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# Moody's Green Bond Assessment (GBA)

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## What are Green Bonds?

- Fixed income securities, both taxable and tax-exempt, that raise capital for projects with specific environmental benefits
- Can include:
  - Use of proceeds bonds
  - Use of proceeds revenue bonds
  - Project bonds
  - Securitizations
- Generally issued pursuant to the Green Bond Principles:
  - Use of proceeds
  - Process for project evaluation and selection
  - Management of proceeds
  - Reporting



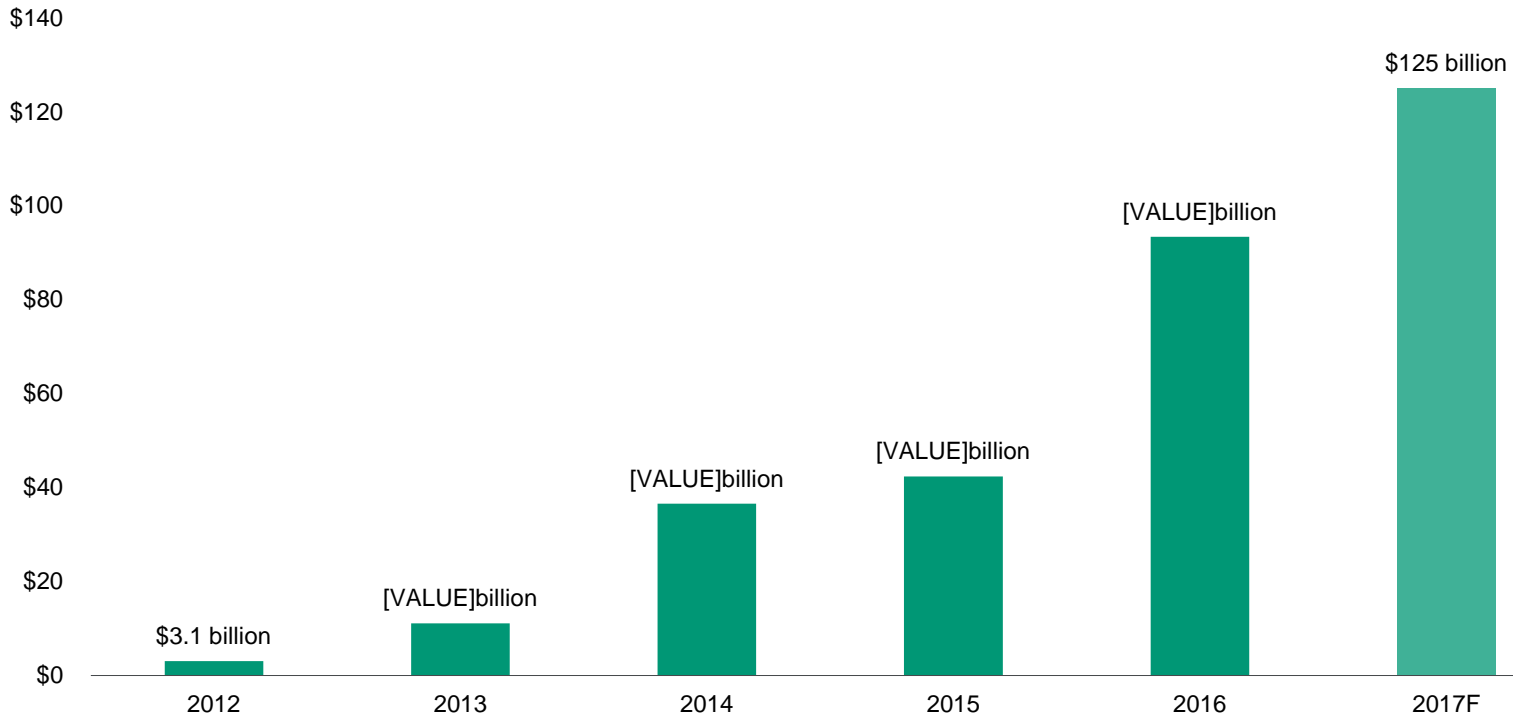
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## Small but Rapidly Expanding Green Bond Market



Sources: Moody's Investors Service; Climate Bonds Initiative; Environmental Finance; Dealogic; Bloomberg; MSRB Electronic Municipal Market Access; various issuer websites; OANDA currency converter

# Moody's Green Bonds Assessment Overview

Green Bonds are defined as fixed-income securities that raise capital for use in projects or activities with specific climate or environmental sustainability purposes.

ASSESSMENTS ARE DISTILLED FROM AN EVALUATION OF FIVE BROAD FACTORS

- 40% Use of proceeds\*\***
  - Clean water
  - Sustainable land use
  - Sustainable waste mgmt
  - Sustainable water mgmt
  - Clean transportation
  - Biodiversity conservation
  - Renewable energy
  - Climate change adaptation
  - Energy efficiency
- 20% Ongoing reporting**
  - Monitoring
  - Frequency and quality of reporting
  - Environmental impacts
- 15% Organization**
  - Governance
  - Mission
  - Framework for deployment of proceeds
  - Project evaluation
- 15% Management of proceeds**
  - Allocation and tracking of proceeds
  - Temporary investment practices
  - Audit
- 10% Disclosure on use of proceeds**
  - Project disclosure practices
  - Funding practices
  - Reliance on external assurances



### GREEN BOND ISSUANCE VOLUME UPDATE



MOODY'S GREEN BOND ASSESSMENTS ARE EXPRESSED USING A SCALE RANGING FROM GB1 TO GB5. VARIOUS SUB-FACTOR CONSIDERATIONS ARE ALSO ESSENTIAL TO THE FINAL GRADE.





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## Green Bonds Assessment (GBA) in the Context of Ratings

### GBA is:

- An instrument level assessment
- A “relative” ranking on use / management of proceeds
- Monitored
- Companion service to a credit rating or a stand-alone service

### GBA is not:

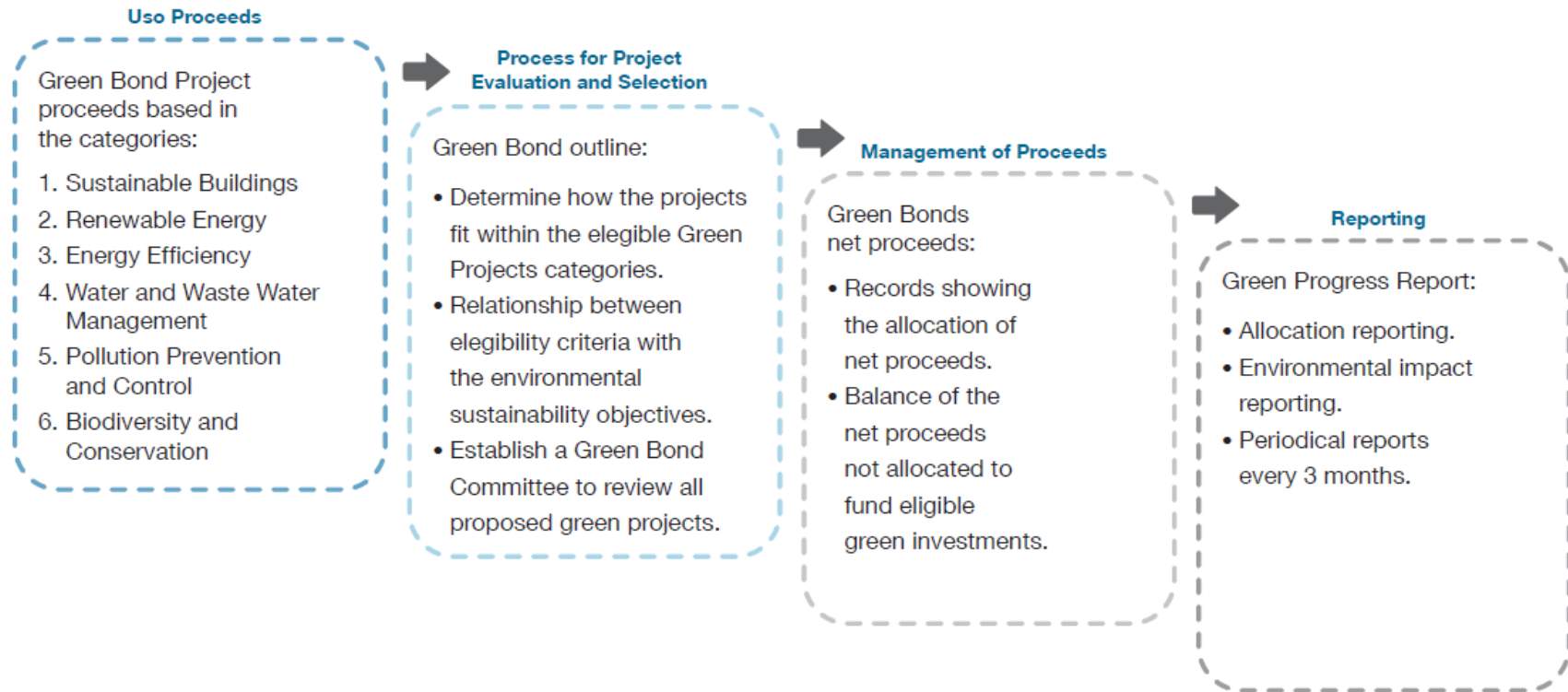
- A credit rating
- A consulting service
- A measure of environmental impact

## Case Study: New Mexico City Airport



## Strong Organization and Management

- Robust green bond framework publicly available
- Green bond committee with internal and external expertise
- Comprehensive project selection processes



## Projects Cover Six Green Categories

- Sustainable buildings
- Renewable energy
- Energy efficiency
- Water and wastewater management
- Pollution prevention and control
- Conservation and biodiversity







## Environmental Benefits Disclosed

- Good disclosure on projects to be financed and expected impacts
- Management currently finalizing comparable performance indicators, but has disclosed expected environmental benefits
  - LEED certified buildings
  - 70% reduction in use of potable water and 40% for energy usage
  - 50% energy cost reduction for LEED buildings
  - 50% reduction in greenhouse gas emissions
  - 10% to 30% reduction in waste generation
  - 10 to 30% improvement in the amount to waste diverted to recycling

Building	LEED v4 Rating Target
Passenger Terminal Building	Platinum
Ground Transportation Center	Gold
Air Traffic Control Center	Gold
Area Control Center	Gold



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## Good Proceeds Management

- Management responsible for tracking how bond proceeds are being spent
  - Will disclose updates publicly on a quarterly basis
- Unspent proceeds subject to normal liquidity management policy, with investments largely in short-term government securities
- Issuer subject to two auditing bodies, but no formal audit yet of bond proceeds
  - Will be engaging Sustainalytics to annually review the allocation of net proceeds and provide a report on its conformity with the green bond framework

## Robust Quarterly Reporting

- Quarterly reporting on use of proceeds and environmental impacts until proceeds are fully spent
- Four quarterly reports published to date on issuer website

Description		Amount USD				
Net Proceeds from Green Bonds		\$5,764,394,697				
Allocated Amount to each Eligible Category (USD)						
Category	1	2	3	4	5	6
USD	 Sustainable Buildings	 Renewable Energy	 Energy Efficiency	 Water and Waste Water Management	 Pollution Prevention and Control	 Conservation and Biodiversity
Disburse Amount	\$15,824,599.48	\$420,133.53	\$13,264.49	\$2,412,240.52	\$152,751.35	\$5,639,687.83
<b>Total</b>	\$481,327,856.35					
Description		Amount				
Amount Available for Allocation		5,283,066,841				



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