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Ratings

Green Evaluation

€61.2 Million Greenalia Wind Power Eolo Senior And €22 Million Greenalia Wind Power Eolo Project Loans

Transaction Overview

Greenalia Wind Power Eolo MOC, S.L.U. is developing a portfolio of five wind farms – known as the Eolo Project – in Galicia, Spain. The Project, which has a capital cost of €86 million, is being financed with proceeds of a senior project finance loan provided by Banco de Sabadell S.A. of €61.2 million due in 2036 and a mezzanine tranche of €22 million due in 2034. The transactions closed on July 30, 2019, and Aug. 1, 2019, respectively.

Greenalia S.A., the ultimate parent company, is a group of companies with more than 20 years of experience in renewable energy generation. It originated in the forestry sector and later expanded to the energy sector, specifically biomass. In recent years, the group has also become involved in other sources of renewable energy, including wind power. Greenalia's activities take place mainly in the northwest region of the Iberian Peninsula.

Entity:	Greenalia Wind Power Eolo MOC, S.L.U.
Subsector:	Alternative Energy (7537)
Location (HQ):	Spain
Financing value:	€86 million
Amount evaluated:	100%
Evaluation date:	Sept. 24, 2019
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Green Evaluation Overview

Transaction's Transparency

– Use of proceeds reporting
– Comprehensive reporting

73

Transaction's Governance

– Management of proceeds
– Impact assessment structure

90

Mitigation

Sector →	Net Benefit Ranking →	Hierarchy Adjustments
Renewable energy	Wind power	Carbon

85

100
E1
E2
E3
E4
0

Overall Score

E1/83

Weighted aggregate of three

(Transparency + Governance + Mitigation)

Adaptation NA

Project Description

Greenalia Wind Power Eolo MOC, S.L.U. is developing a portfolio of five greenfield wind farms – known as the Eolo Project – in Galicia Spain. The Project, which has a capital cost of €86 million, financed with proceeds from Banco de Sabadell S.A.'s €61.2 million senior project finance loan of due 2036 and a mezzanine tranche of €22 million due in 2034. The transactions closed on July 30, 2019, and Aug. 1, 2019, respectively. Greenalia has signed a construction contract with Elecnor S.A. to act as Engineering Procurement and Construction (EPC) contractor.

The 74.22 MW capacity project will utilize Enercon, Gamesa, and Lagerwey turbines, with an expected operational life of 25 years. All five sites, four of which are in the province of La Coruña and one in Lugo, have been awarded grid connections, with construction expected to commence by November 2019. Once fully operational (expected by August 2020), the Project will generate 246.1 GWh per year. The portfolio will consist of the following:

- Ourol wind farm, 22.5MW of installed capacity, consisting of five Lagerwey L136 4.5 MW turbines;
- Miñón wind farm, 24MW of installed capacity, consisting of six Enercon E126 4.0 MW turbines;
- Alto Da Croa I wind farm, with 6.9 MW of installed capacity, consisting of two Gamesa G132-3.465 MW;
- Alto Da Croa II wind farm, with 10.4 MW of installed capacity, consisting of three Gamesa G132-3.465 MW; and
- Monte Tourado wind farm, with 10.4 MW of installed capacity, consisting of three Gamesa G132-3.465 MW.

Greenalia Power, S.L.U. is the wind-power subsidiary of Greenalia S.A. (formerly known as Grupo Garcia Forestal). Greenalia S.A. specializes in forestry products, such as pulp, power, heating, pellets, and timber, and between its companies has more than 40 years' experience in forestry and generating electricity. Greenalia Power, S.L.U. has more than 2 GW of capacity planned in wind, solar PV, and biomass electricity generation. Greenalia's activities take place mainly in the northwest region of the Iberian Peninsula. The wind power business is developed through the subsidiary Greenalia Power, S.L.U.

Scoring Summary

The transaction achieves a Green Evaluation score of E1 on our scale of E1 (highest) to E4 (lowest) and an overall score of 83. The evaluation reflects a robust Mitigation score of 85 that is supported by proceeds allocated to wind energy projects in Spain, which has a grid carbon intensity that we consider medium, combined with our hierarchy adjustment that reflects the role green energy plays in systemic decarbonization of the economy. The E1 score also reflects a very strong Governance (90) framework, given the lender protections inherent in a project financing structure, combined with an above-average Transparency score (73).

Rationale

– The net environmental benefits achieved by the wind power projects are based on the medium carbon intensity of the local grid in Spain, which is the second-lowest carbon intensity on our scale of low to extremely high. We tend to rank wind power assets below hydro because they have a shorter asset life and typically a lower capacity factor. This leads to a Net Benefit Ranking of 42 compared with all renewable energy technologies globally.

– We consider onshore wind to be a long-term sustainable energy solution that is critical to climate-change mitigation, and therefore we place it toward the top of our carbon hierarchy (above transportation or energy efficient buildings, for example) resulting in a Mitigation score of 85.

– While this financing is not a labeled green loan, it shares a number of the same structural provisions such as restrictive covenants on limitations of activities and investments, together with a clear following of the loan proceeds through the project´s reserves, especially in the senior project finance loan, granted by Banco Sabadell, resulting in a strong Governance score.

– The project's Transparency score benefits from the expected disclosure of the amount of proceeds allocated to the projects related to the financing and robust annual reporting on the environmental impacts of the projects. All proceeds will be used to build onshore wind farms that implicitly have environmental advantages.

– All of these factors combined result in the final Green Evaluation of E1/83.

Key Strengths And Weaknesses

We expect the renewable electricity generated by the portfolio of wind power plants to have significant positive environmental impacts by way of avoided greenhouse gas emissions and will contribute to the systemic decarbonization of the economy.

Spain's power grid is already fairly decarbonized compared with the rest of the world, so we assume the assets will displace comparatively fewer emissions than in more carbon-intensive grids, such as those of Germany and Poland.

Although the issuer has not disclosed a defined project selection criteria based on environmental objectives, the transaction only anticipates investments in renewable energy. In addition, we view Greenalia as a pure player since all its activities out of Greenalia Wind Power are wind-related.

Greenalia S.A. has stated its commitment to report the environmental impact of the projects. Grenalia has hired three external and independent companies to measure the data per project, including Applus Norcontrol S.L.U., Acivro Gestión Mediambiental, S.L., and Equite Arqueología y Gestión del Patrimonio Cultural, S.L.U. Greenalia has communicated its intention to provide these reports to its lenders annually and upload them on its website. We view this favorably in our transparency assessment.

The environmental indicators will include noise, water quality, fauna and bird presence, together with natural habitats and animal and vegetal presence. For protected species, Greenalia will also have to present a follow up plan with protection measures and all possible cumulative effects on the environment.

Greenalia has publicly disclosed its intention to comply with environmental regulations, which further reinforces the transaction's robust governance assessment of 90. Its environmental management is based on rigorous and exhaustive compliance with the respective regulation for its wind businesses.

We adjust the Net Benefit Ranking upward to give a final Mitigation score of 85 through our carbon hierarchy overlay, which recognizes the significant environmental benefits that all forms of renewable energy provide. Renewable energy technologies fall in the highest rung of our hierarchy, reflecting that these technologies are systemic solutions to achieving a low-carbon economy.

Sector level scores

Sector	Location	Technology	Use of Proceeds (€ mil.)	Use of Proceeds treatment	Net Benefit Ranking
Renewable energy	Spain	Wind Power	86	Actual	42
			86		

Carbon

Green Evaluation Process

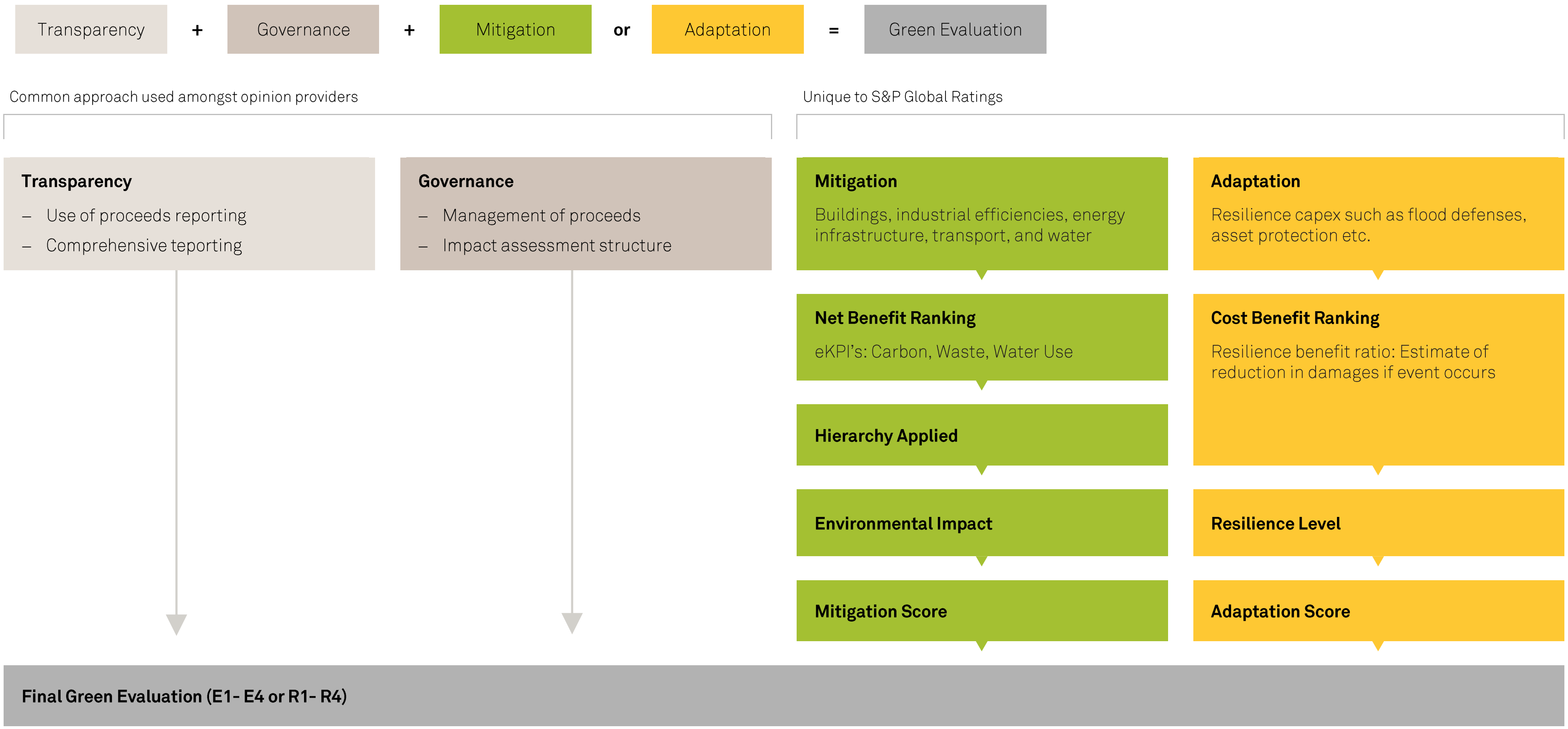
73	90	85		E1/83
Transparency	Governance	Mitigation	Weighted aggregate of three (Transparency + Governance + Mitigation)	Overall Score

Technology	Baseline Carbon Intensity	Net Benefit Ranking	Carbon Hierarchy Adjustment	Environmental Impact Score	Proceeds (€ mil.)
	High – Low Spain				
Wind power		**42**	**Systemic decarbonization**	**85**	**86**
Solar power					
Small hydro					
Large hydro (excluding tropical areas)					
Energy management and control					
Unspecified					
Green transport without fossil fuel combustion			Significant decarbonization in sectors already aligned with a green economy		
Green buildings – new build					
Unspecified					
Energy efficient projects (industrial and appliance efficiencies)			Alleviating emissions of existing carbon-intense industries		
Green transport with fossil fuel combustion					
Green buildings refurbishment					
Unspecified					
Nuclear			Decarbonization technologies with significant environmental hazards		
Large hydro in tropical areas					
Unspecified					
Coal to natural gas			Improvement of fossil-fueled activities' environmental efficiency		
Cleaner fuel production					
Cleaner use of coal					
Unspecified					

Increasing Decarbonization Impact

Our Green Evaluation Approach

Weighted aggregate of three:



eKPI – Environmental Key Performance Indicator

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