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MIL-OSI Energy: IEEFA Report: Proposed Godda Power Project just another financially unviable prop for Adani

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Adani's plan to provide electricity to Bangladesh using Carmichael coal can only entrench energy poverty

April 10, 2018 (IEEFA.org): Adani's Godda Power proposal is an attempt by Adani to prop up its struggling Carmichael coal project in Australia, and will lock Bangladesh into an expensive, long-term, and emissions-intensive source of electricity for decades to come, concludes a reportpublished today by the Institute for Energy Economics and Financial Analysis (IEEFA).

"With Adani Power's Mundra import coal-fired power plant financially unviable, Adani sees the Godda project as a way to provide an alternative destination for coal from the proposed Carmichael mine which has so far failed to secure any funding," states the report.

Adani Australia chief executive Jeyakumar Janakaraj recently stated that the supply of coal from its Carmichael coal mine project to the Godda power plant will help bring millions of Bangladeshis out of poverty.[1]Yet the power purchase agreement struck with India's poorer neighbour is heavily geared to primarily assist Adani companies while simultaneously locking Bangladesh into an expensive, long-term and emissions-intensive source of electricity for decades to come.

Bangladesh is a member of the 'Vulnerable Twenty Group' - a forum of nations most vulnerable to climate change.

Tim Buckley, co-author of the report, said that the proposal to import coal from Australia and then rail it 700km into the state with the largest coal reserves in India simply makes any potential electricity being produced too expensive for Bangladeshi consumers.

"The logistics of the proposal can only work because the power purchase agreement allows Adani Power to pass the full cost of importing the coal onto Bangladesh" Buckley said. "The estimated Godda tariff of Rs6.65/kWh (A$0.13/kWh) is far higher than Indian state-owned utility NTPC's thermal power tariff of Rs3.21/kWh (A$0.06/kWh)."

In February 2018 NTPC won a fuel-agnostic competitive tender to export power to Bangladesh - power that will be far cheaper than that from Adani's Godda proposal and which makes much more sense for Bangladesh.

IEEFA's report also highlights the dire financial state of Godda proponent Adani Power. "Adani Power is in clear financial distress with net debt of over US$7 billion and its share price has fallen almost 80% to a near 10-year low - the company has given no indication of how they will secure funding for this proposal" Buckley said. "Adani Power is not in any financial position to undertake a major new US$2.1bn greenfield project; the most likely outcome is that this power plant will never get off the ground."

Adani Power has so far failed to make the full cash deposit required to secure land acquisition for the project whilst the company's loss-making 4.6 GW Mundra power plant, originally earmarked as the major destination for Carmichael coal, has recently ceased supply of electricity to the state of Gujarat, in breach of its contracted power purchase agreement.

Now that the dire financial status of the Mundra coal-fired power plant has unraveled Adani's "pit-to-plug" strategy, Adani is obviously keen to try and convince potential Carmichael investors that there are alternative destinations for Carmichael's coal. IEEFA notes that the Indian Association of Power Producers has stated that, at prices above US$70/t, imported coal is unviable in India. The current cost is US$90 to US$100/t.

IEEFA's report concludes that both India and Bangladesh would be better off if Bangladesh imported power on a technology-agnostic basis from existing Indian power plants procured by competitive tenders. Given that renewable energy in India is now cheaper than power from existing coal-fired power plants, such imports would be increasingly from renewable sources going forward.

Full report here: http://ieefa.org/wp-content/uploads/2018/04/Adani-Godda-Power-Project-April_2018.pdf

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About IEEFA: The Cleveland-based Institute for Energy Economics and Financial Analysis (IEEFA) conducts research and analyses on financial and economic issues related to energy and the environment. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy.

Tim Buckley, Director of Energy Finance Studies at IEEFA, based in Sydney, Australia, he has 30 years of financial markets experience, including 17 years with Citigroup culminating in his role as Managing Director, Head of Australasian Equity Research. Tim has written broadly on the China and India's energy transformation and the resulting stranded asset risks for thermal coal exposed projects.

Simon Nicholas, an energy research analyst with IEEFA in Sydney, Australia. Simon holds an honours degree from Imperial College, London and is a Fellow of the Institute of Chartered Accountants of England and Wales and has 16 years' experience working within the finance sector in both London and Sydney at ABN Amro, Macquarie Bank and Co

[1]https://www.themorningbulletin.com.au/news/adani-wants-cqs-coal-to-lift-millions-out-of-pover/3371530/

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