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## **Research Update: French Oil Stockholding Agency SAGESS 'AAA/A-1+' Ratings Affirmed; Outlook Stable**

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### **Credit**

**Rating:** AAA/Stable/A-1+

### **Rationale**

On Jan. 21, 2005, Standard & Poor's Ratings Services affirmed its 'AAA/A-1+' issuer credit ratings on Société Anonyme de Gestion de Stocks de Sécurité (SAGESS), which maintains and manages a substantial part of the Republic of France's (AAA/Stable/A-1+) strategic oil reserves. The outlook is stable.

The full analysis on SAGESS was published on RatingsDirect, Standard & Poor's Web-based credit analysis system, on Jan. 21, 2005.

The ratings on SAGESS reflect its strategic importance to France and its key role in fulfilling France's legal obligation for stockpiling under EU and International Energy Agency requirements, both of which ensure strong state support. The ratings are also underpinned by SAGESS' very stable financial performance and strong regulatory framework, which ensures close state supervision and control.

SAGESS was established by ministerial decree in 1988 as a joint stock company for the sole purpose of maintaining and managing a substantial part of France's national strategic oil stock reserves. In 1992, this role was taken over by the Comité Professionnel des Stocks Stratégiques Pétroliers (CPSSP), a quasi-state entity. The roles of CPSSP and SAGESS are intertwined: CPSSP relies on SAGESS for physical stockpiling and other operating and administrative management, while SAGESS has only one client, CPSSP, and can only buy and sell stock with CPSSP's permission or on state demand.

Fees levied by CPSSP on French oil operators finance SAGESS' operating expenses. These fees are set to cover all operating, administrative, and debt-servicing costs. CPSSP has experienced a negligible default rate on its fee payments since its creation, and all associated costs have been covered by additional levies. SAGESS' financial profile is stable, predictable, and flexible. Its financial record demonstrates the effectiveness of its legal framework in ensuring full cost recovery and liquidity, underpinning its extremely strong capacity for timely payment.

SAGESS has always conformed to the stipulated volume and required quality of oil reserves. Its stock release procedures have repeatedly been tested in times of domestic energy supply disruption. On each occasion, SAGESS operated seamlessly.

## Outlook

SAGESS will retain its strategic role for the French economy due to: France's dependency on imported oil; the country's international obligations with regard to strategic stockpiling; and the increasing concentration of global reserves in politically volatile regions. Moreover, SAGESS' role is increasing as more operators delegate their stockpiling obligations to CPSSP.

The French government recently considered a reorganization of the institutional set-up for national strategic stockpiling, but the idea has not been pursued further. SAGESS is expected to continue to operate as a private entity supported by CPSSP and private oil operators.

## Ratings List

Issuer credit ratings.....AAA/Stable/A-1+  
Senior unsecured debt.....AAA  
Commercial paper.....A-1+

Ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at [www.ratingsdirect.com](http://www.ratingsdirect.com). It can also be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com); under Credit Ratings in the left navigation bar, select Find a Rating, then Credit Ratings Search. Alternatively, call one of the following Standard & Poor's numbers: London Ratings Desk (44) 20-7176-7400; London Press Office Hotline (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5916; or Moscow (7) 095-783-4017. Members of the media may also contact the European Press Office via e-mail on: [media\\_europe@standardandpoors.com](mailto:media_europe@standardandpoors.com).

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