

ESG Concerns In Oil And Gas Sectors Led To A Surge In Downgrade Pressure In January, Report Finds

NEW YORK, Feb. 25, 2021 /PRNewswire/ -- Downgrade potential surged in the oil and gas sector in January on the back of a revised industry risk assessment issued Jan. 25. This was owing to environmental, social, and government (ESG) concerns as many governments formally endorse adoption and transition to renewable energy alternatives. Specifically, this led to nine issuers on our list being placed on CreditWatch with negative implications, temporarily boosting downgrade pressure, which has largely subsided since.

While still considerably higher than 642 issuers a year ago, overall potential bond downgrades dropped to 1,137 as of the end of January, from 1,178 a month earlier, said S&P Global Ratings Research in an article published today, "ESG Concerns In Oil And Gas Sectors Led To A Surge In Downgrade Pressure In January, Which Was Realized By Mid-February."

"Even though we did see downgrade pressure jump for the oil and gas sector in January, the broader trend of a decrease in potential bond downgrades continued for a sixth consecutive month," said Sudeep Kesh, head of S&P Global Credit Markets Research. "Six of the nine CreditWatch placements were resolved through downgrades in the issuer credit rating, one remains to be resolved, and two have been removed with an affirmation of the rating."

So far in 2021, financial institutions continue to lead potential bond downgrades at 158, followed by the media and entertainment sector at 135 issuers, together accounting for more than 25% of the potential bond downgrades. Downgrade risk continues to soften in the two sectors as we anticipate a deceleration in the pace of downgrades this year, though it remains elevated.

Potential downgrades are issuers rated 'AAA' to 'B-' by S&P Global Ratings with either negative rating outlooks or ratings on CreditWatch with negative implications.

This report does not constitute a rating action.

The reports are available to subscribers of RatingsDirect at www.capitaliq.com. If you are not a RatingsDirect subscriber, you may purchase copies of these reports by calling (1) 212-438-7280 or sending an e-mail to research_request@spglobal.com. Ratings information can also be found on S&P Global Ratings' public website by using the Ratings search box located in the left column at www.standardandpoors.com. Members of the media may request copies of these reports by contacting the media representative provided.

Copyright © 2021 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or

lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.

SOURCE S&P Global Ratings

For further information: PRIMARY CREDIT ANALYSTS: Sarah Limbach, Paris, + 33 14 420 6708, Sarah.Limbach@spglobal.com; Sudeep K Kesh, New York, + 1 (212) 438 7982, sudeep.kesh@spglobal.com; RESEARCH CONTRIBUTOR: Abhik P Debnath, Mumbai, Abhik.Debnath@spglobal.com; MEDIA CONTACT: Jeff Sexton, New York, + 1 (212) 438 3448, jeff.sexton@spglobal.com

<https://press.spglobal.com/2021-02-25-ESG-Concerns-In-Oil-And-Gas-Sectors-Led-To-A-Surge-In-Downgrade-Pressure-In-January-Report-Finds>