



**Rating Action: Moody's affirms Transportadora de Gas Internacional's Baa3 rating following update of rating methodology; outlook negative**

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02 Feb 2024

New York, February 02, 2024 – Moody's Investors Service ("Moody's") affirmed the Baa3 foreign currency senior unsecured rating assigned to Transportadora de Gas Internacional ("TGI" or "Issuer"). Moody's also assigned a baseline credit assessment ("BCA") of baa3 to TGI following the publication of its updated Government-Related Issuers (GRI) methodology on 25 January 2024. The outlook remains negative.

#### RATINGS RATIONALE

Today's rating action follows the publication of the updated Government-Related Issuers (GRI) methodology. Moody's has expanded the scope of the methodology to include certain key state-owned enterprises (SOEs) that are indirectly owned by the government as GRIs, where: (i) Moody's considers the supporting government could exert a very high level of control, either directly or through the rated entity's parent, over the governance or financing of the rated entity; and (ii) Moody's considers the rated entity is strategically important to the supporting government. TGI has met both criteria as listed above and is likely to receive extraordinary support from the Bogota, Distrito Capital (Colombia) (Baa2 negative), when needed.

The BCA of baa3 assigned to TGI reflects the company's large scale and entrenched business profile, with high capacity-based revenue that is regulated and subject to contractual tariff caps. Our credit assessment also reflects the company's relatively low weighted average gas transport contract life and the potential deterioration in credit metrics because of regulatory changes.

TGI's Baa3 senior unsecured rating reflects the application of our Joint Default Analysis (JDA) framework for government-related issuers, which considers the following input factors: a BCA of baa3 as a measure of TGI's standalone creditworthiness; the Baa2 ratings of Bogota, Distrito Capital (Colombia) as TGI's support provider; our estimate of moderate implied government support in the case of financial distress; and a low default dependence between TGI and Bogota. These assumptions take into consideration the company's links with Bogota, Distrito Capital, which indirectly owns 65.7% of TGI through the ownership of Grupo Energia Bogota S.A. E.S.P.(GEB, Baa2 negative). These assumptions also reflect the strategic and essential nature of the services provided by TGI, the high level of government control and the strategic influence in the direction of the company. These strengths are counterbalanced by Bogota's recurrent cash financing deficits, which have led to higher debt and weaker liquidity.

TGI's negative outlook reflect the risk of deterioration in its credit profile and higher refinancing risk as a result of the government's attempts to further interfere in the gas sector and the regulatory changes under discussion with the

energy regulator, Comision de Regulacion de Energia y Gas (CREG).

## FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Given the negative outlook, an upgrade in the ratings of TGI in the near term is unlikely. However, the outlook could be stabilized if the company records cash interest coverage ratios above 4.0x and FFO/debt above 15% on projected and sustained basis, and our assessment that government interference or regulatory changes are immaterial to the company's credit profile. A stable outlook would also consider the track record of balanced dividend distributions, allowing the company to gradually expand its financial flexibility ahead of major debt maturities.

Conversely, a negative regulatory outcome or government intervention that leads to a material impact on TGI's financial performance would trigger a downgrade. For example, if TGI records cash interest coverage ratios remain below 4.0x or FFO/debt below 15% would also exert downward pressure.

Headquartered in Bogota, TGI is a natural gas transportation company that operates 4,033 kilometers (km) of natural gas pipelines in Colombia (Government of Colombia, Baa2 stable). The system operates mainly with natural gas from the Ballena-Chuchupa and Cusiana-Cupiagua basins.

## LIST OF AFFECTED RATINGS

..Issuer: Transportadora de Gas Internacional

Assignments:

.... Baseline Credit Assessment, Assigned baa3

Affirmations:

....Senior Unsecured Regular Bond/Debenture, Affirmed Baa3

Outlook Actions:

....Outlook, Remains Negative

The methodologies used in these ratings were Natural Gas Pipelines published in July 2018 and available at <https://ratings.moodys.com/rmc-documents/64961>, and Government-Related Issuers published in January 2024 and available at <https://ratings.moodys.com/rmc-documents/406502>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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Adrian Garza

VP - Senior Credit Officer

Project & Infra Finance Group

JOURNALISTS: 1 888 779 5833

Client Service: 1 212 553 1653

Cristiane Spercel

Senior Vice President/Manager  
Project & Infra Finance Group

Releasing Office:

Moody's Investors Service, Inc.

250 Greenwich Street

New York, NY 10007

U.S.A.

JOURNALISTS: 1 212 553 0376

Client Service: 1 212 553 1653

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