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HD **Coal, and Bendigo, beyond pale**

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Bendigo and Adelaide Bank will have made a little pariah of itself in the coal industry after becoming the first recognisable deposit taker to decide that the thermal coal or coal-seam gas industries are unsustainable and unethical.

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The bank asserted its position in response to a survey of Australian banking's attitudes to companies that make a living in the fossil fuels cycle.

"Our commitment to minimise environmental harm – whenever and however we can – includes our own operations, as well as the operations of the businesses we support through loans and investment," the bank said.

"Specifically, the bank does not lend to companies for whom the core activity is the exploration, mining, manufacture or export of thermal coal or coal seam gas," it continued.

At a financial level, of course, this declaration of divorce is effectively a nil-cost game for either bank or industry, as Bendigo has never taken a long position in either the coal or coal seam gas industries.

But Bendigo's assessment of coal and unconventional gas as being outside of its ethical comfort zone comes at a very, very delicate time for both industries.

Globally coal has become the target of a very public divestment campaign and of a far more discreet, patient and potentially threatening reappraisal by a powerful group of long investors working out whether coal is a secure investment in the climate-changing world.

More locally, there is a groundswell of very vocal opposition to the coal seam gas industry, one built on understandable community misapprehension, carefully constructed misinformation and deep green hectares of self-interest, but one that has nonetheless shaped an unwelcoming political landscape in both NSW and Victoria.

Coal is also the most obvious victim for any number of First World governments looking to meet their obligations to past carbon emissions agreements and to future generations that might feel the full heat of carbon-fuelled climate change.

On Tuesday, for example, the US administration affirmed a target of a 30 per cent emission reduction by 2030 for the nation's electricity industry. To make that happen is going to require the burning of less coal or the creation of an effective form of carbon capture and storage.

Australia does not export coal to the US, but this decision matters lots locally, nonetheless. Coal is already in systemic oversupply, leaving the price at post-boom lows and a host of sub-premium producers on the brink of extinction. The potential that more US thermal supply will leak permanently onto Asian markets will be deeply concerning to those banking on the idea that we are seeing but a typical supply-demand cycle.

Confidence in the long future of coal is essentially built on the demand scenarios painted by China's progress from rural to urban economy and the march of the middle class across Asia's emerging economies.

The logical thread there is that progress generates demand for electricity, and that generates demand for coal, which remains by some leagues the cheapest feedstock for base-load power.

As the Minerals Council chief executive, Brendan Pearson, wrote in The Australian Financial Review on Monday: "All the principal international energy forecasters – public and private – tell the same story. Coal will have a central role in energy generation for decades to come. These include the International Energy Agency, the (US) Energy Information Administration, the (Australian) Bureau of Resources and Energy Economics (BREE), the Institute for Energy Economics of Japan (IEEJ), as well as respected private forecasters Wood Mackenzie and the Salva Report."

But there are some of intellectual eminence who reckon coal demand will not hit the heights forecast by energy industry consensus. The latest to join that club is Professor Ross Garnault who warns that the growth of Chinese demand for seaborne thermal coal may have peaked.Forces of public pressure

Away from this rhetorical contest, the forces of public pressure are being effectively and efficiently assembled across the globe by 350.org and a network of locally aligned community lobbies. The essential aim is stop coal's progress by aiming protest with increasing volume at the banking and investment sector.

The ambition there is to force a wedge between the fossil fuel industry and debt and equity markets that currently support them.

To that end, Market Forces received similar, if somewhat less definitive, responses from a collective of smaller Australian deposit takers including bankmecu, Credit Union Australia, Beyond Bank and Defence Bank.

Somewhat oddly, to my mind at least, It was the former armed forces credit union that came closest to the resolute clarity of the Bendigo position. The Defence Bank noted it would "not provide loans to fund new coal or gas mining or export projects that enter the boundary of the Great Barrier Reef World Heritage Area".

Almost universally, the institutions that offered Market Forces some affirming comfort of its anti-coal position had no outstanding lending to the fossil fuel extractors.

The odd bank out in the list of fossil refuseniks is Suncorp. Historically Queensland's other bank has been party to lending syndicates funding coal mines. The Market Forces survey shows Suncorp has lent $720 million to coal miners since 2008. Suncorp confirmed that number on Thursday just as it confirmed the statement attributed to it on the Market Forces website. The bank no longer invested in fossil fuel projects.

But, unlike the ethicists down in Bendigo, Suncorp says this new position reflects an investment remit recast by the demands of post-GFC investment life. Thus, the bank says, the question of whether coal is or isn't an ethical investment has never been actively contemplated.

Down at Bendigo though, coal is much more a matter of all care but no responsibility. The ban on coal and CSG lending was shaped by Bendigo's Executive Customer Voice Marnie Baker. It was formalised late last year and further asset classes might yet be added to the Bendigo blacklist.

The bank presents the decision as the product of a series of initiatives that establish and promote the bank's credentials in the sustainability space. It also makes it clear that the ban was inspired by community agitation.

"The work of organisations like Market Forces is encouraging people to think more about their personal impact on the environment and the companies they choose to do business with," Baker said on Thursday.

"We are receiving more questions from people about our commitment to the environment as a result. We are listening to what people want from our bank and other businesses, and we're working to ensure our practices meet these needs."

For the record – and again we are indebted to the excellent Market Forces website here – the big five lenders to the **coal** sector since 2008 have been ANZ, Commonwealth Bank, NAB, Westpac and HSBC.

Collectively they have lent $21 **billion** over that time with the ANZ (bless it) leading the way with $6.7 **billion**. And like 16 other institutions including all of the big five, it has so far declined Market Force's invitation to offer a position statement on the **coal** and gas sectors.

As strategically appropriate as it might be for Lynas Corporation to reassign Amanda Lacaze from boardroom to executive duties, the timing of the change confirmed on Thursday is troubling.

Given her experience in advising the new and the troubled and her place on the Lynas board, Lacaze would seem a natural to replace the bloke who has delivered the **company** its rare earths mine, its processing facility in Malaysia and its continuing close run with financial crisis. But if the board was of a mind to move on without Eric Noyrez, perhaps the succession and its public confirmation should have been done ahead of the recent life-sustaining capital raising.


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