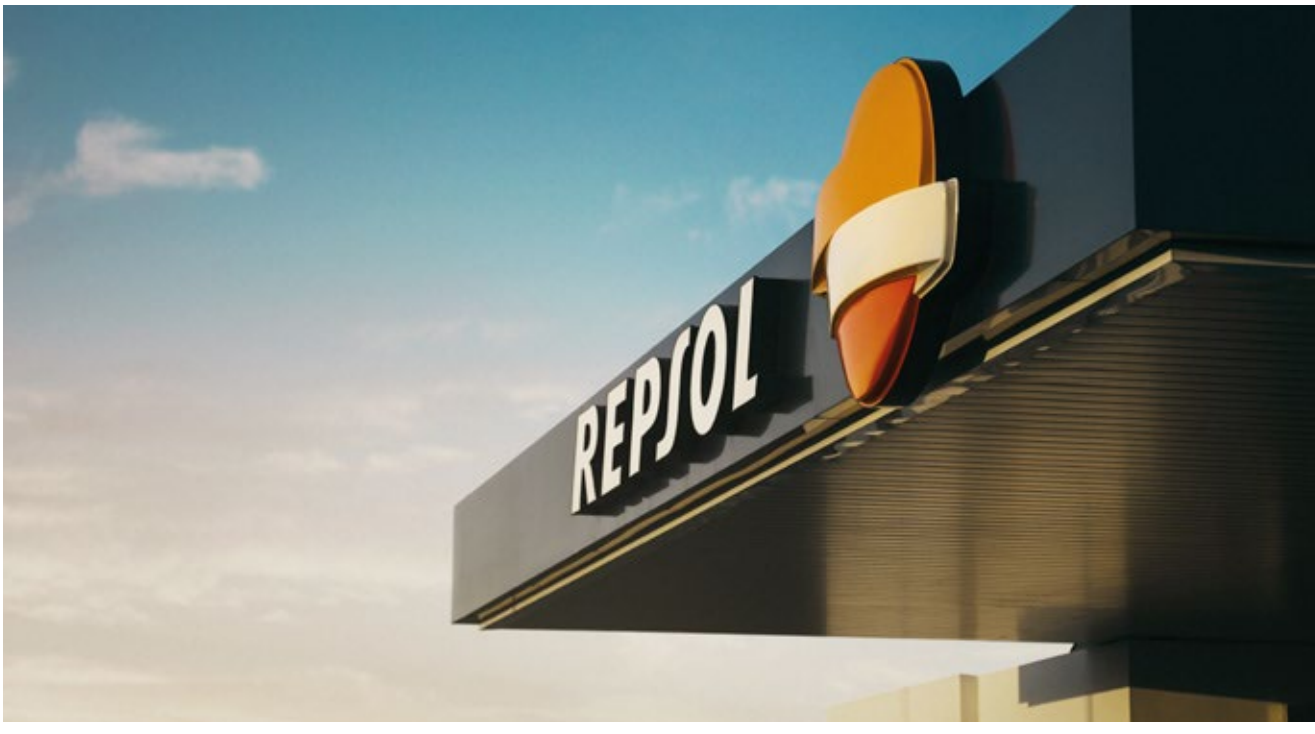


Green bonds for funding sustainable projects

Repsol is the first oil and gas company in the world to issue a certified "green bond": a financial debt instrument through which the funds obtained are assigned to projects with a clear environmental benefit. With the €500 million raised, the Spanish company expects to reduce CO₂ emissions by 1.2 million tons. Investments will focus on Spain and Portugal.

"We have identified the opportunity to finance projects that combat climate change through the emission of a green bond as a tool for linking the Company's commitment to sustainability with its finances," explains Mariano Benito, Director of Financing at Repsol.



The bonds, issued in May 2017 and with a maturity of five years, "allow us to diversify our investor base, attracting socially responsible investors with excellent financial conditions," representing the lowest-yield public financing on capital markets in Repsol's history.

The actions that will be funded in this way are grouped into two categories: most of the capital obtained will go towards energy efficiency projects in the Refining and Chemicals area. The rest will go towards low-emissions technologies paving the way for future projects in the Exploration and Production (E&P) business.

Pioneer funding in the industry

The Company has identified more than 300 projects that comply with the *Green Bond Principles* established by the International Capital Market Association (ICMA). The ICMA is an organization for self-regulation in capital markets, which establishes "voluntary guidelines to promote the transparency and integrity of green bonds."

The projects included within Repsol's *Green Bond Framework* are fully integrated in the Company's 2014–2020 Carbon and Energy Plan, and will be added to other operational improvements to achieve the objective marked by the plan: prevent 2.1 Mt/year of greenhouse gases in 2020.

"Although other energy companies have issued certified green funds, no other companies from the same industry have entered this market to date," continued Benito. This innovation factor has made the Repsol bond attractive "because it allows bond holders access to a new sector." The initiative has earned Repsol Petroleum Economist magazine's annual 'Cleaner Energy Initiative of the Year' award: an industry benchmark for the promotion of sustainable development best practices.

The 'green' capital market is growing

The objective of attracting socially responsible investment "was a success, with these types of investors contributing over 50% of the total amount," if the European Central Bank is excluded. "This is a high percentage, compared to the green bonds issued by other companies, where socially responsible investments make up less than half of the placement amount," Mariano Benito continued.

The issue, amounting to €500 million, has been "very well received by the market, with an order volume greater than five times the amount issued," proving that the 'green market' is experiencing a phase of robust growth. According to *Climate Bonds Initiative*, green bonds accounted for €132 billion worldwide in 2017, a 78% increase from the previous year.

The bond has attracted all kinds of investors: fund management companies, banks, insurance companies, pension plans, and public agencies and institutions. Capital has stemmed mainly from the United Kingdom (26%), Spain (19%), and France (18%). This is another symptom "that sustainability is beginning to form part of investor decision-making." In fact, about 50% of the investors that acquired the bond are ESG-focused investors.

Annual report with external audit

A green bond is a financial debt instrument with profitability, maturity, and a credit rating. It only differs from a normal bond in that the earnings must be assigned to projects with a measurable impact on the environment. The agency Vigeo Eiris, which specializes in the assessment of a company's sustainability policies, was responsible for certifying the compliance of the issue with ICMA standards.



Repsol undertakes to invest all of the funds in projects that have been identified and certified as sustainable. We will assign 55% to refinancing projects that have been underway since 2014, and the rest in funding other new projects that must commence within three years of issue. In the event that a project is canceled, the funds will be reassigned to other programs that fulfill the same requirements.

The Company has created a specific monitoring committee, presided over by the director of Sustainability, and will publish an annual report detailing expenditure and the reduction in greenhouse gas emissions (GHG) associated with the projects, which will be audited externally. In accordance with Repsol's policy of transparency, *the first of these reports* is now available on our website.

Efficiency is given priority at industrial facilities

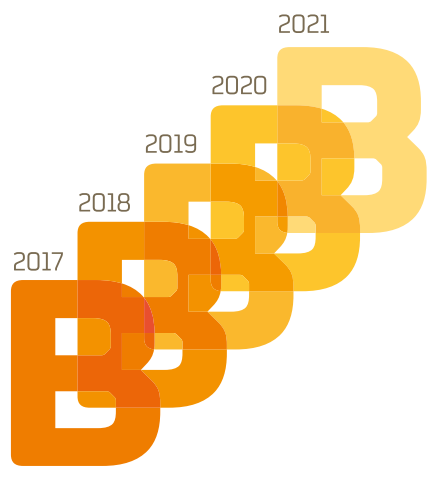
Energy efficiency, which the International Energy Agency considers the main vector for emissions reduction by 2030, will be the priority of Repsol's green bond. This will/is to be evidenced through investments such as replacing equipment with more efficient technologies in our refineries and chemical plants. At the Petronor industrial complex in Muzkiz (Biscay), the replacement of a steam turbine by an electric motor which adapts its speed to the specific needs of the process will give rise to an associated reduction of 43,000 tons of CO₂/year.

In Cartagena, the heat recovery of one of the ovens will be improved, which will save on fuel consumption and 9,000 tons of CO₂/year. The solution has already been applied in other Repsol refineries. For the E&P area, "we will seek additional projects within the 'low-emissions technology' category in fields such as mitigation of methane emissions associated with gas production, or generating electricity using renewable energies," states Antonio López, the Company's senior manager of Energy and Climate Change.

For López, the funds received from the green bond are also the result of the Company's track record "of many years implementing measures to reduce our energy intensity, which has allowed us to not only reduce our greenhouse gas emissions," at a rate of 4.5Mt/year between 2006 and 2017, "but also our operating expenses."

The recently updated Strategic Plan for Repsol reinforces this, with a road map for energy transition that sets ambitious market-related objectives based on the development of gas and the generation of lower emissions. In line with our commitment to fight climate change, Repsol will reduce CO₂ emissions even within the phase of expansion that the Company is currently experiencing. The Company recently took a significant step along this road, after purchasing low-emission assets from Viesgo.

Repsol will invest funds in more than 300 projects to reduce greenhouse gas emissions by 1.2 million tons per year



The Bond has a maturity of five years and is the lowest-yield bond issued in Repsol's history



78%

Globally, the Green Bond market grew by 78% in 2017

Most noteworthy are the projects that implement more efficient technologies in refineries and chemical plants

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