



Green reputation hijacking: How multilateral green credit lines are used for Carmichael capital raising

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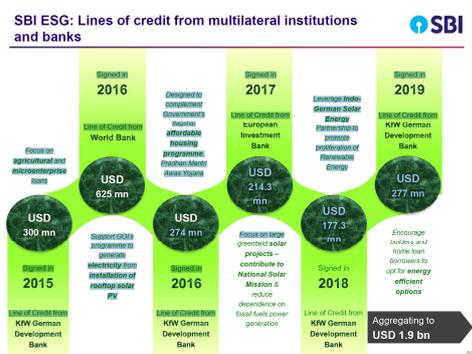
In State Bank of India's recent investor presentation (e.g. 2020Q3 results), there are no references to the investor furore around the Carmichael coal mine development loan.¹ Indeed, there are no references to Carmichael or Adani at all. **However, the bank is making a big song and dance of its strong green credit support from multilateral institutions such as KfW, World Bank and EIB.** One must be more than innocently naïve to not see that SBI simply is showcasing such funding lines to detract from the fact that the bank is looking into a financial transaction that is an environmental, economic and governance train-wreck.

This is green reputation hijacking: using credentials from green borrowings to establish/repair credibility to proceed with dark fossil funding projects.

Among the multilaterals, the magnitude of KfW credit lines (>USD1.0bn) as well as the lack of political and public support for new coal mine construction in Germany makes the reputation hijacking most sensitive for that institution.

We opine that multilaterals in general, but KfW in particular, have a duty to further clarify that they are not condoning SBI's behaviour in terms of a potential loan to Carmichael, and the usage of their reputations to support any notion that SBI is "ESG". We note that these institutions normally keep lending discussions private, but in this case it is the choice of SBI to bring the support into the public domain. Of course, our request above also implies shutting SBI out from future credit support, unless they change fossil funding trajectory.

Figure 1. *State Bank of India 2020 Q3 results investor presentation, SBI ESG presentation 2020Q2, slide 40 (left) and excerpt from slide 38 (right).*



ESG – an integral part of our lending

- ✓ ESG is integrated in our **lending decisions**; key criteria for go / no-go decisions
- ✓ Climate risk included as a risk factor in **key risk assessments** within the Bank
- ✓ Engaging with **external stakeholders** – BFSI-SDG club initiative, supporting various initiatives of Climate Change Council & FICCI taskforce for ESG

¹ For a full background, please see [“State Bank of India + Carmichael coal mega-mine? Not so fast please”](#), 18 Nov 2020.

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Background and further comment

In November, reports indicated that State Bank of India was looking to give a USD670mn loan to Adani Enterprises to finish the construction of the Carmichael coal mine.² This gave a rapid and forceful response from green- and traditional bond investors.³ SBI has still failed to clarify its position on the loan. It appears the bank is engaging in a strategy of “let’s not comment and hope that the investors and NGOs tire and go away.”⁴

For avoidance of doubt, the carbon burden of facilitating the Carmichael project would (please refer to our earlier articles on this) exceed the carbon reduction achieved through SBI’s actual green lending.

We are not making the above requests out of spite: we see the potential of SBI as a strong ally for a sustainable transformation of one of the world’s most important economies. That SBI has been dragged into the Carmichael coal story is – in our opinion – part of a domestic political process. It just makes no sense that an Indian bank should be lending to build an Australian coal mine: the capital flow is the wrong way and the asset is stranded even before starting operations. Adani Enterprises – the recipient of the loan and builder of the mine – could raise bond funding for Carmichael directly instead.

We would applaud any decision on behalf of SBI actually let Adani take direct responsibility for Carmichael rather than keeping the bank’s reputation and green credibility hostage.

² For further AFII research into the topic, see “[State Bank of India + Carmichael coal mega-mine? Not so fast please](#)”, 18 Nov 2020, “[SBI \(potential\) Carmichael loan: Key financing transaction parties](#)”, 23 Nov 2020, “[How green bonds are \(not\) supposed to work](#)”, 25 Nov 2020, “[Private equity investment engagement and carbon foot-printing: A real-time case study](#)”, 10 Dec 2020, “[Having State Bank Carmichael coal exposure?](#)”, 10 Dec 2020, “[An open letter to HSBC: You owe it to green bond investors to engage with the State Bank of India over Carmichael](#)”, Responsible Investor, 2 Dec 2020.

³ Please see “[BlackRock, Storebrand Pressure Indian Bank Over Coal Mining Loan](#)”, Bloomberg, 4 Dec 2020, “[Green bond comment January 2021: Carmichael coal mine furore heralds next wave of market evolution](#)”, Environmental Finance, 6 Jan 2021.

⁴ Indeed, as we have commented on earlier, SBI managed to squeeze out a USD bond deal in early January. Once we have the data, it shall be interesting to see which investors provided funding for Carmichael through that bond issue.

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