

TITULO: IDB Invest backs Chile's US\$2.4 billion stabilisation bonds				
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Several firms have helped a group of 26 power generation companies benefit from US\$2.4 billion worth of tariff stabilisation bonds, which will help energy distributors manage a temporary cap on electricity prices in Chile.

Two A&O Shearman offices and Claro & Cia in Santiago helped a group of five energy companies that included France's Engie and Chile's AES Andes and Colbún, among several others.

A separate team from Claro & Cia assisted another syndicate of 12 energy groups, that featured Chile's Norvind and Empresa Eléctrica Carén, among multiple others, while Morales & Besa advised energy companies WPD Chile and ACCIONA Energía Chile.

White & Case LLP in New York advised a set of international energy companies in the deal, the identity of which has not yet been disclosed.

IDB Invest, which structured the financing facility, enlisted Guerrero Olivós in Santiago. Kunstmann Spiess in Santiago advised Amicorp Administradora de Fondos de Inversión as administrative agent.

Latin Lawyer understands that IDB Invest also relied on Clifford Chance LLP, while Enel, another beneficiary, enlisted Winston & Strawn LLP but could not confirm this before publishing.

It was also not possible to confirm whether Mibank advised three wind farms owned by Spanish energy companies Repsol and Iberódica Renovables, nor whether Nixon Peabody helped Citibank, not the bank's role in this deal before publishing.

The deal was announced on 7 October.

IDB Invest subscribed to US\$240 million worth of notes, while the remaining US\$2.16 billion worth of bonds were purchased by institutional investors.

The transaction allows the power companies to sell certain receivables created under Chile's Customer Protection Mechanism (MPC) Act. Effective since last year, the MPC Law limits electricity price hikes for households consuming less than 500 kilowatt hours per month. Eligible households can defer payments to energy companies, backed by certificates from the tariff stabilisation fund. This transaction will address the immediate liquidity and long-term financial sustainability of power generation companies in Chile.

The Chilean government set up its Tariff Stabilisation Fund (FET) in 2022 to help regulate electricity tariffs for customers and to protect them from sudden price increases, in support of the MPC Law. The FET is funded by charges for customers' electricity usage, with exemptions for low-consumption customers and small businesses. The difference between actual costs and stabilised tariffs is recorded as receivables, which are then converted into payment certificates by the FET.

With the agreement, IDB Invest has committed to purchasing 99% of the certificates of payments issued by the FET under Chile's MPC Law.

The latest transaction comes as Chile's MPC Law has been extended to 2035, while the issuance was made after the US\$1.8 billion price limit for stabilisation bonds was raised to US\$5.9 billion.

Last year, several power companies benefitted from US\$1.8 billion worth of tariff stabilisation bonds, helping them manage a temporary cap on electricity prices. In that deal – which involved the same firms – IDB Invest subscribed to US\$180 million worth of notes.

The deal marks the largest mobilisation of private resources by IDB Invest to date.

The South American country launched its first tariff stabilisation bond in 2021 in a deal in which state-owned Chile Electricity raised US\$489 million after the government established a law in late 2019 capping electricity prices after national social unrest.

Counsel to Engie Energía Chile, Eólica Monte Redondo, AES Andes, GM Holdings, and Colbún

A&O Shearman

Partner Augusto Ruiloba and visiting attorney Maria Paz Delgado in New York; and associate Leopoldo Melo in Washington, DC

Claro & Cia

Partner Rodrigo Ochagavía and associates Felipe Pérez, Teresa Zúñiga and Matías de Marchena in Santiago

Counsel to Norvind, San Juan, Empresa Eléctrica Carén, Cerro Dominador CSP, Chungungo, Santiago Solar, Parque Eólico Cabo Leones I, II and III, Aela Generación, PV Salvador, SPV P4, Sonnedix Cox Energy Chile, Cónido Energía, Cosihue Energía and Huemul Energía

Claro & Cia

Partner Jorge Martín and associates Matías López and Camiál Bartucevic in Santiago

Counsel to Enel Generación Chile and Enel Green Power

Morales & Besa

Partners José Miguel Carvajal and Andrea Díaz, counsel Rodrigo Delaveau, and associates María Schäfer and Clemente Echenique

Counsel to WPD Chile and ACCIONA Energía Chile

Morales & Besa

Partners Carlos Silva and Juan Carlos Valdovinos, and associates José Manuel Meli, Fernando Villanueva and Felipe Cousiño

Counsel to undisclosed energy companies

White & Case LLP

Partner Thomas Pate and associates Angeles Femenia and MinJoo Lee in New York

Counsel to IDB Invest

Guerrero Olivós

Partners Clemente Pérez and Miguel Coddou, and associates Sebastián Marambio, Roberto Burgos and Joaquín Rojas in Santiago

Counsel to Amicorp

Kunstmann Spiess

Partner Max Spiess and associate Catalina Schmidt in Santiago