

Second-Party Opinion

New York Power Authority Green Bond and Green Commercial Paper Notes Framework



Evaluation Summary

Sustainalytics is of the opinion that the New York Power Authority Green Bond and Green Commercial Paper Notes Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds Renewable Energy, Energy Efficiency and Green Buildings, are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental and social impacts and advance the UN Sustainable Development Goals (SDGs), specifically SDGs 7 and 9.



PROJECT EVALUATION AND SELECTION Through joint coordination, NYPA’s Operations Group, Budgets and Enterprise Portfolio Management Office, along with assistance from the Treasury and Legal Departments, will be responsible for evaluating and selecting projects in line with the Framework’s eligibility criteria. NYPA has a process in place to address environmental and social risks associated with the projects financed. Furthermore, NYPA has communicated to Sustainalytics that it is in the process of establishing a scoring system for complementing its existing environmental and social risk assessment process. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS NYPA’s treasury department will be responsible for overseeing the management and allocation of proceeds. Proceeds will be tracked using internal tracking systems. NYPA intends to allocate proceeds within three years of the respective issuance date. Pending full allocation, proceeds will be held in temporary liquid and readily available investment instruments including cash, term deposits with commercial banks, mutual funds and government securities, in accordance with NYPA’s investment guidelines. This is in line with market practice.



REPORTING NYPA commits to reporting on the allocation and impact of proceeds, which will be published on its website on an annual basis until full allocation, as part of the organization’s reporting. Allocation reporting will include the use of proceeds (project type, capacity and location) for each green bond issued, the current allocated and outstanding amounts and contractual maturity dates and alignment of the use of proceeds with the Framework. Sustainalytics notes that NYPA will include impact reporting by project or on an aggregate basis. Based on the above, Sustainalytics considers this process to be in line with market practice.

Evaluation Date	September 6, 2024
Issuer Location	White Plains, US

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Introduction

New York Power Authority (“NYPA” or the “Issuer” or the “Organization”) is a New York State public authority, and the state’s largest public power organization. NYPA was created in 1931 with the purpose of providing a continuous and adequate supply of reliable electric power and energy. As the only state-wide power supplier, with five major generating facilities, 11 small electric generating units located at seven facilities, a 20 MWh battery energy storage facility and four small hydroelectric facilities, NYPA has a total installed capacity of approximately 6,051 MW and owns and operates more than 1,550 circuit miles of transmission lines as of September 2024. NYPA’s customers include municipal and rural electric cooperatives, investor-owned utilities, high-load factor industrial customers, commercial, industrial not-for-profit businesses and public corporations.¹

NYPA has developed the New York Power Authority Green Bond and Green Commercial Paper Notes Framework dated September 2024 (the “Framework”) under which it intends to issue green bonds and commercial paper notes, and use the proceeds to finance or refinance, in whole or in part, existing and future projects that generate, transmit and support clean energy and enhance energy efficiency in its power transmission systems and buildings. The Framework defines eligibility criteria in three areas:

1. Renewable Energy
2. Energy Efficiency
3. Green Buildings

NYPA engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).² The Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on alignment of the Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.17.2, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various representatives of NYPA’s to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. NYPA representatives have confirmed (1) they understand it is the sole responsibility of NYPA to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with it.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and NYPA.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts

¹ NYPA, “New York Power Authority Green Bond and Green Commercial Paper Notes Framework – September 2024”.

² The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

³ The New York Power Authority Green Bond and Green Commercial Paper Notes Framework is available on NYPA’s website at: <https://www.nypa.gov/about/financials>

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

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of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favor or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that NYPA has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the New York Power Authority Green Bond and Green Commercial Paper Notes Framework

Sustainalytics is of the opinion that the New York Power Authority Green Bond and Green Commercial Paper Notes Framework is credible and impactful and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories, Renewable Energy, Energy Efficiency and Green Buildings, are aligned with those recognized by the GBP.
 - NYPA has established a look-back period of three years for refinancing operating expenditures under the Framework, which Sustainalytics considers to be in line with market practice.⁵
 - Under the Renewable Energy category, NYPA may finance or refinance hydropower generation projects, electricity transmission expansion projects, facilities powered by solar photovoltaic or concentrated solar power (CSP), wind, green hydrogen and geothermal energy sources, energy storage facilities and associated assets. Sustainalytics notes the following:
 - Hydropower projects that became or will become operational after the end of 2019 will be: i) run-of-river without artificial reservoir or low storage capacity; ii) have a life cycle carbon intensity below 50 gCO₂e/kWh; or iii) have a power density greater than 10 W/m². Projects that became operational before the end of 2019 and are being refinanced will be: i) run-of-river without artificial reservoir or low storage capacity; ii) have a life cycle carbon intensity below 100 gCO₂e/kWh; or iii) have a power density greater than 5 W/m². Sustainalytics notes that all new projects will undergo an environmental and social impact assessment to ensure that no significant environmental and social risks, negative impacts or controversies have been identified. The Issuer will exclude financing of new hydropower projects involved in significant environmental or social controversies under the Framework.
 - Transmission expansion related projects will support the integration of at least 90% renewable electricity on the grid. In case less than 90% of the electricity transmitted on the grid is renewable, a pro-rata approach will be used to determine the green allocation to grid development or maintenance. NYPA has communicated to Sustainalytics that the percentage of renewables on the grid is expected to increase over time.
 - For CSP, more than 85% of the electricity generated from the facility will be derived from solar energy.
 - Hydrogen will be produced through electrolysis powered by renewable energy.
 - Geothermal projects will align with a direct emission threshold at 100gCO₂/kWh or below.
 - NYPA has confirmed to Sustainalytics that the storage projects will be limited to battery storage connected directly to renewable energy sources.

⁵ Sustainalytics notes only 20% of the proceeds from any issuance may be allocated to project-supporting operational expenditures.

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- Sustainalytics considers the investment criteria for financing renewable energy projects to be aligned with market practice.
- Under the Energy Efficiency category, NYPA may finance or refinance equipment and technologies including energy-efficient LED street lighting, HVAC upgrades, air handling systems, boiler and chiller replacements, wastewater treatment systems, electric vehicle (EV) infrastructure, and strategic planning, advisory, site audit and installation services for these projects. Sustainalytics notes the following:
 - NYPA has confirmed to Sustainalytics that energy-efficient technologies are not intended for projects that are carbon intensive and that these technologies are not powered by fossil fuels.
 - For wastewater treatment projects, NYPA has confirmed to Sustainalytics that it will exclude treatment of wastewater from fossil fuel and industrial livestock operations.
 - NYPA has confirmed to Sustainalytics that EV infrastructure projects will be limited to the development of EV charging stations in accordance with New York State's rebate programs "Charge Ready NY 2.0"⁶ and "Evolve NY"⁷ and will exclude the financing of parking facilities.
 - Sustainalytics considers expenditures towards these activities to be aligned with market practice.
- Under the Green Buildings category, NYPA may finance or refinance the construction of new buildings that are expected to meet LEED ("Gold" or above)⁸ or equivalent certification or will be among the top 15% energy-performing buildings in the relevant area based on primary energy demand or emissions intensity performance.⁹ Sustainalytics notes that it is market expectation to specify all eligible schemes and certifications and encourages NYPA to report on any specific schemes and certifications it intends to use. Sustainalytics considers investments under this category to be aligned with market practice.
- Project Evaluation and Selection:
 - Through joint coordination, NYPA's Operations Group, Budgets (through the annual capital plan development) and Enterprise Portfolio Management Office, along with assistance from the Treasury and Legal Departments, will be responsible for evaluating and selecting projects in line with the Framework's eligibility criteria.
 - NYPA has a process in place to address environmental and social risks associated with the projects financed. Furthermore, NYPA has communicated to Sustainalytics that it is in the process of establishing a scoring system that will complement its existing environmental and social risk assessment process. Sustainalytics considers these risk management processes to be adequate. For additional details, refer to Section 2.
 - Based on an established process for project evaluation and selection and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - NYPA has communicated to Sustainalytics that its treasury department will be responsible for overseeing the management and allocation of proceeds. Sustainalytics notes that proceeds will be tracked using internal tracking systems.
 - NYPA intends to allocate proceeds within three years of the respective issuance date. Pending full allocation, proceeds will be held in temporary liquid and readily available investment instruments including cash, term deposits with commercial banks, mutual funds and government securities, in accordance with NYPA's investment guidelines.
 - Based on the presence of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - NYPA commits to reporting on the allocation and impact of proceeds, which will be published on its website on an annual basis until full allocation.
 - Allocation reporting will include the use of proceeds (project type, capacity and location) for each green bond issued, the current allocated and outstanding amounts and contractual maturity dates and alignment of the use of proceeds with the Framework.

⁶ NYSERDA, "Charge Ready NY 2.0", at: <https://www.nyserdera.ny.gov/All-Programs/Charge-Ready-NY>

⁷ Evolve NY, "EVolve NY's Mission: a Fast Electric-Charging Station Near You", at: <https://evolveny.nyopa.gov/en/about-evolve-new-york>

⁸ LEED: <https://www.usgbc.org/leed>

⁹ NYPA has communicated that to Sustainalytics it is required to comply with the requirements related to waste reduction, use of green infrastructure to manage stormwater, climate risk incorporation, and biodiversity protection as outlined in Executive Order 22. NYPA, "No. 22: Leading by Example: Directing State Agencies to Adopt a Sustainability and Decarbonization Program", (2022), at: <https://www.governor.ny.gov/executive-order/no-22-leading-example-directing-state-agencies-adopt-sustainability-and>

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- Sustainalytics notes that NYPA will include impact reporting by project or on an aggregate basis. Sustainalytics notes that the Issuer does not provide a description of the qualitative or quantitative impact metrics that may be included in its impact report. Sustainalytics considers the disclosure of environmental and social impact indicators in the Framework to be a good practice, in alignment with the recommendations under the Principles.
- Based on the above, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the New York Power Authority Green Bond and Green Commercial Paper Notes Framework aligns with the four core components of the GBP.

Section 2: Sustainability Mandate of NYPA

Contribution to NYPA's sustainability mandate

NYPA developed VISION2030, the Organization's 10-year strategic plan that promotes the adoption of clean energy in New York. VISION2030 aligns with the state's environmental targets, which include decarbonizing the electricity grid by 2040 and achieving a carbon-neutral economy by 2050.¹⁰ Through VISION2030, NYPA aims to decarbonize the electricity generated by 2035, maintain the contribution of hydropower to the grid by generating at least 21 TWh of carbon-free electricity annually, achieve zero carbon emissions by 2035 for its fossil fuel generation assets, and grow its transmission rate base by 3 to 5 times by 2030.¹¹

In order to implement VISION2030, NYPA developed its Sustainability Plan 2021-2025¹² (the "Plan") with guidance and input from business units and department leaders, including the Sustainability Advisory Council (SAC), subject matter experts and other key stakeholders. The SAC serves as the collaborative body that formulates the Organization's sustainability strategy and oversees the implementation of the Plan. The Plan outlines NYPA's goals and strategies across 15 material ESG areas, identified through a materiality assessment. The environmental focus areas that are most relevant to the Framework include climate change and GHG emissions, renewable energy and energy storage, energy reliability, energy efficiency and electrification, and environmental stewardship. NYPA has communicated to Sustainalytics that it is in the process of developing a new sustainability plan aligned with the VISION2030 updates, which is expected to be published in the first half of 2025.

Sustainalytics has noted below the Organization's overarching environmental goals and current efforts across the abovementioned focus areas:¹³

- Climate change and GHG emissions: As part of this focus area, the Organization intends to manage its scope 1, 2, and 3 emissions, implement GHG reduction strategies, conduct climate impact studies and identify resilient strategies. NYPA has communicated that its emission reduction commitments align with the cross-sector decarbonization pathways outlined in the IPCC's Special Report on Global Warming of 1.5°C.
- Renewable energy and energy storage: NYPA intends to preserve and enhance the value of its hydropower, support the state's renewable energy goals through clean energy provision and upgrade its transmission system to integrate intermittent renewable energy sources into the grid. The Organization also aims to support the state's energy storage goals by developing 300 MW of utility-scale storage and installing 150 MW and 500 MW of distributed storage and solar respectively to scale clean energy across New York by 2030. Key efforts include preserving hydropower as the state's renewable base, development of action plans to work with NYSERDA and other parties to procure RECs on behalf of customers, and collaborating with developers to implement offshore wind and customers on distributed solar and storage projects.
- Energy reliability: NYPA aims to upgrade and modernize its generation and transmission assets to improve efficiency, reliability, security and resilience, and optimize asset management strategies in accordance with a dynamic industry landscape. In line with this, the Organization has made efforts toward the optimization and innovation of smart grid technologies and transmission systems, and compliance with industry reliability standards, such as the North American Electric Reliability Corporation.
- Energy efficiency and electrification: NYPA intends to increase the efficiency of its buildings and maximize onsite renewable energy capacity to reduce building load. The Organization also aims

¹⁰ NYPA, "Building the Path to a Sustainable Energy Future – 2023 Integrated Report", at: <https://www.nypa.gov/-/media/nypa/documents/document-library/integrated-reports/2023-integrated-report.pdf>

¹¹ Ibid.

¹² NYPA, "Sustainability Plan 2021-25", at: <https://nypa.gov/-/media/nypa/documents/document-library/esg-sustainability/nypa-sustainability-plan-2021-25.pdf>

¹³ Ibid.

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to promote vehicle electrification and reduce GHG emissions from its vehicle fleet. Efforts include NYPA's BuildSmart 2025 initiative, through which the Organization is advancing building management systems and heating, ventilation and air conditioning, upgrading lighting and making building envelope improvements as well as an onsite renewable energy programme to install solar PV and vertical axis wind applications. NYPA has also implemented various electrification programmes such as expanding fleet electrification, workplace charging stations and electric vehicle training.

- **Environmental stewardship:** The Company aims to promote biodiversity, natural carbon sequestration and resilience through programme implementation, reduce frequency, magnitude and duration of high-water levels to prevent flooding, improve non-operational water efficiency, minimize water consumption, reduce waste generation and promote a circular economy. Key efforts include a habitat improvement project to restore and maintain wetlands, row integrated vegetation management programme to promote sustainable vegetation with minimal disturbance, a state-wide tree planting programme to improve biodiversity, stormwater management and building energy efficiency, and the creation of pollinator gardens. NYPA has also adopted the Zero Waste Program, a long-term programme to reduce waste generation and divert material from landfills and incinerators for reuse and recycling, at all its sites and various other water management initiatives.

As of 2023, NYPA invested USD 1.4 billion in hydropower generation assets and generated 22.6 million MWh of hydropower, and additionally invested USD 2.4 billion in the modernization and expansion of transmission assets.¹⁴ The Organization also raised USD 2,132 million through green bonds as of 2023.¹⁵ Between 2021 and 2022, the Organization reduced its scope 1 emissions by approximately 24% and started reporting on its scope 2 and 3 emissions in 2022.¹⁶ Furthermore, NYPA's Customer Energy Solutions (CES), which serves public, commercial, municipal and institutional customers, focuses on the design, installation, commissioning, and financing of projects for energy efficiency, resiliency, and distributed energy. CES has completed over 2,400 energy projects and improved 6,600 facilities throughout the state, resulting in a combined cost savings of over USD 256 million.¹⁷

Sustainalytics is of the opinion that the New York Power Authority Green Bond and Green Commercial Paper Notes Framework is aligned with the NYPA's overall sustainability mandates and initiatives, and that it will further NYPA's action on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that proceeds from the instruments issued under the Framework will be directed towards eligible projects expected to have positive environmental impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects may include issues involving occupational health and safety, land use and biodiversity loss associated with large-scale infrastructure development, emissions, effluents and waste generated in construction and community relations.

Sustainalytics is of the opinion that NYPA is able to manage and/or mitigate potential risks through the implementation of the following:

- To manage risks related to occupational health and safety, NYPA has established the NYPA's Health and Safety Program, managed by regional environmental, health and safety (EH&S) staff. Under this programme, NYPA has created site-specific programmes and organization-wide policies and mandates its management and union safety committees to conduct regular safety inspections and employee engagement to identify and address health and safety risks at all sites. NYPA commits to aligning its programme with the New York State Department of Labor's Public Employee Safety and Health Bureau. In 2022, the Organization also implemented the Health and Safety Policy that outlines the commitments, roles and responsibilities throughout the Organization on health and safety matters. NYPA further intends to implement an occupational health and safety management system that aligns with the ISO 45001 Occupational Health and Safety standard. Additionally, the Organization developed its Canals' Safety Training Program, updated in 2022, which deploys a standardized curriculum per job titles and tasks. Under this programme, NYPA delivers mandatory training to employees through e-learning content. The EH&S team also developed a Canals Safety Work Planning Procedure that

¹⁴ NYPA, "Building the Path to a Sustainable Energy Future – 2023 Integrated Report", at: <https://www.nypa.gov/-/media/nypa/documents/document-library/integrated-reports/2023-integrated-report.pdf>

¹⁵ NYPA, "Delivering on New York State's Clean Energy Vision – Integrated Report 2022", at: <https://nypa.gov/-/media/nypa/documents/document-library/integrated-reports/nypa-2022-integrated-report.pdf>

¹⁶ Ibid.

¹⁷ NYPA, "NYPA Energy Solutions", at: <https://www.nypa.gov/services/clean-energy-solutions/overview-of-solutions>

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outlines processes and methods to manage risks and control hazards throughout all operations.¹⁸ Furthermore, NYPA and the Canals' Health and Safety management commits to aligning operations with best practices identified by the National Institute for Occupational Safety and Health, the National Fire Protection Association, and the Institute of Electrical and Electronics Engineers. The Organization is also subjected to the New York State Department of Labor Public Employee Safety and Health Bureau, which enforces health and safety standards outlined under the US Occupational Safety and Health Act and Coast Guard Regulations.¹⁹

- To address environmental risks, including land use and biodiversity, emissions, effluents and waste generated during construction, NYPA relies on compliance with applicable environmental and social laws and regulations. NYPA has communicated to Sustainalytics that it commits to complying with the following national regulations: i) the Endangered Species Act, which identifies threatened and endangered plant and animal species and defines the guidelines as well as establishes a programme around conservation and protection of critical habitats and land;^{20,21} ii) the Clean Air Act, which regulates and sets limitations for hazardous air pollutant emissions from stationary and mobile sources, including the construction, operation and maintenance projects and enables the US Environmental Protection Agency to establish national ambient air quality standards aimed to protect public health;^{22,23} and iii) the Resource Conservation and Recovery Act, which establishes conditions for the storage and disposal of all hazardous and non-hazardous waste in the US.²⁴
- To manage risks related to community relations, NYPA has established a process whereby the Organization conducts conferral discussions with stakeholder organizations across the state, such as, but not limited to, the New York Farm Bureau, community organizations and environmental justice advocates and representatives of energy consumers. Discussions are conducted in person and virtually to obtain stakeholder viewpoints and feedback on NYPA's operations.²⁵ The Organization also conducts outreach and provides formal programmes and services for local communities and key stakeholders, including historically underserved communities. These engagements are aimed at reducing the negative impact of hydropower development on proximate communities and ecosystems. NYPA's roles and responsibilities are further defined in its relicensing agreements, including safeguarding community benefits.²⁶ Sustainalytics further notes that projects financed under the Framework are based in the US, which is recognized under the Equator Principles as a Designated Country. This indicates the presence of robust environmental and social governance systems, legislation and institutional capacity for protecting the environment and communities including continual stakeholder engagement for certain new projects.²⁷

Based on these policies, standards and assessments, Sustainalytics is of the opinion that NYPA has implemented sufficient measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the projects financed.

Section 3: Impact of Use of Proceeds

The use of proceeds categories is aligned with those recognized by the GBP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Importance of investing in clean energy infrastructure in New York

As of 2022, approximately 30% of New York's electricity came from renewable sources, with more than 21% coming from hydropower.²⁸ Nevertheless, fossil fuels-based facilities in some areas continue to contribute to the state's GHG emissions. For example, in 2022, natural gas facilities accounted for 47% of

¹⁸ NYPA, "Delivering on New York State's Clean Energy Vision – Integrated Report 2022", at: <https://nypa.gov/-/media/nypa/documents/document-library/integrated-reports/nypa-2022-integrated-report.pdf>

¹⁹ NYPA, "Sustainability Plan 2021-25", at: <https://nypa.gov/-/media/nypa/documents/document-library/esg-sustainability/nypa-sustainability-plan-2021-25.pdf>

²⁰ US Fish & Wildlife Service, "Endangered Species Act of 1973", at: https://www.fws.gov/sites/default/files/documents/endangered-species-act-accessible_7.pdf

²¹ US Environmental Protection Agency, "Summary of the Endangered Species Act", (2023), at: <https://www.epa.gov/laws-regulations/summary-endangered-species-act>

²² US Government Publishing Office, "Clean Air Act", (2022), at: <https://www.govinfo.gov/content/pkg/COMPS-8160/pdf/COMPS-8160.pdf>

²³ US Environmental Protection Agency, "Summary of the Clean Air Act", (2023), at: <https://www.epa.gov/laws-regulations/summary-clean-air-act>

²⁴ US Environmental Protection Agency, "Resource Conservation and Recovery Act (RCRA) Laws and Regulations", at: <https://www.epa.gov/rcra>

²⁵ NYPA has shared its conferral report, published November 2023, with Sustainalytics confidentially.

²⁶ NYPA, "Delivering on New York State's Clean Energy Vision – Integrated Report 2022", at: <https://nypa.gov/-/media/nypa/documents/document-library/integrated-reports/nypa-2022-integrated-report.pdf>

²⁷ Equator Principles, "About the Equator Principles", at: <https://equator-principles.com/about-the-equator-principles/>

²⁸ US Energy Information Administration, "New York – State Profile and Energy Estimates", (2023), at: <https://www.eia.gov/state/analysis.php?sid=NY>

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New York's total electricity generation.²⁹ In New York City alone, electricity generated from burning fossil fuels accounted for approximately 25% of the city's total GHG emissions.³⁰ This is largely due to the insufficient and aged infrastructure, including a lack of transmission lines transmitting clean power and plants that are over 50 years old and are reliant on fossil fuels.^{31,32} Therefore, accelerating the construction of infrastructure that supports the transmission of clean electricity is imperative in reducing the state's GHG emissions.^{33,34}

In 2014, New York introduced a new energy policy, Reforming the Energy Vision (REV), to build an integrated energy network that would allow it to better integrate the central grid to clean and locally generated power.³⁵ The 2015 New York State Energy Plan was then released to advance REV.³⁶ The Energy Plan entails a roadmap to build a clean, resilient, and affordable energy system through public-private partnerships, innovation and investments, and outlines the three clean energy goals that are to be achieved by 2030. One of the Energy Plan's main initiatives is to modernize energy infrastructure which includes smart generation and transmission.³⁷ The goals of the Energy Plan were further updated in 2019 through the Climate Leadership and Community Protection Act. The state's goals now include 100% carbon-free electricity by 2040 and the following to support this target: i) 70% of the electricity generated must come from renewable sources by 2030; and ii) GHG emissions are reduced to at least 85% below the 1990 levels by 2050.³⁸ Furthermore, in 2023, the Governor of New York announced a USD 11 million investment into projects that modernize New York's electric grid, such as grid modeling and distribution energy management systems. Projects must improve grid resiliency and reliability as well as advance the integration of renewables and enable progress towards the state's climate goals.³⁹

Based on the above, Sustainalytics is of the opinion that the eligible projects financed through the Framework will contribute towards supporting critical infrastructure to reduce GHG emissions and meeting the state's environmental goals.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the New York Power Authority Green Bond and Green Commercial Paper Notes Framework are expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

Conclusion

NYPA has developed the New York Power Authority Green Bond and Green Commercial Paper Notes Framework under which it may issue green bonds and commercial paper notes, and use the proceeds to

²⁹ Ibid.

³⁰ Mayor's Office of Climate & Environmental Justice, "Systems", at: <https://climate.cityofnewyork.us/subtopics/systems/>

³¹ Ibid.

³² New York State, "Tier 4 – New York City Renewable Energy", at: <https://www.nyserda.ny.gov/All-Programs/Large-Scale-Renewables/Tier-Four>

³³ Ibid.

³⁴ New York State, "Transforming Our Energy Sources", at: <https://climate.ny.gov/Get-Involved/Transforming-Our-Energy-Sources>

³⁵ New York State, "The Energy to Lead – 2015 New York State Energy Plan", at: <https://energyplan.ny.gov/>

³⁶ New York State, "2015 New York State Energy Plan", at: <https://energyplan.ny.gov/Plans/2015-Energy-Plan>

³⁷ Ibid.

³⁸ Ibid.

³⁹ New York State, "\$11 Million Now Available for Solutions Addressing Grid Challenges", at: <https://www.nyserda.ny.gov/About/Newsroom/2023-Announcements/2023-08-11-Fourth-Round-Of-Future-Grid-Challenges-Opens-As-Round-Three-Projects-Move-Forward>

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finance renewable energy, energy efficiency and green building projects that generate, transmit and support clean energy and enhance energy efficiency in its power transmission systems and buildings. Sustainalytics considers that the eligible projects are expected to provide positive environmental impacts.

The Framework outlines processes for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Framework is aligned with NYPA's sustainability mandate and that the use of proceeds will contribute to the advancement of UN Sustainable Development Goals 7 and 9. Additionally, Sustainalytics considers that NYPA has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that NYPA is well positioned to issue green bonds and green commercial paper notes, and that the New York Power Authority Green Bond and Green Commercial Paper Notes Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

New York Power Authority Green Bond and Green Commercial Paper Notes Framework

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