



**STANDARD & POOR'S  
RATINGS SERVICES**

McGRAW HILL FINANCIAL

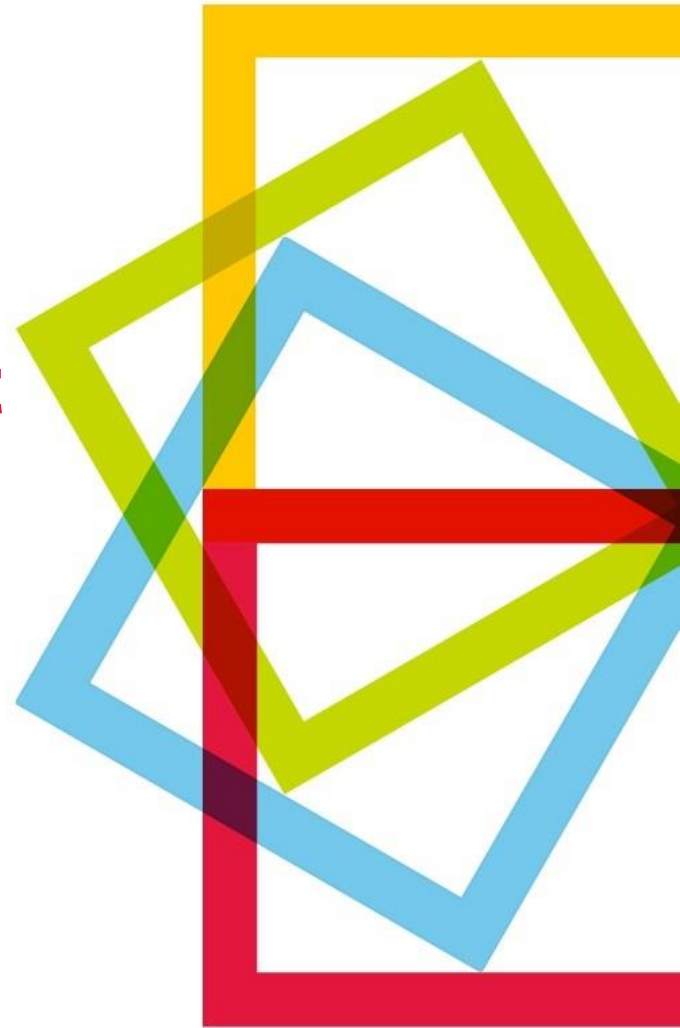
# **Why Projects Fail**

## **20 Years Of Rating Project Finance Debt**

**Ing. Marketa Horkova  
Director**

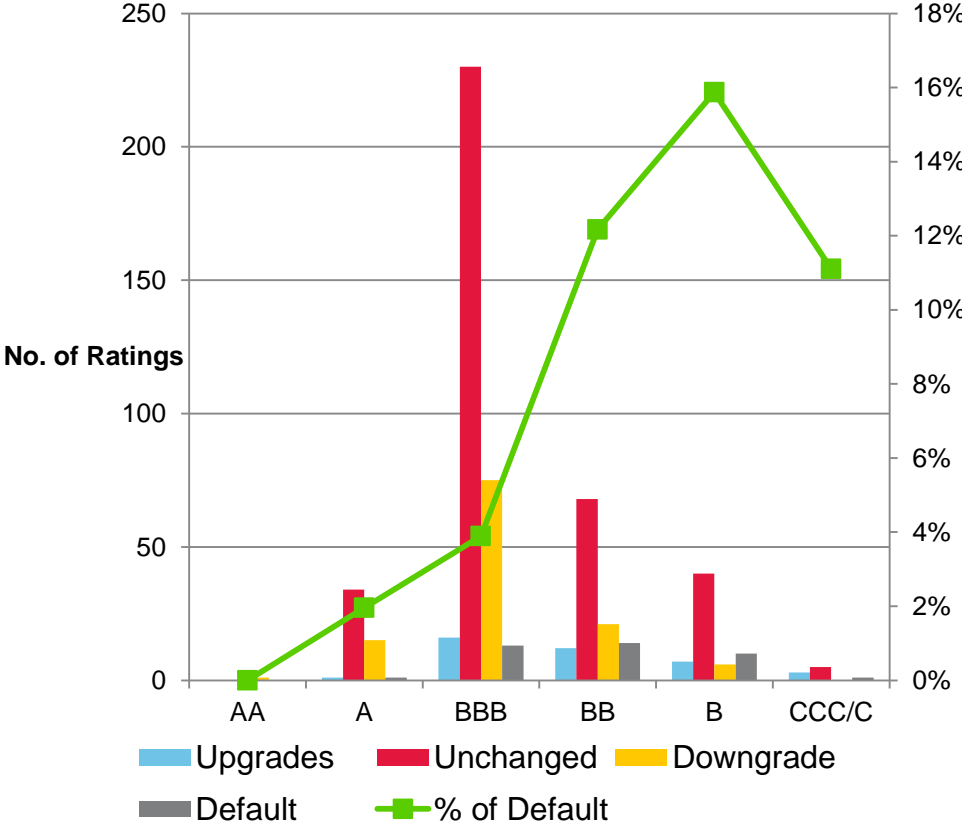
**April 16, 2015**

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# 20 Years Of Project Finance Ratings

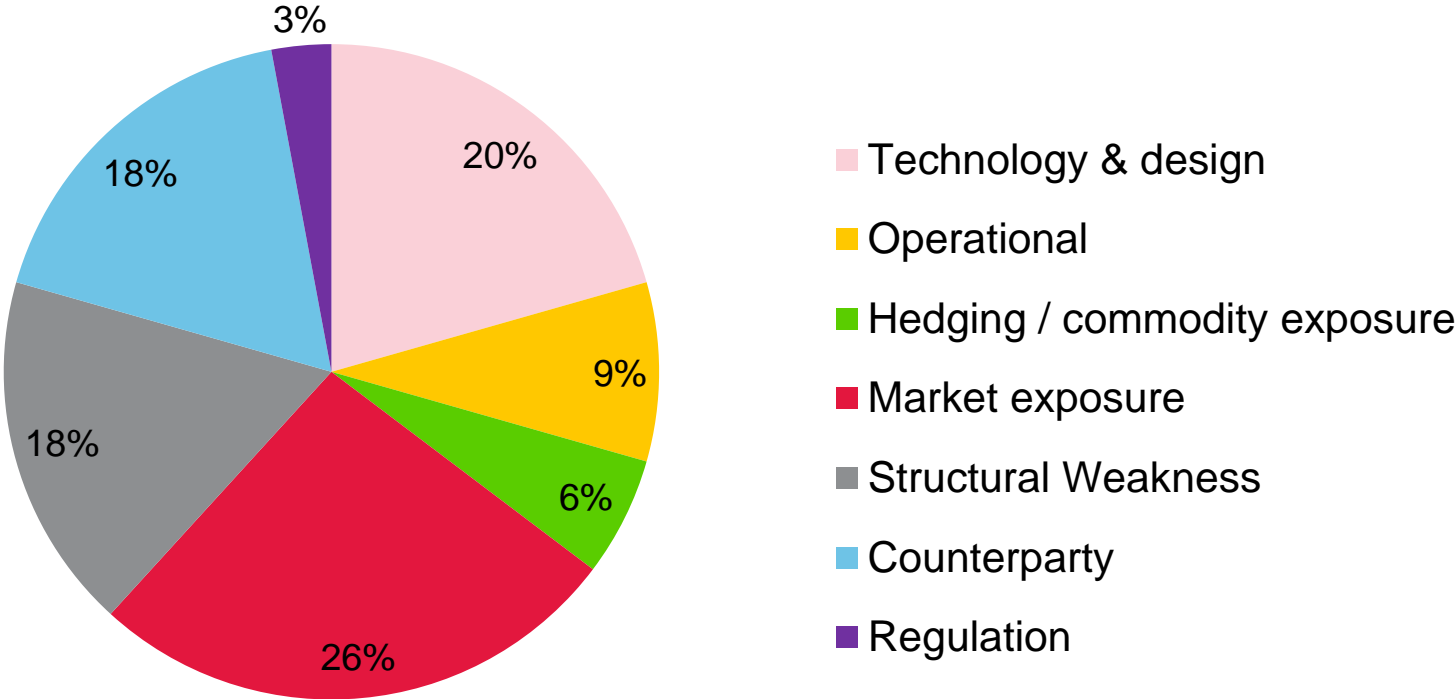
## Ratings Changes



- **573 total ratings**
- **67% IG**
- **21% downgrade vs 7% upgrade**
- **39 or 7% defaults**
- **3% of IG default vs 13% of Non IG default**

# Why Projects Fail

Reasons Of Project Default

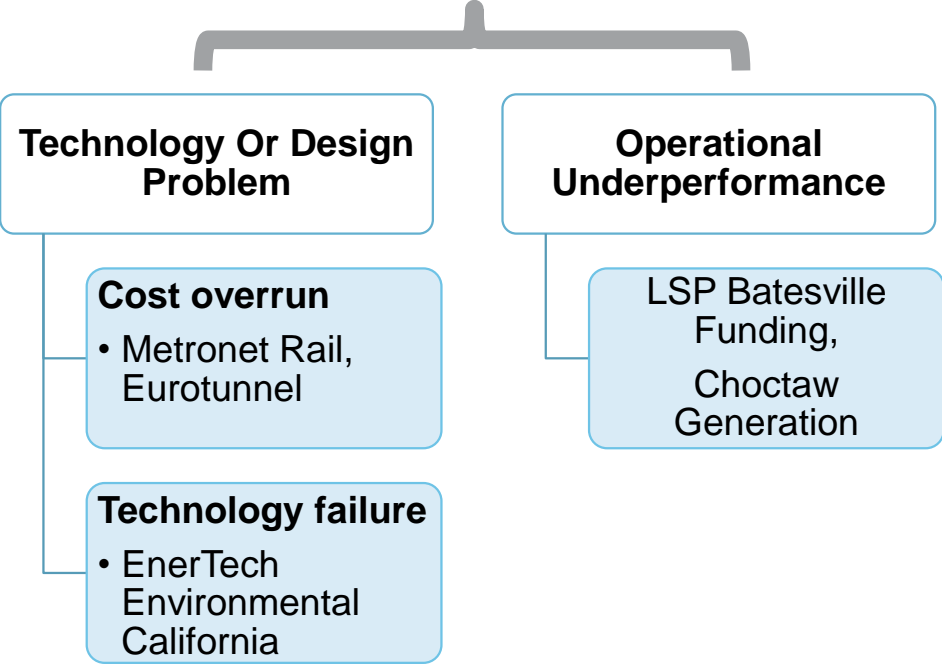


Note: There are often more than one reason for a project reaching default

# Why Projects Fail

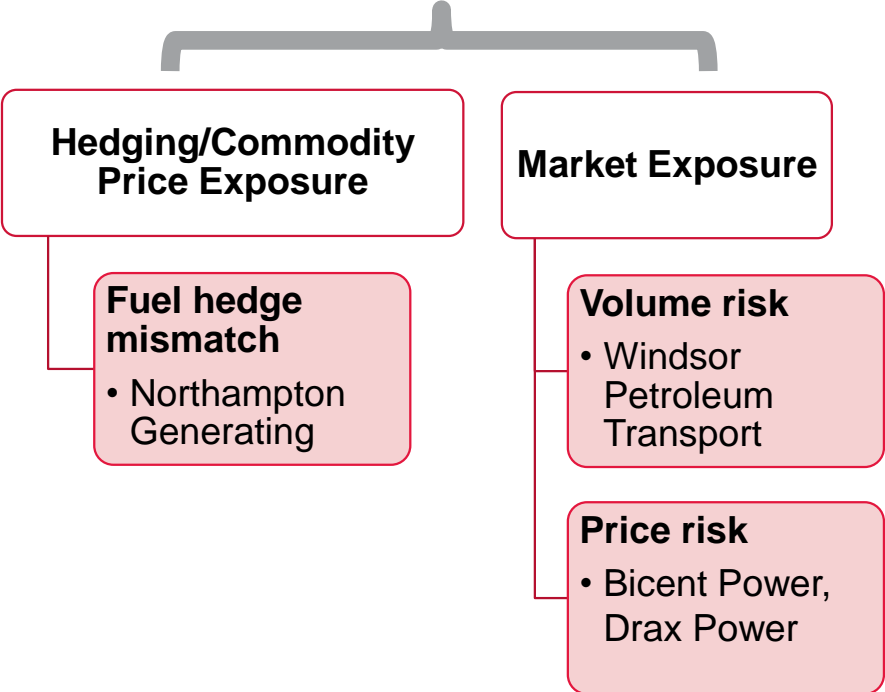
## Technology and operations

(29% of total defaults)



## Market for input or output

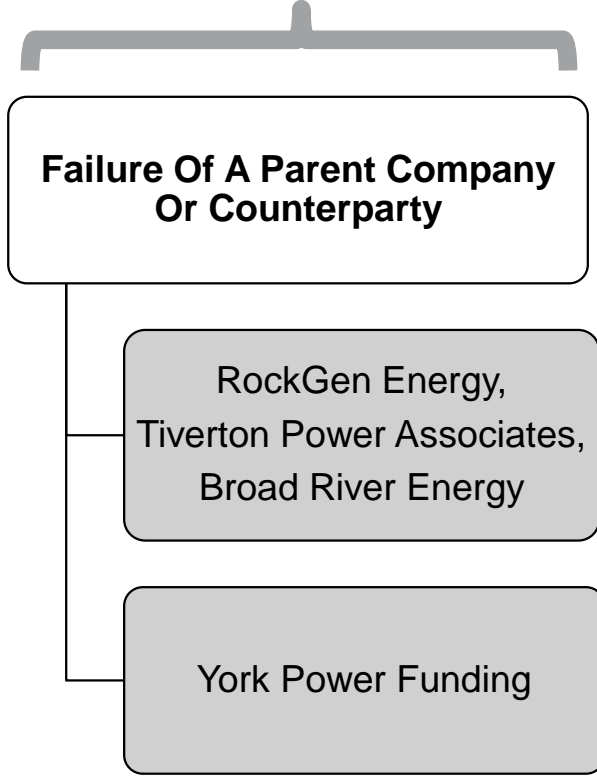
(32% of total defaults)



# Why Projects Fail

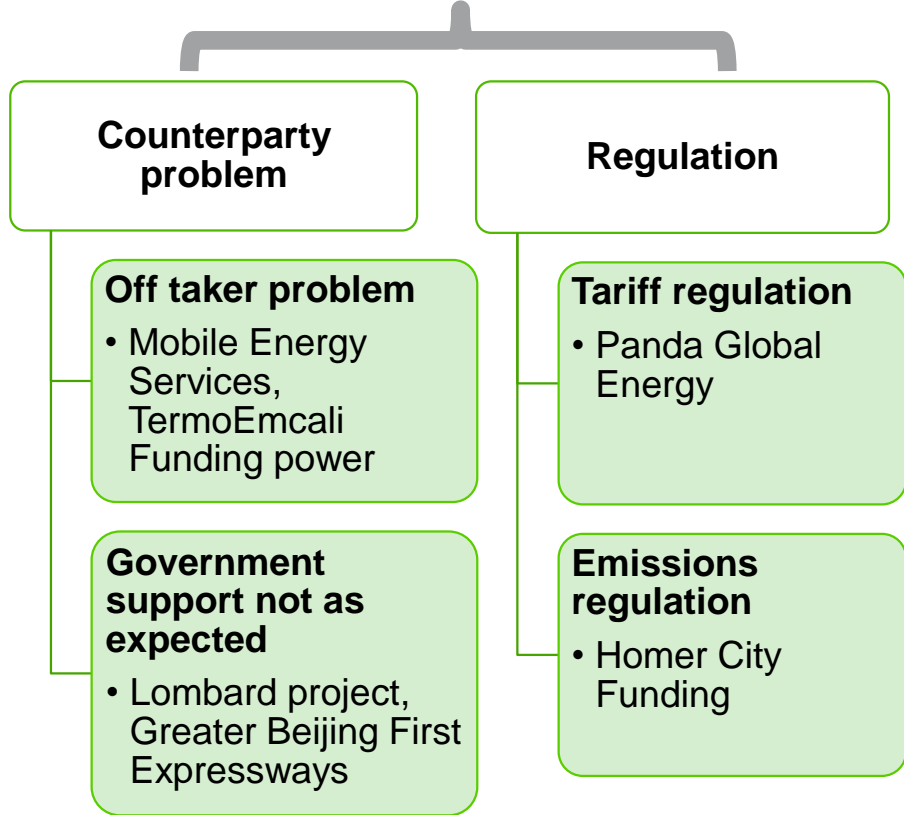
## Structure

(18% of total defaults)



## Counterparty/Regulation

(21% of total defaults)



# Redesigned Project Finance Criteria

## PROJECT FINANCE RATINGS FRAMEWORK

Final Criteria:  
Sept. 16, 2014

**Counterparty**

Final Criteria:  
Dec. 20, 2011

**Construction**

Final Criteria:  
Nov. 15, 2013

**Operations**

Final Criteria:  
Sept. 16, 2014

**Transaction  
Structure**

Final Criteria:  
Sept. 16, 2014

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# Redesigned Project Finance Criteria

## Improved identification of risks through more detailed assessments of potential vulnerabilities:

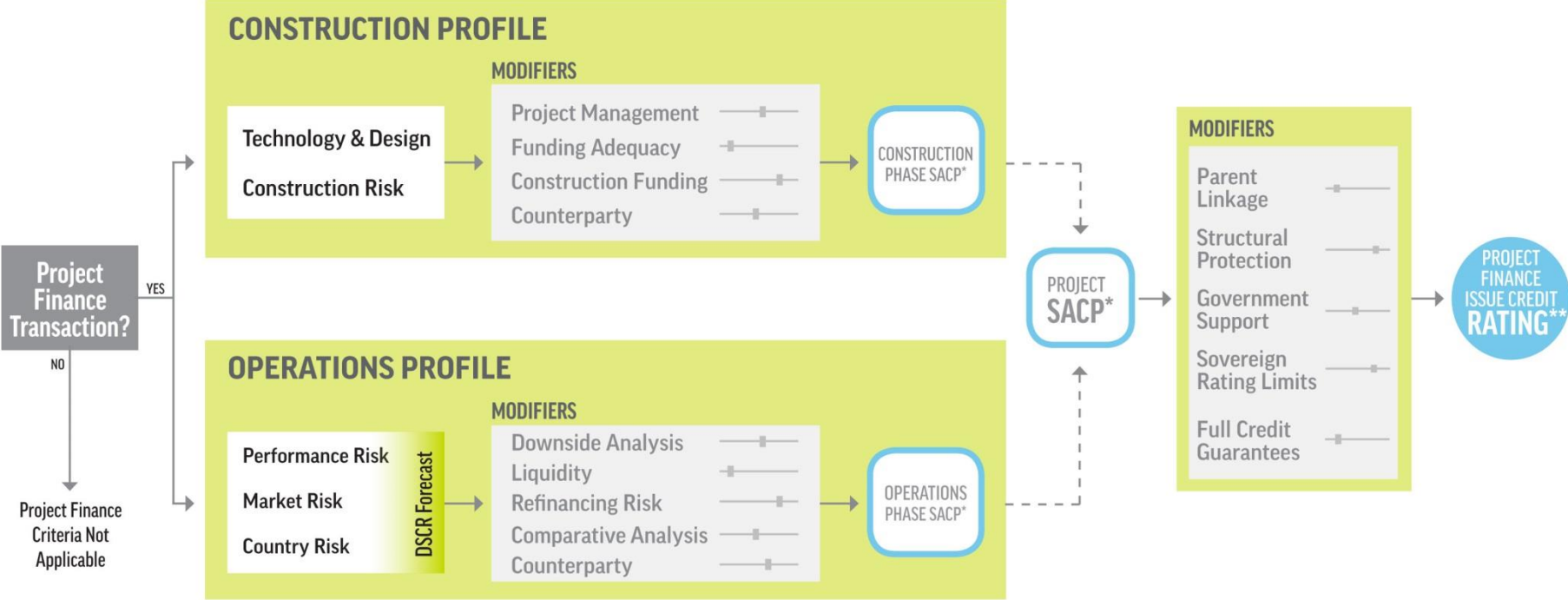
- The construction phase methodology seeks to clearly define the types of risks
- The operations phase methodology emphasizes potential volatility of cash flows
- The operations phase methodology requires a project that is vulnerable to raw material risk has a higher debt-service coverage for a given rating
- The criteria delineates the extent of separation from parents and sponsors in greater detail
- The criteria include a rating assessment of all economically meaningful counterparties and a section on how we view counterparties throughout a project's life

# Appendix

## New Project Finance Ratings Criteria

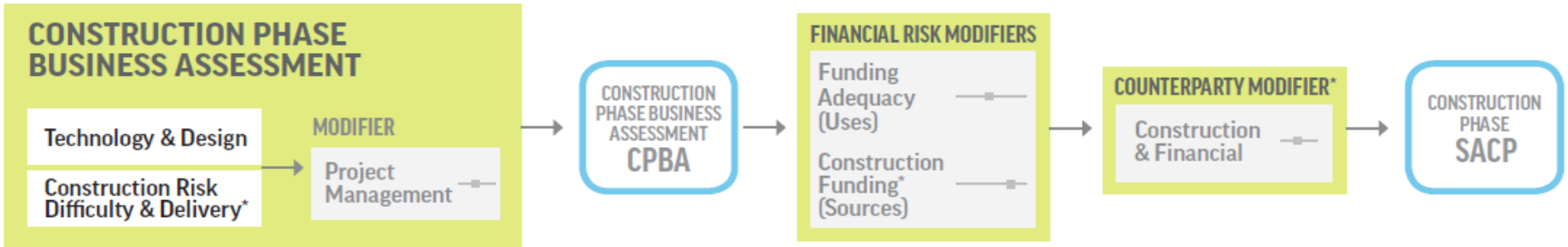


# Project Finance Ratings Framework



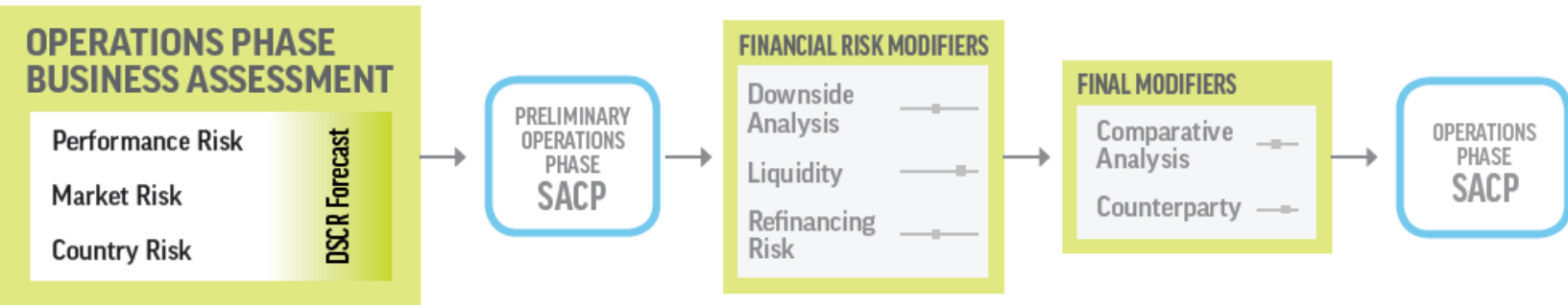
\*SACP = Stand Alone Credit Profile  
 \*\*Or Subordinated Issue Credit Rating If Applicable

# Construction Phase Stand Alone Credit Profile

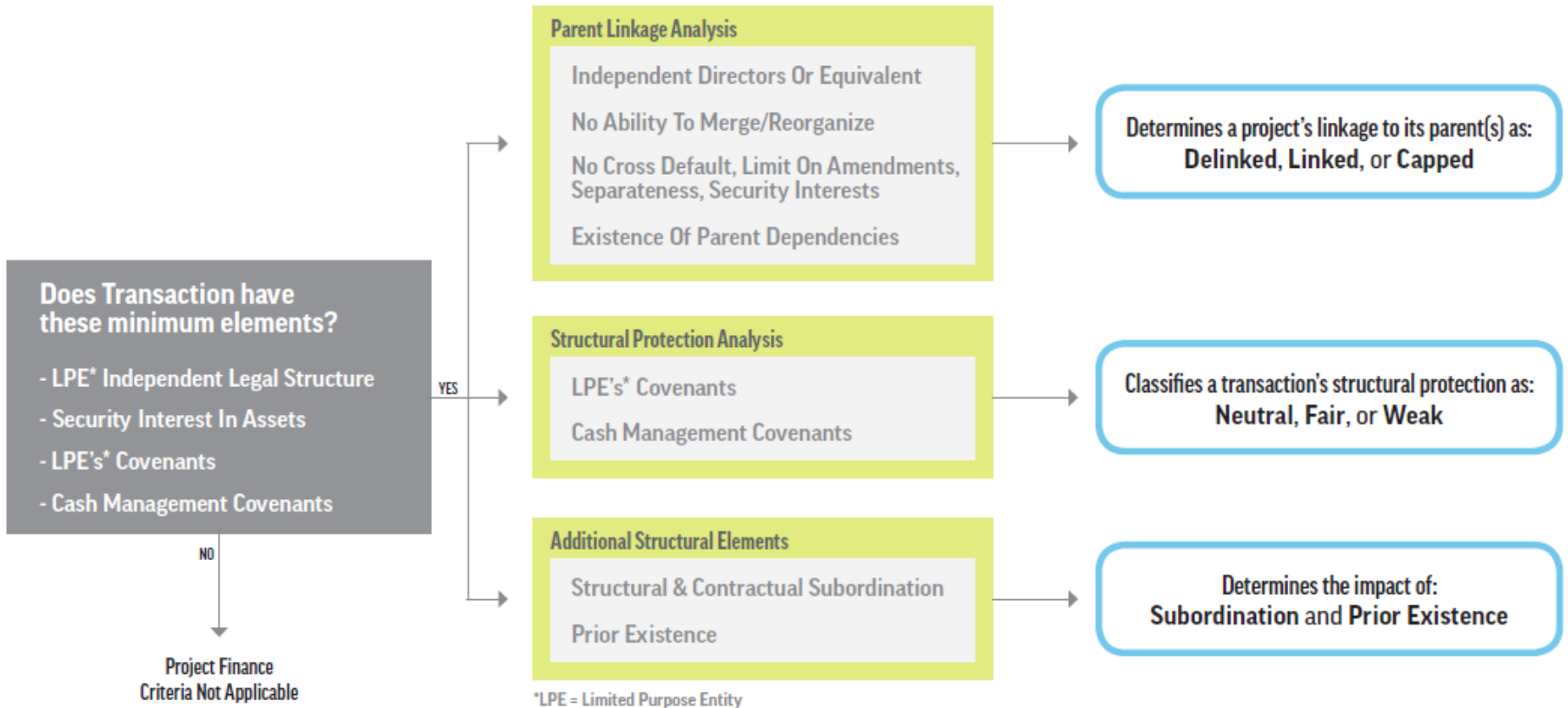


\*Country risks are assessed / incorporated

# Operations Phase Stand Alone Credit Profile



# Framework For Assessing Transaction Structure



Questions?



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# Thank You

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