

SE Drilling Down Under; Blog
HD India's Adani faces obstacles in securing funding for Queensland **coal** port expansion
BY Angela Kean
WC 1,269 words
PD 30 October 2014
SN SNL Metals & Mining Daily: West Edition
SC SNLMMDW
VOL Issue: 82793
LA English
CY Copyright 2014. SNL Financial LC
LP

The current state of the **coal** sector has some expressing concern over whether or not Adani Group's planned Abbot Point **coal** port expansion in Queensland, Australia, will gain the financial backing it needs to go ahead, particularly on the back of rumors that four banks have distanced themselves from any possible financing deal.

Patersons Securities analyst Matthew Trivett said the economics of the project may be an obstacle to its development. "Economically I'm not sure if the project stacks up and I think that's much more of a concern in terms of financing and the potential to develop the project in the future," he told SNL Metals & **Mining**.

TD

Tactics by environmental groups to delay the project and drive up costs also will not be helping Adani's attempts to secure finance for the port expansion.

Indexys director Andrew Harrington told SNL that the goal of environmental activists is to make the project much more expensive than it otherwise would have been.

"It's a lawful development, which has all of its approvals and has jumped through all the hoops, but regardless of all of that, environmental groups will throw up a constant stream of roadblocks in order to extend the time and expand the cost of the development, and the Great Barrier Reef is a very powerful banner to rally around for environmentalists," he said.

Environmental group Rainforest Action Network is now calling on Bank of America not to bankroll the Abbot Point **coal** port expansion, amid claims that Citigroup, JPMorgan Chase and Goldman Sachs had all assured the group that they would not finance the project.

The Rainforest Action Network said in an Oct. 28 statement that Bank of America has so far refused to take a position.

However, Adani disputed the claims, saying that it had not sought funding for the project from Citibank, Goldman Sachs or JPMorgan Chase.

"The premise that institutions who have not been asked to provide funding, have no insight into our projects, and have not studied the details, have declined to or distanced themselves from involvement is rejected," the **company** said in a statement.

Harrington told SNL that these banks are not particularly well-known for infrastructure investment in Australia and that the Abbot **Coal** port expansion would most likely be majority funded by a cashed-up investor along with some debt.

"I assume the Adani structure would be more of the traditional sort," he said. "There is the obligation to be a multi-user port ... but essentially they are going to build it and they are going to use it and if there is any spare capacity then that becomes available for third parties, but essentially it's their port for their use. So it might be more of a traditional financing."

Adani is also considering a partial **sale** of the port to fund the expansion. The **company** said Morgan Stanley Australia had been engaged to advise Adani on the potential partial **sale** of the existing T1 terminal at Abbot Point.

"Any partial **sale** of Adani's current holdings at the port would — far from a withdrawal from the port — in fact be used to deliver the port's expansion," Adani noted.

The **company**'s plan is to bring its Carmichael thermal **coal** mine in the Galilee Basin into production at a rate of up to 60 **million** tonnes per annum, which will be railed to the Abbot Point port for export.

Adani has already been granted approval to go ahead with the mine and rail components of the A\$16.5 **billion** project.

The **company** has also now appointed U.S. **firm** Parsons Brinckerhoff as project management contractor for the Carmichael mine, rail and port project.

Coal is currently supplied to Abbot Point's T1 terminal by rail from the Newlands, Collinsville and Sonoma mines in the region. The terminal's current export capacity is 50 **million** tonnes per annum.

Three major terminal expansions, which are currently in the pre-feasibility and feasibility stages, are proposed.

No threat to iconic Australian reef

The Rainforest Action Network believes the expansion of the Abbot Point port will significantly harm the Great Barrier Reef due to the dredging required.

However, Indexys' Harrington said the amount of material that would need to be dredged for the port expansion is "miniscule" and the impact on the reef would be minimal compared to the high level of waste generated from farming in the state.

"The **millions** and **millions** and **millions** of tonnes of soil, fertilizer, dirt, sand and building material, all the waste along the Queensland coast, is enormous compared to the amount of material that will be dredged for one port," he said.

In early September, project proponents North Queensland Bulk Ports Corp. Ltd., GVK Group and Adani revealed that they would put forward a number of alternative sites on land for the dumping of the 3 **million** cubic meters of material that will be dredged from the area to expand the port.

The original proposal had already been approved and received the backing of liberal politicians, but the proposed dumping of the material in the Great Barrier Reef area raised concerns with environmentalists and the tourism industry.

Adani said its expansion plans at the port of Abbot Point, which involves the construction of a new terminal, T0, are the subject of existing environmental approvals from the Australian government and that the terminal is not in a world heritage area.

Supply disruption a must for **coal** price uptick

It is likely to be some time before the **coal** price picks up, particularly as the industry continues to pump tonnes into the market.

Patersons' Trivett said the situation has not been helped by record exports out of Australia, and although Indonesia has reduced its growth in exports it is not going backward.

"It's a little bit difficult to see an uptick anytime soon," he told SNL. "There hasn't been a supply response that warrants a significant increase, or any increase, in the **coal** price at the moment. Until there is that supply disruption, we could be waiting some time before we see a reversal in the trend of **coal** prices."

However, **coal** is set to remain an integral part of power generation globally well into the future.

"**Coal** is going to be a vital **energy** source throughout the globe both in developing and developed countries going forward, not only to the likes of **China** and India but also to Australia, Europe and the U.S.," Trivett said.

"We can't take our **coal**-fired power generators offline or we'll be paying significantly more for our power requirements than we already do."

India is the second-largest importer of thermal **coal**, behind **China** but ahead of South Korea, according to Australia's Bureau of Resources and **Energy** Economics.

The country's electricity demand is expected to rise substantially through to 2019 as household income increases, the middle class expands and the government improves electrification.

In mid-August, Indian Prime Minister Narendra Modi announced plans to ensure that all Indian villages have 24-hour access to electricity by 2022. **Coal**-fired power is a major component of India's existing electricity generation capacity and this is expected to grow with more than 100 GW of new **coal**-fired capacity under construction.

The expansion of the Abbot Point port is geared at opening up Australia's Galilee Basin, which is the next major basin for export **coal** behind the Bowen and Surat basins.

CO adexns : Adani Enterprises Ltd

IN i5020017 : Harbor Construction | i111 : Coal Mining | imet : Mining/Quarrying | i1 : Energy | i502 : Heavy Construction | ibasicm : Basic Materials/Resources | iconst : Construction | icre : Real Estate/Construction | i8396 : Diversified Holding Companies | ibcs : Business/Consumer Services

NS ccat : Corporate/Industrial News | reqrmm : Suggested Reading Metals/Mining | redit : Selection of Top Stories/Trends/Analysis | reqr : Suggested Reading Industry News

RE austr : Australia | queensl : Queensland | india : India | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRICS Countries | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | indsubz : Indian Subcontinent | sasiaz : Southern Asia

IPD Project Update

PUB SNL Financial LC

AN Document SNLMMDW020141104eaau0000o