

Green Evaluation

Rhode Island Infrastructure Bank Proposed \$19.8 Million Revenue Bonds Series 2018 A

Transaction Overview

Rhode Island Infrastructure Bank (RIIB) Efficient Buildings Fund is proposing to issue \$19.8 million in Efficient Buildings Fund revenue bonds series 2018 A, green bonds. Our Green Evaluation reflects our view of the RIIB's project and financing allocation and oversight. The bond proceeds will be used to refund the RIIB's previously issued 2016 and 2017 Efficient Building Fund bond anticipation notes (BANs) and fund an additional loan. The series, including the refunding of the BANs, will fund energy saving or clean energy projects for municipalities within Rhode Island. In our opinion, this transaction is aligned with the Green Bond Principles (GBP) 2018.

Entity: Rhode Island Infrastructure Bank
Subsector: N.A.
Location (HQ): Rhode Island, USA
Financing value: \$19.8 million
Amount evaluated: 100%
Evaluation date: Oct. 31, 2018
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Green Evaluation Overview

Transaction's Transparency

- Use of proceeds reporting
- Reporting comprehensiveness

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Transaction's Governance

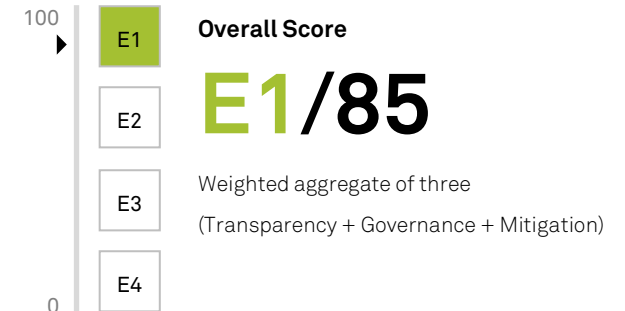
- Management of proceeds
- Impact assessment structure

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Mitigation

Sector	→ Net Benefit Ranking	→ Hierarchy Adjustments
Green Energy	Supplying the grid with low-carbon electricity	Systemic Decarbonization
Green Buildings	Providing energy efficiencies to public buildings	Decarbonization by alleviating emissions in carbon-intensive industries

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Project Description

The proposed Rhode Island Infrastructure Bank's bond issuance will take out BANs and provide an additional loan associated with onshore wind, solar power, HVAC, and LED lighting projects. All funds will finance projects within the state of Rhode Island. After this \$19.8 million issuance, the Efficient Buildings Fund (EBF) will have \$31.8 million in its portfolio of loans to local governments.

The EBF is a result of the work of the Office of Energy Resources (OER) and the RIIB, within the state of Rhode Island. The OER creates plans and programs that support efficient and productive energy use within the state. With these goals, the OER and the Infrastructure Bank have combined efforts to provide loans to support opportunities to conserve energy or produce clean energy through loans to local governmental units. The OER provides programmatic responsibilities, such as evaluating and prioritizing the projects through promulgated regulations that establish a project priority list (PPL) for the EBF. The RIIB provides the financial analysis and mechanism for financing the projects that OER identifies and approves.

After this issuance, the RIIB Efficient Building Fund will have provided loans to 13 local governments, with West Warwick, R.I. receiving the largest loan of about \$13 million. The remaining cities' loans range from less than \$1 million to around \$3.5 million.

We consider all projects funded by series 2018A revenue bonds green technologies under our analysis. Preliminary numbers show the allocation of the for series 2018A funds to be 66% toward green energy projects that supply the grid with low-carbon electricity, with close to 90% of the green energy money focused on onshore wind and the remaining on solar power. The remaining 34% of the portfolio is split among projects that support green building projects for highly efficient HVAC and controls and new LED lighting.

Scoring Summary

This transaction received an E1 Green Evaluation score—the highest on our scale of E1 (highest) to E4 (lowest). The very strong score reflects the excellent Mitigation score of 85, which largely reflects the fact that close to half the proceeds are allocated to green energy projects, with the remaining allocated to green building refurbishment.

The E1 score also reflects the robust Transparency and Governance scores, both of which are strong at 86 and 83, respectively. The Transparency score reflects in part the bank's clear project selection process and required reporting on projects after completion. The separate funds for the project loans and supervision over the allocation of the payments that are carefully tracked for disbursement to the intended renewable or energy saving projects support our Governance score.

Rationale

- The robust Governance score reflects our view of strong oversight of bond proceeds to ensure loans will be used for the pre-approved and pre-identified projects.
- The excellent Transparency assessment reflects both the continued evaluation of the effectiveness of projects for at least five years after the completion of the projects and management's expressed intent to track the effectiveness through the life of the loans, and public disclosure on determining eligibility of projects and selection criteria for proposed projects.
- The very strong Mitigation score demonstrates the selection of projects that rank well within our carbon hierarchy, with a large portion of the proceeds being allocated to green energy, raising the mitigation score that might otherwise be lower if only focused on green building refurbishments.

Key Strengths And Weaknesses

The Rhode Island Infrastructure Bank, EBF series 2018 A are a pool of project loans that the OER has evaluated and selected as priority projects to address energy efficiency within the state.

The pool benefits from an excellent Governance score, reflecting a strong commitment to monitoring the environmental impact of its funded projects. The OER provides a public application for loan requests that outlines the criteria the OER will consider when

evaluating project selection. Projects must be approved by the OER and placed on the PPL prior to the municipal entity requesting a loan. The EBF will not fund projects that the OER has not evaluated. After speaking with management and reviewing guiding documentation, we expect green building projects are compared to industry standards to ensure sufficient efficiency gains. For approved loans, recipients are required to report efficiency measures to the OER for at least five years after completion of the project, though management has expressed the intent to track efficiency through the life of the loans. For the green building projects loan recipients report on the energy saved compared to original baseline energy. Additionally, adding to the loan oversight is the fact that all funds for each project are placed in separate funds, and are allocated only to the identified and approved project, ensuring funds will be spent only on the energy saving or clean energy projects.

The financing also benefits from a very strong Transparency score with proceeds of the loans placed in a separate fund and allocated upon request and after proof of how the money will be spent for the specifically approved projects. Money is tracked until the project is completed at which point the project must undergo a third party inspection of the energy efficiency or the renewable energy project after interconnection. Further enhancing transparency, completed green energy projects must report their energy output while green building projects report energy savings compared to a base line.

The Mitigation score is very strong, however perhaps not quite as strong as might be expected, with roughly 66% of the proceeds allocated to green energy technologies, which are at the top of our carbon mitigation hierarchy. The Mitigation score reflects the mid-range net benefit ranking of solar and wind is lower compared with hydro generation which benefits from a longer asset life and generally higher capacity factors. In addition, the area is considered a mid-range carbon intensity area globally, and therefore the net benefit of additional green energy in the region will not have quite as strong an impact as it would if it were done in a higher carbon-intensive area, though it is still viewed highly favorably. When looking at the energy resource mix of the New England area, which includes Rhode Island,

coal represents a small portion, less than 2%, of the overall energy generation compared with nuclear and renewables, which represent roughly 40%. Nevertheless, the carbon intensity remains mid-range globally since gas still provides the greatest percent of power generation at 48%.

The remaining portion of the issuance is being used for refurbishments of existing government buildings to support upgrades to energy efficient HVAC and LED lighting. We view these projects as supporting decarbonization by alleviating emissions of carbon-intensive industries. We believe refurbishments have less of an impact on carbon reduction than new buildings, in part due to the fact that upgrades--while improving efficiency--are still not as efficient as brand new construction. Additionally, we believe that when the upgrades are completed there may be a rebound consumption effect that offsets some of the efficiency gains.

Second Opinion On Green Bond Principle Alignment

Based on our Transparency score of 86 and Governance score of 83 and that 100% of proceeds have or will be allocated to green projects, we expect this bond to meet the basics of the four pillars of the voluntary GBP given the issuer has committed to:

- Allocating the full amount of the net proceeds of bonds to eligible green projects, as defined by the issuer;
- Using clear “green” criteria (as defined by issuer) to select projects for funding;
- Managing and tracking proceeds (potentially with the use of sub accounts); and
- Committing to regular reporting of environmental impact and use of proceeds.

In our opinion, this transaction is aligned with the Green Bond Principles 2018. A Green Evaluation is a point in time assessment and is not monitored.

Sector level scores

Sector	Location	Technology	Use of Proceeds (mil. US\$)	Use of Proceeds Treatment	Net Benefit Ranking
Green Energy	Rhode Island	Onshore Wind Power Generation	11.6	Actual	60
Green Energy	Rhode Island	Solar Photovoltaic Power Generation	1.5	Actual	40
Green Building	Rhode Island	HVAC	2.4	Actual	80
Green Building	Rhode Island	LED	4.3	Actual	70
			19.8		

Carbon

Green Evaluation Process


86
Transparency

83
Governance

85
Mitigation

Weighted aggregate of three
(Transparency + Governance + Mitigation)

E1/85
Overall Score

Technology	Baseline Carbon Intensity	Net Benefit Ranking	Carbon Hierarchy Adjustment	Environmental Impact Score	Proceeds (mil. US\$)
	High  Low Rhode Island				
Wind power		60		90	\$11.6
Solar power		40		85	\$1.5
Small hydro					
Large hydro (excluding tropical areas)					
Energy management and control					
Unspecified					
Green transport without fossil fuel combustion					
Green buildings – new build					
Unspecified					
Energy efficient projects (industrial and appliance efficiencies)					
Green transport with fossil fuel combustion					
Green buildings refurbishment		73		78	\$6.7
Unspecified					
Nuclear					
Large hydro in tropical areas					
Unspecified					
Coal to natural gas					
Cleaner fuel production					
Cleaner use of coal					
Unspecified					
			Systemic decarbonization		
			Significant decarbonization in sectors already aligned with a green economy		
			Alleviating emissions of existing carbon-intensive industries		
			Decarbonization technologies with significant environmental hazards		
			Improvement of fossil-fueled activities' environmental efficiency		

Increasing Decarbonization Impact

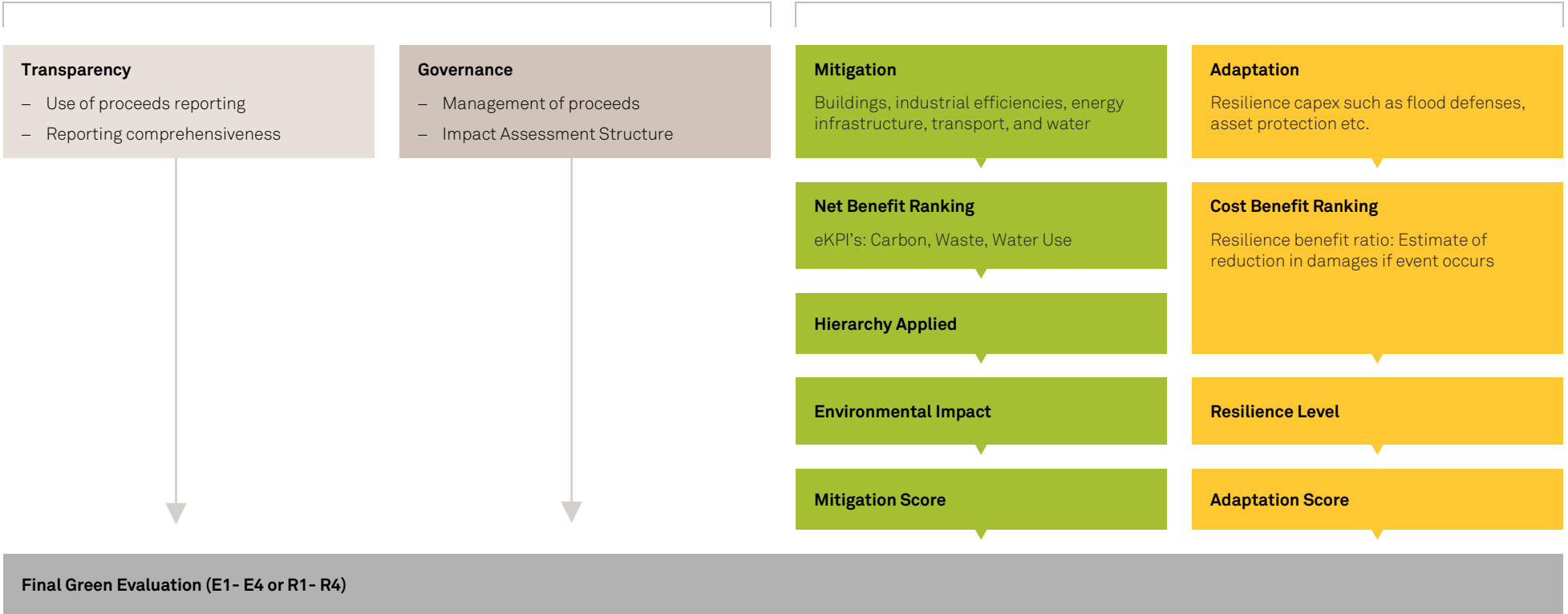
Our Green Evaluation Approach

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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