

Research Update:

Leviathan Bond Ltd. Ratings Placed On CreditWatch Negative On Increased Security Risks

June 24, 2025

Rating Action Overview

- On June 13, 2025, operations of Leviathan Bond Ltd. (the project) and natural gas production from its reservoir were halted as per the security guidance of the Ministry of Energy and Infrastructure of Israel.
- Considering the intensifying conflict between Iran and Israel, we think the already-high security risks, including continuity of operations and physical integrity of assets, that Leviathan faces have further increased.
- Still, under our base-case scenario, we expect the conflict would remain short (less than three months), without involving other regional players and with limited impact on the strategic Israeli infrastructure. We see the project's liquidity as adequate and supporting its ability to repay the remaining \$200 million notes maturing on June 30, 2025. We also view the project's insurance coverage as sufficient in case of any physical damage.
- As a result, we placed our 'BB-' issue ratings and '1' recovery rating on the senior secured notes issued by Leviathan Bond Ltd. on CreditWatch with negative implications.
- The CreditWatch placement indicates that we could lower our ratings in the next three months if security risks to the project intensify and threaten the operations' stability or physical integrity of assets.

Rating Action Rationale

The recent escalation of the conflict between Israel and Iran increases the possibility of damage to Israel's strategic infrastructure, such as Leviathan. The conflict, marked by ongoing missile attacks on Israel, resulted in the suspension of Leviathan's natural gas production and platform's operations on June 13, 2025, as per the guidance of the Ministry of Energy and Infrastructure of Israel. Our base-case scenario is that the conflict will not be protracted (less than three months), avoiding drawing in other countries. However, should the missile attacks intensify or Israeli infrastructure be targeted, the risk of potential disruptions to

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Leviathan's operations or even threats to its physical asset's integrity would increase, particularly considering that the project is a strategic component of Israel's energy sector and its asset concentration. We continue to monitor the risk of any damage to the project's assets or other limitations on its operations, as well as repercussions for exports and domestic sales. In case of further escalation, physical integrity of assets, continuity of operations and stability, and timeliness of revenue would be our primary focus.

Nevertheless, we do not expect the suspension of Leviathan's operations will have a material effect on the project's credit metrics. We base this primarily on our expectation that the suspension will be less than three months, and the project's available liquidity is sufficient to support its ability to cover both its operational expenditure and debt service. Any nonmaterial maintenance and capital expenditure can be delayed. Of note, the suspension is 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. At the same time, Leviathan benefits from insurance coverage for risks of direct damage to assets and indirect damage (loss of revenue or prevention of profits) in the case of war or terrorist actions. This is in addition to compensation provided under Israel's Property Tax and Compensation Fund Law for physical loss affecting the market value due to war or terrorism.

The project's existing liquidity supports its ability to repay the remaining \$200 million of the notes maturing on June 30, 2025. Aside from the existing liquidity of Leviathan, NewMed Energy LP (100% owner of Leviathan Bond Ltd.) has secured committed credit facilities and credit lines totaling \$550 million from Israeli banks for its ongoing operational needs, including the option to use them to repay Leviathan's bonds, although we do not factor this into our rating.

We acknowledge a high degree of uncertainty regarding the scope, duration and effects of the war with Iran, as well as the continued fighting in Gaza. The conflict's onset significantly increased the risk of adverse effects on economic indicators in Israel and capital market volatility. There is already the risk that Israel's main economic indicators could weaken (see "[Israel Ratings Affirmed At 'A/A-1'; Outlook Remains Negative](#)," May 9, 2025). As the situation evolves, we will update our assumptions and estimates accordingly.

CreditWatch

The CreditWatch placement indicates that we could lower our ratings in the next three months if security risks to the project intensify and threaten operational stability or physical integrity of assets. This could be the case, for example, if the conflict is protracted or escalates into a wider regional conflict, raising the possibility of damage to Israel's strategic energy infrastructure, including Leviathan.

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

Leviathan Bond Ltd. Ratings Placed On CreditWatch Negative On Increased Security Risks

- [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

- [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
- [Leviathan Bond Ltd.'s Senior Secured Notes Affirmed At 'BB-'; Outlook Remains Negative](#), Oct. 15, 2024
- [Widening Middle East Conflict Poses Risks For Regional Sovereign Ratings](#), Oct. 9, 2024
- [Israel Long-Term Ratings Lowered To 'A' From 'A+' On Heightened Security Risk; Outlook Negative](#), Oct. 1, 2024
- [Israel Long-Term Ratings Lowered To 'A' From 'AA-' On Heightened Geopolitical Risk; Outlook Negative](#), April 18, 2024

Ratings List

Ratings list

Ratings Affirmed; CreditWatch Action; Recovery Ratings Unchanged

	To	From
Leviathan Bond Ltd.		
Senior Secured	BB-/Watch Neg	BB-
Recovery Rating	1(95%)	1(95%)

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