

**Rating Action: Moody's assigns Aaa/P-1 issuer ratings to Germany's Petroleum Stockholding Agency - Erdölbevorratungsverband**

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Frankfurt am Main, November 03, 2020 -- Moody's Public Sector Europe, ("Moody's") has today assigned Aaa long-term and P-1 short-term issuer ratings to Erdölbevorratungsverband (EBV). The outlook is stable.

**RATINGS RATIONALE**

The short-term and long-term issuer ratings reflect EBV's (i) governance structure embedded in its unique public legal status, (ii) its strategic role, (iii) its public policy mandate assigned by the Government of Germany (Aaa stable), as well as (iv) the European Union's directives that delineate roles and prerogatives of this kind of entities among European states.

Given these close ties with the sovereign, in Moody's view, it is not significant to distinguish between the credit strength of EBV and that of the Government of Germany. We expect the Government of Germany to provide full support in the unlikely event that EBV would require financial assistance.

EBV is a petroleum stockholding agency created by special public legislation ("Körperschaft des öffentlichen Rechts"). Its unique legal status confers close links with the Government of Germany and special legislative protections such as a carve-out from normal bankruptcy procedures and statutory provisions transferring the EBV's liabilities to the Government of Germany on dissolution. A dissolution of EBV can only occur when mandated by federal law. EBV is governed by a board of directors that includes members of federal ministries and the Bundesrat (second chamber of parliament) and is subject to strict supervision by the German Ministry for Economic Affairs and Energy (MoEcon), which approves its annual budgets.

The Federal government recognizes its strategic role in the national energy supply as reflected in the public policy mandate assigned to EBV. EBV's main functions are 1) to pursue state duties of holding emergency oil reserves, as required by law (ErdölBevG). EBV holds volumes of crude oil equivalent to 90 days of oil imports; 2) to carry out a strictly limited public policy function as supplier of oil and oil products to its members in an emergency situation. The release of any oil stocks reserve below the legal threshold to mitigate shortages requires approval from the MoEcon.

EBV finances these activities throughout a fee system designed by federal law and its statutes whereby every qualified oil importer and producer in Germany pays a fee to cover all operating costs, including administrative expenses and debt service payments. The membership fee is mandatory to qualified oil importers and producers operating in Germany. The fee scheme is established by an administrative act, allowing EBV superior enforcement and fee collection status than under private law claims.

This mandate is not only in line with German national law, but also in compliance with agreements with the International Energy Agency (IEA) and EU law (Agreement on an International Energy Programme of 18 November 1974 and COUNCIL DIRECTIVE 2009/119/EC).

**RATIONALE FOR THE STABLE OUTLOOK**

The stable outlook reflects its close institutional link with the Government of Germany. It also reflects Moody's assumption that the legal status and mandate will remain unchanged.

**FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS**

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

**ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS**

In Moody's view, EBV's exposure to environmental and social risks is not material.

Governance considerations are material to EBV's credit profile. Moody's considers overall governance risk as

low, due to its obligation to abide by the mandate set by the law. It is also subject to close oversight by the central government.

The principal methodology used in these ratings was Government-Related Issuers Methodology published in February 2020 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1186207](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1186207). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1133569](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569).

At least one ESG consideration was material to the credit rating action(s) announced and described above.

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