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CHILE ELECTRICITY PEC EMITE PRIMER BONO DE ESTABILIZACIÓN DE TARIFAS ELÉCTRICAS

Chile launches first tariff stabilisation bond

Eloise Hardy

Holland & Knight LLP in New York has helped state-owned Chile Electricity raise US$489 million in Latin America's first-ever tariff stabilisation financing, after the government established a law in late 2019 capping electricity prices after national social unrest.

Holland & Knight also advised TMF Chile as verification agent, alongside Chilean firm Baraona Marshall & Cia.

Several Clifford Chance LLP offices helped Goldman Sachs as underwriter and IDB Invest as commitment provider. Latham & Watkins LLP in New York and Chile's Carey advised Goldman Sachs too, while Guerrero Olivos in Santiago also helped IDB Invest.

The deal closed on 8 February.

Chile Electricity will use the proceeds from the issuance to buy receivables from a group of power generation companies to monetise credits owed to them by distribution companies, thereby providing the generation companies with liquidity. The generation companies relied on Shearman & Sterling LLP in New York and Chilean firms Claro & Cía and Morales & Besa.

The transaction comes after the Chilean government passed a law in late 2019 which established a mechanism to temporarily cap the tariffs that electricity distribution companies could charge their customers. The law reversed a 9.2% price increase and froze the country's electricity prices, which affected the distribution companies' ability to pay generation companies. The law followed the social unrest that broke out in Chile in October 2019 as a reaction against social inequality and high living costs.

Following Chile Electricity's issuance, Clifford Chance also advised IDB Invest, Banco Santander and BNP Paribas in connection with an

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A/B purchase facility through which they monetised credit rights held by another group of Chilean power generation companies for US$139 million.

Counsel to those generation companies could not be confirmed prior to publishing. That transaction closed on 12 February.

The deals are the first of several debt transactions expected to take place under the law.

Other Latin American countries have implemented new laws related to electricity prices in recent times too. Guatemala passed an electricity law last May, which stopped power distribution companies from suspending their supply to customers unable to pay their bills because of the covid-19 pandemic.

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