

Codelco President Plays Down Potential Measure

Pacheco's Optimism on Trump Tariffs: "The U.S. Won't Stop Needing Copper"

Trump's administration ordered an investigation to assess the potential imposition of tariffs on this mineral, where Chile accounts for more than half of the U.S. imports of the commodity.

El Mercurio de Santiago. March 1, 2025

Máximo Pacheco, president of Codelco, downplayed yesterday the potential impact of future tariffs on the copper imported by the United States. This comes in the context of recent announcements made by Donald Trump's administration.

On Tuesday, U.S. officials stated that an investigation would be opened to evaluate the imposition of these tariffs on the commodity imported by the nation, the majority of which comes from Chile.

Washington announced the signing of an executive order instructing the U.S. Department of Commerce to begin this analysis.

The action tasks U.S. Secretary of Commerce Howard Lutnick with examining whether the high dependency on copper imports poses a national security risk for the United States. This commodity is classified as a "critical mineral" by the Department of Commerce due to its essential role in strategic sectors such as solar energy and vehicle manufacturing, among others. If it is confirmed that copper imports pose a security risk, measures could be recommended to restrict imports.

Need

Máximo Pacheco assured, in an interview with Radio ADN, that U.S. clients remain very interested in maintaining their relationship with Codelco and that the country still needs a significant amount of copper.

When asked about the possibility of a 25% tariff, the former Minister of Energy specified that "trade flows will be restructured. The world will continue to need copper, so the U.S. will not stop needing copper. And if tariffs are imposed, they will find a way for that copper to reach the U.S."

"In this matter, we must remain calm because, even if tariffs increase in the U.S., they will not stop needing copper. And if tariffs rise in the U.S., they won't start up copper

mines overnight. Each mining project takes 10, 15, and sometimes 20 years to develop," he said.

He also noted that "it is highly unlikely that a tariff increase will cause the U.S. to stop needing copper (...). That is what our clients are telling us."

A few days ago, investment bank JPMorgan stated that the announcement by the Trump administration of a review for the possible imposition of copper import tariffs is crucial for Chile, given that the local mining industry supplies 70% of the copper shipments to the U.S.

In another matter, Pacheco assured that "Codelco will meet its production program, and it will fulfill its contribution to the state. And that is not affected by this situation."

Who is Behind the Transmission Lines in Chile?

The massive blackout sparked a debate on the challenges facing this segment of the energy industry. It is a segment predominantly dominated by foreign investors, in constant motion, with major projects on the horizon.

Diario Financiero - DFSeñal. March 1, 2025.
By Martín Baeza.

In 2017, during Michelle Bachelet's second government, the old electrical systems of the northern (SING) and central-southern (SIC) parts of the country were unified, forming the National Electrical System (SEN), which today is the backbone of the entire network that supplies energy across the 3,100 km between Arica and Chiloé.

Along with this, the Transmission Law instructed the creation of the National Electric Coordinator, a technical and non-profit organization with the mission of preserving the security of the system and overseeing its operations. As of January 2025, the Coordinator reports that the SEN consists of 39,340 km of transmission lines—a figure that has been steadily increasing; in 2018, it was 34,361 km—and covers 98.5% of the national population.

This Tuesday, a failure in the facilities of ISA Interchile on the Nueva Maitencillo-Nueva Pan de Azúcar line caused a chain reaction, and suddenly, the entire system went black.

Foreign Dominance

According to the Association of Energy Transmitters, in the monthly bill of an average consumer, 15% is explained by the transmission segment.

The company that dominates this market, undisputedly, is Transelec, the heir to Endesa's transmission infrastructure.

According to the latest report published by the Coordinator (2023), if measured by the number of kilometers of lines it owns, Transelec holds a 28.8% market share. Over time, the company has undergone changes in ownership, and since 2018, it has been divided among four international investors: the Canadian pension funds British Columbia Investment, PSP Investment, and Canada Pension Plan Investment; alongside the Asian company China Southern Power Grid (CSGI). In 2023, it was revealed that the Canadian funds were seeking to exit Transelec, and, according to industry gossip, the

leader of the transmission companies could change hands again. If this materializes, it would be a mega deal, estimated by the market to be worth around US\$ 4 billion.

Like Transelec, the other companies dominating this industry are also foreign. The second in line is CGE Transmisión, with 9.3% of the SEN, a company controlled by the Chinese State Grid and one of the leaders in Chile's distribution market.

Further down the list is the French-capital firm Engie, which directly holds 7.8% of the lines. However, through its subsidiary Transmisora Eléctrica del Norte (TEN), it holds another 3.2%.

Next is Celeo Redes (6.3%), tied to the Spanish holding company Elecnor; then comes the company involved in this week's blackout, ISA Interchile (5.3%), ultimately controlled by the Colombian state-owned company Ecopetrol; and Sistema de Transmisión del Sur (5%), part of the Saesa Group, which is also owned by Canadian pension funds: Ontario Teachers' Pension Plan and Alberta Investment Management Corporation.

A Moving Market

According to a source in the sector, foreign investment—particularly from Canadian funds—is explained by the fact that, although it is a competitive industry where public-use lines are tendered, projects offer guaranteed returns, which are determined in planning processes. Therefore, assets are considered low-risk.

In fact, some of the major generators in Chile have decided to exit this area of the business in recent years, and their buyers have once again been foreign firms. In March 2021, Colbún agreed to sell its transmission subsidiary for US\$ 1.295 billion to a consortium composed of the Dutch pension fund APG and the aforementioned Celeo Redes.

Later, in December 2022, Enel did the same and sold its transmission business to the Saesa Group for US\$ 1.399 billion.

A Regulated (and Growing) Business

According to data from the Coordinator, there are currently 207 transmission projects underway, of which 9 are new national projects and 50 new zonal projects. The rest, mostly, are various line extensions. The Coordinator also reports that, since 2018, investment amounts aimed at expanding the network have totaled US\$ 5 billion.

Among the new national projects, the most notable is the much-discussed Kimal-Lo Aguirre line, which will connect Antofagasta with Santiago. It involves an investment of US\$ 1.5 billion and was awarded to a consortium formed by Transelec, CSGI, and ISA itself.

According to a guide prepared by Carey Abogados about the Transmission Law, once the responsible organizations decide to expand the system with a new line, the company awarded the project must define the route, obtain the Environmental Qualification Resolution (RCA), and submit the request for a final concession.

It is a regulated business: these processes include planning and valuation stages, during which all associated costs are considered, including the profitability of a specific company. In its report, Transelec explains it this way: "The rates allow us to generate revenue based on our installed capacity (take or pay) and guarantee 20 years of fixed revenue from the operation of new expansion works in the system. After this 20-year period, revenue comes from a rate that is fixed every four years."

After the blackout, a debate emerged about the challenges in this industry. There was talk of a lack of investment, of bureaucratic hurdles, and that Kimal-Lo Aguirre could have prevented the collapse.

Claudio Espinoza, managing partner at Aclai Consultores and former counselor for the Coordinator, suggests that the situation might be more complex.

He argues that there are indeed areas with delayed infrastructure and multifactorial delays in project construction, but regarding the blackout, he prefers to wait before delivering his verdict: "The issue is to see what actually happened and be more inquisitive about how companies meet safety conditions, recovery plans, and that the SCADA (monitoring platforms) do not fail. And that has nothing to do with more or fewer transmission lines... We could have four or five more lines, but if the protection fails, the logic fails."

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US\$ 5 billion has been invested since 2018 to expand the network.

207 transmission projects are underway.

Finance with Impact: Why Green and Sustainable Bonds Are Gaining Ground

In a global scenario where concern over climate change and social rights has increased, several Chilean companies have decided to follow the path of issuing green bonds. Thus, both public and private institutions are betting on the development of sustainable projects that are reshaping the traditional focus of investments in the financial market.

Pulso. March 1, 2025.
By Paulina Reyes

The placement of sustainable bonds and green bonds by national companies, as well as the update of sustainability-linked bond frameworks by the government, highlight a momentum towards large-scale sustainable projects for the financial market. One of the major milestones of 2024 was the successful placement of the second issuance of a sustainable bond (US\$ 155 million) by Aguas Andinas on the Santiago Stock Exchange.

With this issuance, the utility company, in addition to being the first to issue such a bond, reinforced its commitment to investing in environmental projects. "Chile faces significant challenges in water infrastructure, and we are committed to continuing to invest in resilient, sustainable, and long-term solutions that help further strengthen the resilience and adaptation of the city," says Miquel Sans, CFO of Aguas Andinas.

Marcela Bravo, CEO of Acción Empresas, comments that Aguas Andinas, a pioneer in green and social bonds, has taken another step with this sustainable bond. "The funds raised will be allocated to projects that promote environmental and social sustainability and address the challenges of water scarcity in the context of climate change, aligned with the ESG (Environmental, Social, and Governance) corporate responsibility principles."

But Aguas Andinas has not explored these new paths alone; other major Chilean companies have decided to join the trend. In October 2024, Metro de Santiago issued a green bond, becoming the first state-owned company and one of the few in the country to issue such bonds, with US\$183 million in the Swiss market, "a rather sophisticated market," committed to this type of project, says Guillermo Muñoz, president of Metro de Santiago.

"Today, investors are looking for projects that demonstrate a contribution to the reduction of greenhouse gas emissions. So, when presented with projects that are not as green versus others that do have a significant contribution to the environment, they are primarily opting for the latter," explains Muñoz.

Also in October last year, Empresas Copec issued its first green bond, amounting to US\$163 million, allocated to climate change mitigation and/or adaptation projects and environmental protection, the company reports.

In this regard, Marcela Bravo states that the growing importance of sustainable bonds is undeniable, not only in Chile but also in the regional fixed-income market. "In 2024, regionally, sustainable bonds represented almost 11% of all corporate bonds in circulation in Latin America during the first quarter, 27% of all new issues in the first half, and nearly 70% of both sustainable bonds and new issues in the first half were green bonds. At the same time, sustainable bonds issued by Chilean companies represent 17% of the total sustainable bonds in circulation in Latin America."

What Are They?

According to the World Economic Forum, a green bond differs from a regular bond in that "the money raised from investors is used exclusively to finance projects that have a positive environmental impact, such as renewable energy and eco-friendly buildings." Similarly, the International Capital Market Association (ICMA) defines this type of debt as instruments whose resources finance projects for climate change mitigation and/or adaptation and environmental protection. Meanwhile, sustainable bonds, aligned with the fulfillment of the Sustainable Development Goals (SDGs), are defined as the combination of financing for both social and green projects.

Just as the private sector has done, the government has also shown special interest in this matter, encouraging companies to develop in this new market. In the framework of COP16 on Biodiversity, held in Cali, Colombia, the Ministry of the Environment presented an initiative being worked on by the Ministry of Finance, which updates the Sustainability-Linked Bonds Framework (SLB) to include key performance indicators associated with biodiversity protection. This pioneering model at the global level, according to the Ministry of Finance, allows issuers—such as investors—to demonstrate their commitment to national sustainability goals by linking the cost of financing to the fulfillment of key performance indicators (KPIs).

This document, according to the Ministry of Finance, will be linked to goals such as expanding protected areas and ensuring their effective management, in line with the country's commitments under the Kunming-Montreal Global Biodiversity Framework. "Compliance with this goal—a national matter—will be supported by the recent creation of the Biodiversity and Protected Areas Service (SBAP). Once the new SLB Framework is published, Chile will be ready to issue a Sustainability-Linked Bond based on this goal, reaffirming Chile's commitment to conservation and sustainable development," says the Ministry of Finance, which oversees the country's finances.

Towards a Greener Future

The Ministry of Finance assures that in recent years there has been a growing interest from the private sector in issuing ESG bonds, reflecting an increasing commitment to sustainability and socially responsible financing. "This is important because the transition to a sustainable economy requires effort at the national level, so we aim to continue contributing to the development of this market in areas such as the increased demand for sustainable assets, stricter environmental and social regulations, and the need to differentiate in the market, all of which have driven this trend," they comment.

Bravo expects that by 2025, green bonds will maintain their leadership in terms of emission allocations. However, she states, "new products may gain interest, such as blue bonds (related to marine, oceanic, or other water-related projects) and SLLBs (Sustainability-Linked Loan Bonds). This could also be observed in the Chilean market."