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Adani Group’s new coal projects: why and how investors need to act

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Adani's New Coal Projects:

Why and How Investors Need to Act

Tim Buckley (tbuckley@ieefa.org)
Director Energy Finance Studies,
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16 September 2021

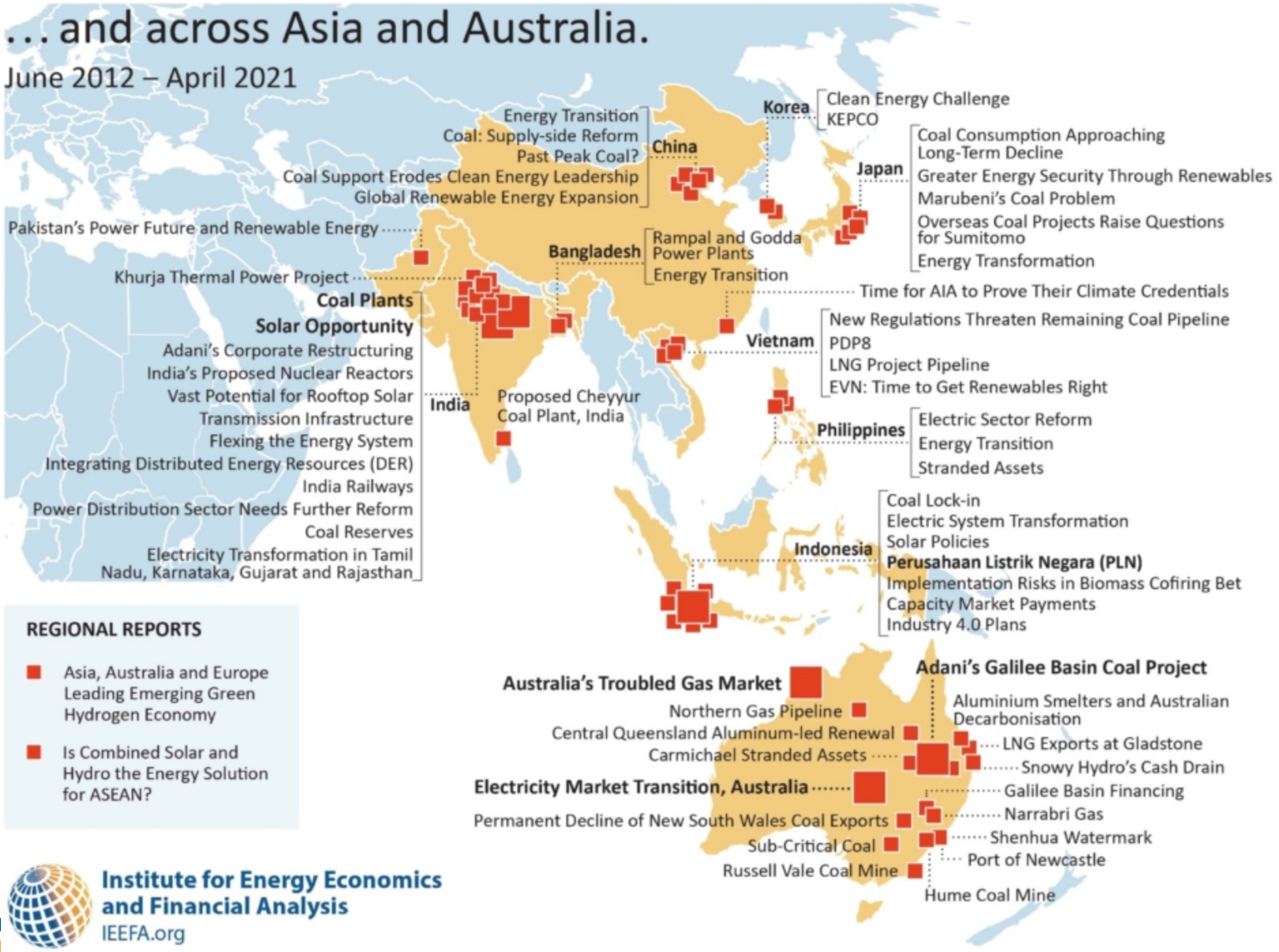
Institute for Energy Economics and Financial Analysis
IEEFA.org

Adani's New Coal Projects: Why and How Investors Need to Act

Agenda

1. Who is IEEFA?
2. Net Zero Emissions by 2050 (1.5°C alignment)
3. India's Energy System Transformation
4. Overview of the Adani Group
5. Adani Group Controversies
6. Why the Adani Group Should be Considered a Single Consolidated Entity

IEEFA is a global, public interest think-tank focused on the energy-finance-climate nexus.



- IEEFA has 40 energy finance analysts across HK, Vietnam, Indonesia, Australia, India, Pakistan, England, Croatia, Canada & the US.
- We are funded by philanthropy (who have no material input into our work strategy). We take no paid mandates from govt. or corporates.
- I was at Citigroup for 17 years, MD, Head of Australasian Equity Research.

https://ieefa.org

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Net Zero Finance Alliance 1.5°C

New Financial Alliance for Net Zero Emissions Launches

Press Release: 21 April 2021

PRESS RELEASE ISSUED ON BEHALF OF THE COP25 and COP26 CLIMATE CHAMPIONS

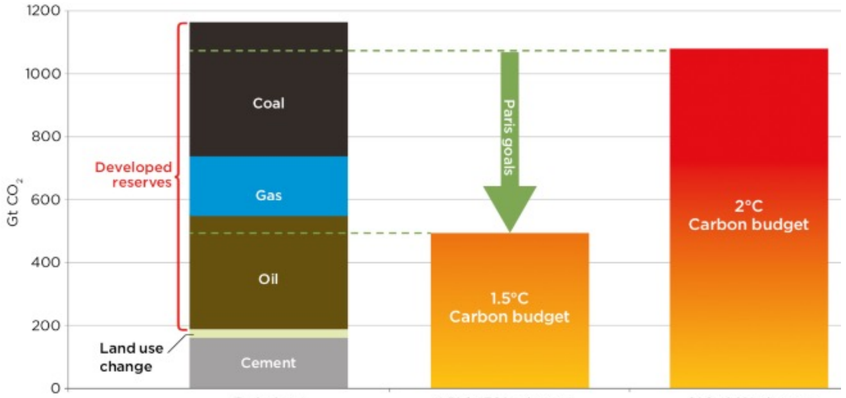
Industry-led and UN-convened Net Zero Banking Alliance also announced today, co-launched by the UNEP Finance Initiative and the Financial Services Taskforce of the Sustainable Markets Initiative

- The Glasgow Financial Alliance for Net Zero (GFANZ), chaired by Mark Carney, UN Special Envoy on Climate Action and Finance, brings together over 160 firms (together responsible for assets in excess of $70 trillion[1]) from the leading net zero initiatives across the financial system to accelerate the transition to net zero emissions by 2050 at the latest.

- All GFANZ member alliances must be accredited by the UN Race to Zero campaign. They must use science-based guidelines to reach net zero emissions, cover all emission scopes, include 2030 interim target setting, and commit to transparent reporting and accounting in line with the UN Race to Zero criteria.

- 43 banks from 23 countries (with assets of $28.5 trillion) form the Net-Zero Banking Alliance (NZBA) today - which joins GFANZ - with its members committing to align operational and attributable emissions from their portfolios with pathways to net-zero by 2050 or sooner.

A 1.5°C Target is 60% lower than 2.0°C



Sources: Oil Change International analysis based on data from Rystad Energy, IEA, World Energy Council, IPCC and Global Carbon Project.[2] Remaining carbon budgets shown are as of 1 January 2020.

Source: https://unfccc.int/news/new-financial-alliance-for-net-zero-emissions-launches

Global Finance is Moving

Formal New or Improved Coal Exit Announcements by Global Financial Majors Jun-Sept'2021

	Global Financial Institution	Country	New Announcement	Enhancement to Existing Policy	Date
51	FMO	Netherlands		*	Jun'21
52	Kyobo Life	South Korea		*	Jun'21
n.a.	ICBC	China		*	Jun'21
53	Handelsbanken	Sweden		*	Jun'21
n.a.	G7 coal exit	G7		*	Jun'21
n.a.	VIG	Austria		*	Jun'21
54	Allianz	Germany		*	Jun'21
55	UN Staff Pension Fund	UN	*		Jun'21
56	DB Insurance	South Korea		*	Jun'21
57	Hyundai Marine & Fire Insurance	South Korea	*		Jun'21
58	Hana Insurance	South Korea		*	Jun'21
59	Hanwha General Insurance	South Korea		*	Jun'21
60	RHB	Malaysia	*		Jun'21
61	MS&AD Holdings	Japan	*		Jun'21
62	Scor	France		*	Jun'21
63	Generali	Italy		*	Jun'21
64	Yapi Kredi	Turkey	*		Jun'21
65	Pension Insurance Corporation plc ("PIC")	UK	*		July'21
66	Allainz Global Investors	Germany		*	July'21
67	Intesa Sanpaolo	Italy		*	July'21
n.a.	US Treasury	US		*	Aug'21
n.a.	CIBC	Canada		*	Aug'21
68	IFM Investors	Australia	*		Sept'21

Total announcements in	2018	2019	2020	2021
Announcements Globally	30	46	74	68
Weeks	52	52	52	36
Announcements per week	0.6	0.9	1.4	1.9
YTD yoy		53%	61%	33%

A Tectonic Shift Accelerates

In January of last year, I wrote that climate risk is investment risk. I said then that as markets started to price climate risk into the value of securities, it would spark a fundamental reallocation of capital. Then the pandemic took hold – and in March, the conventional wisdom was the crisis would divert attention from climate. **But just the opposite took place, and the reallocation of capital accelerated even faster than I anticipated.**

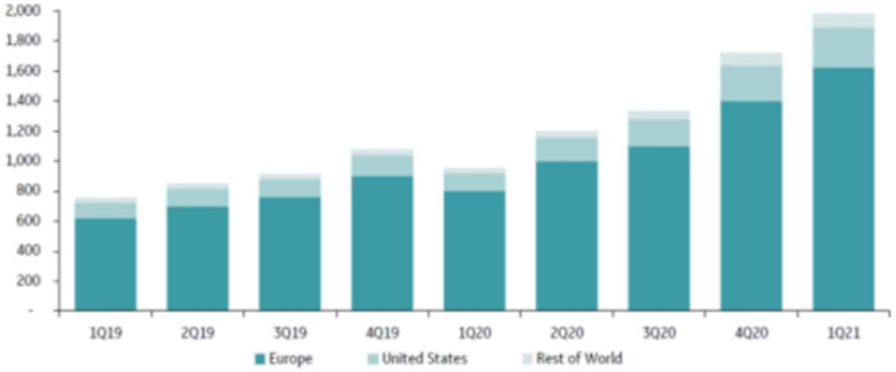
From January through November 2020, investors in mutual funds and ETFs invested $288 billion globally in sustainable assets, a 96% increase over the whole of 2019.[1] I believe that this is the beginning of a **long but rapidly accelerating transition** – one that will unfold over many years and reshape asset prices of every type. **We know that climate risk is investment risk. But we also believe the climate transition presents a historic investment opportunity.**

BlackRock (AuM US$8.7 trillion)
Larry Fink 2021 CEO Letter

Source: https://ieefa.org/finance-exiting-coal/

Global Capital Is Shifting, Rapidly

Funding – Global sustainable fund assets (US$bn)[1]



1. Morningstar, Macquarie Research, August 2021;

Bank of America Increases Environmental Business Initiative Target to $1 Trillion by 2030

Significant Increase from $300 Billion Target by 2030 set in 2019

Company Also Sets Broader SDG-Focused Sustainable Finance Target of $1.5 Trillion by 2030

CHARLOTTE, N.C.--(BUSINESS WIRE)— April 08, 2021

Bank of America today announced a goal of deploying and mobilizing $1 trillion by 2030 in its Environmental Business Initiative in order to accelerate the transition to a low-carbon, sustainable economy. This commitment will anchor a broader $1.5 trillion sustainable finance goal by both environmental transition and social inclusive development purposes, spanning business activities across the globe.

JPMorgan Chase Targets More Than $2.5 Trillion over 10 Years to Advance Climate Action and Sustainable Development

JPMORGAN CHASE & CO.

10-year target to include $1 trillion for green initiatives, such as renewable energy and clean technologies.

15 April 2021

JPMorgan Chase aims to finance and facilitate more than $2.5 trillion over 10 years – beginning this year through the end of 2030 - to advance long-term solutions that address climate change and contribute to sustainable development. The firm will bring together its capital and expertise to help clients, customers and communities address these vital issues.

This long-term target complements the firm's Paris-aligned financing strategy and will help accelerate the transition to a low-carbon economy by encouraging actions that set a path for achieving net-zero emissions by 2050. The firm will share an update and additional information on its Paris-aligned strategy with the release of its annual ESG Report this May.

Source: https://www.jpmorganchase.com/news-stories/jpmc-to-advance-climate-action-and-sustainable-dev-goals

India's Energy System Transformation

India on track to achieve 450 GW renewable energy target by 2030: power minister

India is running the world's largest clean energy programme to achieve 175 GW of renewable capacity, including 100GW of solar power by 2022.

2 min read . Updated: 14 Aug 2021, 10:52 AM IST

Livemint

Electricity distribution reforms and the promotion of open access to the electricity grid will enhance renewable energy consumption, power and new and renewable energy minister Raj Kumar Singh said at a US India Business Council meeting.

- **Indian Solar is 40% cheaper than domestic coal**: Solar PPAs are Rs2.00-2.50/kWh and wind at Rs2.50-2.80/kWh vs domestic coal power @ Rs3.50-4.00/kWh & imported coal @ Rs4.00-6.00/kWh.

Modi pledges to make India energy independent by 2047, cites fuel bill

Prime Minister's comments in Independence Day speech came a few months before India is projected to miss a 2022 goal to cut oil import dependence

Twesh Mishra Business Standard 16 August 2021

Prime Minister Narendra Modi on Sunday announced a new target of making India an 'Energy Independent' nation by the time the country reaches 100 years of India's independence, in 2047.

Addressing the nation from the Red Fort during the annual Independence Day address, Modi lamented that India is not energy independent today. "India today spends more than Rs 12 trillion annually on energy import. For India's progress, the country's energy independence is the need of the hour--necessary to make a self-reliant India. Therefore, today India has to take a resolution that will become energy independent before the completion of 100 years of independence and for this our roadmap is very clear," he said.

Source: https://www.livemint.com/industry/energy/india-on-track-to-achieve-450-gw-renewable-energy-target-by-2030-power-minister-11628917933241.html (August 2021)
https://www.business-standard.com/article/current-affairs/modi-pledges-to-make-india-energy-independent-by-2047-cites-fuel-bill-121081500262_1.html (August 2021)

India's Energy Giants are Pivoting

Can Reliance do for renewable energy in India what Jio did for telecoms?

Niharika Sharma June 25, 2021 Quartz India

India's Reliance Industries (RIL), a fossil fuel giant, is moving into renewables, with company chairman Mukesh Ambani announcing an Rs75,000 crore ($10 billion) investment plan on June 24. India's solar industry, through Reliance, is making a huge bet on competing with China, while the Indian firm's move into the sector could even signal the end of the oil era.

In India, industry experts believe that Reliance's announcement has firmly pushed the renewable sector into the spotlight. "It's very encouraging to see how big corporates in India are making commitments and channelling investment into the clean energy space," says Vibhuti Garg, energy economist at the US-based Institute for Energy Economics and Financial Analysis (IEEFA). Garg further suggested that Reliance's announcement will also encourage other companies to invest in the sector, and take the new energy route seriously.

India's Coal-Dominated Power Market Is Tilting Toward Solar

A major new investment in renewables by the country's largest power company may signal the beginning of the end for thermal energy.

Nathaniel Bullard, Bloomberg, 24 June 2021

India's largest power generator, **NTPC Ltd**., has long been a major player in coal-fired electricity. It's right there in the name: Until 2005, it was known by its longform moniker, National Thermal Power Company.

But it has lately stepped into the renewables business, as have many other major power and industrial players in India, with a commitment last year to build 32 GW of renewable energy by 2032. This week, it doubled up that commitment, raising its target to 60 GW.

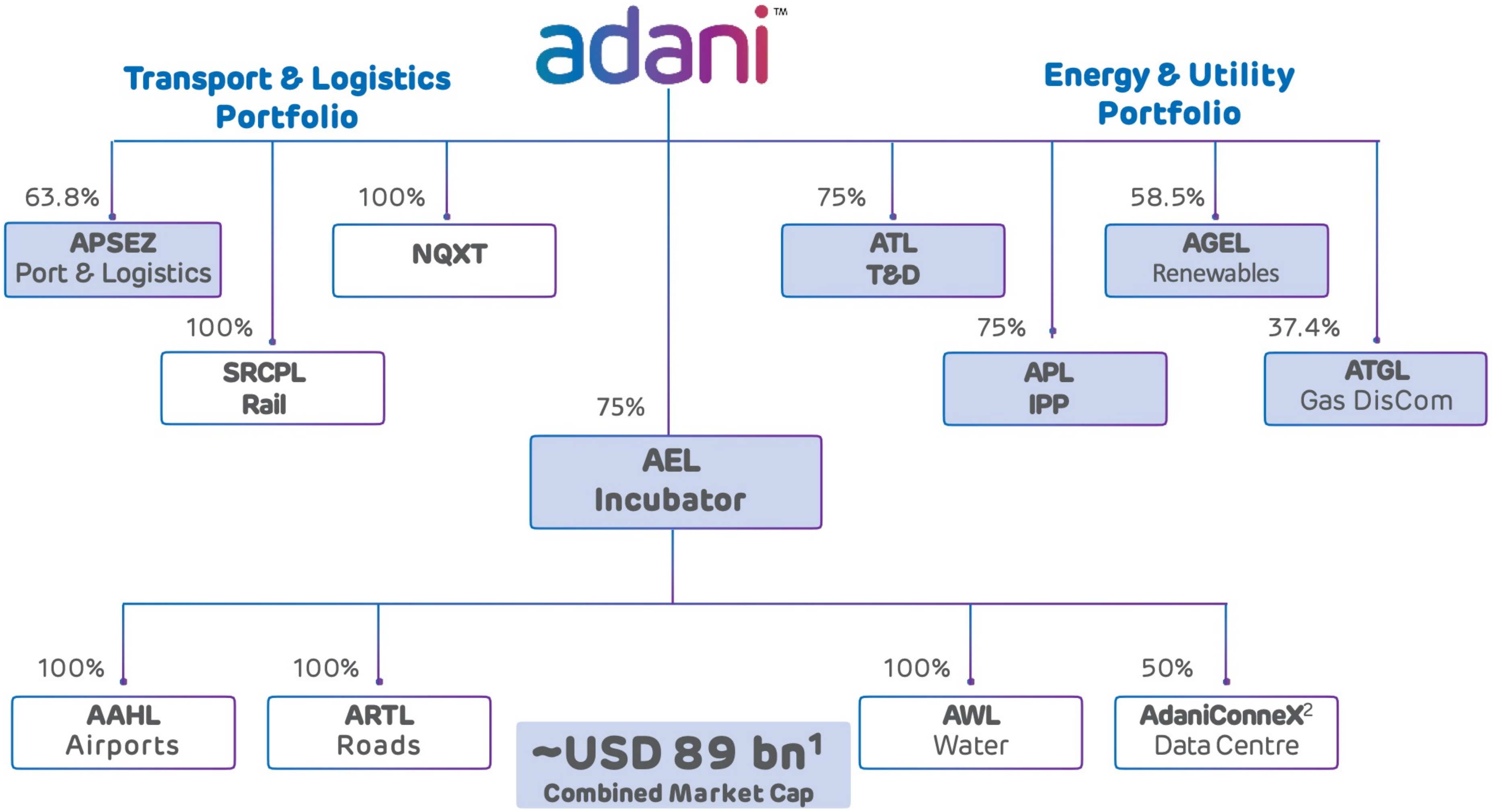
Total pays $2.5bn for 20% stake in Adani Green Energy

By Matthew Farmer | 18 Jan 2021 (Last Updated January 19th, 2021 12:50)

French oil company Total has purchased a 20% minority stake in Indian renewables producer Adani Green Energy Ltd.

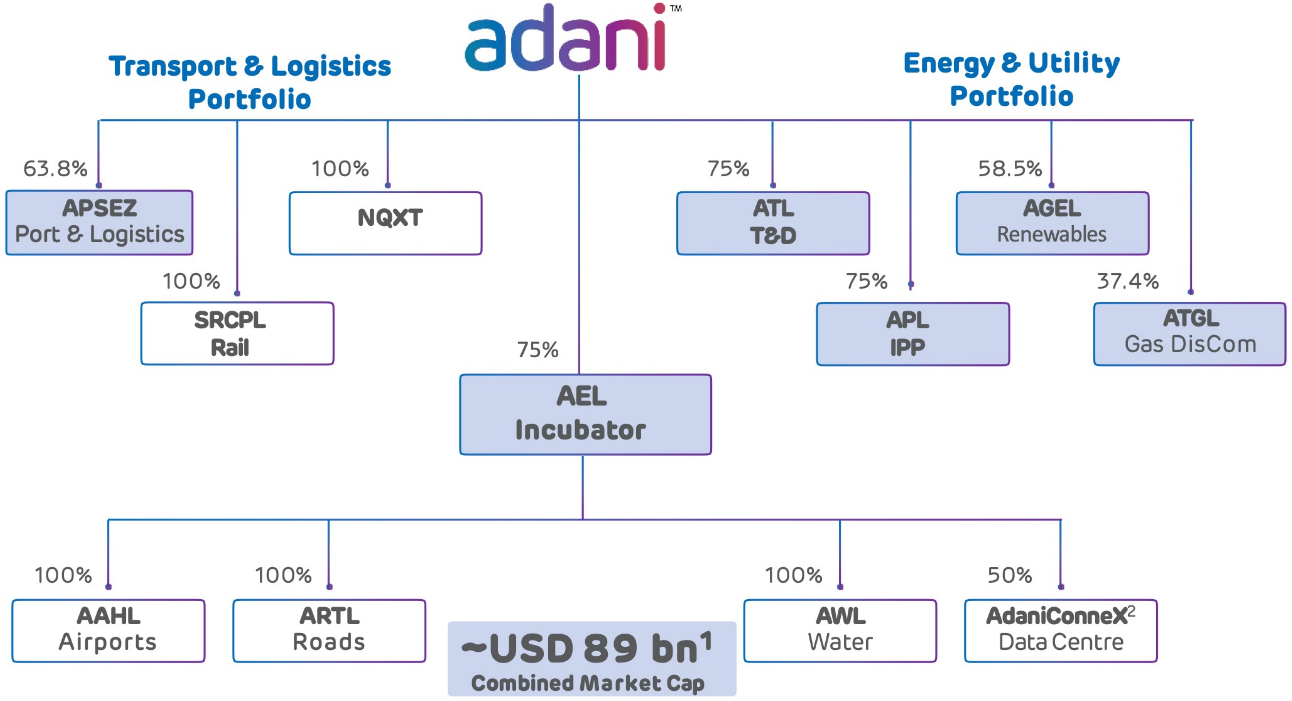
TotalEnergies

The Adani Group Corporate Structure



Source: https://www.adanienterprises.com/-/media/Project/Enterprises/Investors/Investor-Downloads/Investors-Presentation/AELINVESTOR.pdf

The Adani Group Corporate Structure



This structure omits:

- AEL's Carmichael Coal (Qld) – the largest new thermal coal basin under development in the world in 2021: **60Mtpa**.
- The private family's **50Mtpa** Qld coal port (operated & owned by APSEZ till 2020).
- AEL's MDO coal mine development plans in India for **110Mtpa** coal mining.
- "APL IPP" means **12.5GW** of operating coal power plants + another **9GW** coal under development in India, one of the world's biggest coal developers. [1]
- AEL's US$4bn coal-to-PVC [2]

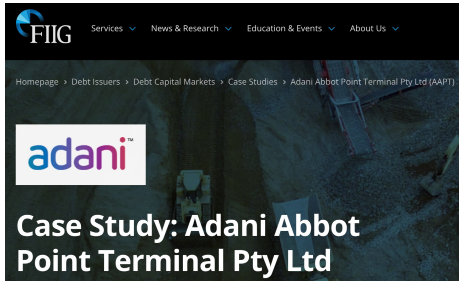
Source: 1. https://www.adanipower.com/upcoming-power-plants
2. https://www.hindustantimes.com/india-news/ministry-may-give-green-nod-to-adani-s-coal-to-pvc-plant-101624040726926.html

Who Owns Adani AAPT?

Adani Group is one of India's leading business houses and one of the largest Indian investors in Australia with interests in mining and associated infrastructure. One of Adani Group's interests in Australia is the Abbot Point Coal Terminal, the most northerly bulk coal port on the east coast of Australia. AAPT subleases the land and fixtures for the Terminal from a Holding Trust (Mundra Port Holdings Trust ("MPHT")) which holds a 99 year lease from the Queensland Government. Both MPHT and AAPT are ultimately owned by Adani. AAPT enjoys long-term contracts to handle coal from mines whose ultimate parents are some of the world's biggest mining companies, many of which are investment grade.

Issuer need

Adani had previously raised $1.5bn in bonds across the Australian, Asian and US markets. As part of a strategy to diversify its funding sources, the Group's wholly-owned subsidiary Adani Abbott Point Pty Ltd wished to raise $100 million.



APSEZ Enhances Its Operational Foothold Signs

Editor's Synopsis

- Abbot Point Operations Pty Ltd (APO) to acquire 100% of shares in APB from Glencore Coal Queensland Pty Limited.
- Strategic foothold enhancing our experience of handling world-class fully automated terminals.
- Assured Revenue - A cost plus model with no capital investment and an access to operate 50 mmtpa capacity in a developed economy.

Ahmedabad, September 20th, 2016: Abbot Point Operations Pty Ltd (APO), an Australian subsidiary of Adani Ports and Special Economic Zone Limited has entered into an agreement to acquire ownership of Abbot Point Bulkcoal Pty Ltd (APB), an Australian registered company performing the operations and maintenance activities of Abbot Point Coal Terminal in Queensland, Australia. Under the said agreement, APO acquires 100% of shares in APB from Glencore Coal Queensland Pty Limited upon receiving certain approvals.

Abbot Point has currently one operating terminal named Adani Abbot Point Terminal having firm take or pay contract for 50 mmtpa cargo. The terminal was acquired by the Adani Group by way of a 99 year lease from the Queensland Government on 1 June 2011. Since inception, the Terminal has been operated by APB under an Operations and Maintenance Agreement with Adani Abbot Point Terminal Pty Ltd (AAPT). The acquisition cost is AUD 1 plus closing adjustments for the 100% shares and AUD 19.25 m for the operational rights.

The acquisition of APB gives APSEZ an access to operate 50 mmtpa capacity in a developed economy on a cost plus basis with no capital investment. APO would operate as a stand-alone entity from AAPT and Adani Mining.

Adani Abbot Point Coal Terminal (AAPT) – now rebranded as North Queensland Export Terminal (NQXT) ownership:

- Announced as sold by APSEZ on 30 March 2013 to the Adani Family & immediately deconsolidated due to APSEZ investor concerns on overgearing and related party transactions.
- Australian Securities and Investment Commission (ASIC) documents showed it was owned by APSEZ till ~2020.
- APSEZ annual reports notes to the accounts showed SBI loans to T1 remained on the listed port entity books till ~2020.
- Adani financial literature references "Adani" as the parent.
- APSEZ operates AAPT.

Source: https://www.fiig.com.au/debt-issuers/debt-capital-markets/case-studies/aapt (May 2014) & https://www.adaniports.com/Newsroom/Media-Releases/APSEZ-enhances-its-operational-foothold-Signs (Sept 2016

Institute for Energy Economics and Financial Analysis
IEEFA.org

Who Owns Bowen Rail Company (BRC)?

Adani launches own rail company to haul coal from Carmichael mine

Exclusive by Josh Robertson

Posted Thu 10 Sep 2020 at 5:56am, updated Tue 15 Sep 2020 at 2:06pm

Abbot Point is located about 25 kilometres north of Bowen on the north Queensland Coast, near the vast coal reserves of the Galilee

- **Bowen Rail Co**: owned and operated by APSEZ.
- **Carmichael Rail Network Trust**: The proponent of the Carmichael Rail Project, as of 31 March 2021, owed A$1.63bn to related parties. The identity of these lenders is not disclosed in financial statements. May 2021 saw the trust enter into two further loans of US$200m each. [1]

The Adani group has launched its own rail business to haul coal to its Queensland port, while avoiding any public mention of the parent company or the controversial Carmichael mine.

It follows years of pressure from anti-coal activists that has prompted a string of potential Adani contractors to walk away from the mining giant, increasing the cost of doing business.

Adani's apparent move to go it alone on coal haulage will add $200 million to the upfront cost of its Queensland project, according to one energy analyst.

Bowen Rail Company (BRC) last month announced it was launching a haulage business to service Abbot Point export terminal.

Head of project delivery, David Wassell, said the company had bought its own "state-of-the-art locomotives and rollingstock" and would recruit about 50 workers.

Key points:

- Bowen Rail Company last month announced it was launching a haulage business to service Abbot Point export terminal
- Searches show the directors of Bowen Rail Company Pty Ltd are all senior Adani staff in Australia
- A spokesman for Aurizon said it was "not aware Adani has commenced any commercial process with regard to the tender of above-rail haulage contracts"

Neither the media release nor the company website mention Adani or the Carmichael mine.

But company searches show BRC is owned by an Adani group company in India, Adani Ports and Special Economic Zone Limited, via two holding companies in Singapore.

Source: https://www.abc.net.au/news/2020-09-10/adani-coal-mine-abbot-point-terminal-rail-line-protests/12644432 (September 2020)

1. page 21 of Carmichael Rail Network Trust consolidated financial statements for the year ended 31 March 2021.

Adani Group Controversies

Carmichael coalmine

This article is more than **1 year old**

Adani quietly rebranding Abbot Point terminal as company hit with $107m damages bill

Exclusive: Queensland supreme court says company engaged in 'unconscionable conduct'

Ben Smee
@BenSmee
Fri 28 Aug 2020 14.05 AEST

The Queensland supreme court this week ordered Adani to pay four Abbot Point Terminal users a total of $106.8m in damages. Photograph: Lisa Maree Williams/Getty Images

NATIONAL

Congress flags ₹29,000-cr. coal import scam

Sandeep Phukan

NEW DELHI, SEPTEMBER 03, 2018 22:44 IST
UPDATED: SEPTEMBER 04, 2018 00:52 IST

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Continuing its anti-corruption campaign, party cites inflated bills from power firms importing coal

Former Union Environment Minister Jairam Ramesh on Monday demanded a special investigation team (SIT) to probe allegations of 40 Indian companies — especially private power companies — submitting inflated bills for coal imported from Indonesia. The imports have reportedly resulted in a ₹29,000 crore scam.

"Among the prominent companies that have been issued show-cause notices by the Department of Revenue Intelligence (DRI) is Prime Minister's favourite industrialist Gautam Adani. It also includes the capitalist associated with the Rafale deal, Anil Ambani... Essar is also there...We must also remember that 70% of the coal that is imported is done through the Adani group," said Mr. Ramesh.

Reacting to the charges, a spokesperson for the Adani group said,"The Adani Group does not believe in wrongdoings. But since the matter is sub-judice, we do not wish to comment."

Source: https://www.theguardian.com/environment/2020/aug/28/adani-quietly-rebranding-abbot-point-terminal-as-company-hit-with-107m-damages-bill (August 2020)
https://www.thehindu.com/news/national/cong-flags-29000-cr-coal-import-scam/article24857804.ece (Sept 2018)

Adani Group Controversies

Adani mining giant faces financial fraud claims as it bids for Australian coal loan

Michael Safi in Delhi The Guardian 16 Aug 2017

A global mining giant seeking public funds to develop one of the world's largest coal mines in Australia has been accused of fraudulently siphoning hundreds of millions of dollars of borrowed money into overseas tax havens.

Indian conglomerate the Adani Group is expecting a legal decision in the "near future" in connection with allegations it inflated invoices for an electricity project in India to shift huge sums of money into offshore bank accounts.

Details of the alleged 15bn rupee (US$235m) fraud are contained in an Indian customs intelligence notice obtained by the Guardian, excerpts of which are published for the first time here.

The **directorate of revenue intelligence (DRI)** file, compiled in 2014, maps out a complex money trail from India through South Korea and Dubai, and eventually to an offshore company in Mauritius allegedly controlled by Vinod Shantilal Adani, the older brother of the billionaire Adani Group chief executive, Gautam Adani. Vinod Adani is the director of four companies proposing to build a railway line and expand a coal port attached to Queensland's vast Carmichael mine project.

In one of the 57 invoices cited in the report, EIF is alleged to have ordered equipment from Hyundai Heavy Industries in South Korea. Bank records allegedly show the company paid Hyundai about US$65m. According to the DRI, it sold the same equipment to PMC for about US$260m – a mark-up of nearly 400%.

Adani Loses $13 Billion in Four Days in Worst Wealth Rout

By Alexander Sazonov 17 June 2021, Bloomberg

- Questions around three Mauritius funds spark stock slide
- These funds have put over 90% of their assets in Adani stocks

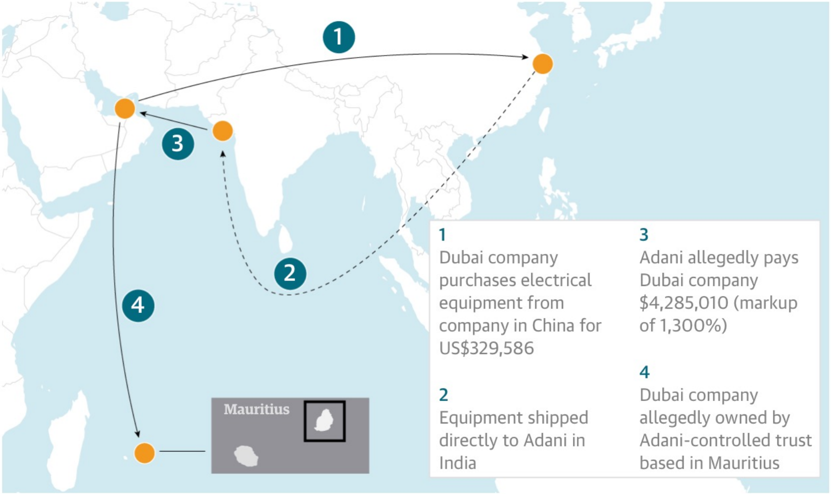
Indian billionaire Gautam Adani's dream run up the global wealth rankings is faltering after a media report raising questions about some offshore investors triggered a rout in his conglomerate's six listed stocks.

The 58-year-old tycoon has lost more money this week through Thursday than anyone else in the world, with his personal fortune tumbling by about $13.2 billion to $63.5 billion, according to the Bloomberg Billionaires Index. Just days ago, he was closing the gap with Mukesh Ambani as Asia's richest man. Four out of six Adani group stocks fell further on Friday, marking the fifth straight session of this week's selloff.

The U-turn in shares started Monday after the Economic Times reported that India's national share depository froze the accounts of three Mauritius-based funds because of insufficient information on the owners. The bulk of the holdings of Albula Investment Fund, Cresta Fund and APMS Investment Fund -- about $6 billion -- are shares of Adani's firms.

How Adani allegedly siphoned money from India

Following the trail of one of the allegedly inflated invoices



Adani Group Controversies

7 succumb to burn injuries sustained at Adani plant

At least seven persons have succumbed to burn injuries sustained after a hot water pipeline of a boiler exploded at the Adani Power Ltd (APL) plant in Mundra, Kutch, on April 20. Six persons are still under treatment at a private hospital in the city.

April 29, 2016, 12:39 IST

Ahmedabad: At least seven persons have succumbed to burn injuries sustained after a hot water pipeline of a boiler exploded at the Adani Power Ltd (APL) plant in Mundra, Kutch, on April 20. Six persons are still under treatment at a private hospital in the city. Condition of at least two is said to be critical, sources said.

On Wednesday, two persons succumbed to burn injuries in the ICU of a private hospital here, taking the death toll to seven.

Twenty-one persons working at Unit 6 of the 4,620 MW coal-based power plant, were severely burnt after hot water splashed from the vent of a flash tank. Of those injured, 13 were referred to a private hospital in Ahmedabad. However, one of them died on the way to hospital. Of the 12 others, doctors said, six succumbed to burn injuries over the past one week.

Related-party transactions return to haunt APSEZ shareholders

R. Sree Ram LiveMint 26 February 2019

Shares of Adani Ports and Special Economic Zone Ltd (APSEZ) plunged 8.4% on Monday after the company said it will purchase Adani Agri Logistics Ltd from Adani Enterprises Ltd for ₹945 crore. In market cap terms, APSEZ lost more than ₹6,100 crore in value, which seems like an overreaction, given the size of the transaction that triggered the fall.

However, the acquisition rekindled investors' worries that the group is piggybacking on APSEZ's financial strength.

The transaction has precedence. The sharp rise in loans and advances (purportedly to related parties) undermined APSEZ's shares in FY16, so much so that the company was valued at a notable discount to its smaller competitor Gujarat Pipavav Port Ltd. The company addressed these investor concerns by eventually pulling back those advances, narrowing the valuation gap.

Subsequently, the stock outperformed the broader markets over the past three years. As capital expenditure peaked, the management alluded to its focus on cash flow generation. Even as losses mounted at its group firm Adani Power Ltd, it ruled out any bailout. The transfer of the liquefied natural gas terminals to a joint venture firm is also expected to strengthen its balance sheet.

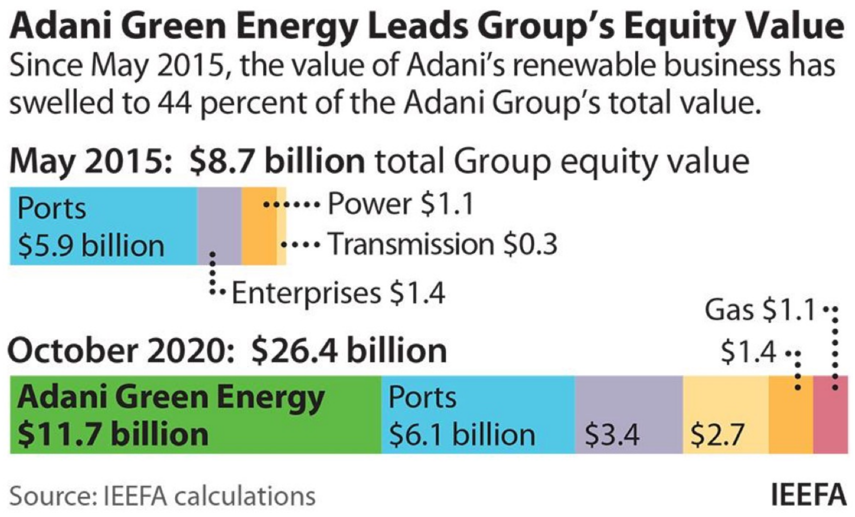
Against that backdrop, the latest acquisition brings the situation back to square one. Not because APSEZ is paying a premium, or that the acquisition can push up debt levels. However, as analysts at two broking firms pointed out, the transaction with group entities deepens investor scepticism about the usage of funds. "Timing-wise, we think this deal may be viewed with suspicion as Adani Ports' intention to reward minority shareholders versus group companies with its cash flows will likely be questioned, especially given the market sentiment," analysts at Jefferies India Pvt. Ltd said in a note.

Source: https://energy.economictimes.indiatimes.com/news/power/7-succumb-to-burn-injuries-sustained-at-adani-plant/52038238 (April 2016)
https://www.livemint.com/market/mark-to-market/related-party-transactions-return-to-haunt-apsez-shareholders-1551121602114.html (February 2019)

Adani Group Should Commit to Coal Phase-Out

The Economic Case for Adani To Lead India's Domestic Energy Strategy

A Coal Power Phaseout to Align the Group's ESG Commitments With India's Renewables Future



Executive Summary

The Adani Group has transformed dramatically over the last five years, with total assets of the now six listed entities collectively exceeding US$50bn. The Adani family equity stakes have a combined equity value of US$26bn at current prices, a trebling relative to the US$8.7bn estimated value back in May 2015 after the deconsolidation of Adani Enterprises Ltd (AEL) was complete.

The composition of the Adani Group has also transformed, with the most valuable stake being in Adani Green Energy (44% of the Adani family equity value total), almost double Adani Ports (23%), whilst Adani Transmission (10%) has likewise had a stellar performance. After a decade of losses, Adani Power (12.4 gigawatts [GW] of coal-fired power generation) is much diminished at just 5% of the total.

Tim Buckley, Director for Energy Finance Studies
Simon Nicholas, Energy Finance Analyst
November 2020

Source: https://ieefa.org/wp-content/uploads/2020/11/The-Economic-Case-for-Adani-To-Lead-Indias-Domestic-Energy-Strategy_November-2020.pdf (November 2020)

Adani: A Single Family Controlled Conglomerate

The suggestion that the Adani Group is six listed entities separate to the private family business, free and independent of the others is largely a legal fabrication, absent the many substantive economic principles of separation. This simplistic view ignores many aspects:

- The Adani group has always described the Carmichael coal project from inception to be an integrated pit-to-port-to-plug strategy, covering AEL (the coal mine) to the Bowen Rail Company (APSEZ/AEL) to the AAPCT (part APSEZ, part the family tax haven) to the coal trading arm (AEL via various tax havens) to importation through the Mundra port (APSEZ) to Mundra power plant (Adani Power) for transmission & distribution (ATL) to the consumers.
- The Adani family i.e. Gautam Adani, Karan Adani, Vinod Shantilal Shah (aka Vinod Adani of Dubai fame) & family collectively majority control each listed entity. Even though Total invested US$2bn in 50% of the operating assets of Adani Green, it mostly received subordinated, non-convertible debentures, not ordinary equity as the group structure implies. The Chairman &/or CEO of each is Gautam Adani and/or his children, and non-executive directors (in substance) are the exception, not the rule.
- Intercompany loans, related party transactions and asset transfers are rife and reoccurring.
- India's Directorate of Revenue Intelligence (DRI) has launched multiple criminal fraud & bribery investigations, but the Adani group uses legal et al tactics to stall, delay & dismiss all.
- The Australian assets at Carmichael mine, Carmichael Rail Network Trust, BRC and AAPCT are all funded by a collective ~A$5bn of intercompany cross-group loans, massive negative equity and legal entities of amorphous and ever-shifting ownerships, hidden by the veils of a multitude of tax havens spanning Singapore, Caymans, Mauritius, UAE & BVI.

responsible investor webinars

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Pablo Brait, Market Forces

Presentation contents:

- Adani Group’s new fossil fuel projects
- The Carmichael thermal coal project and Galilee Basin
- The basics of a net-zero by 2050-aligned transition plan for Adani Group
- Appendices

Talking about transition, celebrating a new thermal coal mine

"We cannot change the past. But we can change the future. Clean, green, affordable energy is what our world, our nation, our next generation need…"

- Gautam Adani, tweet, 5 June 2021

"Proud of my tenacious team who mined Carmichael's 'first coal' in the face of heavy odds. There couldn't be a better birthday gift…"

- Gautam Adani, tweet, 24 June 2021

"We will do so [meet ESG goals] by carefully balancing our energy migration from carbon positive to carbon neutral, and further on to carbon negative."

- Gautam Adani, India Global Forum, 30 June 2021

Adani Group's new fossil fuel projects - thermal coal

MARKET FORCES

- Planning to double coal-fired power capacity by ~12 gigawatts (GW) to ~24 GW (via 4 new power stations, 2 expansions), **giving the Adani Group more coal power capacity than all of Australia.**
- Owning, developing or operating 132 million tonnes per annum (mtpa) of new thermal coal mining capacity, including the 60 mtpa Carmichael project in Australia.

Since our research was released Adani Group has purchased:

- A **1200 MW** coal power station (possible expansion to 1800 MW)
- **Three new coal mining blocks** with combined reserves of 598mt

Adani Group’s new fossil fuel projects - other

- New coal and LNG terminals pursued by Adani Ports, India.
- 10 mtpa capacity expansion at Abbot Point coal terminal (rebranded NQXT), Australia.
- Proposed $4 billion Coal-to-PVC plant at Mundra, India.
- 1500 new retail fuel stations and 1500 new compressed natural gas (CNG) stations (in partnership with TotalEnergies), India.

See https://www.marketforces.org.au/adani-expansion for further detail and sources.

Adani Group’s Carmichael thermal coal project - the facts

- A 60 mtpa under-construction thermal coal mine and railway line, owned by Adani Mining (rebranded “Bravus Mining and Resources”).
- Scope 1, 2 and 3 emissions: 4.6 billion tonnes of CO_2
- Self-funded, meaning any financing of Adani Group risks supporting Carmichael.
- Due to a lack of external finance, the project was downscaled from 60 to 27 mpta. However, Adani Australia CEO commented that Adani intends to expand production to the originally planned scale. Either way it would still be one of the biggest export coal mines in Australia.
- Is already impacting groundwater levels near the mine.
- Would increase the number of ships travelling through the already stressed Great Barrier Reef.

HOME > POLITICS > POLITICS NEWS

JUNE 14, 2019 1:16PM ET

The World’s Most Insane Energy Project Moves Ahead

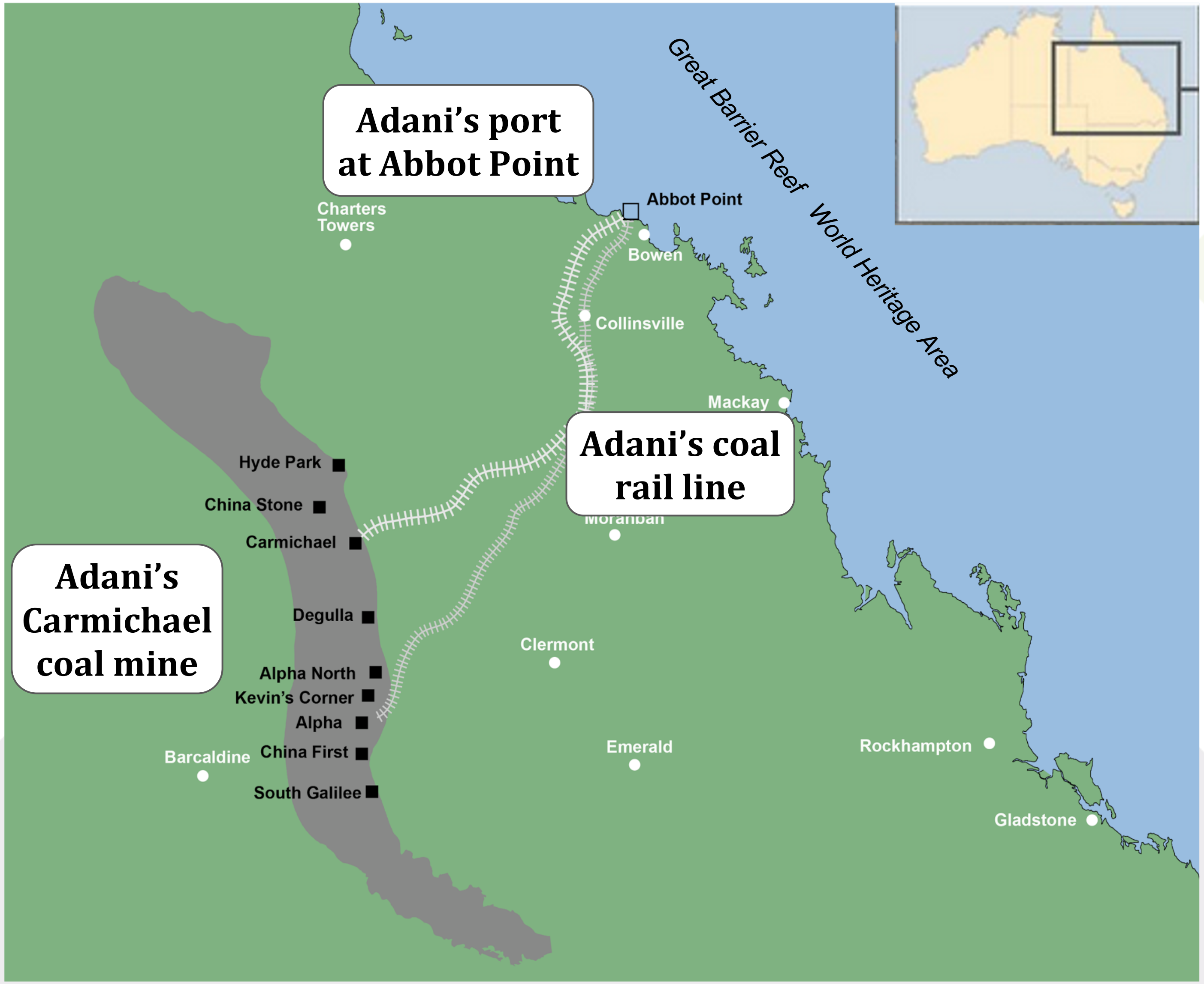
Australia approves Adani coal mine, endangering the Great Barrier Reef and, well, civilization

By JEFF GOODELL

The approval of Adani's Carmichael mine shows just how far people are from grasping what's at stake in the climate crisis.

David Maurice Smith/The New York Times/Redux

Adani's Carmichael project - the Galilee Basin



There are no operating thermal coal mines in the Galilee Basin, Queensland, Australia.

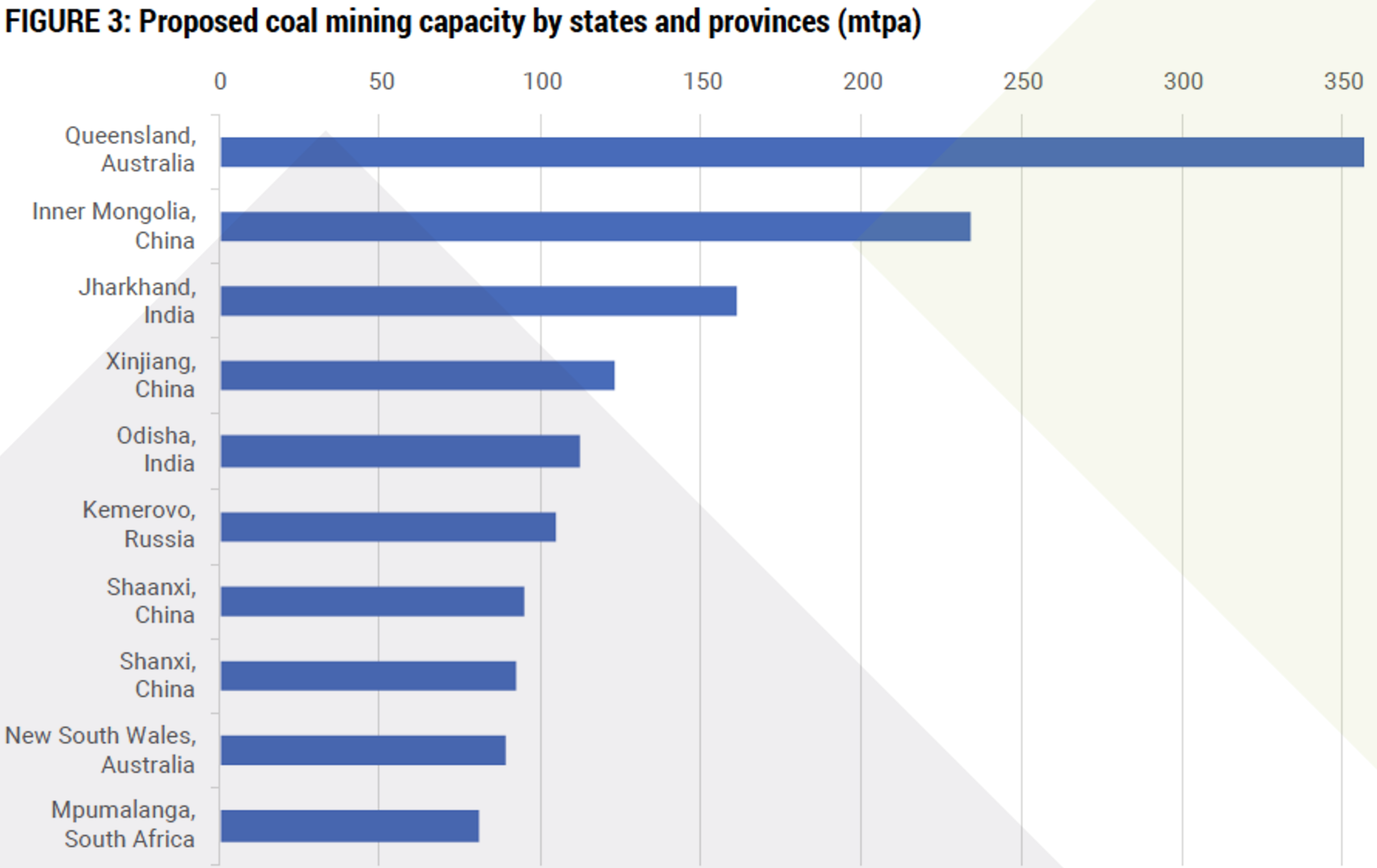
Only Adani's Carmichael coal mine and rail is currently under construction, and could be completed as early as this year.

If Adani Carmichael succeeds, it will pave the way for more mega-mines.

If all the Galilee Basin mines proceed and reach full production by 2030, the Galilee Basin alone could account for about 4.9% of of the Paris Agreement compatible global CO2 emissions in 2030.

It has been estimated that burning all the coal from six proposed Galilee Basin mines would produce 24 gigatonnes of CO_2 emissions ($GtCO_2$), equivalent to **5.7% of the entire remaining carbon budget for the Paris Agreement's 1.5°C goal** (420 $GtCO_2$).

Adani's Carmichael Project - a globally significant carbon bomb



Source: Deep Trouble: Tracking Global Coal Mine Proposals, Global Energy Monitor, June 2021

Adani's Carmichael project - No Free, Prior and Informed Consent

The Wangan and Jagalingou (W&J) Traditional Owners of the land where Adani is building its coal mine have been fighting Adani's Carmichael project since its inception.

They have not given their consent - despite Adani's claims.

Carmichael threatens the W&J's most sacred site - the Doongmabulla Springs.

In August 2021 W&J representatives started a ceremonial protest camp at the Carmichael mine site.

They say they will not leave until Adani does.

Click here to see what is happening now at the mine site and here for more detail on the W&J's fight to save their land and culture.

Photo credit: Wangan and Jagalingou - Standing Our Ground

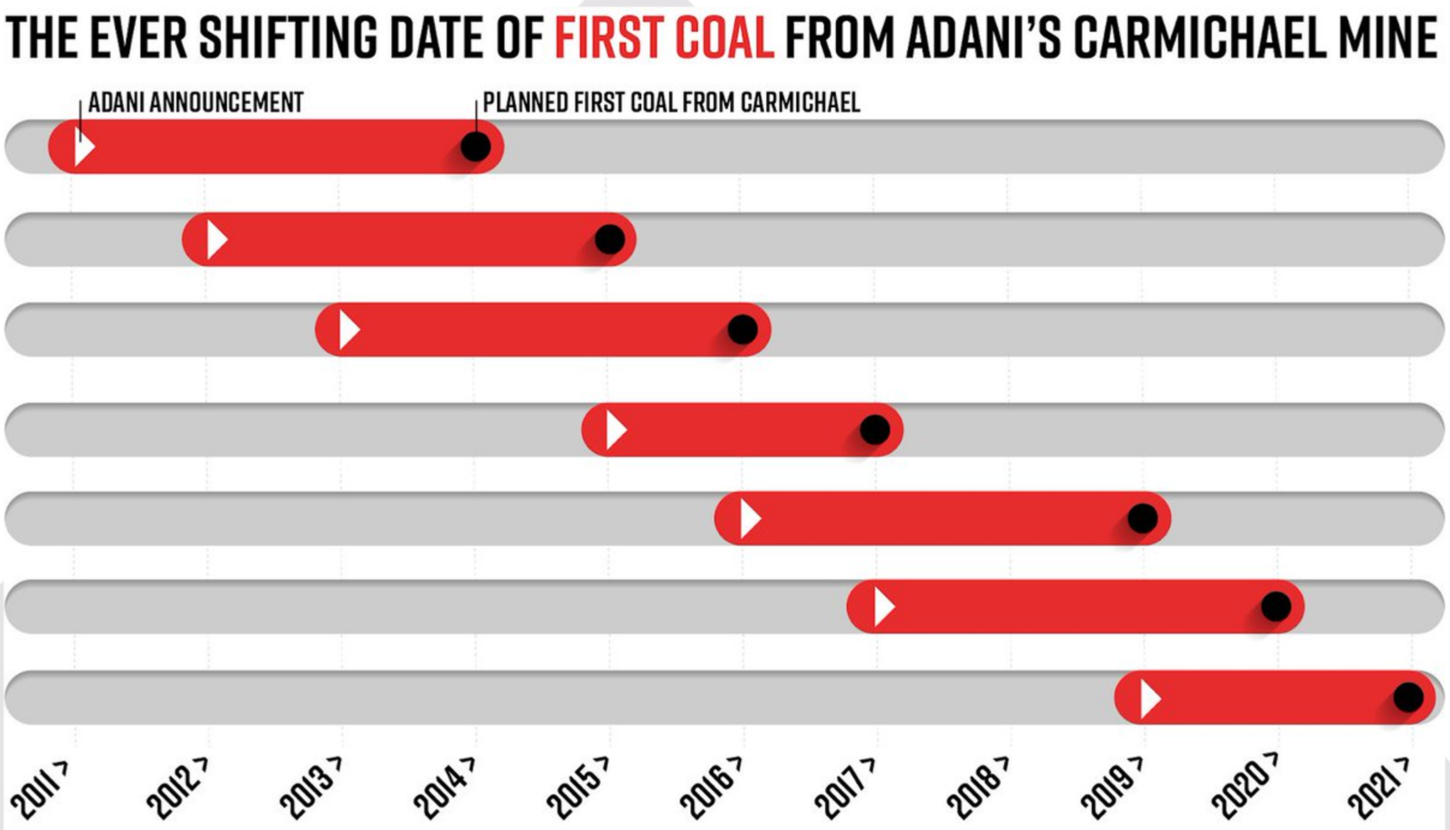
Adani's Carmichael project - delays and rejections

MARKET FORCES

- Polls consistently show a majority of Australians do not support the project.

- 103 major companies have so far ruled out working with Adani on Carmichael. However, some of these continue to provide services to the broader Adani Group, including the Adani companies directly involved in Carmichael (e.g. Barclays, Standard Chartered, JP Morgan, Citi, Deutsche Bank).

- In 2021, Adani's main rail line construction contractor, BMD, was unable to obtain contractually required insurance, despite a global search.



Supporting any Adani Group companies risks supporting new fossil fuel projects

MARKET FORCES

As outlined by the previous speaker, and various media reports, the Adani Group operates largely like a single financial entity.

Therefore, if investors, insurers, and banks want to avoid supporting Adani's Carmichael and other fossil fuel projects, they must **cut all ties with all Adani Group companies** until it abandons these projects.

Adani Group CFO is promising a net zero by 2050 alignment plan by COP26

"Full policy setting consistent with #netzero2050 will be outlined at COP26"

"#adani portfolio its policies will be fully aligned with recent advice from the IPCC and International Energy Agency (IEA) and will emerge as a climate leader in the world."

- **Robbie Singh, Adani Group CFO, 19 August 2021 (source 1 and 2).**

However, Adani Group continues to plan and construct new fossil fuel projects incompatible with the IEA's Net Zero by 2050 scenario.

Source: Bravus Mining and Resources twitter

IEA's Net Zero by 2050 - a rapid decline of fossil fuels

MARKET FORCES

"No new coal mines or extensions of existing ones are needed in the NZE as coal demand declines precipitously."

"No new unabated coal plants approved for development."

"Unabated coal-fired generation is cut by 70% by 2030, including the phase-out of unabated coal in advanced economies, and phased out in all other regions by 2040."

- ['Net Zero by 2050', IEA, May 2021]

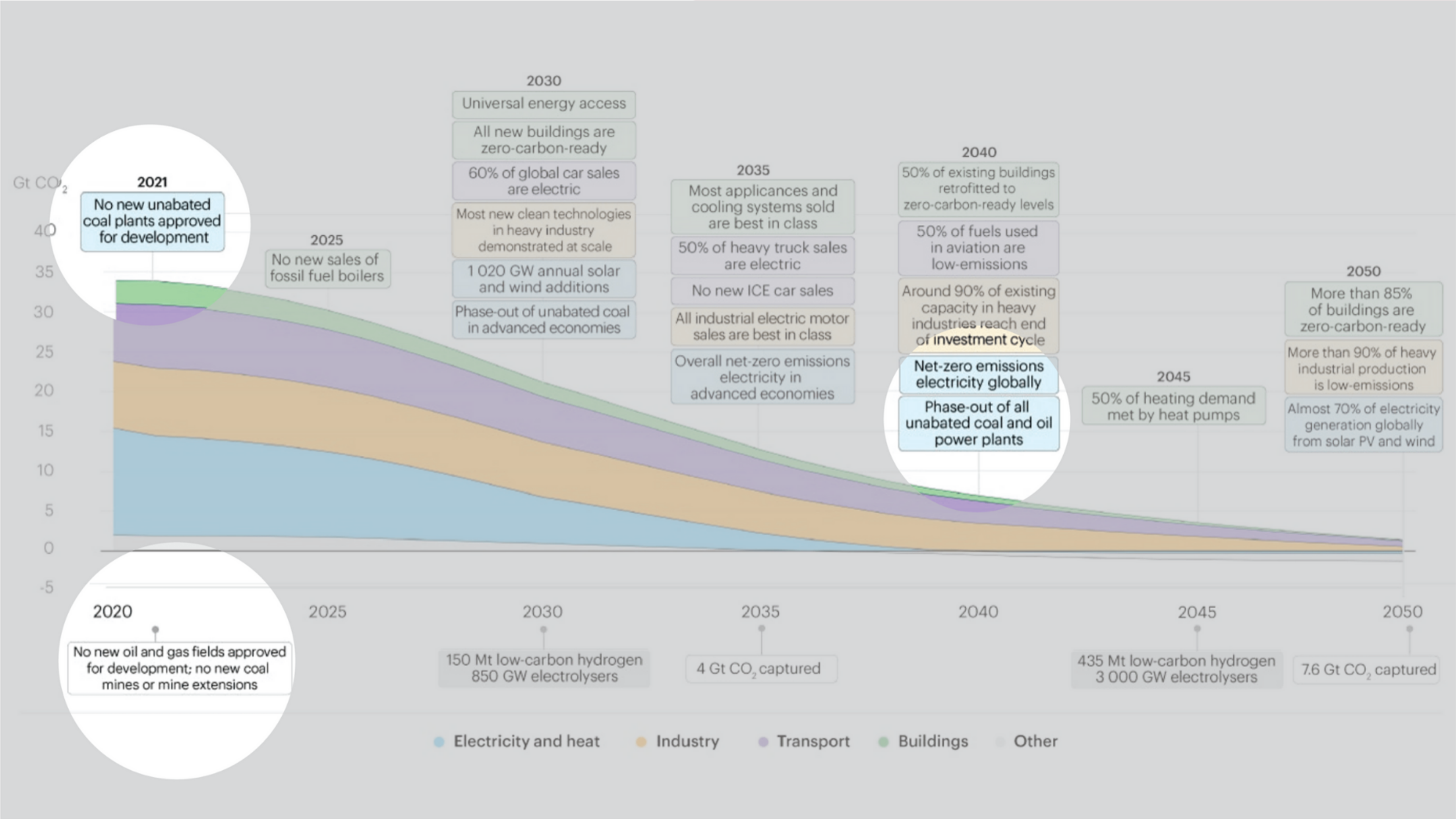


Figure adapted from ['Net Zero by 2050', IEA, May 2021]

IEA's Net Zero by 2050 - implications for the Adani Group

Clearly, alignment with net zero by 2050 means Adani Group must:

1. Immediately stop working on the Carmichael thermal coal mine and rail line project.

2. Cancel the new fossil fuel projects it's planning and proposing, including new coal mines, coal-burning power stations, and coal and LNG terminals.

3. Commit to phasing out its existing coal power stations by 2040.

Appendix A - selected media coverage of companies cutting ties with Carmichael/Adani Group

MARKET FORCES

- Major global investors [Storebrand, KLP, Samsung Life Insurance] distance themselves from Adani, June 2021
- Ascot declines to renew insurance policy for Adani coal mine, June 2021
- MS Amlin rules out insurance for controversial Adani coal mine, April 2021
- PIMCO Rules Out Future Adani Ports Investment on Coal Link, March 2021
- Hiscox rules out insurance for controversial Adani project, March 2021
- Lloyd’s of London insurer Brit won’t insure Adani Carmichael project, February 2021
- Travelers Europe says it will not insure Adani coal mine project, February 2021
- Adani Ports bonds issue: DB [Deutsche Bank] backed out on green concerns, January 2021
- Lloyd's insurer Apollo to stop underwriting Adani coal mine from September 2021, October 2020
- Asian lenders [Yuanta, CLSA] shun Adani's Abbot Point terminal, August 2020
- Second major Korean brokerage withdraws financial backing for Adani's coal projects, August 2020
- Samsung Securities pledges no further financial backing for Adani coal after protest, July 2020
- Investec ditches Adani over climate change, June 2020
- Adani mine: three major insurers [Axa, HDI Global, Liberty Mutual] to have no further involvement in coal project, June 2020
- Cardno is latest firm to cut ties with Adani, October 2019
- Future of Adani coalmine hanging by a thread after Chinese banks back out, December 2017

Appendix B - Adani Group Controversies from the last two years

- Breached environmental conditions and investigations in Australia:
  - Convicted in February 2020 for misleading the Queensland state government about land clearing at Carmichael mine site.
  - Fined in December 2020 for failing to submit an updated species and freshwater ecosystem management plan on time.
  - Admitted a breach in May 2021 to land clearing without a required wildlife spotter at the Carmichael site.
  - Investigated in February 2021 for mismanagement of erosion and runoff while constructing its rail line.
  - Fought to keep hidden the contaminated water it released into the Caley Valley Wetlands in 2017, and released polluted water again in 2019.
- Adani Ports continues to do business with the Myanmar Economic Corporation, a sanctioned Myanmar military-owned company, despite the human rights atrocities currently being committed there.
- Aggressive legal tactics against a community activist and a Traditional Owner who are critical of its activities.
- In April 2021, Adani Ports was removed from the Dow Jones Sustainability Index.
- The Securities and Exchange Board of India (SEBI) is currently investigating three Adani group companies, for potential insider trading and inadequate disclosures. The investigation is ongoing.
- Ongoing protests against Adani's proposed Kattupalli port expansion and at its Vuzhinjam port.
- Protestors in India have blockaded an Adani Logistics Park, forcing it to cease operations.

Appendix C - earlier Adani Group controversies

MARKET FORCES

As listed in Environmental Justice Australia's The Adani Brief and The Adani Brief Update, published 2017 & 2019 respectively.

- Adani has forced the removal of local indigenous people from the site of a new coal plant in India that will burn Carmichael coal and reportedly will exacerbate energy poverty in Bangladesh.
- Adani has started construction of power lines within a wildlife sanctuary in India without prior permission.
- Adani has been investigated in India for allegedly inflating of the value of imported coal equipment and other irregularities in its coal supply contracts.
- Investigated for drilling bores at the Carmichael mine site without approval.
- Environmental and human rights controversies are reported at Adani Ports' Hazira Port, Mundra Port, Vizhinjam Port, Mormugao Port, and Kattupalli Port. Reports of Adani Ports' environmental destruction and social impacts range from clearing of large areas of mangroves and creeks, to displacement of hundreds of families, to threatening local community's food and water supply.
- Adani Australia did not disclose that its then CEO was linked to a serious pollution incident in a previous role, despite this sort of information being requested by the Australian Environment Department.
- There have been accusations of deaths, illness and injuries at Adani workplaces.
- Adani was implicated in a bribery scandal around the illicit mining and trading of iron ore between 2006-2010.

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and Financial Analysis

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Campaigner,
Market Forces

Peter Lööw,
Head of Responsible
Investment, Alecta

Alecta at a glance

Swedish Occupational Pension Company

35,000 client companies

2.6 million private customers

Assets under management: $130 billion

alecta

Founding member of the Net Zero Asset Owner Alliance

Commitment to transition our investment portfolio to net-zero GHG emissions by 2050, aligned with a 1.5°C scenario

Taking into account the best available scientific knowledge

Tools at our disposal:

- Engagement (companies, industry associations, policymakers)
- Capital allocation (”green” financing, best-in-class, divestments)

Indirect exposure to the Carmichael Coal Mine

Alecta
Anchor investor in Amundi Green Bond Fund

Amundi
The fund (was) invested in a green bond issued by SBI

SBI
Considering loan to Adani

Adani
Constructing the Carmichael Coal Mine

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Why financial institutions are still supporting Adani?

What needs to change for banks, insurers & investors to drive a Paris-aligned coal exit

Outline

- Discrepancy between project & corporate level
- What's wrong with existing policies
- A taste of inconsistent policies
- Adani is not an unique case
- What needs to be fixed

#1

NO TO CARMICHAEL BUT YES TO ADANI

105

Banks & insurers won't directly support Carmichael

68	37
Exclusion of all new coal mines	Exclusion of Carmichael only

105

Banks & insurers won't directly support Carmichael

≥ 69

of them could still support Adani at corporate level

Standard Chartered

"Both parties [Standard Chartered and Adani] have agreed to end the bank's role in the Carmichael project"

Adani’s 4th banker

#2

WHAT’S WRONG WITH EXISTING POLICIES

Analysing the quality of coal policies

The Good, the Bad and the In-Between of the coal policies adopted by financial institutions

201 Top financial institutions with **no coal policy**

274 Financial institutions with a **coal policy**

25 Financial institutions with a **robust coal policy**

coalpolicytool.org

62

Banks, insurers & investors have some exclusion criteria meeting Adani's profile, according to the GCEL*

New coal

> 80% of cspp

>10 MT/y

>10GW

» visit coalexit.org

≈62

Actually exclude Adani from all financial services

Main loopholes

- Only applies to specific subsidiaries
- Only applies group level clients
- Only assess the coal share of revenues
- Only applies to proprietary assets
- Only applies to actively managed assets
- Make exceptions for companies with SBT, transition plans, etc.


#3
A TASTE OF INCONSISTENT POLICIES

JPMorganChase

Policy excludes:

- new coal mines & plants
- mining companies above 50% of revenues from coal

Adani's 8th banker

"Barclays has no plans to participate in financing the Abbot Point development or its associated mine/rail infrastructure“

Policy excludes:

- new coal mines & plants
- mining and power companies above 50% of revenues from coal

Adani’s 1st banker

Deutsche Bank

"We are currently not involved with this project and will also not be involved with it in the future"

Policy excludes:

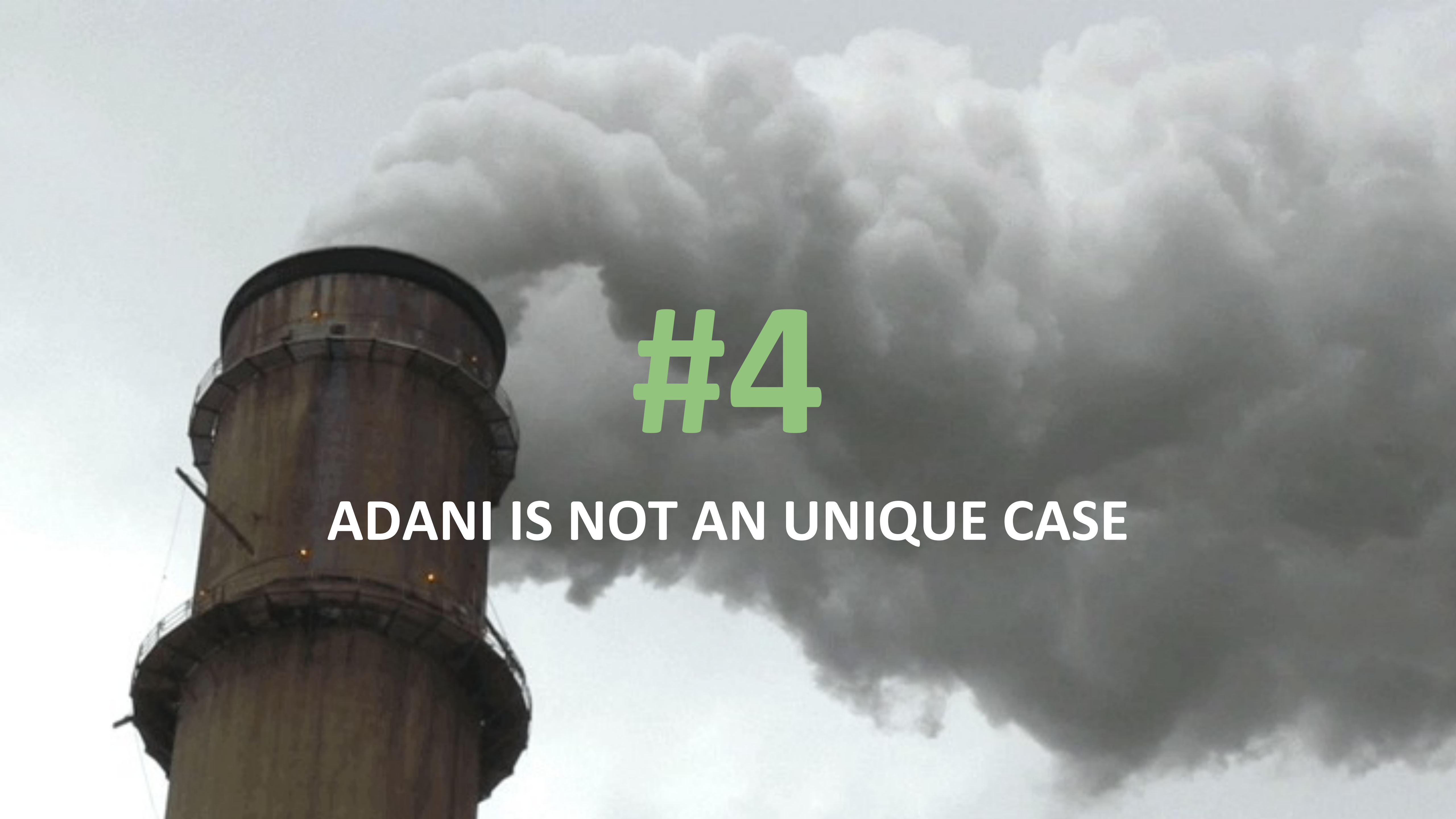
- new coal mines & plants
- power companies >50% of generation/capacity from coal that lack a credible diversification, only from 2022 for Asia and selected developing markets

Adani's 5th banker

Policy excludes:

- Mining companies above a 25% csr
- Only applies to actively managed funds

Adani's Top 10 investors



#4

ADANI IS NOT AN UNIQUE CASE

GLENCORE

#4

WHAT NEEDS TO BE FIXED

The policy that we need

- Exclude all coal developers
- Use the right metrics
- Exclude all groups and subsidiaries listed on the GCEL
- Apply the policy to all assets under management

» visit coalpolicytool.org/resources/

Questions ?

lucie@reclaimfinance.org

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Thank you for listening

You can view this webinar again at the following link:
https://www.brighttalk.com/webcast/14001/505526