

INVESTOR UPDATE | Contact: [Nabilla Gunawan](#)

Adaro's metallurgical coal mining expansion increases risk to investors

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We would like to express our appreciation to the investors that raised questions regarding [Adaro's inadequate diversification plan](#). At its AGM, Adaro **announced it does not plan to expand its thermal coal mining**, however Adaro's plans still fail to align with the International Energy Agency's Net Zero by 2050 (IEA NZE) scenario. Adaro's plans are underpinned by an expansion of metallurgical coal mining. This expansion ignores the financial risks facing coal-based steelmaking, which must be replaced in order to meet global climate goals. **Investors must review these risks and engage with Adaro to develop a credible transition plan.**

Adaro's plans to expand in a sunset industry increase financial risk

Adaro's [Annual Report](#) states that the company has five Coal Contract of Work (CCoW) concession areas, with metallurgical coal resources and reserves in East Kalimantan and Central Kalimantan estimated at 975.6 Mt and 173 Mt, respectively.

According to the IEA, [production from existing mines](#) is sufficient to meet coal demand for steel production, and the transition to new technologies for decarbonised steel production is underway. According to the Institute for Energy Economics and Financial Analysis, there are mounting [downside](#) risks to the outlook for metallurgical coal. In fact, in March 2024, Australia (the largest metallurgical coal producer) produced a government [report](#) highlighting the decline in world trade for metallurgical coal.

In light of the decline in the industry, Adaro's business plan to expand metallurgical coal production seems foolhardy at best and, at worst, an exercise in greenwashing. According to [Bloomberg](#), quoting Wood Mackenzie in March 2024, "If you can badge your project or your company as a metallurgical coal rather than thermal coal, it makes a huge difference in terms of who you can talk to or who's able to finance."

Adaro's metallurgical coal "diversification" continues to expose investors to rapidly growing climate-related financial risks.

It is important to note that Adaro is not abandoning thermal coal in the near term and is currently building a new 1.1 GW coal power plant to power a new aluminium smelter. Adaro's CEO has stated thermal coal [production will decline](#) but has not provided a timetable or discussed phasing out Adaro's coal power plant fleet.

Adaro's plans would exacerbate climate crisis

The use of coal for steelmaking makes it the biggest industrial emitter of carbon dioxide (CO₂) globally, responsible for [11% of the world's emissions](#). According to [NGO Steelwatch](#), each tonne of steel produced by coal-based blast furnaces is responsible for 2.3 tonnes of CO₂ emissions and for over 3 tonnes of CO₂-equivalent when the methane from coal mining is included.

Adaro's investors must acknowledge that expanding its metallurgical coal business doesn't significantly change Adaro's track record as one of the world's greatest [climate wreckers](#). Adaro is one of the 57 companies that have contributed to [80% of global carbon emissions since 2016](#).

Investor action required

Given the recent developments, we would like to urge investors to continue engaging with Adaro to raise concerns and urge the company to develop a credible transition plan with clear metrics and targets in line with the accepted pathways to achieve global climate goals. We welcome the opportunity to discuss these issues on a call. For any further questions and meetings, please do not hesitate to contact [Nabilla Gunawan](#).

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Note

All dollar figures in USD unless otherwise stated.