

Acquirente Unico SpA

July 21, 2022

Credit Highlights

Overview

Key strengths

Critical role for the Italian government as the entity in charge of building up and managing the country's strategic oil reserve.

Fundamental importance as an intermediary in the energy market, being a centralized purchaser of electricity, although volumes are set to gradually decrease as the market liberalizes.

Very stable and solid legal framework, which ensures full cost coverage, without any expectation or threat of potential changes or reforms.

Key risks

Exposure to market prices for commodities and energy, mitigated by the legal framework governing the entity.

Structural working capital needs arising from energy purchasing activity, albeit sufficiently covered by various credit lines and liquidity instruments.

Significant funding needs to continue building up oil reserves.

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Outlook

The positive outlook on Acquirente Unico SpA reflects that on Italy (unsolicited, BBB/Positive/A-2).

Downside scenario

We would revise our outlook on Acquirente Unico to stable if we took the same action on Italy, all else being equal.

Upside scenario

We would raise our rating on Acquirente Unico if we were to upgrade Italy within the next 15 months, and we continued to expect an almost certain likelihood of extraordinary government support for the company.

Rationale

We consider Acquirente Unico as an entity benefiting, in our view, from an almost certain likelihood of extraordinary support from the Republic of Italy, based on the company's:

- Critical role for the government as manager of Italy's strategic oil reserves. Through its unit Organismo Centrale di Stoccaggio Italiano (OCSIT), Acquirente Unico has been legally mandated to fulfill the strategic government's oil stockholding obligations under EU and International Energy Agency regulations. Additionally, the company acts as a centralized purchaser of electricity and gas on behalf of retail customers that have not signed up for liberalized service. We expect these operations will gradually scale down from 2024 onward, when the Enhanced Protection System (EPS) will end. Furthermore, Acquirente Unico provides support to public entities in the energy sector. It manages the Integrated Information System (IIS) and the Energy Ombudsman Service for the management of information relating to the electricity and gas markets. Additionally, Acquirente Unico can act as the supplier of last resort in case of emergency or temporary shortages of oil-derived petroleum and gas. Lastly, starting at the end of 2022, the company will manage and supervise the market of biomethane, a service previously managed by ENI SpA.
- Integral link to the Italian government, which regulates all of Acquirente Unico's activities. The company is owned by Gestore dei Servizi Energetici SpA (GSE), which, in turn, is wholly owned by the Ministry of Economy and Finance. The national regulator ARERA sets financial conditions for the services that Acquirente Unico provides in the energy sector, and the Ministry of Ecological Transition (MiTE) supervises the strategy for the acquisition and management of strategic oil reserves. GSE appoints the members of the Acquirente Unico's board every three years, and proposed members are subject to agreement by the Ministry of Finance, with the possibility of a veto. MiTE establishes, annually and by ad-hoc decrees, the amount of specific oil stocks that OCSIT should hold and the contribution fees that market operators should pay, thereby ensuring the balance of OCSIT's accounts.

Acquirente Unico has a pivotal role as manager of the country's strategic oil reserves and is the only intermediary for consumers in the protected segment of the energy market. Acquirente Unico, through the establishment of OCSIT in 2014, is the entity in charge of managing Italy's strategic oil reserve, in compliance with the country's commitments to the EU and the International Energy Agency. Acquirente Unico is currently building up its reserves, expecting to reach its strategic stock target in 2024. Additionally, Acquirente Unico can act as a lender of last resort to public and private operators in case of emergency or temporary shortages of petroleum products (e.g. gasoline, fuel).

Following its energy-market liberalization project in 2007, the government extended Acquirente Unico's role to the electricity market. There, the company acts as the sole centralized purchaser of electricity and gas between power providers and customers that have not signed up for liberalized service. In this regard, since July 2021, all small and mid-sized enterprise (SME) clients switched to the liberalized regime and selected their own provider, even though Acquirente Unico can still offer its services to their market. We don't see the switch to have a material impact on Acquirente Unico, given that a significant proportion of business customers have already made the transition. Furthermore, the overall decline is likely to be slower than initially prescribed, since the deadline to liberalize the retail customers' market has been postponed to 2024. Even as this activity winds down, Acquirente Unico will continue to play a pivotal role as an intermediary between the market and customers, through the management of its main data warehouse of the sector IIS ("Sistema Informativo Integrato"). In this regard, during 2021, the government used, together with the national social security agency INPS, Acquirente Unico's IIS platform to manage social transfers to low-income households, cushioning the hit from soaring energy prices on customers' purchasing power. Lastly, in the context of Acquirente Unico's ancillary energy-related functions, the government enlarged its responsibilities as it executed the payments to companies which were negatively affected from the increased CO2 contribution costs (i.e. Fondo Transizione Energetica) via its platform.

Additionally, as prescribed by law, during 2022 Acquirente Unico will complete the acquisition from ENI of all the relevant activities of SFBM SpA (Servizi Fondo Bombole Metano). SFBM provides technical and administrative services to a Ministerial Committee (Fondo Bombole) required by law to bear the costs of ensuring the safe operation of gas cylinders for motor vehicles. All SFBM's costs are debited to the Committee which, in turn, receives fees from all private sector operators (gas feeders, owner of the tanks and

Acquirente Unico SpA

purchasers of the cylinders). Therefore, SFBM net results tend to zero, because all the costs are compensated by the contribution fees from market operators, which guarantee financial and economic balance, in line with Acquirente Unico. We believe this acquisition reinforces Acquirente Unico's strategic role in the Italian energy supply framework.

Government's ownership and supervision are not in question. Acquirente Unico executes strategic government policies, ensuring the supply of electricity to eligible (protected) customers and managing the national strategic oil reserve. We believe that the definition of the strategy by the sole shareholder Ministry of Finance (through GSE) and the supervision of the National Authority for Energy Networks, and the Environment (ARERA) in the energy sector and MiTE for all the tasks performed in OCSIT's name, is not in question.

A strong regulatory framework guarantees Acquirente Unico's financial balance. All of Acquirente Unico's activities, (in the energy sector, as strategic oil reserve manager, and soon in methane services), fall under the full cost recovery principle. All the activities are carried out under the strict control of ARERA, which sets the financial conditions of the services that Acquirente Unico provides, ensuring the balance of its accounts. Market operators are jointly and severally liable for paying the contribution fee, limiting the risks of any possible delays in collecting fees from any operator. Overall, Acquirente Unico's unpaid fees coming from energy business are marginal, given that the vast majority comes from Servizio Elettrico Nazionale SpA, the Italian public energy provider under the EPS regime. In 2020, OCSIT unpaid fees amounted to 1.3% of total fees, but these are shared and covered by private operators with one year of delay. With regards to OCSIT activities, each year, the Ministry of Finance and MiTE establish the amount of specific stocks to be held and the average contribution fee to be paid by market operators. Additionally, in 2021 the government promulgated a law which prescribes that private operators should present to Acquirente Unico a bank guarantee to further reduce the credit risk.

Financial debt relates mainly to OCSIT. Acquirente Unico's long-term financial requirements are directly related to the pace of reserve build-up. During 2021, the considerable jump in oil prices and the increase in demand slightly diminished OCSIT reserves' equivalent in terms of consumption days. Currently, the value of the oil stock represents 22 days of consumption (versus 21 in 2020), and the target, set at the EU level, is to reach 30 days by 2024. At this stage, OCSIT estimates that to reach the target, equivalent to about 2.7 million tons, it would have to acquire around additional 0.7 million tons during 2022-2023. However, these estimates are heavily affected by changes in market conditions and consumption behavior.

Acquirente Unico's long-term financial debt consists of €1,097 million of bonds and loans, mainly related to OCSIT stock purchase activity. This figure includes a €500 million bank loan maturing in 2024, and a €500 million bond which is due in 2026. During 2022, Acquirente Unico secured the former to refinance a €364 million loan which was due in March 2022, and to acquire additional oil stocks under its strategic plan.

Acquirente Unico's energy intermediation activity generates structural liquidity needs, covered by short-term debt. Acquirente Unico acquires energy in the GME (the Italian energy market exchange, fully owned by GSE), and re-distributes it to national operators in the EPS market. However, energy operators collect the payments from customers only after 60 days, therefore inflows from invoices to Acquirente Unico are deferred. This generates a structural mismatch in the calendar of Acquirente Unico's payments for energy and the collection of tariffs from distributors, which is usually covered by Acquirente Unico's outstanding liquidity lines. In 2021, the increased costs of energy input doubled the revenue-expenditure volumes, and as a result, significantly increased the company's working capital needs (around four times higher than in 2020). At the start of 2022, as a consequence of mounting tensions in the energy market, Acquirente Unico secured a total of €2.25 billion of short-term credit lines, consisting of €1,500 million of uncommitted credit lines from banks, €350 million liquidity lines from CSEA (Cassa per i servizi energetici e ambientali), and €400 million from GSE. During 2021, Acquirente Unico used around €1,000 million of liquidity to finance its regular operations-- almost twice as much as in 2020. In case of further needs, we believe that Acquirente Unico would likely access additional liquidity from its parent company GSE.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Italy 'BBB/A-2' Ratings Affirmed; Outlook Positive, April 22, 2022
- Oiling The Economy: EU National Strategic Oil Reserve Agencies' Actions Reflect Their Central Role For Governments, March 22, 2022
- Oil Reserves Manager Acquirente Unico Outlook Revised To Positive After Similar Action On Italy; 'BBB' Ratings Affirmed, Oct. 26, 2022

Ratings Detail (as of July 21, 2022)*

Acquirente Unico SpA

Issuer Credit Rating	BBB/Positive/--
Senior Unsecured	BBB

Issuer Credit Ratings History

26-Oct-2021	BBB/Positive/--
26-Oct-2020	BBB/Stable/--
30-Oct-2018	BBB/Negative/--
01-Aug-2018	BBB/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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