FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Ecopetrol's Foreign and Local Currency IDRs at 'BB+'; Outlook Negative

Thu 30 Oct, 2025 - 1:17 p. m. ET

Fitch Ratings - New York/Bogota - 30 Oct 2025: Fitch Ratings has affirmed Ecopetrol S.A.'s Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) at 'BB+'. The Rating Outlooks for the IDRs are Negative. Fitch has also affirmed the company's National Long- and Short-Term ratings at 'AAA(col)'/'F1+(col)'. The Outlook for the National Long-Term rating is Stable.

Ecopetrol's ratings reflect its close linkage with the Republic of Colombia (Foreign and Local Currency IDRs, BB+/Stable), which owns 88.5% of the company. Ecopetrol's ratings also reflect the company's strategic importance for the country, as well as its ability to maintain a robust financial profile.

KEY RATING DRIVERS

Linkage to Sovereign: Ecopetrol's ratings reflect the strong linkage with the credit profile of the Republic of Colombia. The ratings also reflect the significant incentive of the Colombian government to support Ecopetrol in the event of financial distress, given the company's strategic importance to the country as a supplier of liquid fuel demand in Colombia and owner of 100% of the country's refining capacity.

Ecopetrol's cash has historically been affected by delays in payments from the Colombian government's Fuel Price Stabilization Fund (Fondo de Estabilizacion de Precios de los Combustibles, FEPC). The funds offset the gap created when Ecopetrol sells gasoline and diesel in the local market at prices below export levels. Fitch expects the FEPC balance to keep declining as the government rolls out price adjustments, falling below USD 1 billion by YE 2025, and become less impactful on Ecopetrol's liquidity profile.

Strong Financial Profile: Ecopetrol's 'bbb-' Standalone Credit Profile (SCP) reflects the company's strong financial profile. Fitch-calculated EBITDA leverage is expected to average 2.5x through the rating horizon, as pressure on Brent prices is expected to continue. Fitch expects Ecopetrol's interest coverage to exceed 6.5x consistently through the rating horizon. Fitch expects Ecopetrol's FCF to be positive going forward, subject to revisions to investment and dividends plans.

Stable Operating Metrics: Fitch assumes total hydrocarbons production to be 744,000 barrels of oil equivalent per day (boed) in 2025, almost flat from 2025 as lower gas production offsets positive trends in crude. The company's proved reserve (1P) of 1,893 million boe gave the company a reserve life of 8.2 years as of YE 2024, and is expected to be 8.4 years by the end of 2025. Fitch assumes a 100% reserve replacement rate through the rating horizon. Fitch's calculated after-tax full cycle cost for Ecopetrol has increased over the last three years at approximately USD51.75/boe on average.

ESG - Governance Structure: Developments around strategic acquisitions and board composition in 2024 brought focus to Ecopetrol's governance assessment. Despite still recognizing the robustness of governance and bylaws set in place to ensure independence from the majority shareholder, changes to strategy question the degree of independence of the board of directors. This could result in impacted operational performance in the future in terms of addition of reserves and production, and the ability to effectively and efficiently tap the bond market

PEER ANALYSIS

Ecopetrol's rating linkage to the Colombian sovereign rating is in line with the linkage for most national oil and gas companies (NOCs) in the region, including Petroleos Mexicanos (PEMEX; BB+/Stable), Petroleo Brasileiro S.A. (Petrobras; BB/Stable), YPF S.A. (CCC+) and Empresa Nacional del Petroleo (ENAP; A-/Stable).

In most cases in the region NOCs are of significant strategic importance for energy supply to their countries, including in Mexico, Colombia and Brazil. NOCs can also serve as a proxy for federal government funding as is the case in Mexico, and have strong legal ties to governments through their majority ownership, strong control and governmental budgetary approvals.

Ecopetrol's SCP is commensurate with a 'bbb-' rating, which is close to that of Petrobras at 'bbb' given Petrobras' recent significant debt reduction. Excluding IFRS16 leases, Ecopetrol's leverage at YE 2023 was 2.1x. Ecopetrol's credit profile is materially higher than that of Pemex's 'ccc' SCP as a result of Ecopetrol's robust capital structure versus PEMEX's increasing leverage trajectory. Ecopetrol will continue to report stable production, which Fitch expects to stabilize around 770,000 boed. This production trajectory further supports the notching differential between the two companies' SCP.

KEY ASSUMPTIONS

--Ecopetrol remains majority owned by Colombia;

--Brent average USD70/bbl in 2025 and USD65/bbl in 2026 before trending toward USD60/bbl in the long term;

--5,9% discount to Brent on average through rating horizon;

--Stable production growth of 1.5% per annum through 2028;

--100% reserve replacement ratio per year;

--Aggregate capex of approximately USD5.5 billion per year for the next three years;

--Dividends of 45% of previous year's net income;

--Progressive tax rate based on 2022 fiscal reform instating windfall taxes of 15%, 10%, 5%, 0% based on current crude prices.

RATING SENSITIVITIES

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

--A downgrade of Colombia's sovereign ratings;

--A significant weakening of the company's linkage with the government and a lower government incentive to support coupled with a deterioration of its SCP;

--Material delays in development and construction milestones across the business segments can trigger a downgrade in the company's 'bbb-' SCP;

--Sustained leverage exceeding 2.5x can trigger a downgrade in the SCP of the company from 'bbb-'

-- A decrease of 1P reserves below 1.5 billion boe could trigger a downgrade to the SCP of the company from 'bbb-'.

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

--Although not expected in the short to medium term, an upgrade of Colombia's sovereign ratings.

LIQUIDITY AND DEBT STRUCTURE

Ecopetrol's strong liquidity profile is supported by cash on hand, which amounted to USD2.5 billion at June 30, 2025, strong access to the capital markets and an adequate debt maturity profile. Based on market appetite, Fitch does not expect Ecopetrol will have difficulty refinancing, partially or in full, its 2025 and 2026 maturities.

Fitch expects that the majority of Ecopetrol's consolidated EBITDA will continue to be generated from its oil and gas business. Fitch estimates that ISA's EBITDA of USD 1.0 billion in 2024, adjusted to Ecopetrol's ownership, is expected to represent 15% of Fitch's projected Ecopetrol EBITDA for 2025. Gross leverage excluding ISA, defined as total debt to EBITDA, is expected to be 1.8x in 2025. Fitch forecasts gross leverage of 2.5x on average through 2028.

ISSUER PROFILE

Ecopetrol is a leading integrated energy and infrastructure company in the Latin and Central American region and the largest in Colombia regarding its Upstream, Midstream and Downstream business segments. Interconexión Eléctrica S.A. is 51% owned by Ecopetrol and is the largest energy transmission company in the region.

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 Sector Forecasts Monitor 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

Ecopetrol S.A. has an ESG Relevance Score of '4' for Management Strategy due to reduced visibility on execution of growth strategy which has a negative impact on the credit profile, and is relevant to the rating[s] in conjunction with other factors.

Ecopetrol S.A. has an ESG Relevance Score of '4' for Exposure to Social Impacts due to multiple attacks to its pipelines, which has a negative impact on the credit profile, and is relevant to the rating[s] in conjunction with other factors.

Ecopetrol S.A. has an ESG Relevance Score of '5' for Governance Structure due to uncertainty regarding the degree of independence of the Board of Directors in operational decisions that could be material for the maintenance of cash generation, production levels, and addition of reserves, which has a negative impact on the credit profile, and is highly relevant to the rating, resulting in a one-notch downgrade of the SCP.

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.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
Ecopetrol S.A.	LT IDR	BB+ Rating Outlook Negative	Affirmed	BB+ Rating Outlook Negative
	LC LT IDR	BB+ Rating Outlook Negative	Affirmed	BB+ Rating Outlook Negative

	Natl LT AAA(col) Rating Outlook Stable Affirmed	AAA(col) Rating Outlook Stable
	Natl ST F1+(col) Affirmed	F1+(col)
senior unsecured	LT BB+ Affirmed	BB+
senior unsecured	Natl LT AAA(col) Affirmed	AAA(col)
senior unsecured	Natl ST F1+(col) Affirmed	F1+(col)

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

National Scale Rating Criteria (pub. 22 Dec 2020)

Metodología de Calificaciones en Escala Nacional (pub. 22 Dec 2020)

Parent and Subsidiary Linkage Rating Criteria (pub. 27 Jun 2025)

Corporate Rating Criteria (pub. 27 Jun 2025) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub. 27 Jun 2025)

Government-Related Entities Rating Criteria (pub. 18 Jul 2025)

Metodología de Calificación de Finanzas Corporativas (pub. 24 Jul 2025)

Metodología de Calificación de Entidades Relacionadas con el Gobierno (pub. 04 Sep 2025)

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

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Ecopetrol S.A.	EU Endorsed, UK Endorsed

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