



**STANDARD & POOR'S
RATINGS SERVICES**

McGRAW HILL FINANCIAL

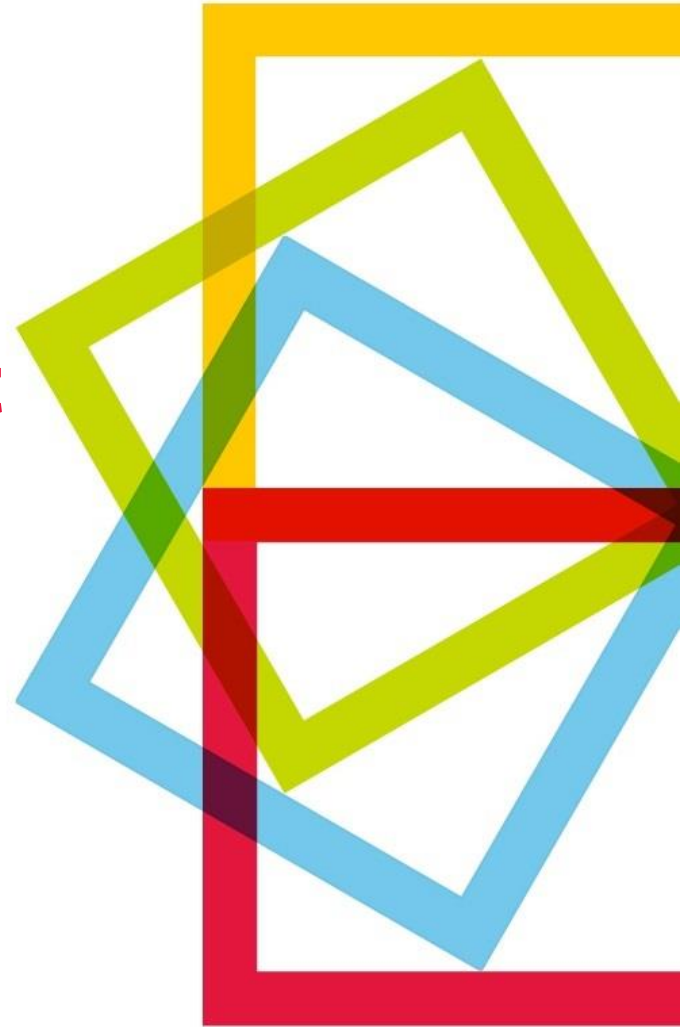
Why Projects Fail

20 Years Of Rating Project Finance Debt

**Ing. Marketa Horkova
Director**

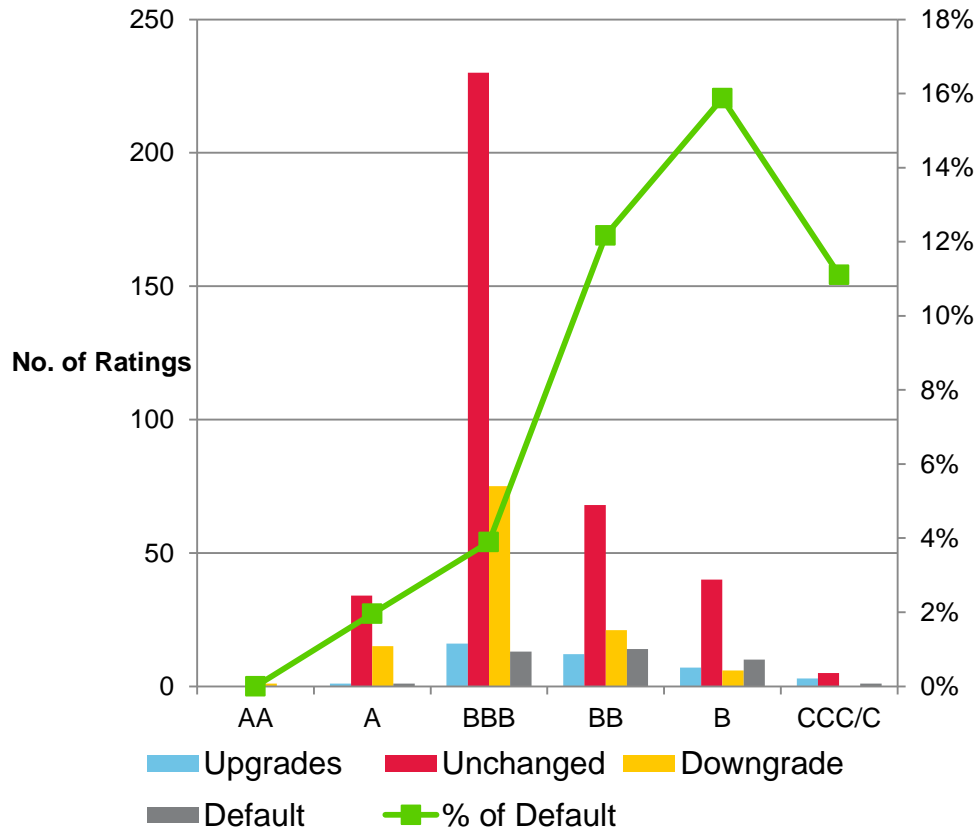
April 16, 2015

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20 Years Of Project Finance Ratings

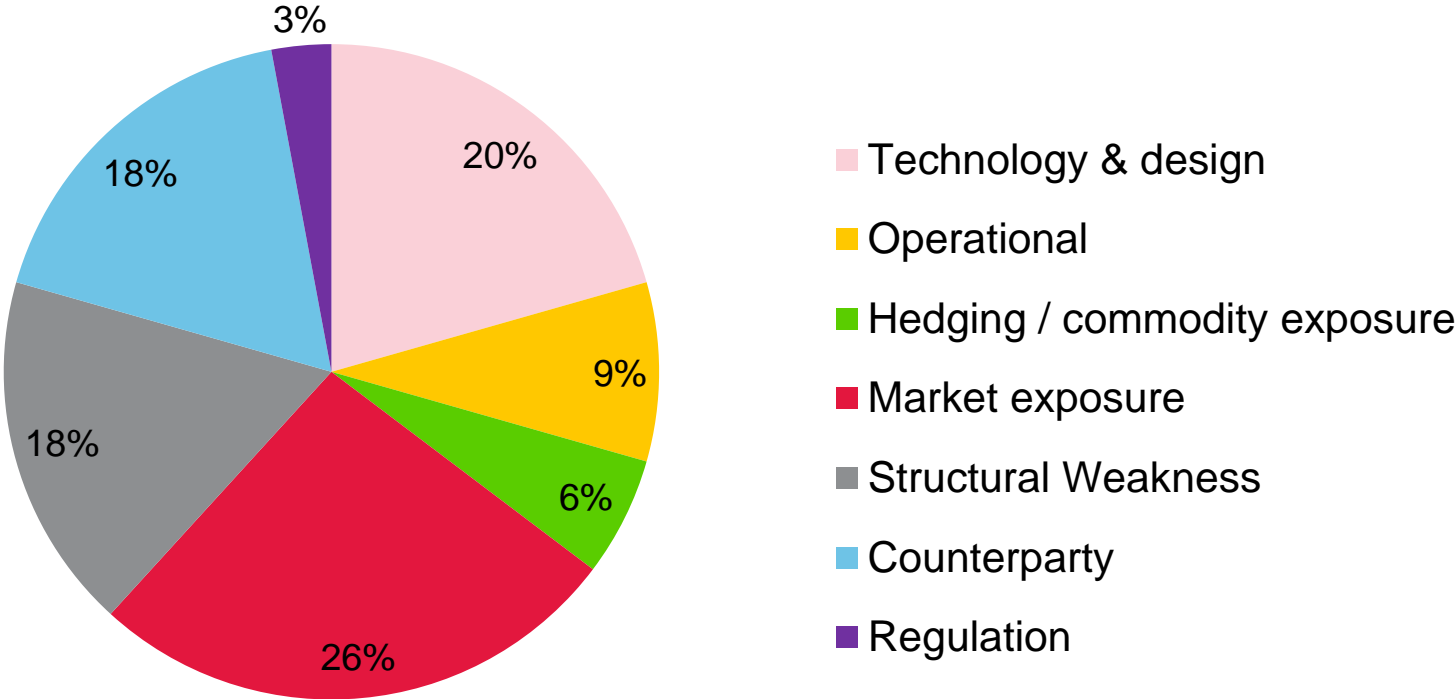
Ratings Changes



- **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

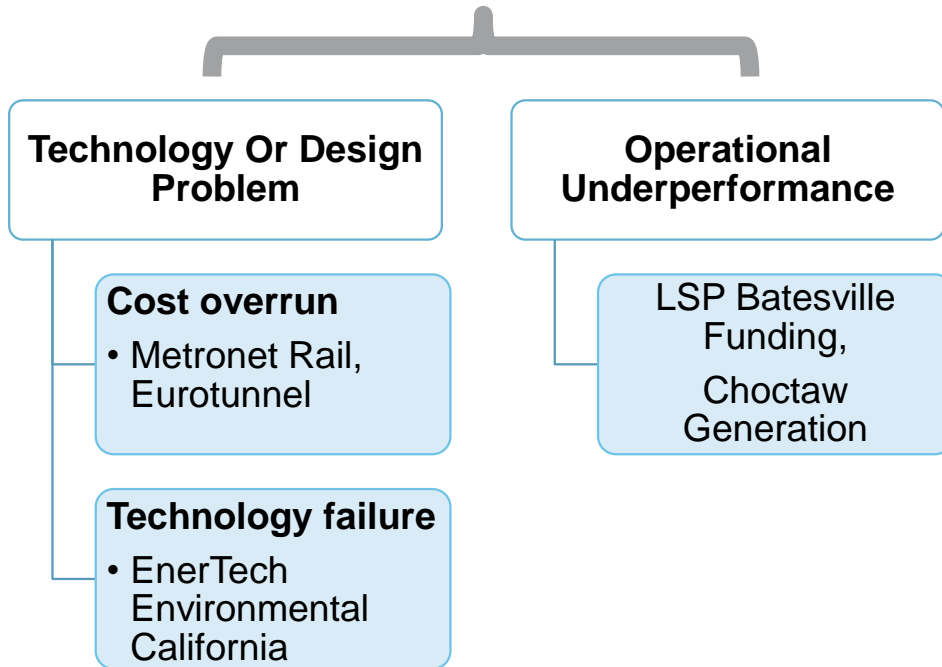


Note: There are often more than one reason for a project reaching default

Why Projects Fail

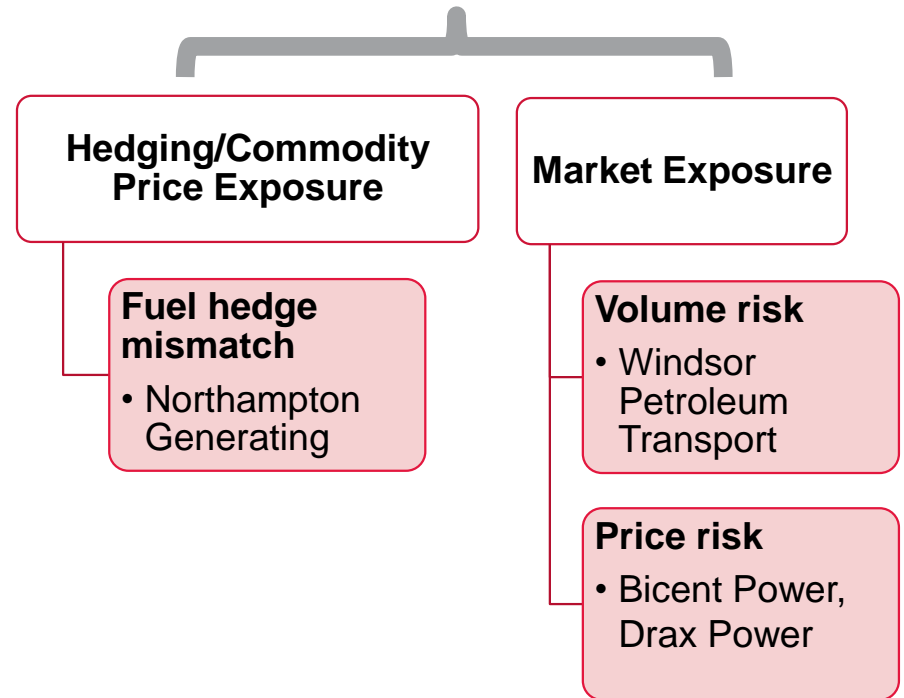
Technology and operations

(29% of total defaults)



Market for input or output

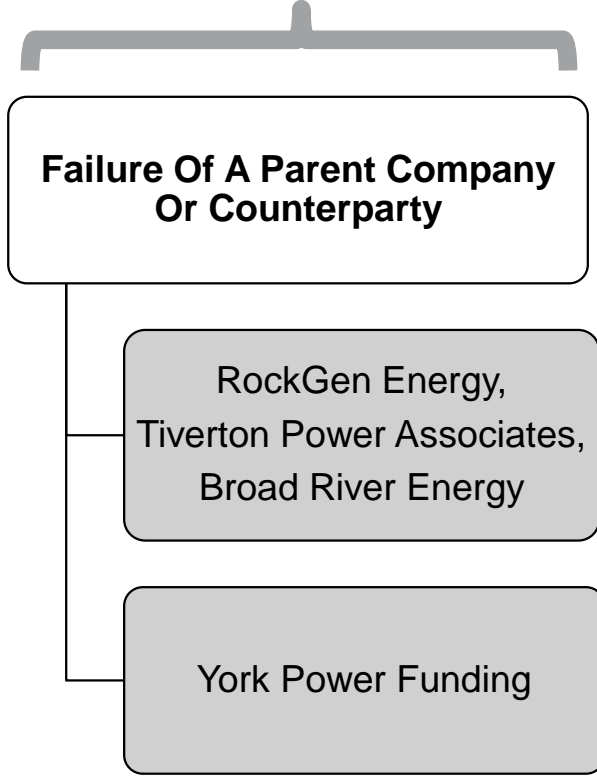
(32% of total defaults)



Why Projects Fail

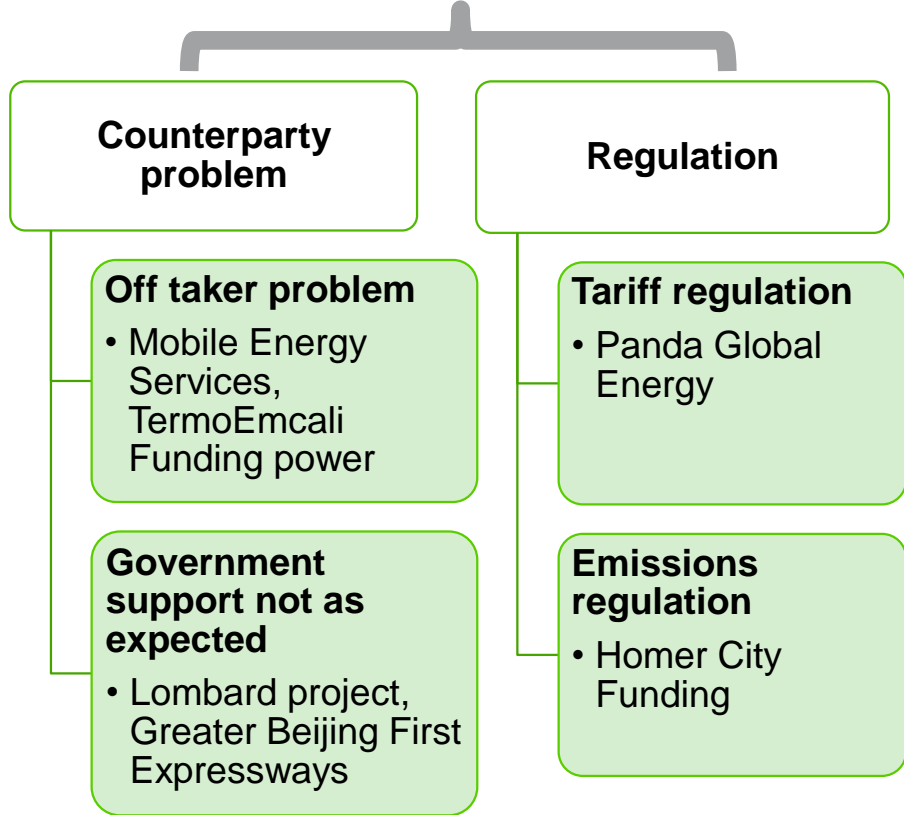
Structure

(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**

Redesigned Project Finance Criteria

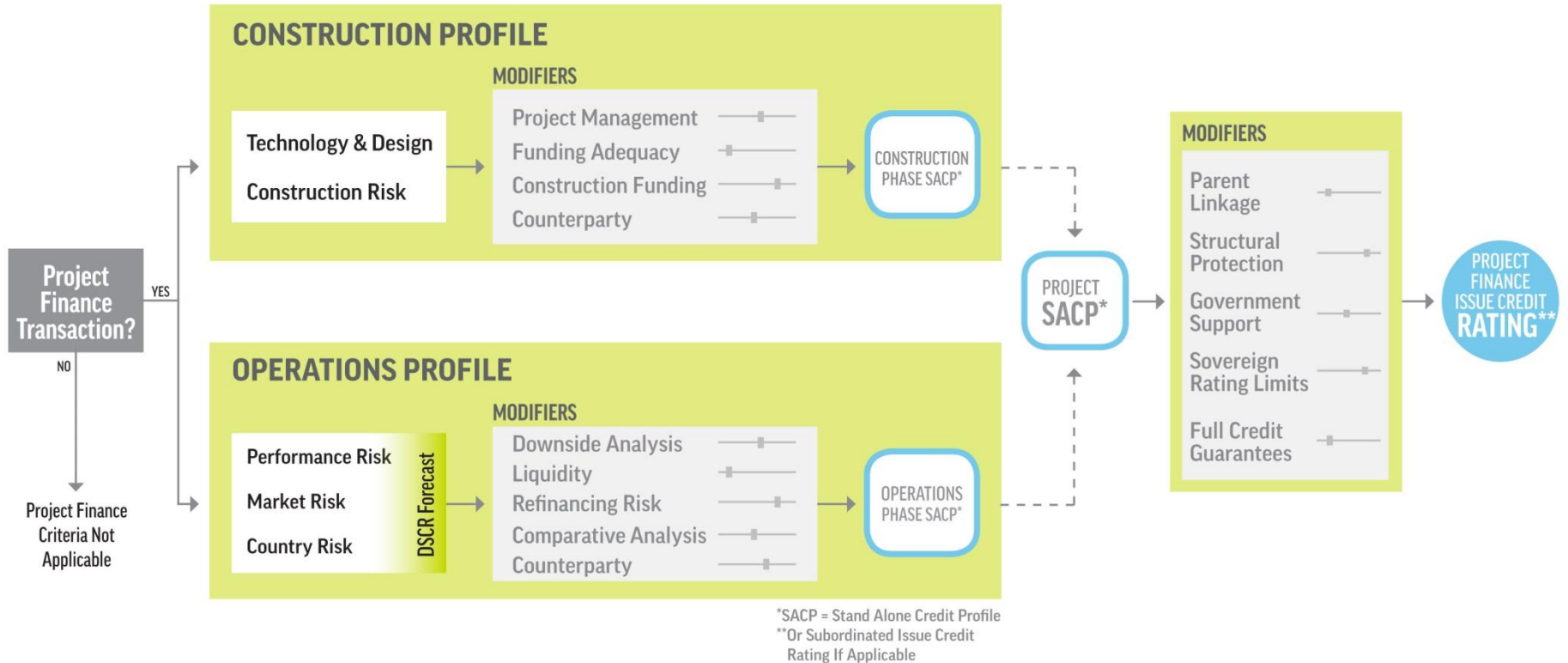
Improved identification of risks through more detailed assessments of potential vulnerabilities:

- 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

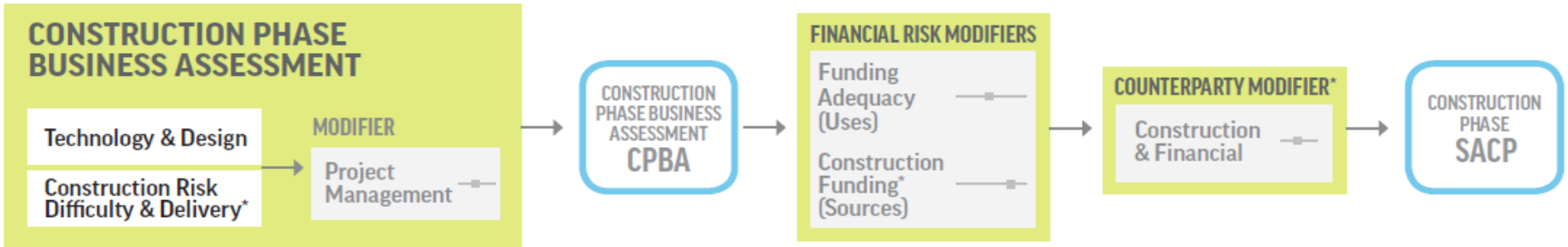
Appendix

New Project Finance Ratings Criteria

Project Finance Ratings Framework

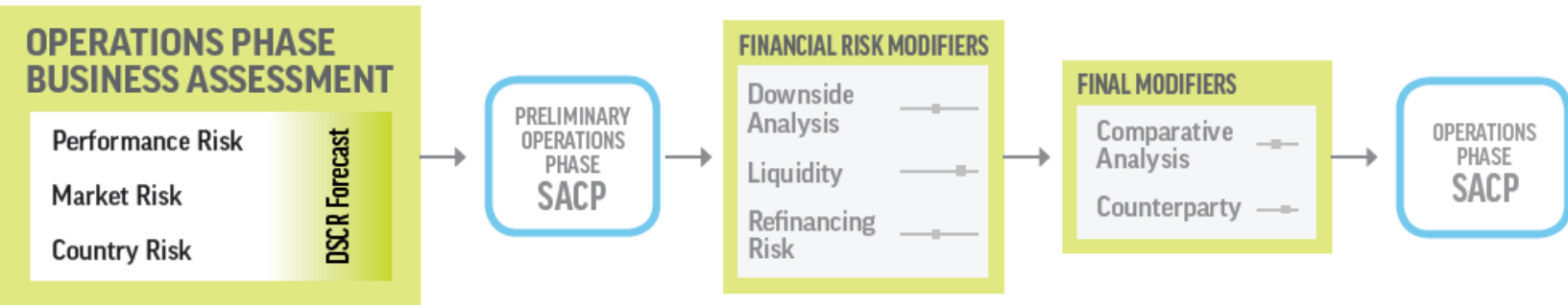


Construction Phase Stand Alone Credit Profile

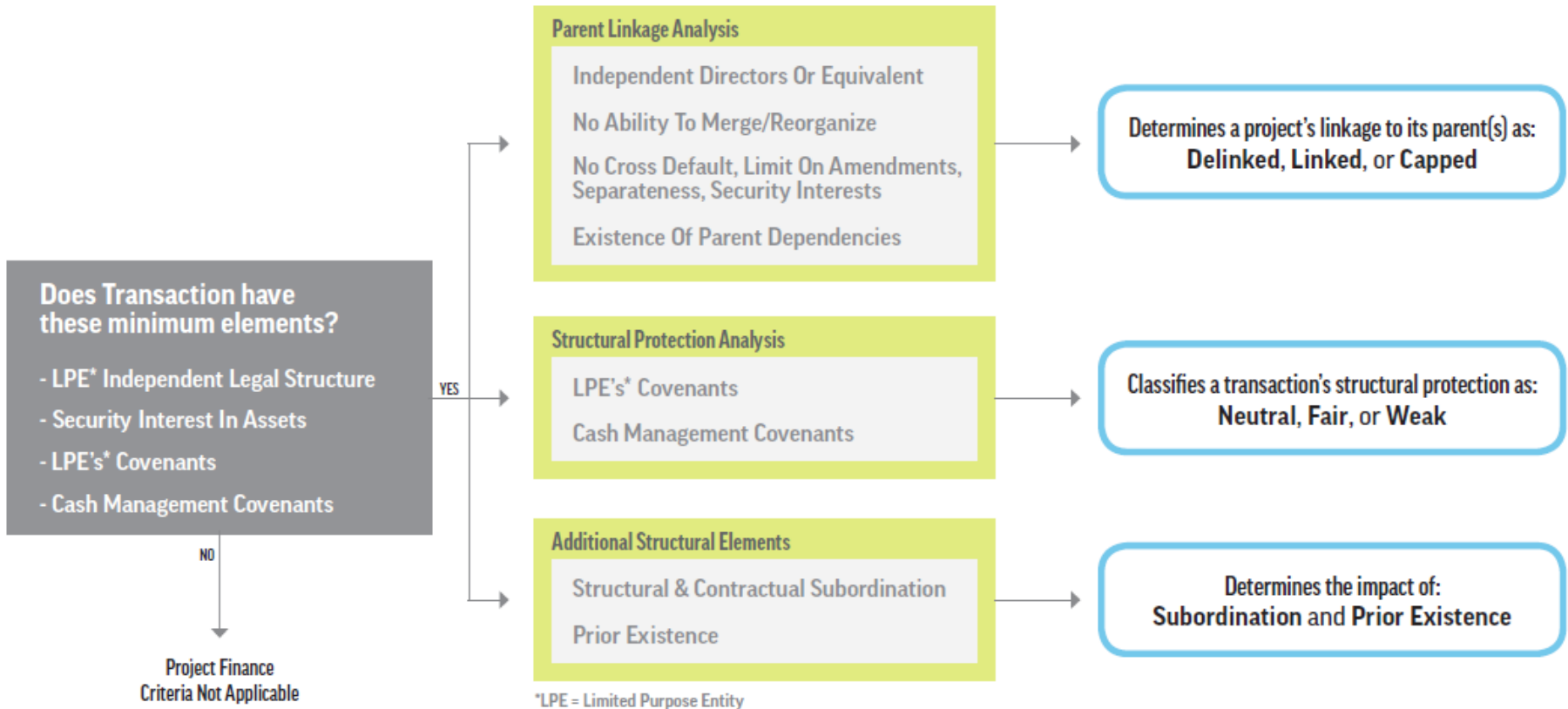


*Country risks are assessed / incorporated

Operations Phase Stand Alone Credit Profile



Framework For Assessing Transaction Structure



Questions?



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Thank You

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