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Research Update:

Italy's Strategic Oil Reserves Manager Acquirente Unico Outlook Revised To Negative After Similar Action On Italy

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Overview

- On Oct. 26, 2018, we revised our outlook on Italy to negative from stable.
- We equalize our long-term rating on Acquirente Unico with that on Italy, reflecting an almost certain likelihood of timely and sufficient extraordinary support from the government.
- Consequently, we are revising our outlook on Acquirente Unico to negative from stable and affirming our 'BBB' issuer credit ratings on Acquirente Unico.
- The negative outlook mirrors that on Italy.

Rating Action

On Oct. 30, 2018, S&P Global Ratings revised its outlook on Acquirente Unico SpA to negative from stable. The 'BBB' long-term issuer credit rating was affirmed.

Rationale

The revision of the outlook on Acquirente Unico reflects our similar action on Italy on Oct. 26, 2018 (see "Outlook On Italy Revised To Negative On Risks To Economic Growth Following Budget Plan; Ratings Affirmed At 'BBB/A-2'."). In accordance with our criteria for rating government-related entities, we believe that there is an almost certain likelihood that Acquirente Unico would receive timely and sufficient extraordinary support from the Italian government in the event of financial distress. We therefore equalize our long-term issuer credit rating on Acquirente Unico with the long-term sovereign credit rating on Italy.

Acquirente Unico is a public company established to ensure the supply of electricity to eligible (protected) customers. Following the full liberalization of the energy market, the government extended Acquirente Unico's role. For instance, Acquirente Unico is responsible for finding a new gas supplier if the current one becomes insolvent. In addition, the government has assigned a number of ancillary activities to Acquirente Unico, including facilitating settlements of disputes between customers and market operators, better managing information flows relating to electricity and gas markets, and

monitoring open market operations.

In 2012, Acquirente Unico assumed management of the national strategic oil reserves through the Italian strategic reserve manager OCSIT (Organismo Centrale di Stoccaggio Italiano), which was integrated into Acquirente Unico as its operational unit.

Our opinion of an almost certain likelihood of support from the Italian government reflects our view of Acquirente Unico's:

- Integral link to the Italian government, which regulates all of its activities. Acquirente Unico is wholly 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 the financial conditions of the services that Acquirente Unico provides in the energy sector, and the Ministry of Economic Development (MiSE) sets the strategy for the acquisition and management of strategic oil reserves. GSE appoints the members of the Acquirente Unico board every three years, and the proposed members are subject to the Ministry of Economy and Finance's agreement, with the possibility of veto. MiSE establishes, through annual and ad-hoc decrees, the amount of specific oil stocks that OCSIT should hold and the contribution fees that the market operators should pay, thereby ensuring the balance of OCSIT's accounts.
- Critical role for the government as manager of Italy's strategic oil reserves. Acquirente Unico supports the functioning of the Italian energy market, ensuring the supply of electricity to eligible (protected) customers. Additionally, in the energy sector, Acquirente Unico provides support to public entities, manages the integrated IT system for the management of information relating to the electricity and gas markets, and acts as the supplier of last resort in the gas segment. Through OCSIT, Acquirente Unico has been legally assigned the strategically important responsibility of fulfilling the government's oil stockholding obligations under EU and International Energy Agency regulations.

Outlook

The negative outlook on Acquirente Unico reflects the negative outlook on Italy. We could lower our rating on Acquirente Unico over the next two years, all else being equal, if:

- We lowered our rating on Italy; or
- We saw a weakening of Acquirente Unico's link with or role for the Italian government, leading us to revise down our view of the likelihood of extraordinary support from Italy to Acquirente Unico.

We would revise our outlook on Acquirente Unico to stable if we did the same for Italy, and we continued to expect an almost certain likelihood of extraordinary government support for Acquirente Unico .

Related Criteria

- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Outlook On Italy Revised To Negative On Risks To Economic Growth Following Budget Plan; Ratings Affirmed At 'BBB/A-2', Oct. 26, 2018
- Italian Energy Purchaser And Strategic Oil Reserves Manager Acquirente Unico Assigned 'BBB' Rating; Outlook Stable, Aug. 1, 2018

Ratings List

Outlook Action; Ratings Affirmed

	To	From
Acquirente Unico SpA Issuer Credit Rating	BBB/Negative/--	BBB/Stable/--

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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings 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.

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