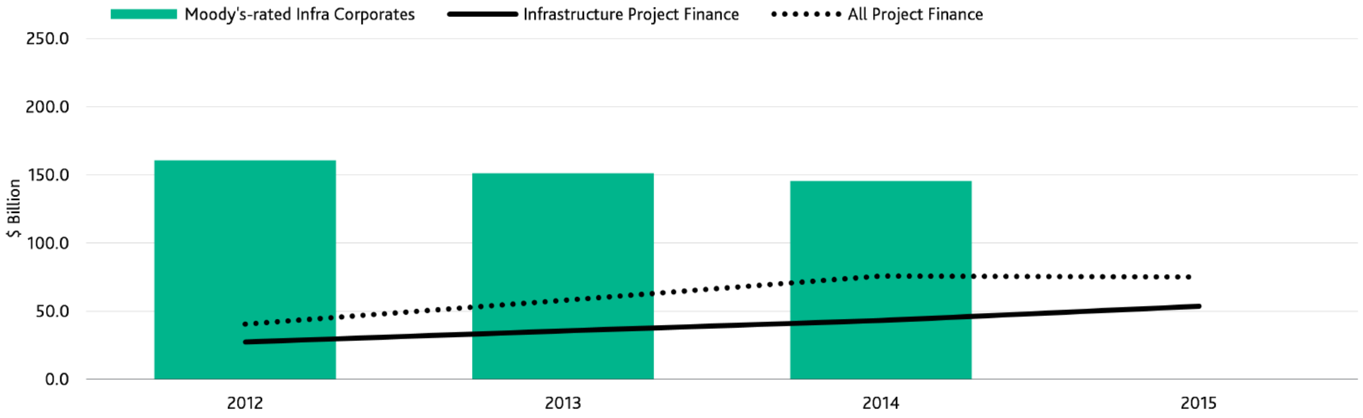
Comments Template on EIOPA-CP-16-005 Consultation Paper on the request to EIOPA for further technical advice on the identification and calibration of other infrastructure investment risk categories i.e. infrastructure corporates		Deadline 16.May.2016 23:59 CET
Company name:	Moody's Investors Service Ltd	
Disclosure of comments:	EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential. Please indicate if your comments on this CP should be treated as confidential, by deleting the word Public in the column to the right and by inserting the word Confidential.	Public
	Please follow the instructions for filling in the template: ⇨ Do **not** change the numbering in column "Reference". ⇨ Please fill in your comment in the relevant row. If you have no comment on a paragraph, keep the row empty. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific paragraph numbers below. ○ If your comment refers to multiple paragraphs, please insert your comment at the first relevant paragraph and mention in your comment to which other paragraphs this also applies. ○ If your comment refers to sub-bullets/sub-paragraphs, please indicate this in the comment itself. **Please send the completed template to CP-16-005@eiopa.europa.eu, in MSWord Format, (our IT tool does not allow processing of any other formats).** The paragraph numbers below correspond to Consultation Paper No. EIOPA-CP-16-005.	
Reference	**Comment**	
General comments	Moody's Investors Service ("Moody's") welcomes the opportunity to provide comments to EIOPA's Consultation Paper CP-16-005 in relation to the identification and calibration of investment risk in infrastructure corporates. We highlight the significance of the current consultation since capital expenditure by infrastructure corporates in Europe far exceeds that delivered by infrastructure project finance transactions.	

In Europe over the period 2012-14, we estimate that total capital expenditure by Moody's-rated infrastructure corporates was more than 4x the combined capital value of the infrastructure project finance transactions (whether rated or not) that reached financial close during the period. This is shown in Exhibit 1 below:

Exhibit 1:
Infrastructure Capital Expenditure in Europe: Infrastructure Corporates compared with Infrastructure Project Finance



Note: Infrastructure project finance excludes oil & gas, mining, petrochemical and industrial projects
Source: Moody's, Thomson Reuters Project Finance International

Moody's has published research on the credit performance of two infrastructure-relevant data sets: (1) a data set comprising $3.3 trillion of Moody's-rated infrastructure debt securities, and (2) a data set comprising $1.6 trillion of unrated project finance bank loans.

We list below our latest reports. These reports are freely available to all interested parties at www.moodys.com (including non-subscribers, following registration).

- "Infrastructure Default and Recovery Rates, 1983-2014", March 2015
- "Default and Recovery Rates for Project Finance Bank Loans, 1983-2014", March 2016

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	• "Default and Recovery Rates for Project Finance Bank Loans, 1983-2013 Addendum", September 2015. This addendum provides additional information about the performance of projects within the Infrastructure industry sector, during the period 1983-2013.	
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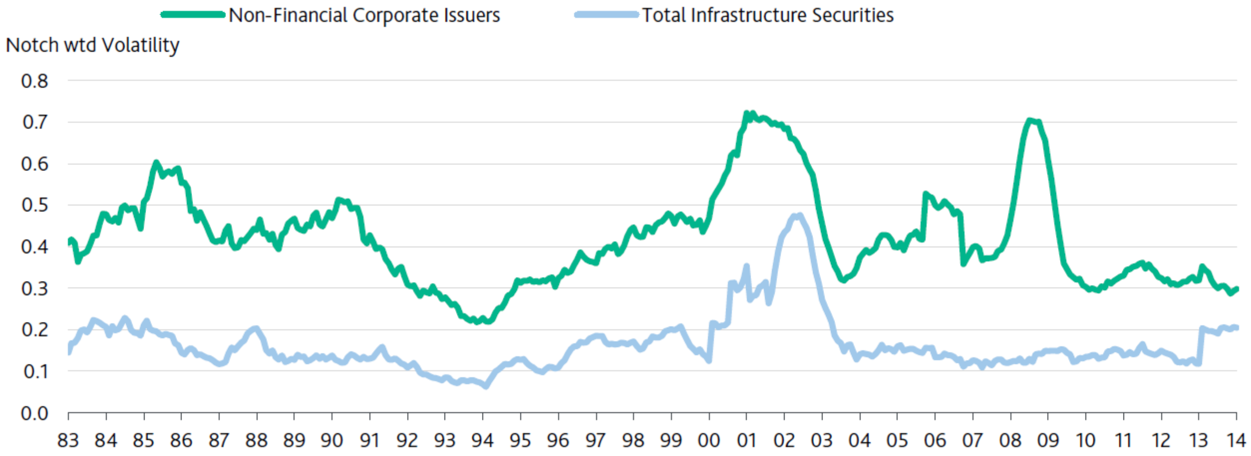
Para 1.111

We highlight the following extracts from our report "Infrastructure Default and Recovery Rates, 1983-2014" which show that the rating volatility of Moody's-rated infrastructure corporates has been lower than that of non-financial corporates (NFCs), notably during 2008-09:

- *" … Exhibit 8 compares the rating volatility for total infrastructure securities with that for global NFC issuers. The rating volatility, the sum of the notch-weighted upgrade and downgrade ratios, measures the gross average number of notches a portfolio of securities has changed over a twelve-month period. …"*

EXHIBIT 8

Rating Volatility for Total Infrastructure Securities and Non-Financial Corporate Issuers



Source: Moody's

- *" … It is important to note that ratings for total infrastructure securities have been more stable throughout the study period and were notably more stable than those for NFC issuers in the 2008-2009 financial crisis and recession. As explained in a Moody's report published in September 2011,"infrastructure issuers tend to enjoy open and welcoming capital markets, and rarely experience trouble raising the necessary capital to meet their investment needs." However,*

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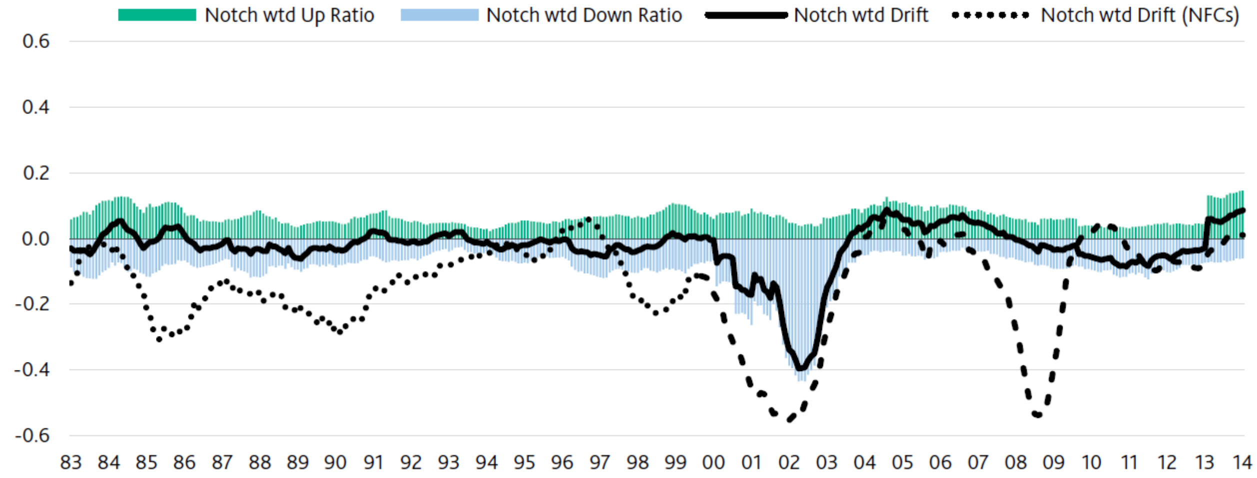
	individual sectors within infrastructure fared differently through crisis periods depending on their exposure to economic and commodity cycles and on the region(s) where the credits in that sector operate." • *" … Exhibit 9 plots the time series of the rating drift for total infrastructure securities. The rating drift, defined as the notch-weighted upgrade ratio minus the notch-weighted downgrade ratio, is meant to capture the net average number of notches a portfolio of securities has changed over a twelve-month period. …"* EXHIBIT 9 **Rating Drift, Upgrade and Downgrade Ratios for Total Infrastructure Securities**  *Source: Moody's*	
Section 7.5.		
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Question 5.		
Section 9.1.	**Para 1.157** Para 1.157 cites as evidence, Moody's report "Default and Recovery Rates for Project Finance Bank Loans, 1983-2013", (March 2015) • In March 2016 we published an updated report "Default and Recovery Rates for Project Finance Bank Loans, 1983-2014". Our expanded and updated study now covers 5,880 unrated project finance transactions originated globally during the period 1983 to 2014, an increase of 11% in the size of the study data set. In general, our findings are consistent with those of our previous study published in March 2015, however the updated study provides additional insight into default experience during the period 2008-14. • In September 2015 we published our report "Default and Recovery Rates for Project Finance Bank Loans, 1983-2013 Addendum". This report provides additional information about the performance of projects within the Infrastructure industry sector, based on the study data set 1983-2013. It is similar in scope to an addendum to a previous version of our project finance bank loan default study for the period 1983-2011, that was referenced by EIOPA in its previous consultation paper CP-15-004. • Our latest reports are freely available to all interested parties at www.moodys.com (including non-subscribers, following registration).	
Section 9.2.	**Para 1.175** See comments at Section 9.1/Paragraph 1.157	
Question 6.		
Question 7.		
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Section 10.1.		
Question 8.		
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Annex I		
Annex I Questions		
Annex III		
Annex IV		

Annex V		