

RATING ACTION COMMENTARY

Fitch Affirms CORES at 'A-'; Outlook Positive

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Fitch Ratings - Barcelona - 24 Apr 2025: Fitch Ratings has affirmed Corporacion de Reservas Estrategicas de Productos Petroliferos' (CORES) Long-Term Local- and Foreign-Currency Issuer Default Ratings (IDRs) at 'A-' with Positive Outlooks and Short-Term Foreign-Currency IDR at 'F1'.

Fitch views CORES as a government-related entity (GRE) of Spain (A-/Positive) and equalises its ratings with the sovereign. This reflects a support score of 45 points out of a maximum 60 under our GRE Rating Criteria.

KEY RATING DRIVERS

Support Score Assessment 'Virtually certain'

We consider that extraordinary support from the Spanish Government to CORES would be 'Virtually certain' in case of need. 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'

CORES has the legal status of a public-law, non-profit corporation. It does not have any shareholders, only members (oil and gas operators). The central government's strong influence over and control of CORES' operations are underlined by its supervision of the entity, through the Ministry for Ecological Transition and Demographic Challenge (MITECO). MITECO has a veto right over any CORES agreements that it deems may breach the law or harm public interest. The government imposes oil reserve requirements on CORES for strategic purposes, which are included in regular reporting, and provides approval of major operational decisions.

Precedents of Support 'Strong'

By law, the state is required to provide strong financial support to CORES through MITECO, which can at any time approve an extraordinary increase in the fees charged to operators to guarantee the company's financial solvency. Operators are obliged by law to honour any increase. However, CORES does not receive subsidies or capital injections from the central government and does not benefit from an explicit government guarantee. The state holds no shares in CORES, would not be involved in the entity's dissolution and there would be no transfer of liability.

Incentives to Support

Preservation of Government Policy Role 'Very Strong'

This assessment reflects the lack of an immediate substitute to maintain CORES' obligation of 42 days of reserves, given complicated legal changes, the economic and financial difficulty for private operators of assuming Cores' obligations and the non-transferability of the task of controlling and inspecting reserves held by operators. A default would materially endanger the continued provision of CORES' activity and affect its borrowing capacity, as it funds the purchase of reserves through debt.

A default would also lead to a self-sufficiency issue as oil is a key energy for Spain. Its default would also result in Spain failing its EU-imposed obligation to maintain a minimum of 90 days of net imports of crude oil and petroleum.

Contagion Risk 'Strong'

CORES is a high-profile entity for the Spanish government and its default would be likely to affect Spain's international credit reputation and cost of borrowing. The company has incurred debt in the bond market (35% of outstanding debt in 2024) and 29% can be considered government lending through Instituto Crédito Oficial (A-/Positive). CORES does not tap the capital market very frequently and last issued debt in 2017).

In the event of a default of CORES, Spain should be able to absorb its debt with minimal impact, as it is relatively insignificant compared with that of the sovereign (total debt of EUR1.2 billion represents just 0.1% of Spain's debt), preventing Fitch from assessing Contagion Risk as 'Very Strong'.

Operating Performance

CORES is a non-profit corporate, which by law, has stable fee revenue that must cover its opex. It sets fees charged to operators with the aim that they should at least cover opex.

Despite a 12% rise in operating expenses, EBIT decreased only to EUR65 million in 2024, from EUR69 million in 2023. This was driven by a 6% rise in operating revenue, due to the sale of excess stock over the year. CORES generates almost all its revenue from fees collected from operators (71% of operating revenue in 2024) with the rest from reserves sale (29% in 2024). Operating expenses are primarily costs of storing and maintaining oil reserves, which rose 6.7% in 2024 due to the constrained availability of infrastructure within the country.

Derivation Summary

Fitch views CORES as a Spanish GRE and assigns it a score of 45 under its GRE rating criteria, leading to equalisation of its ratings with sovereign's. We assess support from the Spanish government as 'Virtually certain'. Fitch does not assess CORES' Standalone Credit Profile, as it operates on behalf of the Spanish government.

Short-Term Ratings

Under our GRE Rating Criteria, when an issuer's Long-Term IDRs are equalised with the government's, the Short-Term IDRs are also equalised.

Debt Ratings

The ratings on the senior unsecured outstanding debt are in line with Cores' Long-Term IDR.

Issuer Profile

CORES was established in 1994 as the central stockholding entity for the maintenance of oil stocks in Spain. Its main responsibilities include acquiring petroleum, and maintaining, managing and selling petroleum reserves. This is crucial for Spain to comply with EU Obligation Directive 2009/119/EC, which mandates maintaining a minimum level of reserves of crude oil or petroleum products. Through CORES, Spain has to inform the EU Commission every month about its oil stocks.

RATING SENSITIVITIES

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

A downgrade could follow a downgrade of the sovereign. It could also result from a weaker assessment of the responsibility-to-support or incentive-to-support factors, leading to a GRE score of fewer than 45 points.

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

Positive rating action on Spain's IDRs will be mirrored on CORES' IDRs, assuming that the links between the sovereign and the entity remain strong.

ESG Considerations

Fitch no longer provides ESG relevance score for CORES as its ratings and ESG profile are derived from its parent, the Spanish sovereign. ESG relevance scores and commentary for the parent entity - Spain - can be found here

<https://www.fitchratings.com/entity/spain-80442206#ratings>

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

CORES's IDRs are directly linked to Spain's ratings.

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 ⇅
Corporacion de Reservas Estrategicas de Productos Petroliferos (CORES)	LT IDR	A-	Affirmed	A-
	ST IDR	F1	Affirmed	F1
	LC LT IDR	A-	Affirmed	A-
senior unsecured	LT	A-	Affirmed	A-

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APPLICABLE CRITERIA

[Public Policy Revenue-Supported Entities Rating Criteria \(pub. 12 Jan 2024\) \(including rating assumption sensitivity\)](#)

[Government-Related Entities Rating Criteria \(pub. 09 Jul 2024\)](#)

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ENDORSEMENT STATUS

Corporacion de Reservas Estrategicas de Productos Petroliferos (CORES)

EU Issued, UK Endc



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