

RATING RELEASE

November 18, 2021

CariCRIS reaffirms its ratings for The National Gas Company of Trinidad and Tobago Limited

Caribbean Information and Credit Rating Services Limited (CariCRIS) has reaffirmed the ratings currently assigned to the USD 400 million debt issue of The National Gas Company of Trinidad and Tobago Limited (NGC) of *CariAA* (Foreign and Local Currency) on the regional rating scale, and *ttAA* on the Trinidad and Tobago (T&T) national rating scale. These ratings indicate that the level of creditworthiness of this debt obligation, adjudged in relation to other obligations in the Caribbean and within T&T, is **high**.

NGC's creditworthiness continues to reflect the Company's strategic importance to the domestic energy sector and the Government of the Republic of Trinidad and Tobago (GoRTT), as well as an improvement in gas supply with continued exploration and development activity. Further supporting the ratings is NGC's low gearing and good debt protection metrics, though reduced from prior years. These rating strengths are tempered by the Company's high vulnerability to a changing energy landscape characterized by volatile energy prices and its reduced earnings and profitability due to lower energy commodity prices and gas production.

CariCRIS has also revised the outlook on the ratings to **stable** from negative. The stable outlook is based on the likelihood of an uptick in energy prices following a rise in the third quarter (Q3) of 2021 by over 80% with natural gas prices rising by 69% in Q3 of 2021¹. Moreover, energy prices are expected to increase by more than 2% in 2022, supported by continued robust demand and gradual production gains, which are expected to support NGC's financial performance in the next 12-15 months. The stable outlook is also predicated on our expectation for further strengthening of NGC's debt protection metrics going forward.

¹ Source: The World Bank, *Commodities Market Outlook-October 2021*.

Rating Sensitivity Factors:

Factors that could, individually or collectively, lead to an improvement in the ratings and/or Outlook include:

- An improvement in the CariCRIS credit rating of the GoRTT
- An increase of gross margins to 25% for 2 consecutive years
- An increase in the DSCR to >3 times for 2 consecutive years leading to an improvement in the ability to service its amortised debt payments

Factors that could, individually or collectively, lead to a lowering of the ratings and/or Outlook include:

- Debt / EBITDA increases to >5 times
- A fall in the effective DSCR to <1 times for 2 consecutive years leading to a deterioration in the ability to service its amortised debt payments
- A significant decline in international prices of ammonia/ methanol, leading to a material decline in revenue
- Deterioration in the CariCRIS credit rating of the GoRTT

About the company:

NGC is a limited liability company wholly owned by the Government of the Republic of Trinidad and Tobago (GoRTT) and is designated as the government's prime mover in the natural gas sector. Since its establishment in August 1975, NGC has played a leading and key role in the development of Trinidad and Tobago's natural gas industry. With over 45 years' experience, the NGC Group has a diversified portfolio of business interests, which can be placed under the following three major categories:

- **Gas transportation and compression** – NGC is the sole transmitter and distributor of natural gas to the natural gas-based energy industry as well as manufacturing concerns throughout the country. NGC's role was augmented in 1982 by the collection and compression of low-pressure offshore gas from the Teak and Poui platforms.
- **Merchant gas trading** – Since 2004, as the sole purchaser and seller of natural gas, NGC has been purchasing natural gas from four major suppliers (British Petroleum Trinidad and Tobago (bpTT), Shell Trinidad Limited, BHP Billiton, and EOG Resources and supplying same to consumers in the heavy industrial sector

as well as in the light industrial/commercial sector located at the Point Lisas Industrial Estate.

- **Investment holdings** - NGC has strategic equity investments in natural gas liquids (NGLs) and liquefied natural gas (LNG) companies, and subsidiary and associated companies operating in different segments of the local natural gas value chain including port and site infrastructure development, marine infrastructure management and helicopter services.

In the last decade, NGC has increased its strategic positioning within the natural gas value-chain in Trinidad and Tobago while supporting the global clean energy agenda. As part of its repositioning within the value chain, the Group has made investments in the upstream, midstream, downstream and commodity trading. Furthermore, one of NGC's primary evolving objectives is to lead the change in the domestic industrial sector to support the Green Agenda via investments in solar energy projects and work on the production of green hydrogen.

For more information on the ratings of The National Gas Company of Trinidad and Tobago Limited, please visit www.caricris.com or contact:

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