S&P Global Ratings

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Research Update:

Petroleos del Peru Petroperu S.A. 'B-' Ratings Affirmed, Off CreditWatch On New Government Decree; Outlook Negative

May 28, 2026

Rating Action Overview

- An emergency decree announced in May 2026 by the Peruvian government highlights its support to Petroperú.
- We believe Petroperú has the financial flexibility to meet its short-term debt obligations.
- On May 28, 2026, S&P Global Ratings affirmed its 'B-' issuer credit and issue-level ratings on **Petroleos del Peru Petroperu S.A.** and removed them from CreditWatch. It had placed them on CreditWatch with negative implications on Dec. 22, 2025.
- The negative outlook reflects the uncertainty regarding Petroperú's future operating structure and its ability to ensure business continuity, which would enable it to generate sufficient cash flow on a consistent basis to meet its future financial obligations.

Rating Action Rationale

The ratings affirmation reflects our view that Petroperú has the financial flexibility to meet its short-term debt obligations. A new emergency decree--announced on May 11, 2026--authorizes the Ministry of Energy and Mines to assume a contingent financial commitment for the creation of an about $2.0 billion special-purpose vehicle to support the company's operational continuity--for example, its financing of working capital needs, its replenishment of fuel inventories, and its carrying out services necessary for hydrocarbon production.

The announced decree will provide support to Petroperú and alleviates its short-term liquidity issues. We now expect that Proinversion will focus its restructuring plan on operational strategies.

The negative outlook reflects the lack of clarity regarding Petroperú's operational objectives for maintaining business continuity. The Peruvian government had previously issued an emergency decree on Dec. 31, 2025, authorizing Proinversion to formulate a new business plan for Petroperú. However, the plan hasn't materialized. Therefore, the company's strategic

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direction remains undefined--and coupled with the lack of clarity on execution timelines and specific operational objectives, it creates uncertainty. That, in turn, limits our ability to forecast the trajectory of the company's recovery and form a view on the implementation of its new operating structure.

We believe it'll take time for the plan to be implemented, since it will likely require the approval of both bondholders and CESCE (Compañía de Seguros de Crédito a la Exportación) creditors, given the possible involvement of asset dispositions and the limitations on asset sales in Petroperú's debt obligations. Once the plan is released, we will analyze the effects that it may have on the company's operational and financial performance.

Our assessment of the likelihood of government support remains unchanged. We maintain our view of a moderately high likelihood of extraordinary support from the government to Petroperú in the event of financial distress. The government has released several decrees establishing extraordinary economic and financial measures for the assurance of the local fuel market.

We expect that the government will continue to view Petroperú as a strategic asset for the country--one that plays an important role with respect to the country's fuel supply. And that's why we think the government would take necessary measures to avoid a payment default at Petroperú. While a default of Petroperú would have a major impact on the government, in our view, we think the consequences of nonintervention would still be manageable.

The 'ccc' stand-alone credit profile continues to reflect our view that Petroperú's capital structure is unsustainable. Petroperú has a high level of debt (adjusted debt of $5.047 billion) and only $282 million in EBITDA as of March 31, 2026. This leads to debt leverage of 17.9x and EBITDA interest coverage below 1.0x.

Additionally, Petroperú has significant debt amortizations in the short term, with:

- Semiannual amortizations of the CESCE loan of $84 million,
- About $24 million of interest from its international bond due 2032 (including interest), and
- $56 million of interest from its bond due 2047.

We anticipate that the company will service its June 2026 debt maturities through cash generated during the quarter or the $500 million short-term debt facility established in the emergency decree issued in May 2026.

Outlook

The negative outlook reflects the lack of clarity we have on Petroperú's future operational structure. But once the plan for that is implemented, we will analyze the effects that it may have on the company's operational and financial performance.

Downside scenario

We could lower the ratings if:

- There's a continued delay in materializing the operational plan,
- We were to revise down our assessment of the likelihood of government support, or
- We sense that there's uncertainty about the government's ability to implement sustainable corrective measures amid persistent vulnerabilities.

Upside scenario

We could revise the outlook to stable once we have more visibility into the operating plan and structure--things that would allow the company to maintain its ongoing business.

Company Description

Peru (local currency: BBB/Stable/A-2; foreign currency: BBB-/Stable/A-3) owns 100% of Petroperú, with 40% belonging to the Ministry of Energy and Mines and 60% belonging to the Ministry of Economics and Finance.

The company transports, refines, distributes, and markets fuels and other petroleum-derived products in Peru. It owns and operates three refineries (Talara, Conchan, and Iquitos) with total refining capacity of 122,500 barrels per day (bpd). The Pucallpa refinery, which used to be leased from a private entity, is currently not operational.

The company also owns and operates the Nor Peruano oil pipeline (approximately 1,100 kilometers in length), which is Peru's main transportation pipeline that connects all of the country's major oil blocks to the country's largest refinery and port. Petroperú distributes fuel through ships, trucks, and rail cars, and sells it mainly through affiliated retail stations that work exclusively with Petroperú.

Most of the company's revenue and EBITDA come from the refining, marketing, and distribution of oil products in the country. Petroperú made a material investment to upgrade the Talara refinery, which increased its refining capacity to 95,000 bpd from 65,000 bpd. This initiative led to a significant increase in Petroperú's debt leverage.

Our Base-Case Scenario

Assumptions

- GDP growth of 2.7% in 2026 and 3.0% in 2027
- Inflation at 2.5% in 2026 and 2027
- West Texas Intermediate oil price of $89 per barrel for 2026 (the average for the actual prices plus $95 per barrel for the remainder of the year) and $75 per barrel for 2027

Company-specific assumptions:

- Fuel prices moving in tandem with the prices of oil and refined products, because both correlate to oil prices
- A fully operational Talara refinery for the rest of 2026, with about 76,000 bpd of production companywide in 2026 and slightly increasing capacity going forward
- S&P Global Ratings-estimated utilization rate of 60%-65%
- A gradual recovery in volume and EBITDA in 2026 (in line with the company's performance in the last three quarters) while facing strong competition with 25%-30% of market share, currently at 20%
- Working capital changes that are positive in 2026, given the expected delay in payments to suppliers

- Capital expenditure that's lower (to maintain cash flow), at $90 million-$95 million through 2026-2028 (or roughly 2.5% of total revenue) mainly for maintenance
- No dividend payments

Key metrics

This leads to the following forecasts for credit metrics for the next two years:

- Debt to EBITDA at about 19x
- Negative ratio of free operating cash flow to debt
- EBITDA margins of 8%-9%

Liquidity

We continue to view Petroperú's liquidity as weak because there will be a material deficit of cash sources relative to cash uses in the next 12 months.

Principal liquidity sources	Principal liquidity uses
• Cash and cash equivalents of $21.88 million as of March 31, 2026 • Working capital inflows of about $49.6 million	• $269.5 million of short-term debt maturities as of March 31, 2026 • Funds from operations of negative $349.9 million • Capex of approximately $90.6 million

Environmental, Social, And Governance

Governance factors are a negative consideration in our credit rating analysis of Petroperú.

Environmental factors are also a negative consideration in our analysis, like they are in our credit rating analyses of other refineries. We think there are above-average environmental risks in the refining and marketing sector because the refining process is a significant source of carbon dioxide emissions and produces carbon-based fuels, and the energy transition will affect demand for those fuels. In this respect, Petroperú's investment in Talara is designed to reduce the environmental impact, and we will monitor that accordingly.

The sector also has material exposure to regulations on emissions and carbon taxes, as well as to pollution, transport spills, and contamination risks, which may result in financial and reputational damage.

The company recently approved its 2024 sustainability report, which continues to target the environmental impact of its activities while maintaining its financial viability.

Issue Ratings--Subordination Risk Analysis

Capital structure

The company's total debt is $5.0 billion, 79% of which is denominated in U.S. dollars and 21% of which is in Peruvian soles (working capital facilities) as of March 31, 2026.

- $3.0 billion in international bonds ($1.0 billion due 2032 and $2.0 billion due 2047)
- $794 million syndicated loan (CESCE)
- $1.1 billion in shareholder loans (MEF loan due 2028)
- $435 million of bank debt

Analytical conclusions

There's no structural subordination because all of the issuances were made at Petroperú's level, and all are senior unsecured on a pari passu basis.

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 2025
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Research Update: Petroperu Ratings Lowered To 'B-' From 'B' On Lower Likelihood Of Government Support; Placed On CreditWatch Negative, Dec. 22, 2025
- Research Update: Petroleos del Peru Petroperu S.A. Downgraded To 'B', Placed On CreditWatch Negative On Heightened Vulnerabilities, May 28, 2024

Ratings List

Ratings List		
Ratings Affirmed; Outlook Action		
	To	**From**

Ratings List

Petroleos del Peru Petroperu S.A.		
Issuer Credit Rating	B-/Negative/--	B-/Watch Neg/--
Senior Unsecured	B-	B-/Watch Neg