

Financial credit rating for sovereign risks: RISKERGY innovates

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RISKERGY launches its activities in Paris and Brussels and aims to offer financial rating services dedicated to sovereign risks by 2015. **RISKERGY** is breaking new grounds thanks to an innovative rating methodology developed as part of a € 3,8M research program supported by several public institutions. As a financial rating agency, **RISKERGY** will seek ESMA's operating agreement.

- **Background/rationale**

The shortcomings of rating agencies specialised in risk assessment account for a significant part of the current financial crisis. As a response, institutions have taken unprecedented actions such as strengthening the regulatory framework and calling for increased competition and improved methodologies. Meanwhile, a growing number of academic papers have underlined the crucial link between economic growth and energy access (see IMF world economic outlook 2011, chap 3).

- **Objectives**

RISKERGY aims at providing financial markets with an innovative expertise leading to a rational consideration of sovereign risks. Under ESMA supervision, **RISKERGY**'s added value will be based on two innovations: (i) a hybrid model coupling macro-economic forecasting with fiscal, monetary, and budgetary parameters; (ii) the ability to integrate energy as one of the key factors affecting wealth production. As a consequence:

- Investment decisions will follow a more rational process and funds allocations will prove less volatile and procyclical.
- The RISKERGY methodology, while translating energy risks into financial risks, will make it possible to better anticipate potential energy shocks or stresses, as well as the decrease of the economy carbon-intensity.

The stake is both financial and social. Sovereign bonds issues amount to 41 trillion \$ worldwide (44% of the whole bonds market). Individual savings are often invested in sovereign bonds through Pension funds and Life insurance schemes.

- **R&D consortium**

The development of RISKERGY relies on a R&D research consortium gathering academics and firms with international expertise in their respective fields:

- Carbone 4, Enerdata and Energy Funds Advisors: data processing and management, energy and climate risk management processes;
- Global Warning: financial industry and regulation;
- Macroeconomic monetary, financial modeling and risk analysis: Labex Refi laboratory (Finance Regulation, modeling and risk) ; Ecole des Ponts ParisTech research centers with CIREN (global energy environment economy modeling) ; and CERMICS (optimization).

Caisse des Dépôts Group actively supports this R&D program.

RISKERGY seeks to build further international partnerships with academics, firms and financial institutions in order to broaden its outreach and expertise dealing with the financial industry main issue, i.e. risk analysis.

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