12 MAY 2025

Fitch Affirms Aker BP at 'BBB'; Outlook Stable

Fitch Ratings - London - 12 May 2025: Fitch Ratings has affirmed Aker BP ASA's Long-Term Issuer Default Rating (IDR) and senior unsecured ratings at 'BBB'. The Outlook on the IDR is Stable.

Aker BP's rating reflects its operational scale with a production guidance of 390,000-420,000 barrels of oil equivalent per day (boepd) for 2025, asset diversification across the Norwegian Continental Shelf (NCS), an adequate reserve life, and a strong project pipeline. Financial flexibility is comfortable for 2025-2028 to support growth capex and increasing dividends within its 'BBB' rating.

Key Rating Drivers

Leading Position in the NCS: Aker BP is the largest independent oil and gas producer on the NCS with high-quality offshore assets, reaching an average production of 439,000 boepd in 2024, of which 86% were liquids and 14% natural gas. More than half of production comes from Johan Sverdrup, one of the largest fields in Norway. Development projects, including Yggdrasil and Valhall, will add operational diversity, facilitate growth (above production declines of operational assets) and benefit from technological advancements linked to digitalisation and more data-driven optimisation of production and maintenance.

Proven Reserve Management: In 2024, Aker BP reported proven reserves of 1,071 mmboe (1,568 mmboe on a 2P basis). Its reserve life is 7.2 years on a 1P basis and 10.6 years on a 2P basis, using 2025 midpoint production guidance. Aker BP holds 196 licences in 54 fields. Its exploration programme focuses on replenishing reserves and supporting business growth. Sanctioned projects will enable the company to increase its proven reserves upon completion of field development.

Consistent Operational and Capital Efficiency: The company has a record of achieving its targets for production levels, operational performance and capital projects in line with its guidance. It benefits from strong unit economics, with production costs at USD6.2/boe in 2024, aided by strong operational performance, high volumes and weaker Norwegian krone. Aker BP deploys an alliance strategy, where suppliers are closely integrated, collaborate in the design stage and which seeks to align partners' incentives in project delivery.

Financial Policies Support Rating: Aker BP's capital allocation priorities are to maintain financial flexibility and an investment-grade credit rating, profitable growth and dividends that are in line with long-term value creation. It aims to maintain company-defined net debt/EBITDAX below 1.5x. If hydrocarbon prices fall significantly over the long term, we would expect Aker BP to update its dividend policy to align with value creation of the business.

Earnings are Moderating: Lower oil prices in 2025 reflect a sharp slowdown in global economic growth due to the trade war - to 1.9% in 2025 from 2.9% in 2024 (according to Fitch's Global Economic Outlook) - and OPEC+ proceeding with larger-than-expected production increases. Fitch estimates EBITDA for Aker BP at around USD8.1 billion for 2025 (after treating leases as operating expense). Based on production guidance and our oil and gas price assumptions, we expect EBITDA to moderate to USD7.2 billion in 2026 and then rebound above USD8 billion in 2027 as major projects come online.

Leverage Remains Low: Funds from operations (FFO) net leverage was 0.5x at end-2024. Given high capital expenditure of USD5.8 billion in 2025 and USD5.5 billion in 2026, negative free cash flow (FCF) is expected to lift net debt above USD7 billion, but FFO net leverage will remain at a very manageable 1.3x by 2027. The capital expenditure is tax-deductible at a rate above 80% (on average) leading to a tax deferral effect that will reverse when the assets start producing. This allows Aker BP to largely fund the growth through internally generated cash flow.

Focus on Operational Emissions: Aker BP reported a very low 2.6kg CO_2e operational greenhouse gas emissions/boe for 2024. The company continues to reduce its impact on the environment through focus on efficient use of resources and improving waste recovery practices. Aker BP targets to be net zero for operational greenhouse gas emissions by 2030 using carbon-removal projects to offset hard-to-abate emissions.

Peer Analysis

Aker BP is well-positioned versus other independent exploration and production investment-grade peers, such as Continental Resources Inc. (BBB/Stable). Our assumption of production at midpoint of Aker BP's guidance of 405,000 boepd for 2025 compares well with Continental's 426,000 boepd. Aker BP's assets are offshore and concentrated on the NCS, whereas Continental's are onshore and diversified among several basins. The American peer has more conservative forecast leverage metrics and higher 1P reserves, with a more balanced production mix of 54% oil and the remainder in gas.

Devon Energy Corporation's (BBB+/Stable) energy mix with 73% of oil is more comparable to Aker BP's. The company has almost twice the level of absolute 1P reserves and production around the 750,000 boepd mark. Its assets are again onshore and spread across several basins in the US.

In terms of financial profile, Aker BP's leverage is trending up over the forecast horizon, from FFO net leverage of 0.5x in 2024 towards 1.3x in 2027, while American peers are focused on absolute debt reduction with FFO net leverage between 0.5 and 1.0x over the medium term.

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer

- Base-case assumptions for Brent at USD65/bbl in 2025, USD65/bbl in 2026 and 2027, and USD60/bbl afterwards.

- TTF (title transfer facility) gas price at USD12/mcf in 2025, USD8/mcf in 2026, USD7/mcf in 2027, and afterwards.

- Fitch-estimated upstream production in line with guided production profile to average around 441,000 boepd over 2025-2028.

- Capex, excluding exploration and decommissioning, averaging around USD5.8 billion a year over 2025-2026, and reducing in 2027, when large-scale projects linked to plans for development and operations submitted in December 2022 progress to production.

- Dividends of around USD1.6 billion in 2025, rising 5% a year.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- FFO net leverage well above 2x or EBITDA net leverage well above 1.5x on a sustained basis.

- Aggressive M&A, dividend payments or other policies materially affecting the credit profile and leading to consistently negative FCF.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Material improvement in the business profile, including scale and diversification.

- Financial policies that support a more conservative financial profile through the cycle, including a more flexible dividend policy.

- FFO net leverage below 1x or EBITDA net leverage below 0.5x on a sustained basis.

Liquidity and Debt Structure

At end-1Q25, Aker BP had USD4.283 billion of cash and cash equivalents plus USD3.4 billion in an undrawn revolving credit facility with USD400 million maturing in 2025 and USD3 billion maturing in 2026 (the company has already entered into a forward start facility for USD1.8 billion available from May 2026 until November 2029, with one extension option at banks' discretion until 2030). Aker BP only has debt maturities of around USD264 million in 2025 and 2026.

Fitch's rating case indicates negative FCF over the medium term linked to large capex and increasing dividends. Aker BP aims to maintain a minimum liquidity buffer of USD3 billion at all times.

Issuer Profile

Aker BP is the largest independent exploration and production company operating on the NCS.

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.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

Click here to access Fitch's latest quarterly Global Corporates Macro and Sector Forecasts data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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Rating Actions

ENTITY/DEBT	RATING			RECOVERY	PRIOR
Aker BP ASA	LT IDR	BBB	Affirmed		BBB

ENTITY/DEBT	RATING			RECOVERY	PRIOR
• senior unsecured	LT	BBB	Affirmed		BBB

RATINGS KEY	OUTLOOK	WATCH
POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

Corporate Rating Criteria (pub.06 Dec 2024) (including rating assumption sensitivity)

Corporates Recovery Ratings and Instrument Ratings Criteria (pub.02 Aug 2024) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub.06 Dec 2024)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 (1)

Additional Disclosures

Solicitation Status

Endorsement Status

Aker BP ASA	UK Issued, EU Endorsed

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