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## Research Update:

# Strategic Oil Reserves Manager CORES Rating Raised To 'A-' On Similar Rating Action On Spain; Outlook Positive

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## Table Of Contents

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Overview

Rating Action

Rationale

Outlook

Related Criteria And Research

Ratings List

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## Overview

- On March 23, 2018, we raised our unsolicited long-term sovereign credit ratings on Spain to 'A-' from 'BBB+' and affirmed the short-term ratings at 'A-2'.
- We equalize our issuer credit ratings on Corporacion de Reservas Estratégicas de Productos Petrolíferos (CORES) with those on Spain because, in our opinion, there is an almost certain likelihood that CORES would receive timely and sufficient extraordinary support from the Spanish government.
- Consequently, we are raising our long-term issuer credit rating on CORES to 'A-' from 'BBB+' and affirming the short-term rating at 'A-2'.
- The positive outlook on CORES reflects that on Spain.

## Rating Action

On March 27, 2018, S&P Global Ratings raised its long-term issuer credit rating on Spanish strategic oil reserves manager CORES to 'A-' from 'BBB+'. We also affirmed our 'A-2' short-term issuer credit rating and assigned a positive outlook to CORES.

## Rationale

The upgrade of CORES reflects our similar action on Spain (unsolicited, A-/Positive/A-2) on March 23, 2018 (see "Long-Term Ratings On Spain Raised To 'A-' On Economic Growth And Budgetary Consolidation; Outlook Positive," published on RatingsDirect). 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-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 ratings 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: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions - March 25, 2015
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

### Related Research

- Credit FAQ: How We Rate Entities Managing Strategic Oil Reserves - May 4, 2017
- Spanish Strategic Oil Reserves Manager CORES 'BBB+/A-2' Ratings Affirmed; Outlook Remains Positive - July 13, 2017
- Long-Term Ratings On Spain Raised To 'A-' On Economic Growth And Budgetary Consolidation; Outlook Positive, March 23, 2018

## Ratings List

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

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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](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://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.

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