

Research Update:

Leviathan Bond Affirmed At 'BB-' On Resilient Operational Performance And Deleveraging; Off Watch; Outlook Stable

October 20, 2025

Rating Action Overview

- Leviathan Bond Ltd. (Leviathan or the project) continues to demonstrate solid operating performance. Full repayment of the \$600 million bonds in 2025 without needing to refinance significantly reduces Leviathan's outstanding debt and debt service risk.
- Leviathan has announced a material expansion of its export agreement with Egypt (up to 11.9-12.9 billion cubic meters [BCM] per year), which demonstrates growing export opportunities despite ongoing geopolitical conflict in the region. While uncertainties remain regarding additional capex and funding, and sales to Egypt, we estimate the project's strong cash flow generation provides a solid financial cushion.
- We therefore affirmed the 'BB-' issue rating and '1' recovery rating on the senior secured notes issued by Leviathan Bond Ltd. and removed it from CreditWatch with negative implications. The outlook is stable.
- The stable outlook reflects our expectation that Leviathan will maintain solid operational performance and continue exporting gas to Egypt and Jordan despite geopolitical and security risks in the region. We assume Leviathan's additional expansion capex will not exceed \$2.4 billion (100% for all partners, including the approved budget), and will be funded through CFADS and moderate debt, consistent with our base case. We also expect the project's debt servicing will not become increasingly dependent on sales to Egypt.

Project Description And Key Credit Factors

Leviathan issued \$2.25 billion in bonds to refinance its portion of the construction and development costs of the Leviathan gas field. Following repayments of the 2023 and 2025 bonds, the principal outstanding on Leviathan's bonds is \$1.15 billion. Discovered in 2010, Leviathan is an offshore gas field in the eastern Mediterranean and is the largest natural gas reserve in Israel. Situated approximately 120 kilometers (km) west of Haifa, with a production platform located 10 km off the coast of Dor, Israel, Leviathan currently supplies gas to Israel, Egypt, and Jordan,

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delivering first gas in December 2019. As of Dec. 31, 2024, an independent reserve report by Netherland, Sewell, & Associates Inc., indicated the field had proved (1P) reserves totaling 13,116.6 billion cubic feet of gas and 28.9 million barrels of condensate oil according to Petroleum Resources Management System (PRMS) standards. The field has an annual production capacity of 12 BCM, which we expect will increase to 14 BCM when the third gathering line is complete.

Rights to explore and produce petroleum and gas in the Leviathan field were granted proportionately to NewMed Energy Limited Partnership (45.34%; Leviathan's parent company), Chevron Mediterranean Ltd. (39.66%), and Ratio Energies (15.00%) under a production lease until February 2044 with an option to extend by up to 20 years if the partners continue to produce from the field. A joint operating agreement (JOA) defines the operations and associated infrastructure among the three parties in their respective proportions of the lease. Chevron Mediterranean Ltd. operates the field under the terms defined in the lease and JOA.

Leviathan has long-term gas sale purchase agreements (GSPAs) under export contracts that account for about 70%-80% of gas production capacity under the 2P scenario (proved and probable reserves). The remainder is supplied to energy producers in Israel. The contracts have a weighted-average length of 12 years. In addition, in March 2024 Leviathan started sales of condensate to Ashdod Refinery Ltd., creating additional revenue stream from the Israeli market.

Key strengths

- Minimal resource risk, with 1P reserves (PRMS) sufficient to cover production capacity for more than 30 years.
- Chevron Mediterranean is Leviathan's experienced operator, which underlines our view that the project will maintain stable production and low operating costs (below 10% of revenue) supporting robust profitability.
- Leviathan's solid operational performance to date has boosted the project's cash flow generation, which enabled it to repay its \$500 million bonds due in June 2023 and \$600 million bonds due in June 2025 without the need for refinancing.
- Solid credit metrics with a minimum debt service coverage ratio (DSCR) of 2.46x, and sufficient liquidity to meet upcoming debt service payments even after factoring in the additional expansion capex, and even in the event of a temporary disruption to production.

Key risks

- High security risks due to a still-unstable geopolitical situation in the region. Despite the recent ceasefire in Gaza, we still view the situation as volatile. As a strategic single asset energy project, Leviathan could be more exposed to security risks compared to the average Israeli corporate.
- Exposure to Egypt (B/Stable) and Jordan (BB-/Stable) as the key off-takers represent the key constraints for Leviathan, because the project--absent a material increase in Israel's local demand--has limited flexibility and no infrastructure in place to switch to other markets. Under our assumptions, through the project life Leviathan will sell around 45%-50% of its gas to Egypt and 30%-35% to Jordan, on average, before including potential expansion of exports to Egypt.
- Uncertainty about the recently announced expansion, including the capex amount and schedule, funding requirements, and the longer-term share of Egypt in the sales mix.

- The project is exposed to refinancing risk on every maturity date due to the bullet nature of the notes, which is partially mitigated by cash reserving provisions.
- Leviathan's transaction structure allows it to issue additional debt, subject to several conditions. This includes maintaining the net present value at a 10% forward discount to net debt above 1.5x.

Rating Action Rationale

The rating affirmation and removal from CreditWatch reflects Leviathan's positive operational track record, with no material effect on its assets and cash flows since the Israel-Hamas war began. Our CreditWatch placement in June 2025 followed an escalation of security risks and a temporary suspension of Leviathan's production in line with the government's guidance. Still, Leviathan resumed production after 11 days without any material impact on its operations and fully repaid its outstanding \$600 million bullet maturity. We understand that payments from export and domestic off-takers have not been interrupted or delayed since the start of the conflict. We continue to believe that Leviathan has sufficient liquidity to cover both its operational expenditure and debt service under any short-term disruptions. Leviathan has no upcoming debt maturities in the next 12 months and the project has adequate liquidity reserves to cover the interest payments. We understand Leviathan has sufficient flexibility to delay any nonmaterial maintenance and capital expenditure (capex) if required. Short-term suspensions due to security risks are likely to be viewed as a force majeure event under the gas supply and purchase agreements, mitigating the risks of potential penalties from off-takers. Currently, we do not assume prolonged outages for Leviathan or direct targeting of its assets under any scenario, and view this as an event risk. We will continue to monitor the risk of damage to the project's assets, limitations on operations, and any repercussions for exports and domestic sales. In the event military conflict escalates further in the region, our primary focus would be on the physical integrity of assets, the continuity of operations, the project's stability, and the timeliness of revenue generation.

Full repayment of \$600 million bonds in 2025 materially strengthens the project's credit metrics and financial headroom despite still volatile security situation. Since repaying the 2023 and 2025 bonds, the project has significantly reduced its outstanding debt--the principal outstanding on Leviathan's bonds is \$1.15 billion (approx. 51% of the original debt). This has materially improved the project's financial metrics, resulting in a minimum annual debt service coverage ratio (ADSCR) of 2.46x compared to 2.18x under our previous base-case scenario. Since the next principal payment (the \$600 million bullet payment) is due in June 2027, we believe the project will easily service its upcoming semiannual interest payments (about \$38 million) considering the size of its forecasted cash flow available for debt service (about \$120 million-\$160 million under our base case). Therefore, we revised our preliminary operations phase stand-alone credit profile (SACP) to 'bb+' from 'bb'.

The agreement for an additional 130 BCM with Egypt (phase 1B) demonstrates continued demand for Israeli gas, but implies uncertainties regarding expansion capex, timing, and funding, and could increase sales reliance on Egypt. On August 7, 2025, Leviathan signed an amendment to its export agreement with Egypt, which includes an option to increase the total volume by 130 BCM or by approximately 11.9-12.9 BCM per year, subject to certain conditions. Considering the ongoing volatile geopolitical situation in the region, we view Egypt's willingness to sign this amendment as a positive sign of the country's continuing commitment to buying Israeli

gas, underpinned by a solid economic rationale. Given Egypt's high domestic gas needs and liquefied natural gas exports, we believe Leviathan's exports to the country will continue despite the ongoing conflict. That said, the planned expansion could potentially double the project's annual production and require substantial capital investment, which could materially reduce cash flow available for debt service (CFADS) for the upcoming bullet repayments in 2027 and 2030. The size and timing of the expansion capex remain uncertain, and it is not clear yet if the project will require additional debt that exceeds our base case or equity. We assume phase 1B capex will not exceed \$2.4 billion (100% for all partners, including the approved budget), and will be funded through CFADS and moderate debt, consistent with our base case. We also understand the expansion works will not materially affect the operations of the existing platform, and any additional capex would mainly be used for drilling additional wells, subsea work, and immaterial platform modifications, with sales under phase 1B beginning in approximately 2029. We understand the company will reach a final investment decision (FID) for this expansion, including capex and funding plans, in the second half of 2025. We have therefore applied a negative (-1 notch) holistic adjustment to the operations phase SACP to reflect this uncertainty. This adjustment also reflects the potential for increased reliance on sales to Egypt for debt servicing. If the share of sales to Egypt exceeds 50%, this could affect our view on the project's exposure to our sovereign rating on Egypt and the transfer and convertibility risk.

Outlook

The stable outlook reflects our expectation that Leviathan will continue posting solid operational performance and exporting gas to Egypt and Jordan despite the geopolitical and security risks in the region. We assume Leviathan's additional expansion capex will not exceed \$2.4 billion (100% for all partners) and will be funded through the project's CFADS and moderate debt, consistent with our base case. We also anticipate that while sales to Egypt will increase, cash flow from sales to Israel and Jordan will remain solid, ensuring debt servicing does not materially rely on sales to Egypt. Given the bullet nature of the remaining notes and after repaying the \$600 million June 2025 maturity, we expect the project to generate DSCRs above 2.30x, which creates some financial headroom for the upcoming capex.

Downside scenario

Downside pressure on the rating could stem from:

- The FID on the phase 1B expansion works resulting in materially higher capex commitments, which could expose the project to additional debt that exceeds our base case, or equity and lower net cash flows available for repayment of the 2027 and 2030 notes; or
- Leviathan becoming increasingly dependent on exports to Egypt to service its debt, exposing the project to the limitations of our sovereign ratings on Egypt and our transfer and convertibility assessment of its foreign currency; and
- A significant deterioration in off-takers' ability or willingness to meet their payment obligations.

We could also lower the rating if ongoing geopolitical uncertainty in the region intensifies, gas exports to Egypt or Jordan are affected, or security risks threaten the project's operational stability or the physical integrity of assets. For example, if the conflict escalates into a wider regional conflict, this could damage Israel's strategic energy infrastructure, including Leviathan. However, this is not our base-case scenario.

Upside scenario

An upgrade as unlikely at this stage considering the scale of the expansion works and uncertainties related to required capex and the long-term revenue mix. We could revise our ratings upward if these uncertainties subside, specifically if additional capex does not materially exceed our expectations and the long-term debt service does not become increasingly dependent on sales to Egypt.

Performance Update

The project delivered its first gas to the Israeli domestic market in December 2019 and has exported to Egypt and Jordan since it started operating. Operations have been stable and in line with expectations. Average monthly uptime has been approximately 99% since May 2020.

Total natural gas reserves (100%) in the petroleum asset (gross)

Scenario	--As of Dec. 31--					
	2019	2020	2021	2022	2023	2024
1P (proved) reserves	11,577.3	11,270	12,260	13,813	13,472	13,116.6
	20.8	24.8	27.0	30.4	29.6	28.9
Total 2P (proved + probable) reserves	13,486.2	13,088	13,396	15,569	15,171	14,834
	24.2	28.8	29.5	34.3	33.4	32.6

Source: S&P Global Ratings.

Base Case

Assumptions

- Leviathan uncontracted gas price: \$4.4 per million British thermal units for 2025 and thereafter;
- Leviathan contracted gas price: Prices with rated third parties modeled as per the terms of the GSPAs;
- Revenue mix: 45%-50% Egypt; 30%-35% Jordan; and 20%-25% Israel.
- Operations and maintenance (O&M) costs: In line with the operator's previous performance, adjusted to U.S. inflation;
- Capex: Approximately \$2.4 billion (100% of the project including the \$505 million already approved) for 2025-2029.
- Refinancing amount: We assume approximately 85% of the amounts due; and
- Assumed cost of refinancing debt: Each bullet series at 200 basis points (bps) higher spread, with an amortizing loan until Dec. 31, 2044.

Key metrics

- Minimum DSCR of 2.46x in 2027 and median DSCR until the final maturity of the refinancing period of 2.46x.

Downside Case

Assumptions

- Annual production: -15% compared with our base case;
- Gas price: -10% compared with our base case;
- O&M costs: +10% higher variable and fixed operating cost, including stress over insurance compared to our base case;
- Availability of the field: -5% compared with our base case;
- Capex: +20% compared with our base case; and
- Assumed cost of refinancing debt: Each bullet series at 200 bps higher spread compared to the base case.

Key metrics

- Minimum DSCR of 1.00x in 2026 and median DSCR of 1.47x.

Liquidity

- We assess the project's liquidity as neutral given the cash-funded \$100 million debt repayment fund. Even though this is not a standard debt service reserve account, the resources are sufficient to cover more than one semiannual interest payment of all series of the notes.
- Additionally, Leviathan accumulates cash one year ahead of any scheduled principal repayment under a principal reserve fund, which it will use along with the debt payment fund and cash flows to repay the bullet notes as they become due. The principal reserve fund is limited to a \$150 million maximum amount.
- The project is not subject to financial covenants, which could cause an event of default or an acceleration of the notes' payment. The transaction structure has a forward-looking distribution lockup test, based on 1.5x NPV10/net debt test (remaining net present value discounted at 10%, according to the reserve consultant report, but based on lower Brent prices). We typically expect a lockup mechanism within the next 12 months of operations to allow for seasonality and volatile cash flows, preserving additional cash to meet project liquidity needs. Therefore, we view the proposed lockup mechanism as neutral.

Rating Score Snapshot

Leviathan Bond Ltd.--Rating score snapshot

Senior debt issue rating	BB-/Stable
Operations phase (senior debt)	
Asset class operating stability:	4
Operations phase business assessment:	10
Preliminary operations phase SACP	bb+
Downside resiliency assessment and impact:	Moderate (+1 notch)
Median DSCR impact:	No impact

Leviathan Bond Ltd.--Rating score snapshot

Debt structure impact:	-2 notches
Liquidity impact:	Neutral
Refinancing impact:	bb+ cap
Future value modifier impact:	N/A
Holistic analysis impact:	-1 notch
Structural protection impact:	Neutral
Counterparty assessment impact:	Capped at 'bb'
Operations phase SACP	bb-
Parent linkage and external influences (senior debt)	
Parent linkage:	Delinked
Project SACP:	bb-
Extraordinary government support:	N/A
Sovereign rating limits:	No impact
Full credit guarantees:	No

DSCR--Debt service coverage ratio. SACP--Standalone credit profile. N/A--Not applicable.

Operations phase SACP

Our operations phase SACP reflects our view of the operating risk typical of a gas exploration field, which we view as relatively moderate ('4' on a scale of '1' being the lowest risk to '10' being the highest). We think the project's exposure to market risk and the GSPA off-takers' credit quality are key factors for the preliminary debt rating.

We assess the operations phase SACP as 'bb-' based on:

- The project's operations phase business assessment of '10'.
- Minimal exposure to resource risk since 1P reserves are sufficient to cover more than 30 years of production.
- Market risk exposure, with the potential volatility of cash flows of 15%-30%. Even though the project has 85% of production contracted under long-term GSPAs with minimum take-or-pay and with a floor price, underpinning relatively stable and predictable cash flows, we only assume contracted capacity for 40% because we cannot determine the credit quality of the cash flows from 60% of these contracts.
- We factor into our downside case scenario the project's ability to mitigate effects on cash flows that could stem from operating risks, such as lower production and higher operating and maintenance expenses, among other costs. Cash flows could also fall due to external events such as Brent reference prices, inflation rates, and insurance costs, especially considering the project's single-asset nature.
- We consider the project's solid financial metrics since recent debt repayment helped to build significant financial headroom.
- We also factor in the cash sweeps that impact the debt structure making it highly leveraged and dependent on refinancing conditions.
- Lastly, we consider the holistic positioning of the project in comparison to its peers considering the uncertainty regarding future expansion capex and its funding.

Operations counterparties

- We view GSPAs off-takers as material counterparties. Therefore, we set the blended average credit quality of the rated off-takers considered in our base case at 'bb', which does not currently constrain the rating.
- Our counterparty analysis of the National Electric Power Company (NEPCO) mirrors the ratings on its parent, Jordan (BB-/Stable/B). This is because the government provides a timely guarantee for the due payment of NEPCO's obligations under the GSPA.
- We view Chevron Mediterranean (a wholly owned subsidiary of Chevron Corp.) as an irreplaceable O&M counterparty. Despite the existence of other operators that could perform the same services, we view the unique characteristics of the lease agreement and JOA as tied to Chevron Mediterranean's obligations as the operator under these contracts. In addition, absent the O&M reserve account, we do not see the financial flexibility for replacement.
- We acknowledge the risk of having NewMed Energy as part of the project under the sponsor loan. We assess NewMed as a nonmaterial structural counterparty and we do not limit the rating on the notes to the credit quality of NewMed. This is because we see cross-default mitigation in the project's structure and the risk of default under the JOA as remote at this stage.
- The bank account provider will be the Tel Aviv branch of HSBC Bank PLC, and we consider it to be a material but replaceable counterparty. The project's management will be able to react in case of stress, and we assess the liquidity as available in the structure allowing for the replacement. Therefore, we set the counterparty dependency assessment at six notches above the bank's creditworthiness, which does not currently constrain the rating.

Recovery Analysis

Key analytical factors

- We think that lenders would achieve the greatest recovery amounts through a reorganization of the project, rather than liquidation, given consistent demand for gas in the region.
- The '1' (95%) recovery rating indicates that we expect full recovery in this default scenario.
- We value the asset using the net present value of future cash flows of the field's expected remaining life through 2044, when the refinancing matures under our expectations.

Simulated default assumptions

- Simulated default year: 2027.
- We simulate a reduction of revenues of about \$190 million.
- Our hypothetical default considers weaker oil and gas industry conditions that would impair the company's ability to pay the upcoming interest payments and the bullet maturity on its third series notes in 2027, which precipitates a default. However, we assume the company's long-term contracts remain intact.
- We discount the cash flow over the remaining life of the charter at a 12% rate and deduct 5% for administrative expenses to arrive at the net value.

Simplified waterfall

- Debt outstanding at the hypothetical default (including pre-petition interest): \$1.21 billion;
- Estimated net value of the project: \$1.19 billion; and
- Recovery expectations: Rounded to 95% (recovery rate of '1').

Related Criteria

- [General Criteria: National And Regional Scale Credit Ratings Methodology](#), June 8, 2023
- [Criteria | Infrastructure | General: Sector-Specific Project Finance Rating Methodology](#), Dec. 14, 2022
- [Criteria | Infrastructure | General: General Project Finance Rating Methodology](#), Dec. 14, 2022
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Guarantee Criteria](#), Oct. 21, 2016
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts](#), May 31, 2012
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Leviathan Bond Ltd. Ratings Placed On CreditWatch Negative On Increased Security Risks](#), June 24, 2025
- [Israel-Iran Escalation Stresses Geopolitical Risk Scenarios For Regional Sovereigns And Banks](#), June 16, 2025
- [Israel Ratings Affirmed At 'A/A-1'; Outlook Remains Negative](#), May 9, 2025

Ratings List

Ratings List		
Ratings Affirmed; Outlook Action; Recovery Ratings Unchanged		
	To	From
Leviathan Bond Ltd.		
Senior Secured	BB-/Stable	BB-/Watch Neg
Recovery Rating	1(95%)	1(95%)

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