Research Update:

Outlook On Leviathan Bond's Debt Revised To Negative On Heightened Security Risks; Rating Affirmed At 'BB-'

March 31, 2026

Primary Contact
Valeriia Kuznetsova
London
44-2071760864
valeriia.kuznetsova
@spglobal.com

Secondary Contact
Elena Anankina, CFA
London
447785466317
elena.anankina
@spglobal.com

*(**Editor's Note:** S&P Global Ratings believes there is a high degree of unpredictability around the duration and scale of the Middle East war and its potential effect on commodity prices, supply chains, economies, and credit conditions. As a result, our baseline forecasts carry a significant amount of uncertainty. As situations evolve, we will gauge the macro and credit materiality of potential shifts and reassess our guidance accordingly.)*

Rating Action Overview

- As the U.S.-Israel war with Iran is lasting longer than we previously expected, we believe Leviathan Bond Ltd. (Leviathan or the project) faces increased risks, over and above the already-high security risks, to its continuity of operations and the physical integrity of its assets.
- Despite the war, we continue to view Leviathan as retaining sufficient liquidity to withstand a temporary operational disruption of up to 10 months. Leviathan's full repayment of the $600 million bond in 2025 significantly reduced its outstanding debt and debt-service risk. We also view the project's insurance coverage as sufficient against physical damage.
- We revised our outlook on the senior secured notes issued by Leviathan to negative, from stable, and affirmed our 'BB-' issue rating; the recovery rating is unchanged at '1'.
- The negative outlook indicates that we could lower the ratings if security and geopolitical risks to the project intensify further.

Rating Action Rationale

The negative outlook reflects the heightened risk of a potential damage to Israel's strategic infrastructure, such as Leviathan, as the war becomes more protracted. Considering the war has now lasted for more than a month (compared to only 12 days during the June 2025 escalation) and involves targeting strategic infrastructure in Israel, Iran, and the Gulf states, we believe this heightens the risk of further disruptions to Leviathan's operations and the risk of potential physical damage to its assets, particularly considering the project's role as a strategic component in Israel's energy sector, as well as the geographic concentration of these assets. We understand the project is currently physically intact.

At 'BB-', our rating on Leviathan Bond already factors in some security risk. We also note that its operations and liquidity remained resilient during the escalations in 2023 and 2025. That said, although the duration of the war is difficult to predict, our current rating does not assume any prolonged outages or the direct targeting of Leviathan Bond's assets, which we would view as an event risk. Leviathan Bond benefits from insurance coverage for direct damage to assets and indirect damage (loss of revenue or prevention of profits) because of war or terrorism. This is in excess of compensation provided under Israel's Property Tax and Compensation Fund Law for physical loss due to war and terrorism, based on market value. 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. If the war continues beyond a couple of months, our primary focus would be on the physical integrity of the assets, the continuity of operations, the project's liquidity, and the timeliness of revenue generation.

Nevertheless, our rating continues to factor in Leviathan's solid liquidity position and credit metrics. Leviathan has no debt maturities in the next 12 months; the next $600 million bullet is due in June 2027. In our view, the project has adequate liquidity reserves to cover up to 10 months of its essential operational expenditures (around $5 million per month for NewMed Energy LP, excluding transportation costs) and its upcoming semiannual interest payments of around $38 million in June 2026, even if its operations are suspended. Aside from Leviathan Bond's existing liquidity, the 100% owner of Leviathan Bond Ltd., NewMed Energy LP, has secured committed credit facilities and credit lines with available amounts totaling $600 million, from Israeli banks, for its ongoing operational needs, including the option to use them to repay Leviathan Bond's bonds. Although we do not directly factor this into our rating, we recognize this could provide additional flexibility in a stress scenario. We understand the project has sufficient flexibility to delay any nonmaterial maintenance and capital expenditure, if required.

Outlook

The negative outlook reflects the risk that the U.S.-Israel war with Iran could spread more widely and affect the project's performance. We currently assume the conflict will not materially constrain the project's offtakers' ability to make payments, nor will it affect the project's relationship with Egypt and Jordan. We continue to monitor the risk of any damage to the project's assets or any other limitations to its operations, as well as repercussions for exports and domestic sales.

Downside scenario

We could lower the rating if ongoing geopolitical uncertainty in the region intensifies, gas exports to Egypt or Jordan are affected, or security risks threaten the physical integrity of the project's assets. For example, if the war escalates and widens, with Israel opening additional military fronts, this could weaken Israel's defense system and increase the risk of potential damage to its strategic energy infrastructure, including Leviathan. However, this is not our base case. A significant deterioration in off-takers' ability or willingness to meet their payment obligations could also result in a negative rating action.

Upside scenario

We could revise the outlook to stable if risks from the war subside substantially, or if the war ends, resulting in a reduction in regional and domestic geopolitical and security risks without any repercussions for the project's credit metrics.

Related Criteria

- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- Criteria | Infrastructure | General: General Project Finance Rating Methodology, Dec. 14, 2022
- Criteria | Infrastructure | General: Sector-Specific 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

- War In The Middle East: Risks And Opportunities For Global Infrastructure, March 16, 2026
- Middle East Conflict Is Starting To Strain Credit Channels Across Sectors, March 2, 2026
- Israel Outlook Revised To Stable From Negative; 'A/A-1' Ratings Affirmed, Nov. 7, 2025
- Leviathan Bond Affirmed At 'BB-' On Resilient Operational Performance And Deleveraging; Off Watch; Outlook Stable, Oct. 20, 2025

Ratings List

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

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

The page contains only an image, apparently created using OCR, and it does not contain any readable text