

Green Evaluation

**Greenalia S.A. €25 Million**  
**Note Program**

**Transaction Overview**

Greenalia S.A. is seeking to borrow up to €25 million under a note program valid until July 26, 2019, to fund the equity portion of wind power and biomass projects in Spain. The notes can be issued in euros or in any other currencies, up to a maximum maturity of 120 months. They will rank pari passu with each other.

The program's proceeds are expected to partly fund greenfield wind power and biomass projects located in Spain. Construction completion is scheduled between 2019 and 2021.

Greenalia is a group of companies with more than 20 years of experience. Its origins were in the forestry sector and later expanded to the energy sector, and biomass in particular. In recent years, the group has also become involved in other sources of renewable energy such as wind power. The activities of Greenalia take place mainly in the northwest of the Iberian Peninsula.

**Entity:** Greenalia S.A.  
**Subsector:** Alternative Energy (7537)  
**Location (HQ):** Spain  
**Financing value:** €25 million  
**Amount evaluated:** 100%  
**Evaluation date:** April 9, 2019  
**Contact:** Luisina Berberian  
 +34-91-788-7200  
 Luisina.berberian@spglobal.com

**Green Evaluation Overview**

**Transaction's Transparency**

- Use of proceeds reporting
- Reporting comprehensiveness

**53**

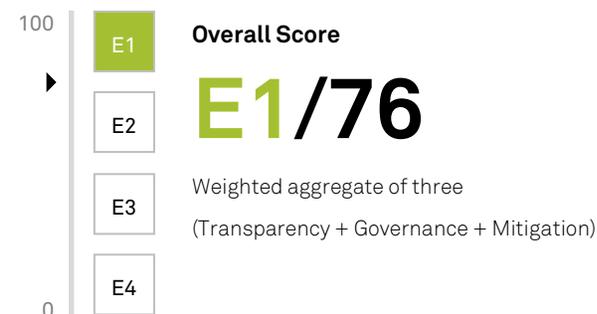
**Transaction's Governance**

- Management of proceeds
- Impact assessment structure

**73**

**Mitigation**

Sector	→ Net Benefit Ranking	→ Hierarchy Adjustments	
Renewable energy	Wind power	Carbon	<b>83</b>
Renewable energy	Biomass energy generation		



## Project Description

Greenalia S.A. is seeking to borrow up to €25 million under a note program valid until July 26, 2019, to fund the equity portion of wind power and biomass projects in Spain. The company has already issued €15 million under the program, through three issuances. The first two, €5.8 million and €3.2 million, were used to develop a biomass plant in Spain, Curtis-Teixeiro. The third issuance of €6 million was aimed at developing onshore wind farms in Spain; and we expect the remaining proceeds under the program to be used for funding further onshore wind projects in Spain.

Greenalia was awarded the right to build 133 MW of wind power capacity in the Spanish auction conducted by the Ministry of Energy in July 2017 and purchased an additional 49 MW from the same round. This capacity represents eight wind projects, which are scheduled to be constructed before the end of the year. Greenalia has also included in its business plan an additional 243 MW of wind power, which is currently at varying stages of development but is scheduled to be operational by December 2020.

Greenalia is a group of companies with more than 20 years of experience. Its origins were in the forestry sector and it later expanded its activity to the energy sector, and biomass in particular, through the production of electricity, thermal energy, and biofuels (pellets and dry chip). In recent years, the group has also become involved in other sources of renewable energy such as wind and solar. The activities of Greenalia take place mainly in the northwest of the Iberian Peninsula. The wind power business is developed through the subsidiary Greenalia Power, S.L.U.

## Scoring Summary

The transaction has a Green Evaluation score of E1 on our scale of E1 (highest) to E4 (lowest) and an overall score of 76. The evaluation reflects a strong Mitigation score of 83 that is supported by proceeds allocated to new on-shore wind power and biomass projects in Spain. These projects provide low-carbon electricity, helping to offset Spain's medium grid carbon intensity. The Mitigation score is further supported by the role green energy plays in the systemic decarbonization of the economy. The E1 score also reflects solid Governance (73), combined with an average score in Transparency (53).

## Rationale

- We tend to rank wind power and biomass assets below hydro because they have a shorter asset life and typically a lower capacity factor. That said, the evaluation also considers the net environmental benefits associated with the projects based on what we assess as the medium carbon intensity of the local grid in Spain the second-lowest carbon intensity on our scale of low to extremely high). This leads to a Net Benefit Ranking of 32 compared with all renewable energy technologies globally.

- We consider onshore wind and biomass power 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 of green technologies (above transportation or energy efficient buildings, for example) resulting in a Mitigation score of 83.
- The program benefits from its intention to measure the actual environmental impacts of the projects on at least an annual basis, resulting in a strong Governance score of 76.
- The project's Transparency score benefits from the expected reporting of the allocation of the proceeds and the presence of defined project selection criteria. All proceeds will be used to build onshore wind farms and a biomass plant that implicitly have environmental advantages.
- All of these factors combined result in the final Green Evaluation of E1/76.

## Key Strengths And Weaknesses

We expect the renewable electricity generated by the portfolio of a biomass plant and 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.

Greenalia S.A. has stated its commitment to report on the environmental impact to the relevant authority, in line with the environmental impact statements. We view this as positive in our assessment of Transparency, especially because it has committed to do so annually and also during the construction phase. The environmental indicators will include surveillance of noise, water quality, waste management, and hydrological and revegetation conditions, among other factors. These will be measured on an individual project level and by independent expert companies, followed by a technical verification conducted by the authority. The indicators will be provided to the authority at least on an annual basis during the construction and operational phases.

However, the relatively low Transparency score reflects the lack of environmental reporting to the program's investor, other than the allocation of proceeds.

Given the corporate nature of this financing, the net proceeds of the financing will not be credited to a separate sub account, hence there is no clear tracking procedure. However, Greenalia has identified eligible green projects under which the program funds can be allocated that promote climate or other environmental sustainability purposes, which we understand will be biomass and onshore wind farm projects in Spain.

Greenalia has publicly disclosed its intention to comply with environmental regulations, which further reinforces the transaction's solid Governance

assessment of 73. Its environmental management is based on rigorous and exhaustive compliance with the respective regulation for its biomass and wind businesses.

We adjust the Net Benefit Ranking upward to give a final Mitigation score of 83 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
Green Energy	Spain	Wind power	16	Estimated	42
Green Energy	Spain	Biomass energy generation	9	Estimated	15
			<b>25</b>		

# Carbon

## Green Evaluation Process

53

Transparency

73

Governance

83

Mitigation

Weighted aggregate of three  
(Transparency + Governance + Mitigation)

**E1/76**

Overall Score

Technology	Baseline Carbon Intensity	Net Benefit Ranking	→ Carbon Hierarchy Adjustment	Environmental Impact Score	Proceeds (€ mil.)
	High  Low Spain				
<b>Wind power</b>		<b>42</b>		<b>85</b>	<b>16</b>
Solar power					
Small hydro					
<b>Biomass power generation</b>		<b>15</b>	<b>Systemic decarbonization</b>	<b>79</b>	<b>9</b>
Energy management and control					
Unspecified					
Green transport without fossil fuel combustion					
Green buildings – new build			Significant decarbonization in sectors already aligned with a green economy		
Unspecified					
Energy efficient projects (industrial and appliance efficiencies)					
Green transport with fossil fuel combustion					
Green buildings refurbishment			Alleviating emissions of existing carbon-intense industries		
Unspecified					
Nuclear					
Large hydro in tropical areas			Decarbonization technologies with significant environmental hazards		
Unspecified					
Coal to natural gas					
Cleaner fuel production					
Cleaner use of coal			Improvement of fossil-fueled activities' environmental efficiency		
Unspecified					

Increasing Decarbonization Impact ↑

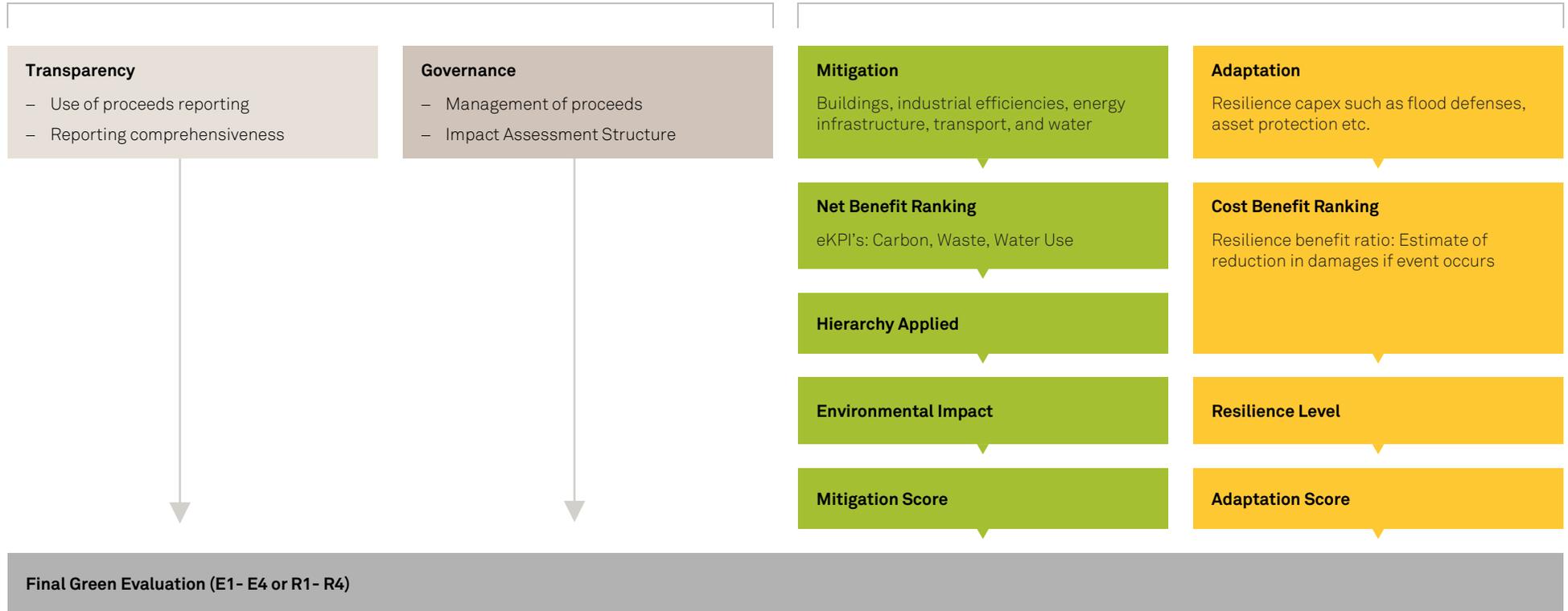
# Our Green Evaluation Approach

Weighted aggregate of three:



Common approach used amongst opinion providers

Unique to S&P Global Ratings



eKPI – Environmental Key Performance Indicator

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