

July 6th, 2020

Ministry of Finance publishes its inaugural Green Bond Allocation and Environmental Impact Report

Santiago, July 6th, 2020. The Ministry of Finance (MoF) published the Green Bonds 2019 Allocation and Environmental Impact Report today, its first report annual report related to the Green Bond issuances of 2019.

The annual publication of this report is one of the sovereign's commitments established in its Green Bond Framework. The report provides information to investors and the general public on the allocation and the environmental impact of the funds that were received in the 2019 issuances. As specified in the Green Bond Framework and consistent with international best practice, resource allocation was satisfactorily reviewed by a specialized international auditor. In addition, in line with the Climate Bonds Initiative (CBI) certification commitments, post-issuance verification of the issuance was also met satisfactorily, demonstrating alignment of the projects with CBI standards.

This first report contains detailed information on the progress in the allocation of the resources of the CBI certified 2019 portfolio and its corresponding environmental impact. Between 2018 and the end of 2019, a total of US\$ 589 million had been allocated, equivalent to 24.8% of the total US\$ 2,373 million in green bonds issued that year. The MoF estimates that these resources will be fully allocated in the certified project portfolio over a five-year horizon since the year of the issuances. A five-year period is estimated due to the nature of the projects in the portfolio (green buildings, Metro lines).

Among the financed projects of the Clean Transportation green sector (as defined in the Framework) there are electro-mobility projects of the Metropolitan Public System of Transport, the Metro-train Santiago-Rancagua and new extensions and metro lines. Regarding this last project, it is important to note that 22km. of the new Metro line 3 are already operating. Also, this portfolio considers funding for the new Metro line 7 and the extension of the Metro lines 2 and 3, which are not yet operating. The total amount disbursed in Metro projects is US\$ 564 million.

Separately, US\$ 24 million were allocated in projects from the Renewable Energy, Green Buildings and Water management sectors, in projects located nationwide and in some locations in northern Chile.

The Report also describes the environmental impact associated to the allocated resources, among which stand out:

- The Clean Transportation projects have avoided emissions for at least 170,300 tonCO_{2e} annually, as well as 7.4 tonPM_{2.5} in Santiago.
- The Renewable Energy projects have avoided the emissions for at least 1,101 tonCO_{2e} annually, producing more than 291,816 MWh of clean energy.
- The Green buildings projects have reduced the energy consumption in 68.9% and 77.6% by the projects auction during 2018 and 2019, respectively.

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- The Water Management projects have maintained the 100% of the hydro-meteorological stations operating and allowed to achieved the inspection of the 100% required by the Superintendence of the Environment.

Green Bonds issued in 2019

With its inaugural 2019 issuances, Chile became the first country in the Americas to issue green bonds. As mentioned above, the MoF issued a total amount of US\$ 2,373 million in green bonds during 2019. This amount was issued in two transactions in June. The first issuance consisted in a USD-denominated bond due in 2050, for US\$ 1,431 million, which also included liability management operations. The second issuance consisted in a Euro-denominated bond due to 2031 for € 861 million.

Both transactions met record demand and historically low yields with a broad participation of “green” investors and taking advantage of the historically low yields in the international market. In fact, both cases reached a negative new issue premium, that is, yields were below those estimated by information in the secondary market.

For more information regarding the Republic of Chile’s Green Bonds, visit the site: <https://www.hacienda.cl/oficina-de-la-deuda-publica/bonos-verdes.html>

Awards and Recognitions

The Public Debt Office has been recognized with several Awards and Honors for specific transactions, its public debt management strategy and innovations in the development of financial instruments, particularly Green Bonds issuances. Below a list of the awards and recognitions:

- Green Finance 2019, The Banker.
- Green Bond of the Year-Sovereign, Environmental Finance Bond Award 2019.
- Financing, Netexplo Smart Cities Accelerator UNESCO 2019.
- Sovereign Issuer of the Year, LatinFinance Awards 2019.
- Best Public Debt Office/Sovereign Debt Management Office in Latin America, GlobalMarkets Awards 2019.
- Green Bond of the Year for Latin America, GlobalCapital Sustainable and Responsible Capital Markets Awards 2019.
- Local Currency Bond Deal of the Year, Bonds&Loans Awards 2018.
- Sovereign Bond of the Year, LatinFinance Awards 2019.
- Innovation in Sustainable Finance 2019, Spanish Observatory of Sustainable Financing.

Green Bonds are a tool to channel investments towards green assets, contributing to further financial development and promoting national financial innovation that supports the country’s sustainable development path, low in carbon emissions, with strong climate resilience.