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18th October 2017

**Northern Australia Infrastructure Facility  
& Export Finance and Insurance Corporation,**

Climate Change Balmain-Rozelle (CCBR) is an independent community group from Sydney's Inner West working towards a world which relies less on fossil fuels, and more on clean renewable energy, reducing carbon emissions and heading off the damaging effects of global warming. It has over 700 supporters, and is one of the area's most active environmental groups.

We are writing to demand that NAIF decisively reject any rail proposal associated with coal projects in the Galilee Basin and any project proposed by Adani Mining or any of its parent or subsidiary companies.

A decision by NAIF to offer public finance to any such project would be contrary to the **Northern Australia Infrastructure Facility Investment Mandate Direction 2016** made by the Minister under subsection 9(1) of the **Northern Australia Infrastructure Facility Act 2016**.

<https://www.legislation.gov.au/Details/F2016L00654>

As you will be aware, **Section 16 of the Investment Mandate** directs the NAIF to take account of all investment, reputational and corporate governance risks in making its decisions, in addition to and beyond the particular regulatory and environmental approvals applying within a jurisdiction. Under these directions NAIF is obliged to examine and assess a number of criteria and risks before recommending that a proponent receive financial assistance under the Facility.

We draw your attention in particular to relevant provisions of the Mandate.

**PART 2 – DIRECTIONS**

**7. Matters to be considered when making Investment Decisions**

- (2) *Before making an Investment Decision, the Board must be satisfied:*
- (a) *the Investment Proposal has met all mandatory criteria in Schedule 1 to this Direction; and*
  - (b) *there is an expectation that the Commonwealth will be repaid, or that the investment can be refinanced; and*
  - (c) *that any return will cover at least the Facility's administrative costs, and the Commonwealth's cost of borrowing.*

## **16. Reputation**

*The Facility must not act in a way that is likely to cause damage to the Commonwealth Government's reputation, or that of a relevant State or Territory government.*

## **17. Corporate governance**

*(1) The Facility must have regard to Australian best practice government governance principles, and Australian best practice corporate governance for Commercial Financiers, when performing its functions, including developing and annually reviewing policies with regard to:*

- (a) environmental issues;*
- (b) social issues; and*
- (c) governance issues.*

## **SCHEDULE 1 - ELIGIBILITY FOR FINANCIAL ASSISTANCE – MANDATORY CRITERIA**

2. *The proposed Project will be of public benefit.*
6. *The loan will be able to be repaid, or refinanced.*

### **Public benefit**

Supporters of the Adani project frequently repeat an early claim made by Adani that Carmichael will create 10,000 new jobs, long after that estimate was shown to be a gross exaggeration. Adani's own expert witness, Jerome Fahrer from ACIL Allen consulting, told the Queensland Land Court in 2015 that modelling showed the mine would add an average of around 1,464 full time equivalent direct and indirect jobs per year to the economy. In fact the project's operations would employ a little less than 2,000 FTE people when fully operational but the net figure of 1,464 takes into account the reduction in employment the project would cause in other coal mines throughout Australia because of increased competition and in other industries like manufacturing and agriculture that will lose skilled workers to the mine (Report to Land Court of Queensland – Carmichael Coal and Rail Project Economic Assessment – Expert Report by Jerome Fahrer dated 30 January 2015).

<http://www.theaustralian.com.au/business/business-spectator/fact-check-will-adanis-coal-mine-really-boost-employment-by-10000-jobs/news-story/903c1932738b1d1a1763c74e45f4d7c7>

On the other hand we have Deloitte's estimates that tourism currently drawn to the region by the Great Barrier Reef supports 64,000 jobs. But tourism to the region and the jobs it supports will be decimated if the Reef is put at further jeopardy by the development of nearby coal ports and an estimated 500 additional coal ships per year travelling through the reef.

<https://www.barrierreef.org/the-reef/the-value>

New analysis from June 2017 reveals the Queensland government's agreement to defer royalties for the Adani coal mine could cost the state \$253 million over the next five years. Analysis by the Australian Greens, checked by the Parliamentary Library, shows the deal would cost Queensland taxpayers \$253.3 million in net present value terms and almost \$370 in nominal terms for the next five years. This is before any consideration of risk due to serious and unanswered allegations against Adani over its international record of tax evasion through the use of complex corporate structures involving offshore tax havens.

<http://www.smh.com.au/business/mining-and-resources/deferred-royalties-on-adani-could-hold-back-253m-from-government-20170601-gwi4cn.html>

This is not the only subsidy the state of Queensland has offered up as a result of Adani lobbying. Like nearly 90 per cent of Queensland, Longreach is drought declared after 5 years of failed summer rains and farmers and cattle farmers describe the situation as grim. Farmers who rely on the Great Artesian Basin in the absence of groundwater are enraged the the Adani mega coal mine has been given a 60 year guarantee from the Palaszczuk Government for the use of unlimited water to wash its coal. According to news.com.au nearly 35,000 people signed the farmers' petition in the first two weeks.

<http://www.news.com.au/technology/environment/drought-ravaged-farmers-say-adani-mines-unlimited-water-license-will-destroy-our-livelihoods/news-story/1a9724a694114f27f68367bf15cbe77d>

Far from bringing benefits, the Carmichael mine is increasingly seen as a massive negative to the North Queensland and national economies, should it go ahead.

### **Loan repayment**

Expectations and undertakings that the Commonwealth will be repaid the money lent by NAIF to Adani (or that the investment can be refinanced) appear increasingly heroic the more we learn more about Adani's financial affairs, business acumen, business practices and the prospects for sea born coal. No reputable financiers will go near the project.

Recent analysis by The Institute for Energy Economics and Financial Analysis (IEEFA) finds that Adani's Abbot Point Coal Terminal is excessively leveraged, promises negative shareholders equity, and runs the risk of becoming a stranded asset. In fact the analysis finds that Adani's entire A\$3.5 billion debt-funded "investment" in Australia is at grave risk.

"To the extent that can be gleaned from ASIC records, Adani's entire mine, rail and port operation in Australia looks to be 100% debt financed and shareholders funds now tally an unprecedented, negative \$458m combined. The value at stake for the Adani Group's Carmichael mine proposal is far bigger than previously understood."

<http://ieefa.org/wp-content/uploads/2017/10/Escalating-Financial-Risk-of-Adanis-Abbot-Point-Coal-Terminal.pdf>

At the same time, the intended destination for the coal Adani Power Ltd's 4.6GW import-coal power

plant at Mundra in Gujarat, is in major financial trouble and having trouble finding a buyer. Demand for sea born coal in India and China is falling dramatically year by year. Britain has this week announced it will close its last coal fired power station by 2025. Mr Adani has already gambled and lost on Australian coal by debt financing the Abbott Point terminal. Faced with a large financial loss on the terminal, Carmichael will itself need to take on huge debt to finance a long term investment (a claimed life of 60 years) to supply a rapidly declining overseas market through Abbot Point. This mine, its railway and its port, will have to compete on price for a place in that market against existing coal producers in Australia and elsewhere - but without the benefit of their sunk costs.

It is hard to find a reputable bank or economist willing to explain how Adani can expect to make any sort of profit in the near, medium or longer term. Still harder is it difficult to quantify the benefits to the Australian public beyond the mythical figure of 10,000 new jobs.

### **Reputational issues**

Allowing this project to proceed with public finance will inevitably add to the reputational damage Australia faces from allowing a project to proceed that would undermine the Paris Agreement on climate change, which aims to hold global warming to less than 2°C.

In the court of international opinion it will not matter whether the coal is burnt in Australia or overseas or who is ultimately responsible for the 7.7 billion tonnes of CO<sub>2</sub> that will be poured into the atmosphere as a result of this mine. It is extremely unlikely that Australia will be considered blameless for this act of irresponsibility, any more than arms manufacturers who sell cluster bombs are seen as blameless for the civilian deaths they cause in other regimes' brutish wars.

As the impact of climate change continues to escalate in the form of increased frequency and destructive force of hurricanes, forest fires, drought, famine, sea level rise, mass migrations and brutal regional conflicts, Australia will inevitably and justifiably be seen as a rich, first world country putting its profits ahead of the immeasurable suffering of others. No great stretch of imagination is required to predict that Australia will be forced to close down Carmichael, or suffer punitive international sanctions, for its reckless anti-social behaviour, well before the mine's designated expiry date in 2080.

### **Environmental issues**

A recent Four Corners episode has laid bare Adani's appalling environmental record in India and we have already had a foretaste of what to expect with an illegal release of polluted water in the wetlands at the Abbot Point coal terminal during a deluge by one of the region's regular cyclones. By approving this project Australia will be exposing itself to pollution of the environment along the entire supply chain from the excavation, transport, export and combustion, the removal of groundwater that would otherwise be used for agriculture and grazing, air pollution, increased shipping and the risk of accidents in the Great Barrier Reef World Heritage Area and, to top it off, the impact from burning this coal on the already fragile climate.

<https://www.marineconservation.org.au/pages/adani-carmichael-coal-mine-rail-project-factsheet-.html>

## **Social issues**

Within Australia itself coal mining (particularly new coal) is increasingly friendless. The latest opinion polls show that an absolute majority of Australians (53% in Roy Morgan 13 October 2017) don't want the mine to go ahead. If those who have not heard of the Adani mine are excluded from the numbers, that figure rises to 77%.

The more the public hears about the Carmichael mine, the less they like it. The idea that it should receive multiple public subsidies has already generated widespread anger and division in the community and this can be expected to escalate while the threat of the mine remains. If this mine goes ahead it is likely to generate public dissent and civil disobedience within the Australian community on a scale that will match and exceed that seen during the Franklin Dam and anti-conscription movements.

## **Governance issues**

The governance issues surrounding the Adani proposal to NAIF are manifold. They include:

- potential conflicts of interest on the part of:
  - two NAIF board members with connections to Queensland mining companies
  - a board member of EFIC who is also a director of Adani contractor, Downer EDI
  - the role of ALP political figure and Adani lobbyist, Cameron Milner
- secrecy and a lack of transparency on the part of NAIF and EFIC
- concerns about NAIF's ability to adequately research and understand Adani's track record, including its reputational, environmental and social performance in India and its Byzantine company governance arrangements that involve multiple companies, headed by multiple members of the Adani family making use of multiple international tax havens.

## **Conclusion**

We urge the NAIF and EFIC to carefully weigh the many grave risks associated with this project against any benefits that may realistically be expected from a project which is regarded by a large section of the population as an existential threat. This mine is a totemic issue, a line in the sand and ultimately everyone involved, regardless of which side they line up on, will need to be able to account for their decision making.

Sincerely,

**Climate Change Balmain-Rozelle**