

10 APR 2025

Fitch Affirms Leviathan Bond Ltd's Notes at 'BB'; Outlook Stable

Fitch Ratings - Milan - 10 Apr 2025: Fitch Ratings has affirmed Leviathan Bond Ltd's USD1.75 billion notes at 'BB' with a Stable Outlook.

RATING RATIONALE

The 'BB' rating reflects the underlying project's high-quality reserves, proven technology and strong operational setup, with Chevron Mediterranean Ltd (Chevron) providing day-to-day operations. Any potential damage to the project's physical infrastructure or operations resulting from the Israel-Hamas war is not considered our base case scenario and, if it occurred, it would be treated as event risk.

Fitch considers Leviathan's robust liquidity buffer, including undrawn credit facilities and combined with expected cash flow generation, as adequate to cover the USD600 million bullet maturity due June 2025 without the need for refinancing. In the Fitch rating case (FRC) for 2025, the project life coverage ratio (PLCR) and leverage are expected to be 2.4x and 2.2x, respectively. The offtake base limits the rating as we view the two largest offtakers as having relatively weak credit profiles.

KEY RATING DRIVERS

Operation Risk - Midrange

Experienced Operator Mitigates Complexity: Fitch views the operation of oil & gas facilities at the higher end of complexity within the infrastructure space, although Leviathan has had a few years of successful operations. The project benefits from the presence of Chevron as an experienced operator of gas fields in the Eastern Mediterranean region with proven performance on Tamar and the Yam Thetys/Mari-B fields. Chevron acquired Noble Energy Mediterranean Ltd in October 2020, which became Chevron Mediterranean Ltd. Noble's experienced operating team was retained by Chevron.

Supply Risk - Stronger

Sufficient Resources, High-Quality Reservoir: The technical advisor views Leviathan as a high-quality gas reservoir with a relatively strong drive mechanism, which should keep reservoir pressure high, even as gas volumes reduce, as well as reducing the need for well drilling. As of December 2024, Netherland Sewell & Associates Inc (NSAI) reported 1P and 2P reserves at 371 billion cubic metres (bcm) and 420bcm, respectively. Additional existing gas volumes currently classified as contingent (1C and 2C) will be added to the 1P and 2P reserves once additional wells or developments are approved and volumes become commercial. We have not given these volumes any consideration under the FRC.

Revenue Risk - Composite - Midrange

Diversified Offtake Base; Weak Counterparty Exposure: The project benefits from a diversified offtake structure with long-term contracts with National Electricity Production Company (NEPCO; backed by the Jordanian government) in Jordan (BB-/Stable), Blue Ocean (BO) in Egypt (B/Stable) and a portfolio of Israeli companies. We view Israeli gas sales as systemic in nature due to the high expected increase in local gas demand. Leviathan's gas is strategic for Jordan, due to its lack of sufficient domestic energy sources and more expensive liquefied natural gas (LNG). Egyptian Natural Gas Holding Company, the ultimate offtaker of Leviathan's gas in Egypt, is incentivised to maximise gas purchases as it can also be used for export as LNG internationally.

Pricing exposure to Israeli electricity tariffs and Brent prices for exported gas volumes is mitigated by contractual floor prices, while volume risk is contained by long-term, take-or-pay contracts. The offtake base limits the rating as we view the two largest offtakers, BO and NEPCO, as having relatively weak credit profiles. The Israeli offtake is diversified and we view the risk of contract renewal as low. In 2024, Leviathan also started to generate revenues from the sales of condensate to the Israeli market.

Infrastructure Dev. & Renewal - Midrange

Expansion Outside Project Perimeter: Leviathan will require investments to sustain production and address the operational issues that arise in complex ventures, in line with similar projects. We view the operator's experience positively, and it should mean the field's operational and development requirements are appropriately managed and anticipated. All growth capex for capacity expansion within Phase 1A is being funded by internally generated cash and is highly flexible, while Phase 1B expansion may require external funding, but timing is uncertain.

Debt Structure - 1 - Midrange

Some Refinancing Risk: Fitch's assessment reflects the senior secured nature of the debt and the absence of exposure to variable interest rates, swaps or other derivatives, offset by material exposure to refinancing risk due to the staggered bullet maturities of the debt profile.

The cash flow servicing and securing the debt relates to the share (45.34%) of ownership interest that NewMed Energy has in the Leviathan gas field. This structure results in lower control over operations and cash flow compared with the standard project structure and Fitch considers it a weakness, mitigated by the strong alignment of interest between the partners and operator.

Financial Profile

Fitch deems PLCR as a measure of debt service coverage and net debt/EBITDA as a measure of leverage - the most relevant financial metrics. Under FRC, the projected PLCR starts at around 2.4x in 2025 and increases to 3.5x in 2030, which is the last maturity date of the existing bullet debt. Net debt/EBITDA gradually reduces to below 1.0x in 2030 from 2.2x in 2025 in the FRC.

As of March 2025, the USD150 million Principal Reserve Fund and USD100 million Debt Payment Fund were fully funded. Also, the additional funds in the pledged accounts combined with cash flow

generation in 1H25 and USD400 million of undrawn credit facilities of NewMed, place the issuer in an adequate position to repay the June 2025 bullet maturity without any refinancing. As of 9 March 2025, NewMed has already executed buybacks of around USD135 million of the June 2025 bond.

PEER GROUP

The closest peer in Fitch's portfolio is QatarEnergy LNG S(2) & QatarEnergy LNG S(3) (QELNG S(2) & QELNG S(3); AA/Stable), which are Qatari LNG liquefaction companies engaged in the upstream production of natural gas, gas treatment and liquefaction and the export of natural gas in liquid form. The projects benefit from a strong offtaker base and high resiliency to price declines given their low-cost bases. For QELNG S(2) & QELNG S(3), we also factor in their status as integral parts of Qatar's oil & gas industry as well as their strong indirect ownership by and control links with Qatar. Consequently, the projects are rated above Leviathan.

RATING SENSITIVITIES

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

PLCR consistently below 1.4x.

Increasing refinancing risk resulting from the escalation of the war and higher geopolitical risk.

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

Fitch deems an upgrade unlikely at this stage as the project is exposed to relatively weak counterparties.

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>.

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Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Leviathan Bond Ltd			

- Leviathan
Bond
Ltd/
Project
Revenues
- LT BB  Affirmed BB 
Senior
Secured
Debt/
1 LT

RATINGS KEY OUTLOOK WATCH

POSITIVE  

RATINGS KEY OUTLOOK WATCH

NEGATIVE	●	◊
EVOLVING	◊	◆
STABLE	○	

Applicable Criteria

[Infrastructure & Project Finance Rating Criteria \(pub.08 Jan 2025\) \(including rating assumption sensitivity\)](#)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Third-party Model, v ([08 January 2025](#))

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

Leviathan Bond Ltd EU Issued, UK Endorsed

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