

RatingsDirect®

Research Update:

Strategic Oil Reserves Manager CORES Outlook Revised To Positive After Similar Action On Spain; Affirmed At 'BBB+ / A-2'

Primary Credit Analyst:

Ines Olondriz, Madrid (34) 91-788-7202; ines.olondriz@spglobal.com

Secondary Contact:

Alejandro Rodriguez Anglada, Madrid (34) 91-788-7233; alejandro.rodriguez.anglada@spglobal.com

Table Of Contents

- Overview
- Rating Action
- Rationale
- Outlook
- Related Criteria And Research
- Ratings List

Research Update:

Strategic Oil Reserves Manager CORES Outlook Revised To Positive After Similar Action On Spain; Affirmed At 'BBB+/A-2'

Overview

- We revised our outlook on the Kingdom of Spain to positive from stable on March 31, 2017.
- We equalize our ratings on Corporación de Reservas Estratégicas de Productos Petrolíferos (CORES) with those on Spain, reflecting our opinion that there is an almost certain likelihood that CORES would receive timely and sufficient extraordinary support from the Spanish government.
- Consequently, we are revising our outlook on CORES to positive from stable.
- We are also affirming our 'BBB+/A-2' issuer credit ratings on CORES.
- The positive outlook reflects that on Spain.

Rating Action

On April 5, 2017, S&P Global Ratings revised its outlook on Spanish strategic oil reserves manager CORES to positive from stable. We also affirmed our 'BBB+/A-2' long- and short-term issuer credit ratings on CORES.

Rationale

The revision of the outlook on CORES reflects a similar action on the Kingdom of Spain (BBB+/Positive/A-2) on March 31, 2017. In accordance with our criteria for rating government-related entities (GRES), we believe that there is an almost certain likelihood that CORES would receive timely and sufficient extraordinary support from the Spanish government in the event of financial distress. We therefore equalize our long- and short-term issuer credit ratings on CORES with those on Spain.

CORES is a corporation governed by public law, but with a distinct legal status and acting under private law. It conducts its activities under the supervision of the central government, exercised through the Ministry of Energy, Tourism, and Digital Agenda, and therefore we consider it to be a GRE. Our opinion of an almost certain likelihood of support reflects 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 Energy, Tourism, and Digital Agenda. The Ministry appoints the chairman of CORES, as well as four of the 11 members of its board of directors. While the board makes agreements by simple majority, the ministry may exercise veto power through CORES' chairman on any decision that it deems contrary to public interest.
- 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 for a legally determined period of time. Following the reform of Spain's hydrocarbon law in May 2015, CORES' role will now also include the additional responsibility of managing strategic reserves of gas, although that activity has not yet started. Only the government itself would, in our opinion, be able to take on CORES' mandate.

Outlook

The positive outlook reflects that on Spain. If we upgraded Spain, we would raise our ratings on CORES, assuming its role for and link with the sovereign remained unchanged.

We could revise the outlook on CORES to stable over the next two years if we took the same action on Spain.

We could lower our rating on CORES over the next two years if we assessed that its role for and link with the Spanish government had weakened, indicating a lower likelihood of extraordinary government support. However, we see this scenario as unlikely.

Related Criteria And Research

Related Criteria

- General Criteria: Rating Government-Related Entities: Methodology And Assumptions - March 25, 2015
- General Criteria: Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers - May 07, 2013
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

Related Research

- Kingdom of Spain Outlook Revised To Positive On Strong And Balanced Economic Performance; 'BBB+/A-2' Ratings Affirmed - March 31, 2017
- Spanish Strategic Oil Reserves Manager CORES 'BBB+/A-2' Ratings Affirmed; Outlook Stable - July 19, 2016

Ratings List

	Rating	
	To	From
Corporacion de Reservas Estrategicas de Productos Petroliferos		
Issuer Credit Rating		
Foreign and Local Currency	BBB+/Positive/A-2	BBB+/Stable/A-2
Senior Unsecured		
Local Currency	BBB+	BBB+

Research Update: Strategic Oil Reserves Manager CORES Outlook Revised To Positive After Similar Action On Spain; Affirmed At 'BBB+/A-2'

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

Additional Contact:

SovereignEurope; SovereignEurope@spglobal.com

Copyright © 2017 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, 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 Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P 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 (negligent or otherwise), 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 or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. 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 does not act as a fiduciary or an investment advisor except where registered as such. 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.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

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 nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain 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 www.spcapitaliq.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.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.