

## **BRIEFING: CommBank denies loan to couple impacted by unconventional gas, financed by CommBank**

In September it was reported<sup>i</sup> that a couple seeking a \$500,000 bridging loan from Commonwealth Bank were denied on the basis that their property was not acceptable as security. The reason for this was that the property contained four coal seam gas wells.

The email from Commonwealth Bank to the loan applicants is on the reverse side of this briefing. It states that "Long form valuation has revealed 4 coal seam gas wells on the land, making the security unacceptable for residential lending purposes".

A study by Market Forces shows that Commonwealth Bank has, on several occasions in recent years, financially supported the infrastructure that facilitates this coal seam gas extraction. Effectively, Commonwealth Bank's involvement in Queensland's unconventional gas industry is devaluing the land of one of its customers, resulting in the denial of credit.

### **The infrastructure**

The four coal seam gas wells on the couple's Chinchilla property are to service QGC's (Queensland Gas Company) efforts to supply their QCLNG terminal on Curtis Island with gas extracted from the Surat Basin.<sup>ii</sup>

### **Commonwealth Bank's exposure**

Market Forces is aware of several loans involving Commonwealth Bank to the company behind Queensland Curtis LNG, BG Group, and the key pipeline infrastructure to transport gas from the Surat Basin to the export terminal. These include:

- November 2012: BG Energy Capital obtained a US\$3.04 billion credit facility from a group of 20 banks including CommBank. The financial news source IFR reported that "BG Group is diversifying its sources of financing to back its investment programme including the development of two large projects: Queensland Curtis LNG in Australia and an offshore joint-venture with Petrobras in Brazil".
- December 2014: APA Group obtained a AU\$4.1 billion 'bridge facility' (a short-term loan used until a company secures permanent financing) from a group of 10 banks including CommBank. The loan was used for the acquisition of QGC's 543km of pipelines carrying coal seam gas from the Surat Basin to the QCLNG terminal.
- June 2015: APA Group received US\$3.7 billion in long-term debt to replace the bridge facility (above) from a number of banks including CommBank.

### **Seeking answers**

This is just one email about one refused loan, but raises a number of issues. QGC insists that there should be no land devaluation on properties that host its infrastructure but this is clearly not the view of Commonwealth Bank. And while this one example highlights the conflicted interests of Commonwealth Bank, we expect that the same issue is emerging at all lending institutions, several others of which also finance unconventional gas infrastructure.

If banks are aware of the risk to land valuation (not to mention primary productivity and impacts on soil and water resources), this is a major concern that the public needs to be made aware of. It is highly unlikely that this email is isolated and to the extent of the risk faced by rural landholders with unconventional gas on or proposed near their properties needs to be known.

For more information, please contact

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**From:** Retail Credit Decisioning

**Sent:** 01/07/2016

**To:** [REDACTED]

**SUBJECT:** [REDACTED]

**Date:** 01/07/2016

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**Customer Name:** [REDACTED]

**Facility:**

**Product/s:** 2 Year Fixed Rate Home Loan (TP)

**Account No:**

**Loan Amount:** \$500,000.00

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If not already provided to the Bank, please supply supporting documents as soon as possible clearly identifying with the application Bank Reference Number. Supporting documents are required for the application to progress further.

Unfortunately, we are unable to provide assistance with the above application at the present time as the application does not meet the Banks approval conditions. If application details change please resubmit the application.

We provide the following comments:

The Application fails to meet the Bank's lending criteria due to the follow reasons: Security unacceptable

1) Long form valuation has revealed 4 gas wells on the land, making the security unacceptable for residential lending purposes.

Application is declined, and this decision supersedes any former decisions.

[REDACTED]

If you would like to discuss this please contact your local Mortgage Services.

Further information can be obtained on <http://www.commbroker.com.au> using the Bank Reference Number above or contact your local Mortgage Services centre.

Commonwealth Bank  
**Retail Credit Decisioning**

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<sup>i</sup> Commonwealth Bank: coal seam gas makes property 'unacceptable' as loan security, The Guardian, 30 September 2016

<sup>ii</sup> For more details of the QGC coal seam gas operations as part of QCLNG, visit the BG Group Fact Sheet: [http://www.bg-group.com/files/pdf/qgc/2481\\_qgc-bg\\_ausprofile.webfinal.pdf](http://www.bg-group.com/files/pdf/qgc/2481_qgc-bg_ausprofile.webfinal.pdf)