Ampol Sustainability-Linked Perpetual may miss a target

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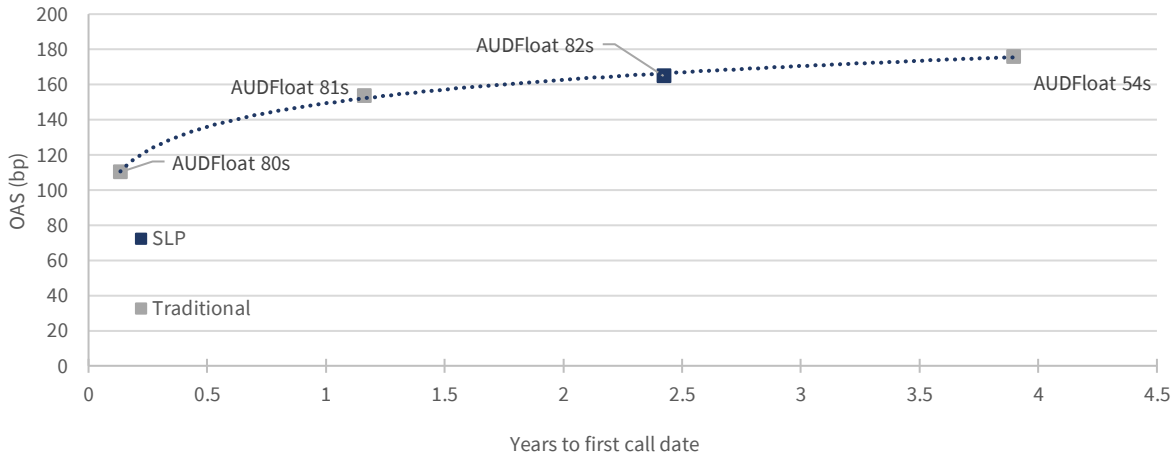
Ampol Limited (ticker ALDAU) is an Australian oil and gas company. As the market leader in the distribution and retail of transport fuels in Australia, and owner of the Lytton refinery, one of the country's last remaining oil refineries,[1] Ampol's decarbonisation efforts closely tracks Australia's own decarbonisation.

The company has one Sustainability-Linked Bond outstanding, a hybrid bond. This is the only Sustainability-Linked Perpetual (SLP) recieving equity treatment from a major ratings agency (S&P, Moody's, or Fitch), of which we are aware, having been assigned 50% equity treament by Moody's.[2] Concerns around how coupon step-ups may impact the expected maturity of such structures often render them illegible for equity treatment, which reduces the financial benefit for issuers.[3] The bond matures in 2082, but is callable from Jun 2028. If not called, the bond offers a option for holders to convert into shares.

The bond observed three Sustainability Performance Targets (SPTs) in Jun 2025, on emissions intensity from two sources, and scope 1+2 emissions from its retail and convenience business. We expect reporting on 23 Feb 2025.[4,5] If any SPTs are missed, the call price increases by 1%.

We rate Ampol's SLP as Likely MISS due to unplanned operational events and a weak oil refining market impacting refinery efficiency and therefore refining emissions intensity. As shown in Figure 1, current bond pricing seems not to be expecting an increased call price.

Figure 1. Ampol hybrid bonds z-spreads. Source Bloomberg Finance. L.P, AFII., accessed 19 Jan 2026.



[1] "Who we are", Ampol, accessed 21 Jan 2026.
[2] "AMPOL'S SUSTAINABILITY-LINKED HYBRID ISSUE", Ampol, 15 Jun 2022.
[3] For more analysis on SLPs see "Developments in Sustainability-Linked Perpetuals", AFII, 12 Nov 2024.
[4] This has been confirmed by Bloomberg, who contacted the Issuer.
[5] "Conditions of the Subordinated Notes", Ampol Limited, 5 Jun 2021.

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KPI details

Ampol has one SLP outstanding, which observes four targets contributing to three SPTs shown in Table 1. SPT one is split into two parts, reducing total refining emissions intensity and total emissions intensity from its three largest terminals.[5,6] Three were observed in 2025, but one is not until Dec 2027. Reporting for the 2025 SPTs are expected in the first half of 2026 and both SPTs use a 2021 baseline.

If a single SPT is missed (for SPT 1 this is either SPT 1.a or SPT1.b) the redemption price of the SLP increases to 101% of par on the 1st call date in June 2028 and the conversion discount increases by 1% to 2% if holders convert their SLPs into shares.[5]

Table 1. Ampol limited SLP KPI details. Source: Ampol limited.

KPI Number	Description	SPT	Observation date
1.a	Total emissions intensity (Scope 1+2) (Lytton refinery)	-5%	30-Jun-25
1.b	Total emissions intensity (Scope 1+2) from Terminals (Banksmeadow, Kurnell, Newport)	-5%	30-Jun-25
2	Scope 1+2 emissions of the Convenience Retail Business	-25%	30-Jun-25
3	Operation or control of EV Charge Points	500	31-Dec-27

KPI Performance

Australia's reporting period runs from 1 July to 30 June of the following year, as does Ampol's sustainability, energy, and emissions reporting.

Therefore, whether SPT 1 and 2 will be met depends on the KPI performance covering the period from Q3 2024 to Q2 2025.

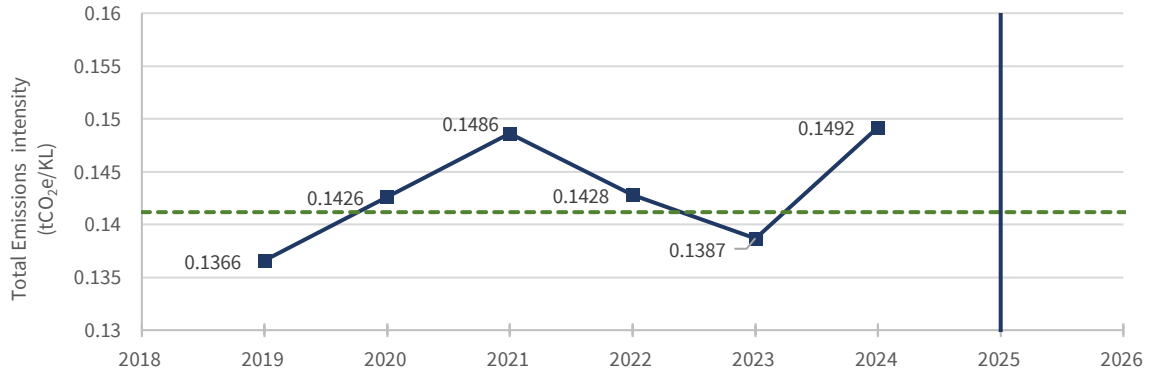
Analysing the historical performance of the KPIs as well as the drivers of these KPIs give insights into whether the SPTs will be achieved, and we will assign AFII rankings.[7]

It should be noted that all the KPIs exclude the use of any form of carbon and or emission offsets and so SPTs cannot be met through the purchase of emission offsets.[5]

KPI1.a

KPI 1.a Total emissions intensity (scope 1 and 2) from the Lytton Refinery is shown in Figure 2.

Figure 2. KPI 1 Total Emissions intensity from the Lytton Refinery. Source: Ampol limited.



[6] "2021 Sustainability Report - Ampol Limited", Ampol Limited, 29 Mar 2022.
[7] For further details on the ranking system see "A watershed year for the SLB market", AFII, 15 Jul 2025.

Outside of 2024 where KPI 1.a increased due to "*a series of planned and unplanned operational events impacting reliability and production*", KPI 1.a has decreased every year since the SLP was issued in 2021.[8]

During the 2025 reporting period, the Lytton refinery again faced unplanned events impacting production. In Q3 2024, the plant required repairs to the regeneration part of the fluidised catalytic cracking unit, reducing production.[9]

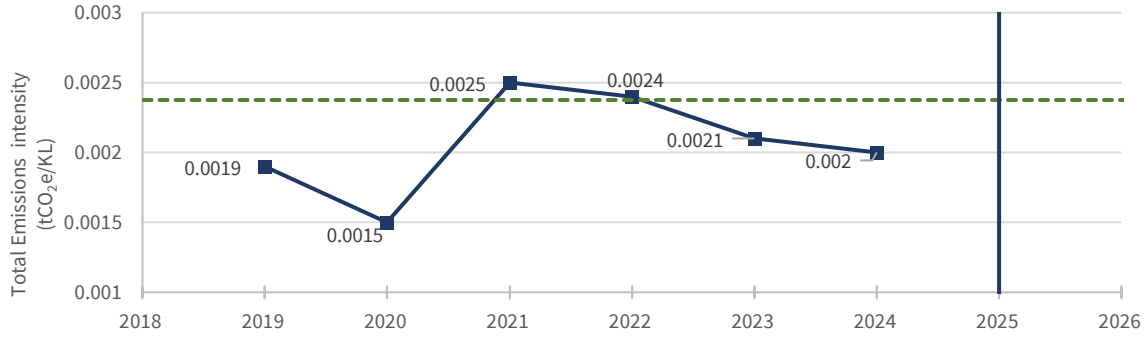
Similarly, in Q1 of 2025, the refinery's production dropped by 15% compared to Q4 2024 because of cyclone Alfred shutting the plant for 10 days and damaging a crude oil storage tank, as well as a weaker global refining market.[10]

Therefore, we rank SPT 1.a Likely MISS due to continued unplanned operational events which decrease production and energy efficiency, thereby increasing emissions intensity of the refinery as the minimum emissions needed for the plant to operate is spread out over less units of production.[11]

KPI1.b

KPI 1.b. is the total emissions intensity of total fuel throughput from three specific fuel terminals the Banksmeadow, Newport and Kurnell shown in Figure 3. The SPT is currently achieved.

Figure 3. KPI 1.2 Total emissions intensity from Terminals. Source: Ampol limited.



Unlike with the Lytton refinery there have been no news reports of unplanned operational events which could have impacted total emissions intensity of the three terminals referenced in SPT 1.b.

As the KPI performance is currently below the 2025 SPT 1.b we rank SPT 1.b as Currently MET.

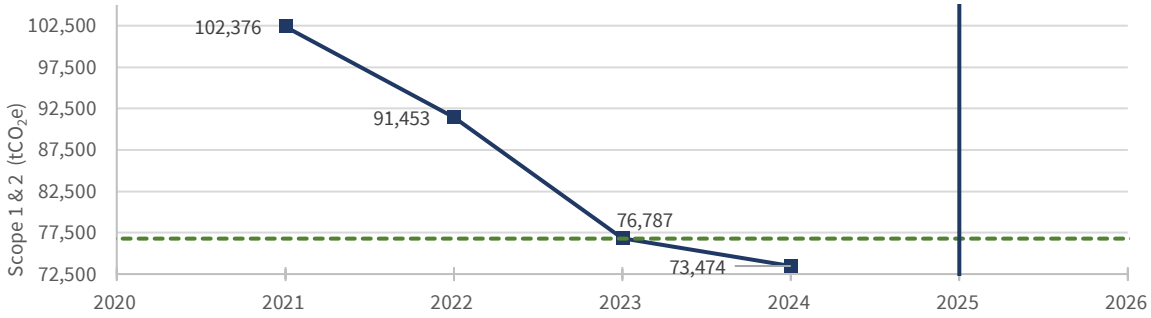
However, to meet SPT 1 both SPT 1.a and 1.b must be achieved so when consolidating the two targets, overall SPT 1 is ranked as Likely MISS.

KPI2

The other SPT being observed at the end of FY2025 is a 25% reduction Scope 1 and 2 emissions from the convenience retail business, the sale of Ampol's products including fuel lubricants, from a 2021 baseline as shown in Figure 4 (overleaf).

[8] pg. 35 "2024 Annual Report", Ampol Limited, 24 Feb 2025.
[9] "UPDATE ON OPERATIONS AT LYTTON REFINERY AND PROPOSED SUBORDINATED NOTES ISSUANCE", Ampol Limited, 29 Nov 2024.
[10] "Cyclone cuts Australian refiner Ampol's 1Q output | Latest Market News", Argus Media, 16 Apr 2025.
[11] "2024 Annual Report", Ampol Limited, 24 Feb 2025.

Figure 4. KPI 2. Scope 1 and 2 emissions from convenience retail business. Source : Ampol limited.



The KPI has had a steady downward trajectory since 2021 driven by solar panel installation, LED lighting replacements and, power purchasing agreements for the petrol stations and kiosks that Ampol operates.[11]

Latest reporting shows that the KPI is currently meeting its SPT, and so we rank SPT 2 as Currently MET.

Summary

The structure of the bond is such that only one SPT needs to be missed for the bond to step-up, which means we rank Ampol's SLP as Likely MISS.

Ampol bond pricing

Ampol currently has five bonds outstanding worth AUD 2.25 billion, which are shown in Table 2.

Table 2. Ampol limited outstanding bond details. Source: AFII, Bloomberg Finance L.P., accessed 19 Jan 2026.

DES	ISIN	Issue Date	First call date	Maturity	Amount Outstanding (AUD mn)	Payment Rank
Hybrid AUD 5.8 55s	AU3CB0327641	30-Oct-25	30-Oct-33	30-Oct-55	500	Sr Subordinated
Hybrid AUD Float 54s	AU3FN0094520	11-Dec-24	09-Mar-26	11-Dec-54	600	Subordinated
Hybrid AUD Float 80s	AU3FN0057683	09-Dec-20	11-Dec-29	09-Dec-80	500	Subordinated
Hybrid AUD Float 81s	AU3FN0064739	02-Dec-21	19-Mar-27	02-Dec-81	500	Subordinated
SLP AUD Float 82s	AU3FN0069704	21-Jun-22	21-Jun-28	21-Jun-82	150	Subordinated

Pricing for the SLP with comparables is shown in Figure 5 (overleaf) to first call date.[12] It is very hard to interpolate pricing curves for short-dated bonds, however the SLP seems to be pricing roughly in line and notably has a smaller amount outstanding compared to the 80s and 81s. This could imply the market is not expecting the targets to be missed.

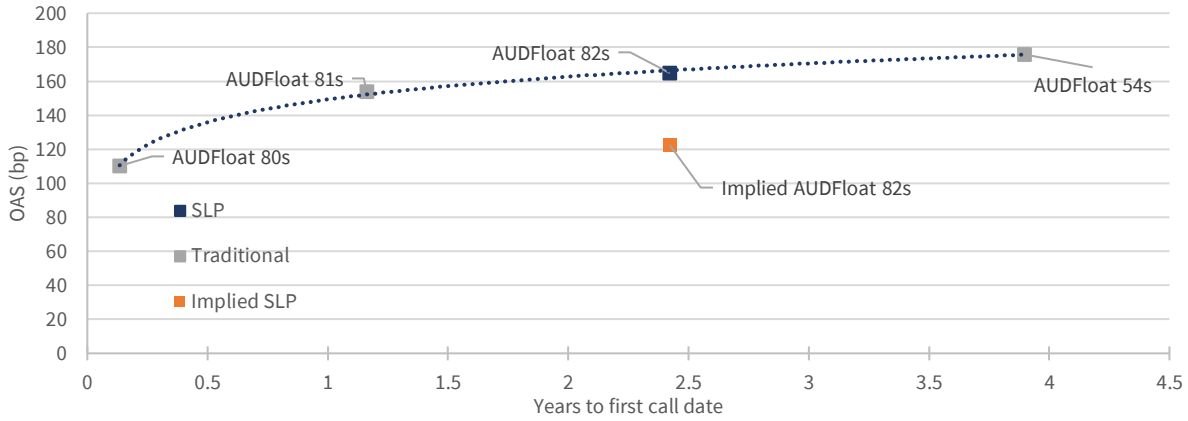
SLB Option pricing

If we consider the redemption price of the SLP increasing to 101% of par on the 1st call date in June 2028 as a step-up of 1 percent, and assuming the perpetual is called, we can convert this into an equivalent running spread, to estimate the option value of the step-up.

[12] The Hybrid AUD 5.8 55s are not shown in Figure 5 as they have a different payment rank.

100bp at maturity is equivalent to 42.3 basis points on a risk-free discounted basis across the length of the SLP until first call. This is shown on Figure 5 as an illustration.

Figure 5. Ampol bonds Option Adjusted Spreads (OAS). Source Bloomberg Finance. L.P, AFII., accessed 19 Jan 2026.



Rated SLPs

One factor that makes this Ampol security of interest is that it is rated by Moody's, the only SLP rated by a western rating agency that we are aware of.

Sustainability-linked features have historically prevented hybrid issuance from being rated, and securing equity treatment, from western rating agencies, although there are structures rated by Asian agencies.[3,13]

If a target is missed, this could be a test case for hybrid issuance where an issuer pays an increased amount (here at redemption rather than an increased coupon).

Conclusions

Ampol Limited is a leading Australian energy company and the only issuer whose Sustainability-Linked Perpetual (SLP) has received equity treatment from one of the major rating agencies, Moody's, S&P, or Fitch. It's first targets were observed in Jun 2025, and we expect reporting on 23 Feb.[4] If any target is missed, the call price in 2028 increases by 1%.

We currently rate the SLP, with SPTs being observed in 2025 as Likely MISS, largely due to unplanned operational disruptions that have reduced production efficiency and increased refinery emissions intensity.

The bond seems to be pricing inline with other securities, suggesting the market is not assigning a material probability to the higher redemption price being paid.

[13] As reported in "The missing market: sustainability-linked hybrids", GlobalCapital, 11 Jan 2024

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