Chart of the Week: U.S. Energy Debt Market Snapshot

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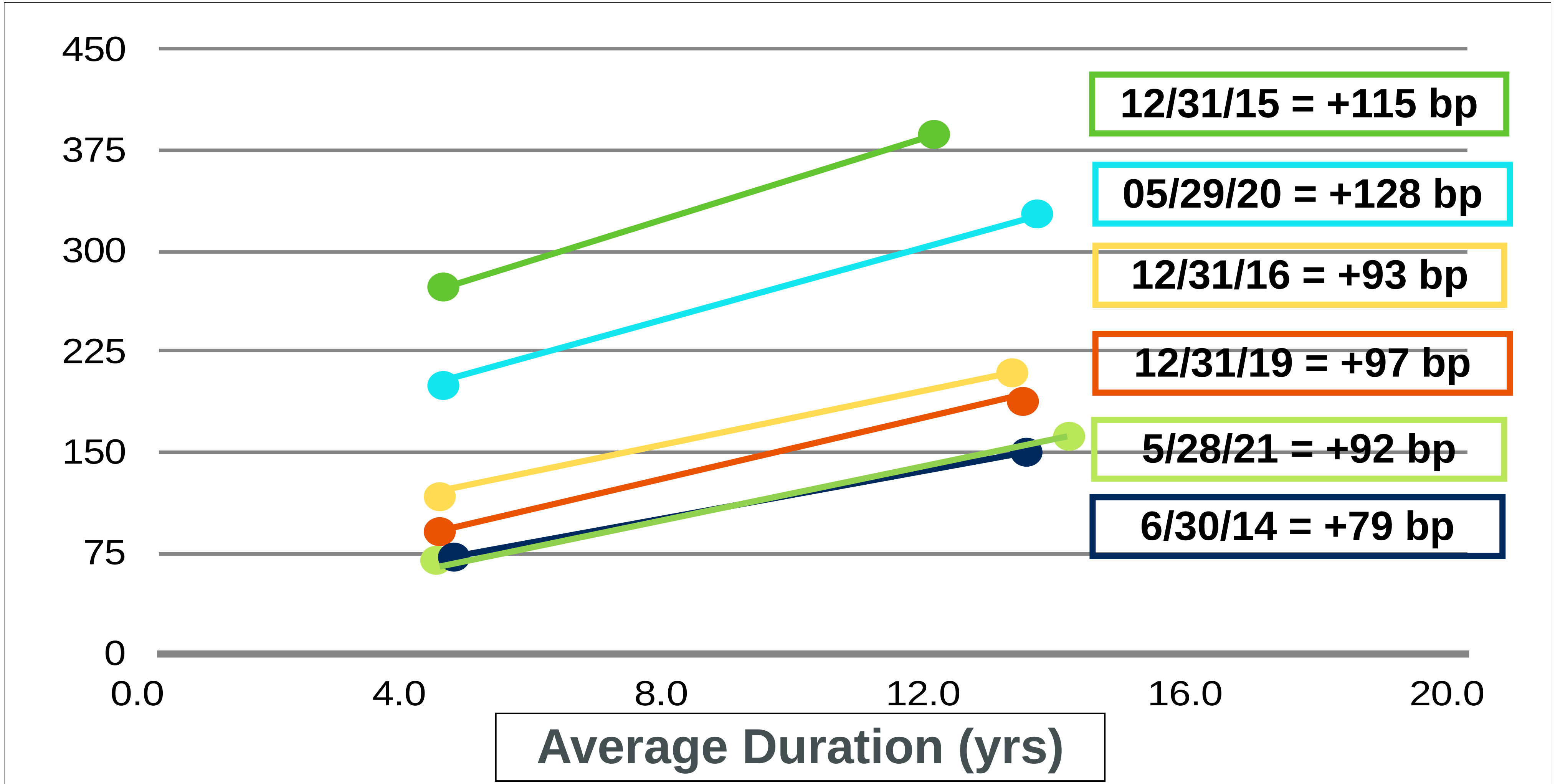
New York, NY

U.S. Investment Grade Energy Bond Credit Spread Curves (basis points)



Source: Bloomberg Barclays

U.S. Investment Grade Energy Bond Credit Spread Curves

- Since the ratification of the 2015 Paris Agreement, the need for a global energy transition has been pushed by the United Nations and its member governments (mainly European), abetted by a concerted effort to choke off capital to the fossil fuels industry through the environmental-social-governance (ESG) and sustainability investment movement sweeping Wall Street.
- Despite repeated public warnings by environmental activists and ESG advocates about looming stranded asset risk for oil and gas companies, thus far U.S. investment grade (IG) bondholders—one of the most risk-averse groups of investors—have not shown any concern by shying away from longer-date energy bonds or requiring incremental credit spread for extending out the energy curve.
- Since the shale-related reset of world oil prices that began in mid-2014, the IG energy credit spread curve has not steepened meaningfully, away from temporary spikes caused by oil price volatility (mainly the 2020 pandemic and related OPEC+ market share war).
- In 2020, there was record new issuance of U.S. energy bonds totaling $219 billion, with both IG and high yield energy bonds significantly outperforming over the year-to-date (YTD) and last 12 month (LTM) periods.
- Longer-dated bonds comprised 43% of the Bloomberg Barclays IG Energy sub-index as of May 28, 2021, up from 33% at June 30, 2014
- The expanded version of this slide deck is available at: https://eprinc.org/chart-of-the-week/
- For more information on this chart, please contact Paul Tice, ptice@stern.nyu.edu