last quarter of 2020 at a price lower than the gas price in the Supply Agreement. IEC has also purchased 0.44 billion cubic metres during the first half of 2021 over and above the minimum contractual quantity under the GSPA at a price lower than that set in the GSPA.

Declining sales to IEC will be partly replaced by sales to Dolphinus under a new contract agreed in 2019. However, we believe there is significantly greater counterparty risk associated with the Dolphinus contract, as the buyer is a private company recently formed by two Egyptian entrepreneurs solely to sell gas in Egypt, a country with very low financial strength (see Government of Egypt, B2 stable), and in particular to the government-owned company EGAS.

Exhibit 9
IEC volumes will be partly replaced by sales to Dolphinus



Source: Delek Drilling, IEC, Moody's Investors Service

The Sponsor has also renegotiated a number of existing contracts to lower the minimum volumes that the customers will be required to accept from Tamar in the future, giving them the option to move greater volumes to Leviathan or Karish.

Exhibit 10
The Tamar partners saw significant contract renegotiations in 2019
Recent announced contract renegotiations

Date of renegotiation	Offtaker	Description of change	Source
Nov-19	OPC	Will continue to purchase all requirements from Tamar until reduction option date or commercial operation of Karish, but reduction option to be calculated relative to minimum rather than actual quantities	Tamar Petroleum
Oct-19	Dolphinus	Contractual volumes reduced from 32 BCM to 25.3 BCM, but converted from interruptible to firm	Tamar Petroleum
Apr-19	ORL	Agreed to supply 0.5 BCM for six months from July 2020, extendable by ORL until commercial operation of Karish. Have agreed to purchase from Karish once available	Tamar Petroleum
Apr-19	Dorad	Will continue to purchase all requirements from Tamar until reduction option date or commercial operation of Leviathan, but reduction option to be calculated relative to minimum rather than actual quantities	Tamar Petroleum
Early 2019	Dalia	Will continue to purchase all requirements from Tamar until reduction option date, but reduction option from Leviathan start-up to be calculated relative to minimum rather than actual quantities	Delek Group

Source: Tamar Petroleum, Delek

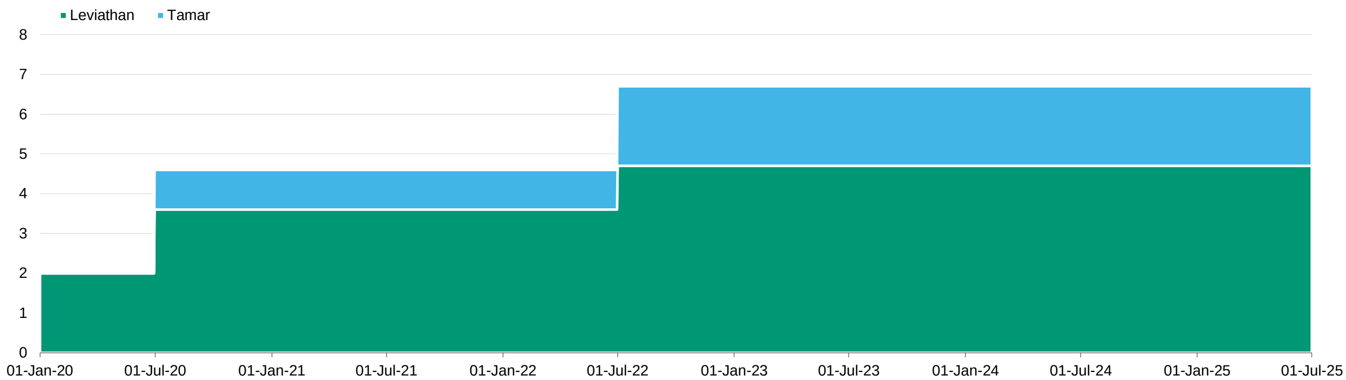
Energean, owner of the Karish reservoir, has signed firm contracts to supply 5.6 bcm/year to the Israeli market from 2022. Although the Karish contracts include a number of customers that are new to the market, including the new owners of the Alon Tavor power station, they also include several current Tamar customers including Dorad, Ramat Negev, ORL, OPC and Israel Chemicals.

In February 2018, the Sponsor and Noble signed an agreement to sell gas from the Tamar and Leviathan fields to Dolphinus Holdings (Dolphinus), a gas supplier in Egypt.[6] Following amendments to the agreement in September 2019, agreement, Tamar will export 25.3 bcm and Leviathan 60 bcm over the 15-year life of the contract. [7]. Under the headline quantities in the revised agreement, Tamar will supply approximately 1 bcm per year from 30 June 2020 to 30 June 2022 and 2 bcm per year thereafter, with price linked to the price of Brent oil, subject to a floor. Leviathan will supply 2.0 bcm/year until June 2020, 3.6 bcm/year from July 2020 to June 2022 and 4.7 bcm thereafter. Gas deliveries from Leviathan to Dolphinus began on 15 January 2020.

Under its agreement with Tamar, Dolphinus may reduce the minimum annual quantity to 50% of the annual contract quantity in any year in which the average price of Brent oil is below $50 per barrel[8]

Exhibit 11

Israel gas exports to Egypt will increase from July 2020, although majority will come from Leviathan
Billion cubic metres per year



Source: Delek Drilling press releases

Exports to Egypt are made through the pipeline owned by East Mediterranean Gas (EMG). A special purpose company owned by Chevron, Delek and East Gas Company acquired 39% the share of EMG, as well as the capacity, lease rights and operatorship of the pipeline, in November 2019. The pipeline has a nameplate capacity of 7 bcm/year, and the acquirers say that tests indicate that the pipeline is capable of carrying this volume.[9] In 2019, the Tamar partners paid $50 million to guarantee capacity on the pipeline.

Elements of the Israeli gas transportation system will be upgraded to allow the contractual volumes to be supplied. On 18 January 2021, Noble and INGL entered into a Gas Transportation Agreement under which INGL will upgrade the system to increase capacity to Egypt.

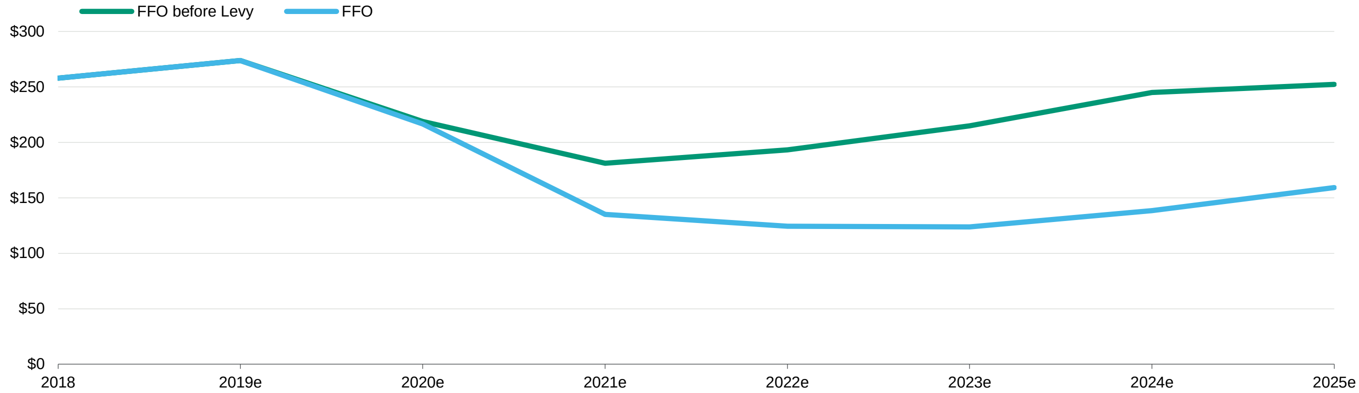
Natural resources levy will reduce cash flow in 2021

In addition to a 12.5% royalty rate at wellhead, and a share of Delek's 23% corporate income tax, Tamar is subject to a levy on "windfall" profit known as the Sheshinski levy. The levy is a progressive tax amounting to between 20%-50% of profit of gas projects after they have achieved a certain level of return on investment. The maximum levy rate is currently 46.8%, given the prevailing corporate tax rate. The proceeds of this levy will be deposited into a sovereign wealth fund.

Over time, the levy will increase to around 47% of levyable income, which will increase the total government share of the Tamar field's income – including taxes, royalties and levies – to more than 60%.

Tamar began to pay the levy in 2020. Delek's share of the levy will rise to around $70 million by 2022 and $106 million by 2024, reducing Funds From Operations (FFO) by around 43%. This is consistent with our expectations from the time of financial close.

Exhibit 12
Natural resources levy will significantly reduce Funds From Operations
$ millions



Source: Moody's Investors Service estimates

ESG considerations

Gas will play important role in Israeli energy transition

Government and societal efforts towards less carbon-intensive sources of energy pose significant business and credit risk for many oil and gas companies, given the potential for these policies to reduced future demand for oil, gas and refined products. Oil demand is likely to peak in the next 10-15 years, well before natural gas, which will be in use in power generation and industry for longer than oil.

However, environmental trends are supportive for gas demand in Israel over the life of the Karish and Tanin projects. In November 2019, the Israeli government has announced that it will end coal fired generation no later than 2026, and in June 2020 the government instructed IEC to reduce coal output by 20% in 2020. While natural gas represented around 67% of electricity generation in 2018, its share will need to increase to around 83% to replace coal-fired generation. This shift will contribute to emission reductions, because the combustion of natural gas emits around 50% less CO2 per energy unit produced than coal. We therefore believe that gas will continue to play an important role in the Israeli energy mix for the foreseeable future.

On 30 May 2021, the Ministry of Energy announced the third phase of a programme to connect Israeli industry to natural gas, acknowledging the lower cost and air pollution of natural gas over alternative fuels. Under the programme, the Israeli government will provide financial assistance to connect new customers to the country's gas network.

Ownership structure creates risk of conflicts

The Sponsor's cross-shareholdings in Tamar and Leviathan leases create the risk that it may take actions that disadvantage the Tamar project and creditors of Delek & Avner (Tamar Bond). As discussed under Recent Developments, several partners in the Tamar project have alleged that the Sponsor and Chevron have prevented Tamar from marketing gas to new and existing customers in order to favour the Leviathan project.

The Sponsor is required to sell all its rights in the Tamar lease to an unrelated third party before 17 December 2021, which may lead to short-term decision-making not in the interest of the issuer's creditors.

The Sponsor is also an indirect shareholder in the EMG pipeline, which is critical to Tamar's strategy of increasing export sales. Once it has sold its interest in the Tamar project, Delek and Chevron will continue to control the EMG pipeline as well as Tamar's major competitor, the Leviathan project. A Capacity Allocation Agreement recently signed between the Tamar partners, the Leviathan partners and EMED Pipeline BV reduces but does not eliminate the potential for conflicts of interest resulting from this vertical consolidation.

These risks are mitigated by Delek Drilling's interest in maximising the sale value of its share of the lease, and the ongoing interest of Chevron in both Tamar and EMG.

Liquidity Analysis

Unlike typical project financings, the Tamar Bond structure does not use amortising debt. The outstanding debt as of April 2021 comprises two bullets of $320 million with maturities in December 2023 and December 2025. Compared to amortising debt structures, non-amortising debt structures involve a greater refinancing risk with a potential strain on liquidity at each maturity date. To mitigate refinancing risk, the Tamar bond structure includes two reserves mechanisms: (1) a Debt Payment Fund of $100 million that can be used to fund both principal and interest payments and (2) a Principal Reserve Fund building up (a) 100% of the next principal payments 12 months before maturity for the 2018 maturity, 15 months before the 2020 maturity and (b) 100% of the principal less 50% of the Debt Payment Fund balance 18 months before the 2023 and 2025 maturities. Both reserves must be funded in order to make distribution payments. We expect both reserves to be generally sufficient to meet interest and principal payments from internal cash flow.

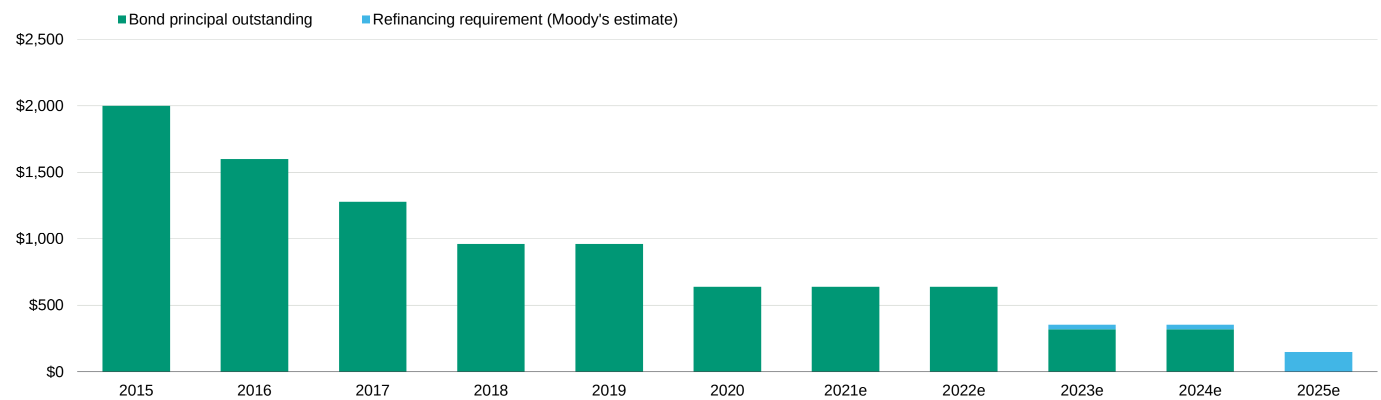
As of 31 March 2021, the debt payment fund had a balance of $60 million and total cash in the Revenue Account of was approximately $23.7 million.

It is likely that some part of the December 2023 maturity will need to be refinanced, if the bonds are not redeemed before that time. The extent of this refinancing will depend on the Tamar project's success in selling uncontracted volumes and whether the sponsor chooses to pay dividends available to it under the project structure.

Exhibit 13

Some refinancing is likely in 2025, and may be required in 2023

Gross debt outstanding, $ millions



Source: Delek & Avner (Tamar Bond) financial statements, Moody's estimates

Rating Methodology and Scorecard Factors

The Project's rating falls within the scope of Moody's Generic Project Finance Methodology, published in June 2020.

Exhibit 14

Rating factors grid

Delek & Avner (Tamar Bond) Ltd.

Factor	Subfactor	Score	Metric
1. Business Profile	a) Market position	Baa	Baa
	b) Predictability of Net Cash Flows	Ba	Ba
2. Operating Risk	a) Technology	A	A
	b) Capital Reinvestment	A	A
	c) Operating Track Record	A	A
	d) Operator and Sponsor Experience, Quality and Support	A	A
Project Risk		**Medium**	
3. Leverage and Coverage	a) Average CFADS / Debt service to 2025 [1]	0.75x	Ca
	b) Project CFO / Adjusted Debt	19.4%	Baa
Preliminary Scorecard Indicated Outcome before Notching:			**Ba1**
Notching Considerations		**Notch**	
	1 - Liquidity		0
	2 - Structural Features		-1
	3 - Refinancing Risk		0
	4 - Construction and Ramp-up Risk		0
	5 - Priority of Claim, Structural Subordination and Double Leverage		0
Preliminary Scorecard Indicated Outcome before Offtaker Constraint:			**Ba2**
	Offtaker Constraint Applied?		No
	Level of Offtaker(s) Constraint		n/a
Scorecard Indicated Rating:			**Ba2**
Assigned Senior Rating			**Baa3**

[1] Because of the non-amortising nature of the project's debt, the DSCR is highly volatile depending on principal repayment timing. We use average CFADS to debt service until the last maturity in 2025 instead of DSCR.
Source: Moody's Investors Service

Ratings

Exhibit 15

Category	Moody's Rating
DELEK & AVNER (TAMAR BOND) LTD.	
Outlook	Negative
Senior Secured	Baa3

Source: Moody's Investors Service

Endnotes

1 Delek Drilling – Limited Partnership, Re: Engagement in a Non-Binding Memorandum of Understanding for the Sale of the Partnership's interest in Tamar, 26 April 2021

2 Israel Electric Corporation, Immediate Report – Leviathan Agreement, 6 April 2019

3 Tamar Petroleum, Application to the Competition Commissioner, press release 20 November 2019

4 Statement from Israel Competition Authority (in Hebrew), 16 April 2020

5 Israel Ministry of Foreign Affairs, EastMed Gas pipeline agreement signed at trilateral summit between PM Benjamin Netanyahu, Greek PM Kyriakos Mitsotakis and Cypriot Pres. Nicos Anastasiades, 2 January 2020

6 Delek Drilling, Signing of Agreements for Export of Natural Gas to Egypt, 19 February 2018.

7 Delek Drilling, Update to the Egyptian Gas Export Agreement, 2 October 2019

8 Delek Drilling, Immediate report: Motion for Class Certification, 26 April 2020.

9 Delek Drilling, The EMG Transaction – Update; Flow of Gas Via the EMG Pipeline, 1 July 2019.

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

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