

Zero new coal mine financing? EQT infrastructure fund investors and Carmichael

Ulf Erlandsson ()*

Many investors have zero tolerance for funding of new coal mine projects. End investors in EQT's infrastructure funds should be aware that EQT's recent joint venture ("AdaniConneX") with Adani Enterprises likely is in breach of absolute, zero-based exclusionary rules.

To reach this conclusion,¹ we make the following assumptions:²

1. **AdaniConneX will be powered (partially) using non-renewable sources.** The AdaniConneX JV statement clearly stipulates that some of the power for the data-centers will come from non-renewable sources.
2. **The non-renewable electricity will be supplied by Adani Power.** The JV signing ceremony centered around Adani Power's CEO. Adani Power's generation capacity is 99.7% coal based.
3. **Adani Power will use Carmichael coal to generate electricity.** Adani Enterprises' Carmichael mine has been described by Adani Group's COO as a "support function for Adani Power" making it clear that Adani Power will produce electricity based on Carmichael coal.

If assumptions 1-3 hold true, we postulate that **AdaniConneX will to a fraction – however small - be driven by electricity generated from Carmichael coal.**

From a balance sheet perspective, **AdaniConneX provides a secured forward revenue stream for Adani Enterprises on a company level and for Carmichael on a project level.** It can/should thus be booked as an asset on the balance sheet. Of course, assets may ease the funding constraints on the project, which is a significant issue for Carmichael (cf. the [Norges Bank Investment management](#) engagement with State Bank of India to dissuade the bank from providing loans to Adani Enterprises and Carmichael). **Providing balance sheet relief is, in our credit experience, effectively the same as lending cash.**

Hence, we opine that secondary or tertiary investors in AdaniConneX are by their investments providing funding equivalents for the Carmichael project. **The magnitude of investors => EQT => AdaniConneX => Carmichael funding is unclear, however, we believe it to be at least \$1 and above the absolute zero level for new coal mine funding that many investors subscribe to.** We advise investors to engage with the asset manager or to alter exposures accordingly. AFII believes there are considerable risks for investors seen as supportive of the Carmichael project if it opens later this year.

¹ We introduce the case in more detail on the next page, which is a reprint of our [24 Feb 2021 report](#).

² Consider this a Scope 3 type of analysis, similar to what is requested from non-financial companies.

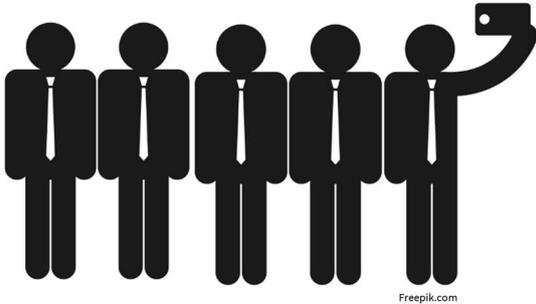
EQT and Adani Enterprises: Some ESG Questions

EQT Infrastructure [acquired EdgeConneX in August 2020](#), and a joint-venture, AdaniConneX, between that portfolio company and Adani Enterprises (ADEIN) has just been announced.³ The JV is looking to build and operate data centers in India. Data centers obviously have electricity/power as an important input into the business models.

Thus, with the JV partner Adani Enterprises is firmly placed in most coal exit and coal exclusion lists (for Swedish references, see e.g. [SEB](#)), one could potentially have some question marks. Adani Enterprises is proceeding with construction of the [Carmichael coal mine in Australia](#), although it appears that the [USD670mn State Bank of India loan](#) to the company for that purpose has not been decided upon just yet. How does EQT view getting closely involved with a parent company of the mining entities that gave Siemens such headache last year (“[BlackRock rebukes Siemens on its environmental record](#)”)?

Figure 1. Illustration of signing of the AdaniConneX JV. From left: CEO AdaniConneX; COO EdgeConneX; CEO Adani Power; Chairman Adani Group; CTO Adani Group. Please refer to [EdgeConneX](#) for actual picture.

The JV announcement self-discloses⁴ that the data centres are to “[largely be powered by renewable energy](#).” However, the CEO of Adani Power – which is [99.7% coal](#) -is the central person in the press-shoot of the signing of the JV deal. Would it not have made more sense to have a person from Adani Green, the renewables arm of Adani Group, present instead given such a renewables commitment? And how do you – by which we understand EQT as an owner – ensure that AdaniConneX renewable power is additional and does not land other Adani Power customers in a more coal skewed energy mix?



For avoidance of doubt, we are strongly supportive of the idea of building strong IT infrastructure in India. But we think this can – and should – be done without at the same time supporting coal mining and power generation interests, directly or indirectly. Surely if one looks to do power-hungry projects in the country there must be other potential counterparties than one of the world’s biggest coal players – one which is building a new massive coal mine in this very instant?

³ For an earlier foray into the relationship between private equity and carbon intensive entities, please see “[Private equity engagement and carbon-footprinting](#)”, AFII, 10 Dec 2020.
⁴ AFII view on self-disclosure: “[Adani Ports and its CDP score: the problem with self-disclosure](#),” Responsible Investor, 17 Feb 2021.

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