



HD **Moody's: Australian carbon tax repeal is neutral to modestly credit positive for rated corporates**

WC 1,715 words

PD 18 July 2014

SN Moody's Investors Service Press Release

SC MOODPR

LA English

CY (c) 2014

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Moody's Investors Service says that the Australian House of Senate's passing on 17 July of the Carbon Tax Repeal Bill is neutral to modestly credit positive for carbon-intensive corporate sectors in the country, such as airlines, steel, **coal**-based **mining**, petroleum, chemicals, metals, manufacturing and building products.

"For most high emitters, the repeal of the tax - which was implemented by the previous government in July 2012 -- has limited benefits as existing compensation or pass-through had offset most related costs," says Terry Fanous, a Moody's Associate Managing Director.

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"More specifically, the repeal does not immediately affect the ratings of key rated issuers in carbon-intensive sectors, including: Alcoa of Australia Ltd (Baa2 stable), BHP Billiton Limited (A1 stable), Rio Tinto plc (A3 stable), Boral Ltd (Baa3 stable), Qantas Airways Ltd (CFR Ba1 negative), Woodside (Baa1 stable), Bluescope Steel Ltd (Ba3 stable), and Incitec Pivot Ltd (Baa3 stable)," says Fanous.

Fanous was speaking on the release of Moody's report, "Repeal of Carbon Pricing Scheme Is Neutral to Modestly Credit Positive for Corporates".

The report further points out that companies that had not received compensation, or had not passed the full carbon cost on to end-consumers will - in view of competitive pressures, or the carbon tax's impact on demand -- will benefit from the repeal. These companies include Qantas Airways, Boral and Incitec Pivot.

Separately, the big **mining** companies are largely unaffected, and the repeal will have a minimal impact on their financial metrics and overall credit profiles. BHP Billiton and Rio Tinto have large carbon footprints and the repeal of the tax is therefore credit positive, but the impact of the tax had been very small relative to earnings and cash flow generation.

In summary, the report assesses the impact for rated issuers in each sector as follows: airlines and chemicals - small credit positive impact; retail and consumer: credit neutral to slightly positive; building products: modest impact; **oil** and gas: positive, but impact will not be material; metals and **mining**: minimal positive impact; integrated power: manageable; steel: minimal impact; and airports: mostly credit positive.

Subscribers can access the report at http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_173075

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