

Leadership in green financing

Redeia issues green hybrid bonds to drive ecological transition in Spain

The company has issued perpetual green hybrid bonds today worth 500 million euros, with a coupon rate of 4.625%.

The funds raised will be destined to Electricity Plans 21-26 in accordance with the current Strategic Plan and Redeia's Green Financing Framework.

This operation consolidates Redeia's work in green financing, an area where it has been a leader since 2017.

Madrid, January 24, 2023. Redeia, the global operator of essential infrastructure, has today set the terms and conditions for its green hybrid bond, worth 500 million euros, according to the note sent to the National Securities Market Commission (CNMV). The hybrid bond issued is perpetual in nature, but offers a par repurchase option after 5 and a half years. After this period, Redeia may repurchase the bond annually, coinciding with the coupon payment date, which was set at 4.625% (with an IRR of 4.70%).

This operation, carried out in favourable market conditions, will allow the company to continue advancing its current strategic plans. The funds raised will enable Redeia to reinforce the solidity of its capital structure to continue making the investments foreseen in Electricity Plans 21-26.

This plan entails the growth of the electricity transmission grid to enable the process of ecological transition in Spain, a fundamental pillar of Redeia's strategic roadmap for horizon 2025. Red Eléctrica, the subsidiary of Redeia and TSO, is progressing well in implementing the Plan. It has recently commissioned projects as essential as the Caparacena - Baza link in the province of Granada and the undersea link that connects Lanzarote to Fuerteventura in the Canary Islands.

First issue of hybrid bonds

This is the first issue of green hybrid bonds by Redeia, with financial advice from BNP Paribas, and Citi as global coordinators, along with Barclays, BBVA, Caixabanc, ING, Mediobanca, and Santander as underwriters. Emilio Cerezo, Redeia's Corporate Economic-Financial director, says that the decision to use this type of subordinate debt "arises from our criteria to always choose the best solutions that let us optimize our financing structure and handle the high volume of investment that we will undertake in the coming years." Hybrid bonds are considered 50% capital in accordance with the methods used by the main rating agencies, so this operation will help to maintain a solid financial position.

The demand registered shows how much interest there is in Redeia among fixed income investors—over 4,000 million euros—thanks to the participation of around 250 qualified international investors, mainly from Europe and the United Kingdom. This issue has also had prominent support from the European Investment Bank through its “Invest EU Fund.”

According to Emilio Cerezo, “the result of this operation shows once again investors’ and the market’s confidence in investing in Redeia’s plans and growth and also points up the valuable role of the financial sector in driving sustainable development.”

Leadership in green financing

This issue consolidates the company’s leading position in the area of green financing. In 2017, Redeia became the first company in the utilities sector to transform its 800 million euros of syndicated loan into sustainable finance by adding Environmental, Social, and Governance (ESG) criteria to its interest rate.

Since then, the company has continued to insist on socially responsible investment, and in October 2019, it unveiled its Green Finance Framework, which issued financial products to enable it to promote projects to deliver the transformation of the energy model that our country is currently engaged in. The company later became one of the first TSOs to adapt its green framework to the Taxonomy of the European Union. According to this taxonomy, 82% of Redeia’s business is environmentally sustainable.

In January 2020, Redeia issued its first green bonds, worth 700 million euros, to finance projects that are eligible under the Green Framework. The operation was warmly welcomed by the market. The company continued its strategy in 2021 with the issue of a new green bond for 600 million euros, achieving the lowest credit margin in the last decade.