

Summary:

Corporacion de Reservas Estrategicas de Productos Petroliferos

Primary Credit Analyst:

Alejandro Rodriguez Anglada, Madrid (34) 91 788-7233; alejandro_rodriguez_anglada@standardandpoors.com

Secondary Contact:

Lorenzo Pareja, Milan (39) 02-7211-1214; lorenzo_pareja@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Corporacion de Reservas Estrategicas de Productos Petroliferos

Credit Rating: AA-/Negative/A-1+

Rationale

Standard & Poor's Ratings Services bases the 'AA-' long-term rating on Corporación de Reservas Estratégicas de Productos Petrolíferos (CORES), Spain's public corporation responsible for managing the country's strategic oil reserves, on an equalization with the long-term sovereign credit rating on the Kingdom of Spain (AA-/Negative/A-1+). This reflects Standard & Poor's opinion that there is an "almost certain" likelihood that the Spanish government would provide timely and sufficient extraordinary support to CORES in the event of financial stress.

In accordance with our criteria for government-related entities (GREs), our rating approach takes into account on our view of CORES':

- "Integral" link with the Spanish government. CORES is a public-law entity, tightly controlled and supervised by the Spanish Ministry of Industry. We see CORES as an extension of the government, specifically mandated to build up, manage, and control the nation's strategic oil reserves in accordance with EU and international legislation. CORES does not receive funds from the government, nor does it benefit from any explicit guarantee on its liabilities. However, the government provides CORES with what we deem to be strong ongoing support in the form of a regulatory framework under which oil and gas operators have the obligation to pay whatever fees are necessary to fully cover all of CORES' costs--including debt service. Standard & Poor's believes that this framework would safeguard a smooth sovereign takeover of CORES' obligations if needed.
- "Critical" role as an entity specifically formed to provide a strategic public service on behalf of the Spanish government. CORES has a specific mandate to monitor the level of Spain's oil reserves--virtually all of which come from imports--and ensure that they are sufficient to cover the country's oil consumption needs. Only the government itself would, in our opinion, be able undertake CORES' mandate.

Liquidity

CORES has limited need for short-term credit lines for operating and debt servicing purposes, since the government budgets the fees that CORES receives to fully cover all costs, and members pay the fees monthly. Moreover, CORES' budgeting is often conservative; hence, fees surpass effective costs (CORES returns the excess to operators at year-end).

Outlook

The negative outlook on CORES reflects that of Spain, which, in turn, reflects our view of the risks to Spain's economic growth linked to private sector deleveraging, external financing pressures, and their impact on budgetary consolidation.

We could lower the ratings again if, consistent with our downside scenario, the economy contracts in 2012, Spain's fiscal position significantly deviates from the government's budgetary targets, or additional labor market and other growth-enhancing reforms are delayed.

A further downgrade on the sovereign would also result in a downgrade of CORES.

Conversely, we could revise the outlook on Spain, and thus, on CORES, to stable if, consistent with our upside scenario, the government meets its budgetary targets in 2011 and 2012, risks to external financing conditions subside, and Spain's economic growth prospects prove to be more buoyant than we currently assume.

Related Criteria And Research

All articles listed below are available on RatingsDirect on the Global Credit Portal, unless otherwise stated.

Related criteria

- Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010

Related research

- Long-Term Rating On Spain Lowered To 'AA-' On Economic Growth And Banking Sector Risks; Outlook Negative, Oct. 13, 2011
- Spain-Based Corporacion de Reservas Estrategicas de Productos Petroliferos 'AA/A-1+' Ratings Affirmed; Outlook Negative, Dec. 28, 2010.

Additional Contact:

International Public Finance Ratings Europe; PublicFinanceEurope@standardandpoors.com

Additional Contact:

International Public Finance Ratings Europe; PublicFinanceEurope@standardandpoors.com

Copyright © 2011 by Standard & Poors Financial Services LLC (S&P), a subsidiary of The McGraw-Hill Companies, Inc. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P. The Content shall not be used for any unlawful or unauthorized purposes. S&P, its affiliates, and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.