



## **RATING ACTION COMMENTARY**

# **Fitch Places Leviathan Bond Ltd's Notes on Rating Watch Negative**

Wed 01 Nov, 2023 - 12:11 PM ET

Fitch Ratings - Madrid - 01 Nov 2023: Fitch Ratings has placed Leviathan Bond Ltd's USD1.75 billion notes' 'BB' rating on Rating Watch Negative (RWN).

Leviathan Bond's debt is a monetisation of NewMed Energy's 45.34% interest in the Leviathan gas project, off the Israel coast. The notes are non-recourse to the sponsors and are ultimately secured on the interests and rights of NewMed in the Leviathan gas project.

## **RATING RATIONALE**

The RWN reflects the fast escalation of the Israel-Hamas conflict and geopolitical risks in the region and the related heightened risks of damages to project's physical infrastructure, operations or negative impact on existing offtake agreements.

## **KEY RATING DRIVERS**

Geopolitical risks in the region are fast growing and there is limited visibility of the potential outcome and duration of the conflict, resulting in increased risks of physical damage to the project infrastructure, operational disruptions and potential negative impacts on offtake agreements.

The Leviathan project continues operating at full capacity, reducing exports to Egypt and shifting part of its sales towards the domestic market to compensate supply from the Tamar gas field, halted by the Israeli Ministry of Energy when the conflict began escalating on 7 October. The project benefits from Israel's Property Tax and Compensation Fund scheme, which compensates for physical loss on a market value basis and a comprehensive insurance package covering physical damage risk and business interruption. Operational disruptions driven by the authorities' decisions are not insurable.

As geopolitical risks continue to escalate, the possibility of the conflict expanding may also have unexpected consequences on offtake export agreements, negatively affecting the project's credit profile. Fitch notes that gas from Leviathan is strategic for Jordan and Egypt as it is a key source of gas to meet Jordan's domestic demand, and increase gas exports by Egypt to international markets.

## **RATING SENSITIVITIES**

### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

- Sustained escalation of the conflict and geopolitical risks, increasing the risk of material operational disruptions or negative impacts on offtake agreements.

### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

- Fitch will resolve the RWN upon de-escalation of the conflict and geopolitical tensions, reducing the risk of material operational disruptions and negative impacts on offtake agreements.

## **CREDIT UPDATE**

Leviathan Bond's financial performance has materially exceeded expectations but this may not reflect the unpredictable performance due to the ongoing escalation of the conflict. Fitch notes the issuer has been able to build up reserves increasing 1P and 2P gas reserves to 391bcm and 441bcm as of December 2022, respectively, and accelerating deleveraging by fully repaying the first maturing bond in June 2023, without any refinancing needs as expected in the initial analysis.

The project's liquidity is strong with no refinancing needs until the USD600 million bullet maturity in June 2025. According to management, as of 24 October, Leviathan Bond's debt payment fund was fully funded at USD100 million. This is complemented by substantial cash in its accounts and amounts expected to be received from gas sales. This should enable the project to withstand temporary operational shocks.

## **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

## **ESG CONSIDERATIONS**

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal

credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

## RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕	PRIOR ↕
Leviathan Bond Ltd		
Leviathan Bond Ltd/Project	LT BB Rating Watch Negative	BB Rating Outlook
Revenues - Senior Secured Debt/1 LT	Rating Watch On	Stable

[VIEW ADDITIONAL RATING DETAILS](#)

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## **APPLICABLE CRITERIA**

[Infrastructure & Project Finance Rating Criteria \(pub. 17 May 2023\) \(including rating assumption sensitivity\)](#)

## **ADDITIONAL DISCLOSURES**

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[Endorsement Policy](#)

## **ENDORSEMENT STATUS**

Leviathan Bond Ltd

EU Issued, UK Endorsed

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