

Monthly Oil & Gas Aggregate

May 2021

Good Signs for Energy Sectors

Dynamics look better for the US, UK, and EU energy sectors. The IEA is projecting demand for all fossil fuels to **grow “significantly”** in 2021. Demand is **coming back** for **oil and natural gas** as economies reopen, even if sectors like travel have yet to return to pre-pandemic levels. Some companies are **optimistic** about **a recovery**; others are **further along**. There will be bumps along the way, like potential **cyber attacks**, and **some companies** will still be in distress. Demand will grow but perhaps not as **smoothly** as some would like, especially if some areas still suffer from the pandemic. But the overall direction is more positive than negative.

Credit Benchmark consensus data show little recent change in credit quality for the three energy sectors. If market conditions continue to improve, real improvements in credit may come sooner rather than later.

US Oil & Gas

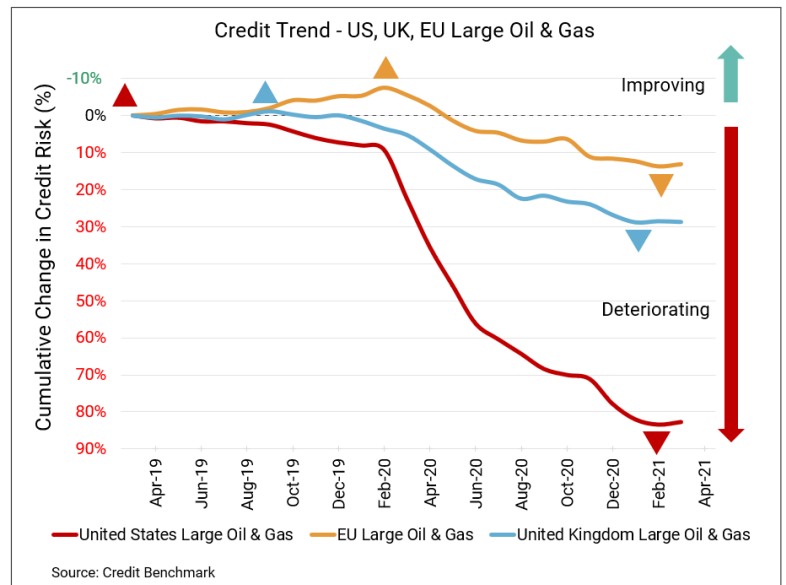
US energy gets a breather. Credit quality has fallen 49% year-over-year and 8% from six months ago but is largely unchanged from last month. Default risk is currently 71 bps; it was 72 bps last month, 66 bps six months ago, and 48 bps at the same point last year. Now this sector’s overall rating is **bb+** and 86% of firms have a CCR rating of **bbb** or lower. Overall Large US Corporate default risk is 57 bps, with a CCR of **bb+** and 80% firms at **bbb** or lower.

UK Oil & Gas

UK energy remains stable. Credit quality is down 49% year-over-year and 8% from six months ago but mostly unchanged from last month. Default risk remains at 50 bps; it was 48 bps six months ago and 41 bps at the same point last year. Now this sector’s overall rating is **bb+** and 75% of firms have a CCR rating of **bbb** or lower. Overall Large UK Corporate default risk is 64 bps, with a CCR of **bb+** and 86% firms at **bbb** or lower.

EU Oil & Gas

EU energy is also steady. Credit quality has dropped 20% year-over-year and 6% from six months ago but is essentially unchanged from last month. Default risk remains at 32 bps; it was 30 bps six months ago and 27 bps at the same point last year. Now this sector’s overall rating is **bbb** and 72% of firms have a CCR rating of **bbb** or lower. Overall Large EU Corporate default risk is 34 bps, with a CCR of **bbb-** and 73% firms at **bbb** or lower.



About Credit Benchmark Monthly Oil & Gas Aggregate

This monthly index reflects the aggregate credit risk for large US, UK, and EU firms in the oil & gas sector. It provides the average probability of default for oil & gas firms over time to illustrate the impact of industry trends on credit risk. A rising probability of default indicates worsening credit risk; a decreasing probability of default indicates improving credit risk. The Credit Consensus Rating (CCR) is a 21-category scale explicitly linked to probability of default estimates sourced from major financial institutions. The letter grades range from **aaa** to **d**.

Credit Benchmark brings together internal credit risk views from 40+ of the world’s leading financial institutions. The contributions are anonymized, aggregated, and published in the form of entity-level consensus ratings and aggregate analytics to provide an independent, real-world perspective of risk. Consensus ratings are available for 55,000+ financials, corporate, funds, and sovereign entities globally across emerging and developed markets, and 90% of the entities covered are otherwise unrated.

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