

**RATING ACTION COMMENTARY**




# **Fitch Downgrades Ecopetrol, Ocesa and AI Candelaria, Affirms Other Colombian Corporates**

Fri 03 Apr, 2020 - 17:29 ET

Fitch Ratings - New York - 03 Apr 2020: Fitch Ratings has downgraded Ecopetrol S.A., Oleoducto Central S.A. (OCENSA) and A.I. Candelaria (Spain), S.L. and affirmed its ratings on other Colombian corporates following this week's Sovereign Rating downgrade of Colombia.

The rating downgrades of Ecopetrol, OCENSA and A.I. Candelaria reflect the direct and indirect linkage of these companies to the Sovereign Rating downgrade of Colombia, which Fitch downgraded this week to 'BBB-' from 'BBB'. The ratings for Emgesa, Isagen and UNE EPM Telecomunicaciones have been affirmed at 'BBB' reflecting the country ceiling for Colombia of 'BBB'. The negative outlooks on the foreign currency ratings reflect the fact that they could be negatively impacted by downgrades of the country's Sovereign Rating and country ceiling. These companies operate within Colombia and do not have substantial offshore cash or EBITDA from other countries. The ratings on Grupo de Inversiones Suramericana

(Grupo Sura) ('BBB'/Stable) reflect their offshore cash and EBITDA outside of Colombia. The applicable country ceiling for Grupo Sura is that of Chile, since cash flow from Chile is sufficient to cover interest expenses for both companies. Grupo Energia Bogota's (GEB's) ('BBB'/Stable) applicable country ceiling is that of Peru, since cash flow from Peru is adequate to cover GEB's interest expense. The ratings of Transportadora de Gas Internacional (TGI) ('BBB'/Stable) reflect its strong linkage with its parent company, GEB. A further downgrade of Colombia's Sovereign Rating will likely result in rating downgrades for Ecopetrol, OCENSA, A.I. Candelaria, Emgesa, Isagen and UNE EPM Telecomunicaciones.

	IDR		
	LC LT IDR	BBB- 	Downgrade
● senior unsecured	LT	BBB-	Downgrade
Grupo de Inversiones Suramericana S.A.	LT IDR	BBB 	Affirmed
	LC LT	BBB 	Affirmed

[VIEW ADDITIONAL RATING DETAILS](#)

## KEY RATING DRIVERS

The sovereign downgrade reflects a likely weakening of key fiscal metrics in the wake of the economic downturn caused by a combination of shocks stemming from the sharp fall in oil prices and efforts to combat the worldwide coronavirus pandemic. Fitch expects a moderate contraction of the Colombian economy by

0.5% in 2020, driven by a significant slowdown in domestic demand and oil exports, followed by a modest recovery of 2.3% in 2021. A rise in the debt burden in recent years and an expected fall in tax revenues have left the government with less fiscal space to counteract economic shocks, in Fitch's view. The Negative Outlook reflects downside risks to the outlook for economic growth and public finances, and to the capacity and quality of the government's policy response to decisively cut deficits and stabilize debt over the coming years, given the scale of the shocks.

## **RATING SENSITIVITIES**

Developments that May, Individually or Collectively, Lead to a Positive Rating

Action:

Fitch does not currently anticipate developments with a high likelihood of leading to a positive rating change. However, the main factors that could lead Fitch to stabilize the Outlook include:

-- Fiscal consolidation consistent with an improved trajectory for public debt dynamics.

-- A return to economic growth prospects consistent with medium term potential above 3%.

-- Reduced external imbalances that improve external debt and liquidity ratios.

Developments that May, Individually or Collectively, Lead to a Negative Rating

Action:

-- Failure to achieve a fiscal consolidation consistent with stabilization and eventual reduction in the government debt burden.

-- Damage to medium term growth prospects.

-- Sustained large external imbalances that lead to a continuous rise in the external debt burden.

## **BEST/WORST CASE RATING SCENARIO**

Best/Worst Case Rating Scenarios Non-Financial Corporate:

Ratings of Non-Financial Corporate issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit: <https://www.fitchratings.com/site/re/10111579>.

## **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

## **ESG CONSIDERATIONS**

Ecopetrol has an environmental, social and governance (ESG) Relevance Score of 4 for waste and hazardous materials management due to oil spills the company has experienced in the past.

The company's relevance score of 4 also stems from exposure to social impacts due to multiple attacks to its pipelines.

Ecopetrol's score for Governance Structure (GGV) is 4, resulting from its nature as a majority government-owned entity and the inherent governance risks that arise with a dominant state shareholder. Except for the matters discussed above, the highest level of ESG credit relevance, if present, is a score of 3 - ESG issues are credit neutral or have only a minimal credit impact on the entity, due to either their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg).

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

## **APPLICABLE CRITERIA**

[Parent and Subsidiary Rating Linkage \(pub. 27 Sep 2019\)](#)

[Government-Related Entities Rating Criteria \(pub. 13 Nov 2019\)](#)

[Corporate Rating Criteria \(pub. 27 Mar 2020\) \(including rating assumption sensitivity\)](#)

## **ADDITIONAL DISCLOSURES**

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

[Endorsement Policy](#)

## **ENDORSEMENT STATUS**

A.I. Candelaria (Spain), S.L.	EU Endorsed
Ecopetrol S.A.	EU Endorsed
Emgesa S.A. E.S.P	EU Endorsed
Grupo de Inversiones Suramericana S.A.	EU Endorsed
Grupo Energia Bogota S.A. E.S.P. (GEB)	EU Endorsed
Isagen S.A. ESP	EU Endorsed
Oleoducto Central S.A. (OCENSA)	EU Endorsed
Transportadora de Gas Internacional S.A. ESP (TGI)	EU Endorsed
UNE EPM Telecomunicaciones S.A.	EU Endorsed

## **DISCLAIMER**

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK:

[HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN ADDITION, THE FOLLOWING

<https://www.fitchratings.com/site/dam/jcr:6b03c4cd-611d-47ec-b8f1-183c01b51b08/Rating%20Definitions%20-%203%20May%202019%20v3%206-11-19.pdf> DETAILS FITCH'S RATING DEFINITIONS FOR EACH RATING SCALE AND RATING CATEGORIES, INCLUDING DEFINITIONS RELATING TO DEFAULT. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT,

CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://www.fitchratings.com/site/regulatory). FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

[READ LESS](#)

## **COPYRIGHT**

Copyright © 2020 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are

responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with

any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

[READ LESS](#)

## **SOLICITATION STATUS**

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

## **ENDORSEMENT POLICY**

Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the EU Regulatory Disclosures page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.



---

Energy and Natural Resources

Technology, Media, and Telecom

Structured Finance: ABS

Corporate Finance

Insurance

Industrials and Transportation

Utilities and Power

Structured Finance

Latin America

Europe

Colombia

Spain

---

