

Hawaii is first US municipal to issue asset-backed green bond

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Hawaii has joined the growing number of US municipalities to tap the green bond market, launching a \$150 million issue.

The state's department of business, economic development and tourism has sold the AAA-rated notes to 25 institutional investors, as well as US retail investors.

The bond has been split into two tranches: \$100 million will carry a coupon of 3.242% and mature in 17 years, and \$50 million will have an eight-year tenor and a coupon of 1.467%.

Proceeds from the sale will be used as part of a loan programme to fund solar panels and energy storage solutions for local homes and businesses.

The bond is backed by a levy, known as the Green Infrastructure Fee, applied to customers' electricity bills. This makes it the first asset-backed green bond to be issued by a US municipality.

Goldman Sachs and Citigroup are joint lead managers on the transaction, and no second opinion was provided.

Sean Kidney, CEO of the NGO Climate Bonds Initiative praised the issuer for recognising "that they are using 'tried and true' financing methods, combining them in a fashion suitable for the specific green investment".

"This is what we need to understand," added Kidney: "there is really nothing new about this. The climate mitigation and adaptation challenge is essentially all about infrastructure financing – just that it's also green. It's great to see Hawaii connecting the dots on this".

Other US municipalities to issue green bonds in recent months include New York, Massachusetts, Spokane, California, and Connecticut.