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### Tamarack Sells First SLB From a North American Oil Producer (1)

- **Calgary-based driller issues C\$200 Million of such debt**
- **Interest cost linked to targets on emissions, indigenous hires**

By Esteban Duarte

(Bloomberg) -- Tamarack Valley Energy Ltd. sold a sustainability-linked bond, the first such sale by an oil and gas driller in North America, according to an underwriter of the offering.

The Calgary-based company priced C\$200 million (\$173 million) of bonds maturing May 2027 at a yield of 7.25%, according to people with knowledge of the matter. The transaction will include an interest rate increase of as much as 100 basis points should Tamarack fail to reach certain targets for reduction of greenhouse-gas emissions and hiring of indigenous people, the people said.

"It is encouraging to see that Tamarack Valley ties its financing to their carbon intensity target but they will need to execute on operational efficiencies," said Aaron Young, associate portfolio manager at RP Investment Advisors LP, who added that the company's carbon intensity rose between 2019 and 2020 due to factors including acquisitions. The "target for indigenous workforce representation is a positive development."

Sustainability-linked bonds generally penalize issuers with higher borrowing costs if they don't meet certain environmental, social and governance metrics. If the borrower meets or exceeds targets, coupons remain unchanged. In contrast to green bonds, companies can use deal proceeds as part of their general funding plans. While sales of sustainability-linked bonds are picking up, they are still a relatively small portion of total environmental, social and governance (ESG) bond issuance.

On top of being the first sustainability-linked bond out of an oil and gas producer in North America, it's also the first targeting the Canadian-dollar high yield market, according to a representative of National Bank of Canada, one of the arrangers of the transaction.

The company plans to use the net proceeds to fund a portion of the purchase price for the acquisition of Crestwynd Exploration announced in December, and partially repay amounts outstanding under its sustainability-linked loan, people familiar with the matter said earlier this week. The order book was more than twice the issue size, people familiar with the matter said Wednesday.

A representative of Tamarack didn't reply to an email seeking comment.

(Adds final terms of the transaction in first and second paragraph )

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