S&P Global Ratings

Green Evaluation

Coronation HoldCo Renovables S.L.U's €170 Million Bridge Facility Agreement (Forestalia)

Transaction Overview

Coronation HoldCo Renovables S.L.U. is seeking to borrow a two year €170 million floating bridge facility, to build, start up, and operate 10 wind projects with 342MW of capacity in Aragón, Spain. The borrower's ultimate shareholders are Forestalia (25%), Engie (42%) and Mirova Core Infrastructure Fund (33%). Spain-based Forestalia, the project's lead sponsor, was awarded the right to build 1,500 MW of total wind power capacity in Spanish auctions conducted by the Ministry of Energy in January 2016 and May 2017.

Forestalia is dedicated to the development and operation of renewable energy, specifically based on wind, photovoltaic (PV) solar and biomass technologies, and currently operates projects with 3,600 MW of capacity.

Entity:	Coronation HoldCo Renovables S.L.U.
Subsector:	Alternative Energy (7537)
Location (HQ):	Spain
Financing value:	€170 million
Amount evaluated:	100%
Evaluation date:	March 29, 2019
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Green Evaluation Overview

Transaction's Transparency — 71

- Use of proceeds reporting
- Reporting comprehensiveness

Transaction's Governance — 80

- Management of proceeds
- Impact assessment structure

Mitigation — 85

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

Adaptation — NA

100

E1

E2

E3

E4

0

Overall Score

E1/82

Weighted aggregate of three

(Transparency + Governance + Mitigation)

Project Description

Coronation HoldCo Renovables, S.L.U. will use proceeds of the bridge facility to build, start up and operate 10 onshore wind projects in Aragón, Spain, amounting to 342MW. Construction completion is expected in November 2019. The borrower's ultimate shareholders are Forestalia (25%), Engie (42%) and Mirova Core Infrastructure Fund (33%). The company was awarded the right to build a total of 1,500 MW of wind power capacity in Spanish auctions conducted by the Ministry of Energy in January 2016 and May 2017.

Forestalia is dedicated to the development and operation of renewable energy, specifically based on wind, PV solar, and biomass technologies, and currently operates projects with 3,600 MW, of which 64% is wind.

The plants will feature a total of 91 GE 3.8-130 MW turbines: technology being provided by leading supplier General Electric through a Turbine Supply Agreement. These models are considered established technology in the wind industry. The transaction will also benefit from an operations and maintenance contract with General Electric Wind Energy S.L.

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 82. The evaluation reflects a strong Mitigation score of 85 that is supported by proceeds allocated to new on-shore wind power 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 (80) given lender protections that are inherent in a project financing structure, combined with an above-average score in Transparency (71).

Rationale

-- Although wind power assets tend to rank behind hydro because they have a shorter asset life and typically have a lower capacity factor; the evaluation also considers the net environmental benefits associated with the projects based on the local grid carbon intensity in Spain, which we consider medium (being the second-lowest carbon intensity on our scale of low to extremely high). This leads to a Net Benefit Ranking of 42 compared with all renewable energy technologies globally.

-- However we consider onshore wind 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 when comparing it with other green technologies (such as transportation or energy efficient buildings) resulting in a Mitigation score of 85. The electricity the wind power plants generate will displace more polluting nonrenewable electricity.

-- While this financing is not a labeled green loan, it shares a number of the same structural provisions, such as a high degree of confidence in the allocation of funds and restrictive activities, in part because it is a project financing, resulting in a strong Governance score.

-- The project's Transparency score benefits from the expected monthly reporting of the proceeds allocation during construction and that all proceeds will be used to build onshore wind farms that implicitly have environmental advantages; however, the transaction lacks a methodology to select projects.

--All of these factors combined result in the final Green Evaluation of E1/82.

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.

We also assess positively the specific requirements set out in the use of proceeds clause in the facilities agreement documentation, defined to cover mainly the budgeted capex, fund reserves, and financial close expenses. The project will report the allocation of the net proceeds on a monthly basis during the construction phase until fully disbursed to the providers of the financing. The reporting will include the stage of construction achieved in the respective period, an updated estimate of the construction completion date and actual expenses in comparison with the budgeted capex. During the construction phase, projects may be replaced by another wind farm that meets the same conditions, in terms of size and technology. Once the portfolio is operating, no new projects can be added to the financed portfolio but projects could be removed, subject to the early prepayment of its portion of debt.

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 Germany and Poland.

The Net Benefit Ranking is adjusted upward to 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.

We consider the Transparency of the transaction above average due to expected reporting to the providers of the financing on a monthly basis during the life of the financing of: transported energy (GWh), grid availability (%), average interruptions (hours), number of houses with access to wind power, and actual potential avoidance of CO2 emissions (based on operational capacity, in millions of tonnes) once power plants become operational. However, these metrics will be reported on an aggregated basis, which we view as less transparent than a plant-level environmental impact breakdown. In addition, although we expect all proceeds to be spent on wind projects, the transaction documentation does not include explicit environmental objectives or a detailed methodology to calculate expected environmental impacts.

Another factor that influences our assessment of Governance is the selection criteria used to identify suitable projects. This is a structured loan, where we have a high degree of confidence as to the allocation of the funds, leading to a strong Governance score. The structure is similar to other project-type structures we've analyzed that are designed to prevent leakage of funds. Overall, the transaction achieves score of E1/82 on our scale.

Sector level scores

Sector	Location	Technology	Use of Proceeds (€ mil.)	Use of Proceeds treatment	Net Benefit Ranking
Green Energy	Spain	Wind power	170	Estimated	42
			170		

Carbon

Green Evaluation Process

71	80	85		E1/82
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 Solar power Small hydro Large hydro (excluding tropical areas) Energy management and control Unspecified		42	**Systemic decarbonization**	85	170
Green transport without fossil fuel combustion Green buildings – new build Unspecified			Significant decarbonization in sectors already aligned with a green economy		
Energy efficient projects (industrial and appliance efficiencies) Green transport with fossil fuel combustion Green buildings refurbishment Unspecified			Alleviating emissions of existing carbon-intense industries		
Nuclear Large hydro in tropical areas Unspecified			Decarbonization technologies with significant environmental hazards		
Coal to natural gas Cleaner fuel production Cleaner use of coal Unspecified			Improvement of fossil-fueled activities' environmental efficiency		

Increasing Decarbonization Impact

Our Green Evaluation Approach

Weighted aggregate of three:

Transparency + Governance + Mitigation or Adaptation = Green Evaluation

Common approach used amongst opinion providers

Transparency

- Use of proceeds reporting
- Reporting comprehensiveness

Governance

- Management of proceeds
- Impact Assessment Structure

Unique to S&P Global Ratings

Mitigation

Buildings, industrial efficiencies, energy infrastructure, transport, and water

Net Benefit Ranking

eKPI's: Carbon, Waste, Water Use

Hierarchy Applied

Environmental Impact

Mitigation Score

Adaptation

Resilience capex such as flood defenses, asset protection etc.

Cost Benefit Ranking

Resilience benefit ratio: Estimate of reduction in damages if event occurs

Resilience Level

Adaptation Score

Final Green Evaluation (E1- E4 or R1- R4)

eKPI – Environmental Key Performance Indicator

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