

Chile successfully concludes inaugural Green Bond issuances

In June, Chile demonstrated its firm commitment to climate action and leading role in international green financing by becoming the first country in the Americas to issue green bonds. In fact, Chile became the first country to issue green bonds sequentially in a dual-tranche (USD and EUR) structure.

Overall, both operations were very successful and allowed the Republic to achieve several milestones including the lowest yields ever in both currencies (3.53% for the dollar-denominated and 0.58% for the euro-denominated bonds), low spreads (95 basis points over the US Treasury rate for the dollar-denominated and record-low 50 basis points over the benchmark interbank rate for the Euro-denominated bonds), record demand from global markets (12.8 times the amount offered for the dollar-denominated bonds, and 4.7 times for the euro-denominated bonds), and an important broadening of Chile's investor base towards institutional investors with green mandates (totaled more than 460 accounts for both transactions).

The Minister of Finance, Felipe Larraín, highlighted the success of the operation stating "the issuance of our first Green Bonds demonstrates our strong commitment to move forward with concrete actions to face climate change. In an international context of greater financial turbulence, global markets have rewarded us with historically low rates, even below those estimated by secondary market pricing."

In line with the 2019 Issuance Plan presented in January of 2019, the green bond transactions conclude Chile's foreign currency issuances for the year, for an equivalent of US\$ 1.5 billion.

Context of the issuances

These Green Bonds were issued after the favourable evaluation of the Green Bond Framework by Vigeo Eiris last May. This international independent agency, specialized in environmental, social and governance (ESG) research, gave to Chile's Green Bond Framework the highest degree of assurance regarding its contribution to sustainable development. In addition, the Green Bond project portfolio linked to this issuance has obtained the Climate Bond Initiative certification, an international NGO specialized in green issuance standards.

The development of the Framework and the selection of the portfolio was the result of a multi-ministerial work, led by the Ministry of Finance, and the participation of the Ministries of Agriculture, Energy, Environment, Public Works and Transportations and Telecommunications, and the valuable support of the Inter-American Development Bank (IDB).

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Ministry of Finance of Chile
Investor Relations Office



In addition, minister Felipe Larraín explained that these transactions are set within the financing needs approved by the 2019 Budget Law. Likewise, he noted that “taking advantage of the good timing in the market, with low rates, and establishing new benchmarks for a 31-year US dollar-denominated bond and 12-year euro-denominated bond, allowed us to further broaden our investor base, including new accounts of ESG investors”.

The minister valued the work performed by the Ministry of Finance’s team, the underwriter banks for the US Dollar transaction (BNP Paribas, Citibank and HSBC) and the Euro transaction (JP. Morgan, Crédit Agricole CIB and Société Générale), and the legal counsel Cleary, Gottlieb, Steen and Hamilton, internationally, and Morales y Besa, locally.

In line with the 2019 Issuance Plan presented in January of 2019, these issuances conclude Chile’s sovereign bond issuances in foreign currency for the year, which totalled an equivalent of US\$ 1.5 billion.

Additional information on Chile’s Green Bond issuances, including the Green Bond Framework, may be found at the institutional website:

<https://www.hacienda.cl/english/public-debt-office/green-bonds.html>