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.

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