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CODELCO ISSUES BONDS FOR USD2 BILLION

Codelco completes US$2 billion debt tap

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Cleary Gottlieb Steen & Hamilton LLP in New York and Carey of Chile have helped the world's largest copper producer Codelco issue bonds worth US$2 billion, as it prepares to upgrade several mining projects despite falling copper prices.

The underwriters turned to Davis Polk & Wardwell LLP's New York office and Philippi Prietocarrizosa Ferrero DU & Uría (Chile).

The issuance closed on 23 September.

The offering included two separate tranches; one US$1.1 billion issuance with an interest rate of 3% due in 2029, and a second worth US$900 million with a 3.7% interest rate due in 2050.

Codelco, which is owned by the Chilean state, holds vast copper deposits that account for some 10% of the world's proven and probable reserves.

The copper producer wants to overhaul several mines with rapidly decreasing ore grades – meaning there is less metal to extract. The upgrade will involve excavating further.

Codelco is already upgrading the Chuquicamata open pit mine, located in northern Chile, as part of a US$5 billion transformation into an underground shaft mine.

The deal comes at a difficult time for the sector; copper was trading at close to a two-year low of US$5,635 per tonne last Friday. The ongoing trade war between the US and China is thought to be the main reason for the slump.

Chile's economy has felt the effects, as copper exports account for close to 15% of its total GDP. Its annual growth is down 0.6% compared with 2018.

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