STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

Research Update:

Spanish Strategic Oil Reserves Manager CORES Upgraded To 'BBB+' On Similar Sovereign Rating Action; Outlook Stable

Primary Credit Analyst:
Alejandro Rodriguez Anglada, Madrid (34) 91-788-7233; alejandro.rodriguez.anglada@standardand-poors.com

Secondary Contact:
Ines Olondriz, Madrid (34) 91-788-7202; ines.olondriz@standardandpoors.com

Table Of Contents

Overview

Rating Action

Rationale

Outlook

Related Criteria And Research

Ratings List

Spanish Strategic Oil Reserves Manager CORES Upgraded To 'BBB+' On Similar Sovereign Rating Action; Outlook Stable

Overview

- On Oct. 2, 2015, we raised our long-term ratings on Spain to 'BBB+' from 'BBB' and affirmed the short-term ratings at 'A-2'.
- We equalize our issuer credit 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 upgrading CORES to 'BBB+' from 'BBB' and affirming the short-term rating on CORES at 'A-2'.
- The stable outlook on CORES mirrors the outlook on Spain.

Rating Action

On Oct. 6, 2015, Standard & Poor's Ratings Services raised to 'BBB+/A-2' from 'BBB/A-2' its long- and short-term issuer credit ratings on Corporación de Reservas Estrategicas de Productos Petroliferos (CORES), which manages Spain's strategic oil reserves. The outlook is stable.

Rationale

The upgrade reflects our similar action on Spain (BBB+/Stable/A-2) on Oct 2, 2015 (see "Kingdom of Spain Upgraded To 'BBB+' On Reforms; Outlook Stable," published on RatingsDirect). We consider CORES to be a government-related entity (GRE). In accordance with our criteria for rating GREs, we believe there is an almost certain likelihood that the Spanish government would provide timely and sufficient extraordinary support to CORES in the event of financial distress. We therefore equalize our long-term rating on CORES with that on Spain.

CORES is a public-law corporation, 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 Industry, Energy, and Tourism, 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 Industry, Energy, and Tourism. The Ministry appoints the chairman of CORES, and 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 likely include the additional responsibility of managing strategic reserves of gas, as well. Only the government itself would, in our opinion, be able to take on CORES' mandate.

Outlook

The stable outlook on CORES reflects that on Spain. It also reflects our expectation that the entity's link with and role for Spain will remain unchanged over our outlook horizon to year-end 2017.

If we upgraded Spain, we would upgrade CORES, all other factors remaining equal. Similarly, in the event of a sovereign downgrade we would downgrade CORES.

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

Related Research

- Kingdom of Spain Upgraded To 'BBB+' On Reforms; Outlook Stable - October 2, 2015
- Ratings On Spain Affirmed At 'BBB/A-2'; Outlook Stable - April 10, 2015
- Spanish Strategic Oil Reserves Manager CORES 'BBB/A-2' Ratings Affirmed; Outlook Stable - October 17, 2014

Ratings List

	Ratings	
	To	From
Corporacion de Reservas Estrategicas de Productos Petroliferos		
Issuer credit rating		
Foreign and Local Currency	BBB+/Stable/A-2	BBB/Stable/A-2
Senior Unsecured		
Local Currency	BBB+	BBB

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 Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's 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:
International Public Finance Ratings Europe; PublicFinanceEurope@standardandpoors.com