

## SUEK bond review: Banking on coal

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*“SUEK is Russia's top thermal coal producer, operating 28 mines in several regions, and one of the largest exporters of seaborne thermal coal globally.”* [Fitch Ratings](#), 1 Sep 2021.

Siberia is not only home to catastrophic wildfires and melting permafrost, but also billions of tonnes of thermal coal. In order invest in capital expenditure to extract this coal, Russia's pre-eminent coal producer Sibirskaya Ugolnaya Energeticheskaya Kompaniya (ticker SUEK, rated BB) is looking to access international bond markets.

*Figure 1. Frame from "Watch Tugnuisky Pit in Operation", SUEK promotional video available [here](#). Viewer discretion advised. Source: SUEK.*



To facilitate this, it appears - according to sources in the market- that **Bank of America, Citi and Commerzbank** and a number of regional players have landed the mandate to run an inaugural USD 5yr bond deal.<sup>1,2</sup>

SUEK produces around 110Mt coal per year, equivalent to approximately 300-350MT of CO<sub>2</sub>e emissions. Most of the exports head to Asia. With regards to SUEK's approach to climate change and transition, we opine hat the company's statement on the issues is clarifying with regards to their intent if not the use of language:

*“In our view, environmental problems are part of a complex and multi-faceted scientific and sustainable development agenda. It's an agenda that also embraces the need to support economic development and to help to improve the quality of life of billions of people in developing nations. As the most affordable and widely available fuel on Earth, coal will long be a vital and cost-effective resource to meet rising demand for energy across the world.”*

SUEK [web-page](#), accessed 2 Sep 2021.

We opine that, as a bank, running this bond deal is not aligned with any principles around climate transition, climate change mitigation or “net-zero” commitments. Looking at the funding structure of the company, the USD1bn loan facility coming due in May next year is an obvious reason for trying to access the USD market now.

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<sup>1</sup> See Bloomberg [link](#).

<sup>2</sup> Other JLMs are Alfa Bank, Bank of China, Gazprombank, Renaissance Capital, SberCIB and VTB Capital.

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