FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Gulf Cooperation Council Interconnection Authority 'A+'; Outlook Stable

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Fitch Ratings - Warsaw - 06 Aug 2025: Fitch Ratings has affirmed Gulf Cooperation Council Interconnection Authority's (GCCIA) Long-Term Foreign Currency Issuer Default Rating (IDR) at 'A+'. The Outlook is Stable. A full list of rating actions is below.

Fitch views GCCIA as a government-related entity (GRE) and applies its GRE criteria, based on its expectations of an extremely high likelihood of exceptional government support for the entity in case of financial distress. The affirmation reflects the continued support for GCCIA from six GCC member states, given its key role in providing sustainable electricity security, with significant economic benefits for the GCC region.

The ratings also consider GCCIA's strategic importance as the operator of the GCC power grid interconnection, which enhances electricity reliability and flexibility across member states. Its robust governance framework and long-term support agreements with member governments underpin its strong credit profile.

KEY RATING DRIVERS

Support Score Assessment 'Extremely likely'

We consider that extraordinary support from the six GCC member states to GCCIA would be 'Extremely likely' in case of need, reflecting a support score of 40 (out of a maximum 60) under our GRE criteria. This reflects a combination of responsibility to support and incentive to support factors assessment as below.

Responsibility to Support

Decision Making and Oversight 'Very Strong'

GCCIA's strategic direction, including approval of fees, capex, and funding, is overseen by its board of directors, with each of the six member states represented by two appointed government officials. Regulatory oversight is provided by the Advisory and Regulatory Committee (ARC), comprising one representative from each member state, in the absence of an independent regional regulator. ARC reports annually to the GCC Electricity and Water Ministerial Committee, which approves GCCIA's annual fees, monitors its performance, and provides strategic guidance to the board.

Fitch views the board's close and ongoing oversight, its direct involvement in key decisions, and the imposition of specific requirements on the execution of the power grid interconnection, which is a highly strategic projects as evidence of the six member states' tight and coordinated control over GCCIA, underpinning our assessment of this key risk factor.

Precedents of Support 'Very Strong'

GCCIA benefits from regular support from its member state owners, which top up annual fees to address any shortfall in debt servicing arising from unforeseen increases in operating expenses, particularly those linked to planned expansion investments. Fitch expects these additional contributions to average approximately 33% of operating revenue over the medium term.

The authority also operates within a supportive regulatory environment, benefiting from exemptions from taxation and duties, and it has not paid any dividends since becoming operational in 2009. This record of past and ongoing support from member state owners is a key driver of GCCIA's robust financial profile and 'bbb+' Standalone Credit Profile (SCP).

Incentives to Support

Preservation of Government Policy Role 'Strong'

GCCIA is a high-profile GRE central to energy security in the Gulf, providing critical emergency support to prevent power outages and meet rising demand for power exchange, including integration of renewable energy sources. Its services are essential to the public across the Gulf region.

The planned expansion of cross-border interconnection networks—linking member states such as the United Arab Emirates, Oman, and Kuwait, as well as extending to non-GCC countries like Iraq—will enhance transmission capacity for higher volumes of power exchanges and reinforce GCCIA's pivotal role in fostering economic and political integration within the region. Fitch believes that a default by GCCIA would have significant repercussions for the political leadership of its six member states and could undermine the implementation of the long-term regional energy policy agenda.

Contagion Risk 'Strong'

GCCIA has obtained financing from regional development banks, despite the typical preference for direct government access to development funding, reflecting its strategic importance as a supranational GRE. This exceptional approval underscores the authority's critical role in regional infrastructure. Fitch believes that contagion risk provides a strong incentive for the six member states to extend support if needed. We expect GCCIA's presence in financial markets to grow, with outstanding debt forecast to increase to over USD1.0 billion by end-2027 from USD0.1 billion in 2023, predominantly sourced from GCC regional development banks.

Standalone Credit Profile

We assess GCCIA's SCP at 'bbb+', reflecting a financial profile at the stronger end of the 'a' category and a risk profile positioned at the higher end of Fitch's 'Midrange' assessment. .

Risk Profile: 'Midrange'

Fitch assesses GCCIA's Risk Profile at 'Midrange', reflecting the combination of assessments:

Revenue Risk: 'Midrange'

Core revenues (annual fees) are highly predictable and visible, derived exclusively from regulated activities with low demand risk and fully contracted, primarily with 'AA' rated counterparties (55%). Contracts are also held with 'A' (26%), 'BB' (10%), and 'B' (8%) rated entities. There is no formal solidarity mechanism, but we expect annual fees to be redistributed among stronger counterparties in the event of non-payment by weaker ones. GCCIA can raise annual fees to cover inflation-driven increases in operating expenses, although any adjustments are subject to approval by the Ministerial Committee.

Expenditure Risk: 'Midrange'

GCCIA's cost structure is transparent, with a full pass-through of operating, supply, and volume risks, although this is somewhat constrained by the credit quality of counterparties. Additional pass-through costs primarily relate to maintenance from expansion projects. Resource and labour supply is adequate with limited volatility, and GCCIA has established mechanisms for investment planning, with financing arranged well in advance.

Liabilities and Liquidity Risk: 'Midrange'

The assessment reflects an evolving capital and financial market framework for debt and liquidity management, strong access to regional development banks, low funding costs, and long tenors. However, GCCIA is not yet a frequent or large issuer in financial markets. Liquidity remains ample, with cash and liquid deposits of USD71 million at end-2024, covering over 30% of outstanding debt.

Financial Profile 'a'

The 'a' financial profile assessment is primarily supported by projected leverage (net debt/Fitch-calculated EBITDA) of 5.4x in 2029 (2024: 4.3x), at the stronger end of the peer range. Revenue and profitability have increased over the past five years, driven by growth in regulated activities, with an average EBITDA margin of about 41%. The authority is nearly debt-free, maintaining a net cash position. We expect large infrastructure investments in 2023-2029 to raise net adjusted debt/EBITDA to an average of 7x in 2025-2027, before declining to below 6x as earnings grow and the network becomes fully operational.

High cash flow visibility is reinforced by expected member state transfers to cover loan repayments. Earnings are projected to cover at least 1.2x annual debt service, with gross interest coverage remaining robust at 2x-4x in 2025-2029, despite a decline from historical levels.

Short-Term Ratings

The Short Term IDR of 'F1' is the lower of two possible outcomes mapping to GCCIA's Long Term IDT of 'A+' under Fitch's Public Policy Revenue-Supported Entities Rating Criteria, reflecting its midrange liquidity and liability risk metrics.

PEER ANALYSIS

Due to its unique supranational function, GCCIA has no direct peers, but can be compared with other GREs. Public Investment Fund (PIF: A+/Stable), British Columbia Hydro and Power Authority (BC Hydro: AA+/ Negative), Turkiye Wealth Fund (TWF: BB-/Stable), Korea Mine Rehabilitation and Mineral Resources Corporation (KOMIR: A+/Stable), Abu Dhabi Future Energy Company PJSC (Masdar: AA-/Stable), and China Jianyin Investment Limited (JIC: A/Stable) all exhibit varying degrees of government support and risk profiles. Most peers benefit from 'Extremely likely' to 'Virtually certain' support from a single government owner, while GCCIA's support is derived from a blend of six member states, each with proportional responsibility and incentives. Unlike some peers that are tightly integrated with their respective sovereigns (such as PIF and BC Hydro), GCCIA's multi-state structure and supranational role result in a slightly lower, but still robust, support assessment.

Compared with entities like TWF and KOMIR, which have weaker standalone profiles due to macroeconomic or operational challenges, GCCIA has a stronger risk profile and greater revenue predictability. Masdar and JIC share strong government links and financial stability, but their roles differ, and none match GCCIA's essential function in Gulf energy security and regional integration.

Issuer Profile

GCCIA is a supranational entity established by the six GCC member states to develop, own, operate, and maintain the electricity interconnection grid across the Gulf region. Its strategic mandate is to enhance electricity reliability, security, and economic efficiency by enabling power exchanges and reserves sharing among member countries. GCCIA plays a critical role in supporting regional energy cooperation and sustainable development within the GCC.

KEY ASSUMPTIONS

Fitch's base and rating cases incorporate 2024 financial accounts and projections by GCCIA for 2025-2029 and are based on the following assumptions:

- Operating revenue CAGR of 26.2%, in line with contracted annual tariffs, coupled with the grid expansion

- Opex CAGR of 14.3%, driven by increases in maintenance cost and depreciation for the additional assets from expansion projects and an expected inflation rate of 3%

- A negative capital balance of around USD260 million a year due to expansion projects related to the interconnection grid

- Cost of debt on average at 3.3%, reflecting funding from GCC development banks at below market rates

- The rating case incorporates additional stress on GCCIA's operating revenue of 1% a year

RATING SENSITIVITIES

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

A downgrade of the credit profile weighted by proportional share of annual benefits of its six GCC member states.

A weaker assessment of support to under35 points.

A downward reassessment of GCCIA's SCP leading to a discrepancy of more than three notches from the weighted-average credit profile of its member states, while support factor assessments are unchanged.

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

An upwards revision of SCP to 'a-' or above, coupled with an upgrade of the weighted-average credit profile of its member states, provided the support score remains above 35 points.

Criteria Variation

Fitch has applied a variation from its GRE Rating Criteria for multi-owner GREs and factored in extraordinary support from the six GCC member states that are the shareholders of GCCIA with no single government having more than 50% of shares or materially more shares than the others. This is because GCCIA is a unique supranational GRE that carries out essential public services for the GCC region, which underpin the six GCC member states' responsibility and incentives to provide extraordinary support in case of financial distress.

In the absence of the variation, GCCIA's IDR would have been equalised with its SCP.

For the application of the variation, Fitch derived the weighted-average credit profile of the six GCC member states based on their proportional shares of the annual benefits stemming from the usage of the interconnection grid. This resulted in a blended IDR of the six member states at 'A+'.

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.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

GCCIA's ratings are credit-linked to the weighted average rating of its six GCC owners (UAE, Kuwait, Oman, Bahrain, Qatar and Saudi Arabia).

References for Substantially Material Source Cited as Key Driver Rating

The principal sources of information used in the analysis are described in the Applicable Criteria.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
Gulf Cooperation Council Interconnection Authority	LT IDR	A+	Affirmed	A+
	ST IDR	F1	Affirmed	F1

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VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

Public Policy Revenue-Supported Entities Rating Criteria (pub. 13 Jan 2024) (including rating assumption sensitivity)

Government-Related Entities Rating Criteria (pub. 19 Jul 2025)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Gulf Cooperation Council Interconnection Authority	EU Issued, UK Endorsed

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