

Bulletin:

# AST And CBG Maintain Creditworthiness Despite Outlook Revision On Latvia To Negative

December 8, 2022

PARIS (S&P Global Ratings) Dec. 8, 2022--S&P Global Ratings today said that the creditworthiness of Latvian electricity and gas transmission operators Augstsprieguma Tīkls (AST) and Conexus Baltic Grid (Conexus) remains the same after the recent sovereign rating action.

On Dec 6, 2022, S&P Global Ratings revised the outlook on Latvia to negative from stable and affirmed the 'A+/A-1' sovereign ratings to reflect that a more protracted Russia-Ukraine war raises the risks of large, negative spillover effects on small regional economies (see "Latvia Outlook Revised To Negative From Stable On War Spillover Risks; 'A+/A-1' Ratings Affirmed," published on RatingsDirect).

The two entities are not affected by this revision because we assess a downgrade of AST or Conexus would require a two-notch downgrade of Latvia (see related research for our latest publications).

AST (A-/Stable/--) is the fully government owned Latvian electricity transmission network, itself holding a 68.46% stake in Latvian gas transmission and storage network Conexus (BBB+/Stable/--). Our ratings on the two entities are driven by supportive regulated operations, although these will require high investments to facilitate electric disconnection from Russia and integration within the gas unified zone (Estonia, Finland, Latvia, and Lithuania from 2023), which will weigh on group credit metrics. For more details on the regulatory framework in Latvia please refer to "Latvian Gas And Electricity Transmission And Gas Storage Regulatory Frameworks: Mostly Supportive," published Nov. 30, 2022.

We view the likelihood that the Latvian government would support AST, and therefore Conexus, as unchanged. We believe that the government is very involved in defining group strategy and corporate governance. In addition, both AST and Conexus are very important to the country's security of supply via their operations of electricity and gas transmission and gas storage.

## Related Research

- Latvia Outlook Revised To Negative From Stable On War Spillover Risks; 'A+/A-1' Ratings Affirmed, Dec. 6, 2022
- Latvian Gas And Electricity Transmission And Gas Storage Regulatory Frameworks: Mostly Supportive, Nov. 30, 2022
- Latvian Gas Transmission And Storage Operator Conexus Baltic Grid Rated 'BBB+'; Outlook

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Stable, Aug. 30, 2022

- Augstsprieguma Tikls, Feb. 17, 2022

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