

CREDIT OPINION

17 November 2022

Update

Send Your Feedback

RATINGS

Erdölbevorratungsverband

Domicile	Hamburg, Germany
Long Term Rating	Aaa
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Harald Sperlein +49.69.70730.906
 VP-Senior Analyst
 harald.sperlein@moodys.com

Max Dietz +49.69.70730.890
 Associate Analyst
 max.dietz@moodys.com

Massimo Visconti, MBA +39.02.9148.1124
 VP-Sr Credit Officer/Manager
 massimo.visconti@moodys.com

CLIENT SERVICES

Americas 1-212-553-1653
 Asia Pacific 852-3551-3077
 Japan 81-3-5408-4100
 EMEA 44-20-7772-5454

Erdölbevorratungsverband (Germany)

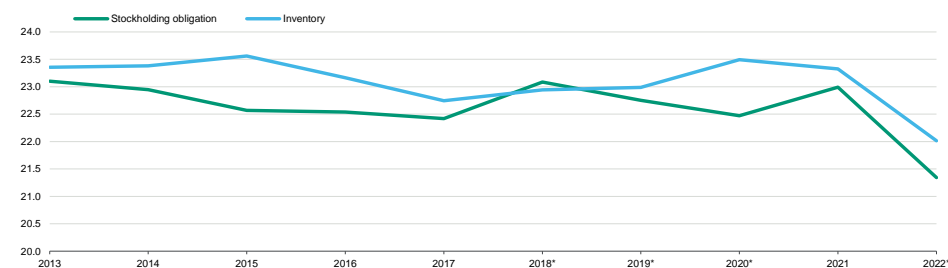
Update to credit analysis

Summary

The credit profile of [Erdölbevorratungsverband](#) (EBV, Aaa stable/P-1) reflects its unique public legal status, its strategic role, its public-policy mandate assigned by the [Government of Germany](#) (Aaa stable) and the European Union's (EU) directives that delineate the roles and prerogatives of this type of entities in European states. Because of the close ties with the sovereign, we do not distinguish between the credit strength of EBV and that of the German government. We expect the German government to provide full support in the unlikely event that EBV would require financial assistance.

Exhibit 1

EBV's stockholding obligation is trending downwards because of decreasing consumption In million tons of crude oil equivalent (COE)



*2018, 2019, 2020 and 2021: Alternating stockholding obligation and inventory during the year because of the oil release or a regulatory change.

Sources: Issuer and Moody's Investors Service

Credit strengths

- » Unique public legal status that is backed by the German government
- » Public-policy mandate and strategic role in Germany
- » Solid and predictive financials and business model

Credit challenges

- » One-sided business model that is dependent on oil consumption
- » No explicit guarantee on financial debt

Rating outlook

The stable rating outlook reflects EBV's close institutional links with the German government. It also reflects our assumption that its legal status and public-policy mandate will remain unchanged.

Factors that could lead to a downgrade

A rating downgrade could be triggered by a weakening of EBV's legal status or its public-policy mandate. A downgrade of Germany's sovereign rating would result in a downgrade of EBV's rating.

Key indicators

Exhibit 2

Erdölbevorratungsverband

	2018	2019	2020	2021	2022
Total Assets (€ mn.)	4,745	4,903	5,049	4,833	5,362
of which crude oil and oil products (€ mn.)	4,406	4,489	4,681	4,565	4,234
Financial Debt (€ mn.)	2,996	2,908	3,224	3,273	2,849
Member fee revenues (€ mn.)	289.6	287.3	288.8	237.1	251.0
Profit / Loss (€ mn.)	145.0	5.5	-27.9	-71.9	362.7
Members (at year-end)	96	100	99	96	93

Fiscal year ending on 31 March of the respective year.

Sources: Issuer and Moody's Investors Service

Detailed credit considerations

The credit profile of Erdölbevorratungsverband (EBV), as expressed in its Aaa stable issuer rating, reflects its unique public legal status, its strategic role, its public-policy mandate assigned by the German government and the EU's directives that delineate the roles and prerogatives of this type of entities in European states. Because of the close ties with the sovereign, we do not distinguish between the credit strength of EBV and that of the German government. We expect the latter to provide full support in the unlikely event that EBV would require financial assistance.

Unique public legal status, backed by the German government

EBV was formed in 1978 under the Petroleum Stockholding Act (Erdölbevorratungsgesetz/ErdölBeVG) as a public corporation (Körperschaft des öffentlichen Rechts). It has a unique legal status with close links to the German government and benefits from protection mechanisms, such as exemption from bankruptcy procedures and statutory provisions that transfer EBV's liabilities to the German government on dissolution. A dissolution of EBV can only occur when mandated by federal law.

EBV is composed of three decision-making bodies, as described by the respective law: the general assembly (EBV members), the board of directors (supervisory board; Beirat) and the executive board.

EBV is governed by a board of directors that includes members of federal ministries and of the second chamber of parliament (Bundesrat), and is subject to strict supervision by the German Ministry for Economic Affairs and Climate Action (MoEcon), which approves its annual budget plans.

The public corporation can (and did indeed) adopt its own statutes, which are decided and can be amended by the general assembly, subject to the approval of the MoEcon. The statutes and amendments must be published in the Federal Gazette. The general assembly appoints most members of the board of directors, while three members are delegated public officials. The board of directors is responsible for appointing the executive board. Furthermore, the MoEcon, together with the Bundesrat, can amend the members' voting rights by a legal decree.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Public-policy mandate and strategic role in Germany

The federal government recognises EBV's strategic role in the national energy supply, as reflected in its public-policy mandate to hold emergency oil stocks, as required by law (ErdölBevG).

One of EBV's main functions is to pursue state duties of holding emergency oil reserves, as required by law (ErdölBevG). Its other main function is to carry out a strictly limited public-policy function as the supplier of oil and oil products in an emergency situation. The release of any oil stocks reserve below the legal threshold to mitigate shortages requires approval from the MoEcon.

Its duties are in compliance with regulations originating from international agreements orchestrated by the International Energy Agency (IEA) and the EU law (Agreement on an International Energy Programme dated 18 November 1974 and Council Directive 2009/119/EC). The international coordination and agreements emphasise EBV's strategic function and relevance for the German government.

The membership to EBV is mandatory by law for all qualified enterprises (currently about 100 qualified oil importers and producers) that engage in the production or import of oil products, including petrol, diesel fuel, heating fuel and jet fuel (JET A-1).

The law prescribes EBV to hold emergency stocks equal to 90 days of the net German imports of crude oil and oil products, either the average of the three preceding calendar years or the preceding calendar year — whichever is higher. At least one-third of the stockholding must be in oil products. A minimum threshold of 90% of stocks need to be held directly by EBV (currently, less than 10% of stocks are delegated). As of 31 August 2022, EBV's stock of 21.97 million tons of crude oil equivalent (COE) exceeded the then mandated stockholding obligation of 20.22 million tons of COE (see Exhibit 1). The stockholding obligation is mandated by the public administration according to the annual administrative order. During 2022, the stockholding obligation alternated as an oil release was mandated in March (see further details below). As of 1 September 2022, the stockholding obligation was 20.66 million tons of COE.

Any releases from EBV's oil stockholdings must be mandated by the MoEcon by a legal decree and require consent from the Bundesrat if the release is set to stretch for more than six months. Legitimate reasons for stock releases are defined in paragraph 12 of the German Petroleum Stockholding Act, essentially referring to the prevention of imminent or the remedying of existing disruptions in energy supply, be it nationally (local emergency situations) or internationally (decision by the governing board of the IEA).

The release quantity and product mix are also defined by a legal decree and offered for sale to EBV members at market prices according to their fee contribution share. Furthermore, the MoEcon's legal decree can bind EBV to the priority provision of stocks for, for example, critical infrastructure.

Historically, EBV was instructed to release stocks, that is, provide them for sale to its members, as a response to five instances: following decisions by the IEA, during the Gulf crisis in 1990-91, after Hurricane Katrina in the US in 2005, during the Libyan crisis in 2011 and in March 2022, following a decision of IEA, in reaction on the Russia-Ukraine military conflict.

EBV released oil stocks in October 2018 when the MoEcon mandated the public corporation to release oil products (around 331,000 tons of COE). This request aimed at addressing a local emergency situation following supply shortages caused by the combination of a drought-induced non-navigability of the German rivers Main and Rhine, and a long-term outage of a major refinery in Bavaria. Following the mandated oil release in March 2022, EBV released around 435,000 tons of COE (around three percent of Germany's oil reserves at the time), but has since moved to again increase its stockholdings. EBV's stocks currently exceed its stockholding obligation, a surplus to increase flexibility for any necessary actions in the near future. This latest episode once again showed EBV's strategic role in securing national energy supply.

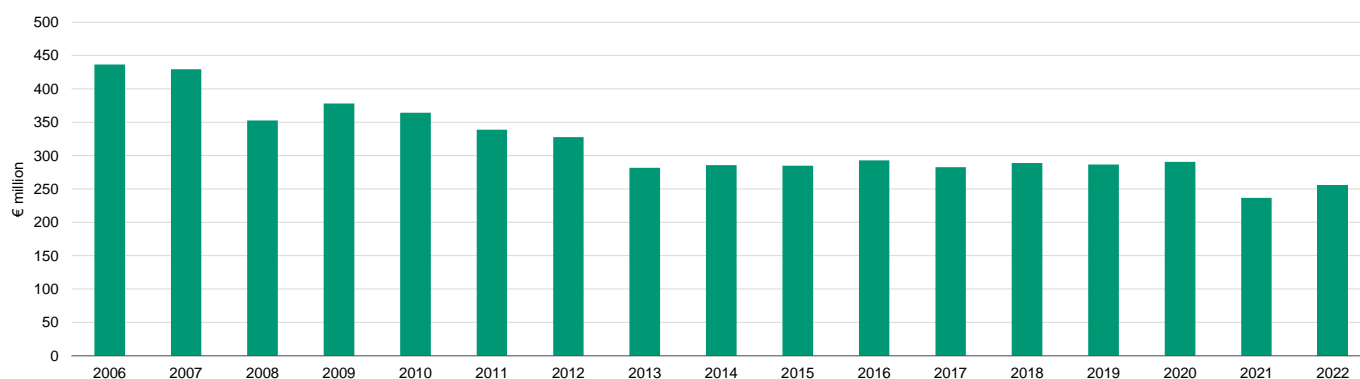
Solid and predictive financials and business model

EBV is generally managed independently, led by its executive board. EBV finances its activities through a fee system designed by federal law and its statute, whereby every qualified oil producer and importer in Germany pays a fee that covers all operating costs, including administrative expenses and debt service payments. A legally mandatory membership fee for all qualified oil companies, producing or importing oil or oil products, ensures a predictable and stable revenue base for EBV. The fee scheme is established by an administrative act, allowing EBV to have a superior enforcement and fee collection status than under private law claims.

Typically, the membership fee is sufficient to finance related costs. In principle, EBV covers its cost by collecting fees or by drawing from previously accumulated reserves. In the fiscal year that ended 31 March 2022 (fiscal 2022), membership fees increased to €251 million (versus €237 million in fiscal 2021; see Exhibit 3), and as of fiscal year-end, accumulated reserves (from earlier fee surpluses) amounted to €83.7 million, down from €115.2 million a year earlier. The fee scheme (that is, fee rate) for members has remained unchanged since 2012-13.

Exhibit 3

EBV's member fee collection is set to temporarily increase again after the 2021 low



In € million for each fiscal year. Member fee shown here includes minor amounts of other income.

Sources: Issuer and Moody's Investors Service

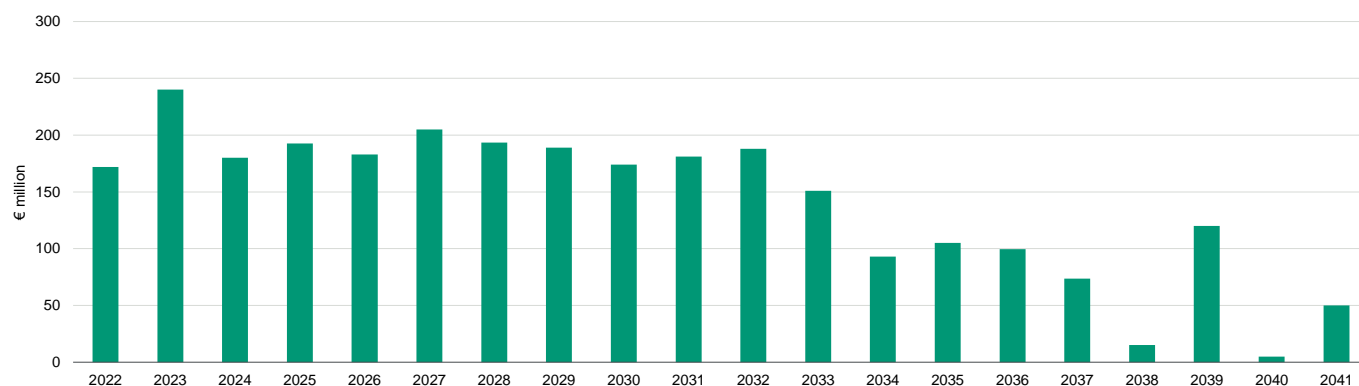
EBV's fee revenue has not been subject to volatility despite the traditional annual fluctuation of members (around 20 entries and exits per year). In fiscal 2022, the large majority of members completed their reporting, as well as fee contribution duties, and no loss of contributions was recorded.

EBV has the right to adjust the member contribution rate (member fees), with the decision of the board of advisers and approval from the MoEcon and the Ministry of Finance.

Overall, the balance sheet as of 31 March 2022 consisted of total assets of €5,362 million, of which €4,234 million represented the stocks of oil and oil products. We understand that assets include considerable reserves (as market prices are higher than valuation on balance).

Financial debt as of 31 March 2022 was €2,849 million, of which €211 million was short-term debt. All financial debt is denominated in euro. Funding sources include bonds and promissory notes (Schuldschein), as well as credit lines from different banks. Annual maturities, excluding credit lines, typically are between €150 million and €200 million (see Exhibit 4).

Exhibit 4

EBV's maturity profile

In € million for each fiscal year.

Sources: Issuer and Moody's Investors Service

EBV's liquidity rose to €123 million as of March 2022 (from €58 million a year earlier), and liquidity lines and money market instruments are regularly used to manage its liquidity needs. However, its legal status and regulatory treatment allow favourable access to funding. EBV's strong standing is also reflected by the fact that it pays just a few basis points more than the German government when refinancing its debt. This reflects investors' demand and EBV's status as a public-sector issuer.

Interest cost of €88 million during fiscal 2022 continued to decline, but is likely to rise again in the coming two years because of a rising interest rate environment. When refinancing maturing debt, EBV is currently still able to refinance at favourable interest cost.

One-sided business model dependent on oil consumption

For Germany, demand for oil and refined products is likely to decline over the coming decades, resulting in less need for oil stockholding. This expectation reflects governmental and societal efforts to move towards less carbon-intensive sources of energy, which will pose a significant challenge to EBV's members.

Despite the rebounding economy after the coronavirus pandemic, we expect the stockholding obligation required by the government to not exceed the 2019-20 level any further because of the long-term declining trend in consumption (see Exhibit 1). For EBV, this may imply declining member fee revenue in the long term. However, this risk is mitigated by the high reserves that the public corporation has accumulated because of surpluses in the past decades. Over time, the likely decrease in the stockholding requirement would also lead to respective storage cost reduction.

No explicit guarantee on financial debt

EBV's favourable legal status does not constitute an explicit guarantee on its financial debt vis-a-vis the investors. Nevertheless, we assume that EBV's setup, including its public-sector legal status, supervision of the entity by the MoEcon, and a legally mandated membership and cost contribution of all relevant companies, makes it a government agency. In particular, the fact that all the liabilities of EBV would be transferred to the government in case of dissolution underlines its public status. Therefore, we expect EBV to receive timely support from the government.

ESG considerations

How environmental, social and governance risks inform our credit analysis of EBV

We take account of the effect of environmental, social and governance (ESG) factors when assessing sub-sovereign issuers' economic and financial strength. In the case of EBV, we assess the materiality of ESG to its credit profile as follows:

In general, government and societal efforts to move towards less carbon-intensive sources of energy pose a significant business and credit risk to EBV's members (oil industry) because of the potential for these policies to reduce future consumption for oil and refined products. Oil consumption is likely to peak in the next 10-15 years.

Environmental risks are not material to EBV's rating. On the one hand, EBV is subject to environmental risks because of the nature of its business, that is, the storage of oil using cavern and tank storage facilities. In this respect, EBV aims to adhere to the highest technical standards for the storage of petroleum products and is covering potential liabilities via insurance and dedicated reserves. On the other hand, EBV's members (oil industry) are exposed to environmental risks, including government policies to reduce the use of carbon-intensive sources of energy, such as oil. Nevertheless, these risks are not material to EBV's rating.

Social risks are not material to EBV. Changes in societal behaviour and consumer habits to reduce oil and refined products' consumption will affect EBV's activities — reflected in the decrease in the requirement to maintain oil stock — in the longer term.

Governance risks are material to EBV because it has to abide by the mandate set by the law. It is also subject to close oversight by the central government.

Further details are provided in the Detailed credit considerations. Our approach to ESG is explained in our cross-sector rating methodology [General Principles for Assessing ESG Risks](#).

Rating methodology

For EBV's rating, we use our [Government-Related Issuers Methodology](#), published on 21 February 2020.

Ratings

Exhibit 5

Category	Moody's Rating
ERDOELBEVORRATUNGSVERBAND	
Outlook	Stable
Issuer Rating -Dom Curr	Aaa
ST Issuer Rating -Dom Curr	P-1

Source: Moody's Investors Service

© 2022 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved. CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY100,000 to approximately JPY550,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

REPORT NUMBER 1342144