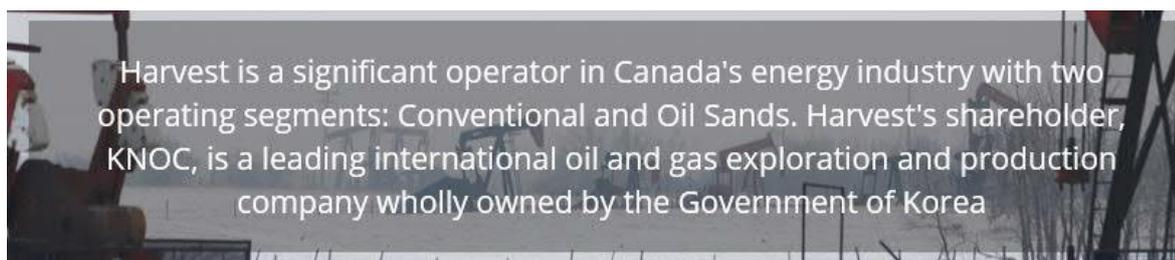


Tar sand new issue alert: Korean National Oil Corporation

It has been announced that Korea National Oil Corporation is in the market to do a new USD bond deal ([Link](#)). Lead banks are Bank of America-Merril Lynch, Citigroup, Credit Agricole, HSBC, JPMorgan and Standard Chartered. KNOC is not disclosing data to CDP so its carbon footprint is hard to estimate. However, given prominent production facilities (see Figure 2) in Libya, Yemen, Venezuela, Kazakhstan, Iraq, the North Sea, large scale shale operations in the US but most importantly tar sand operations through the Harvest subsidiary in Canada ([Link](#), see Figure 1). KNOC does not disclose any climate risks on its webpage in English (see Figure 3).

Figure 1. KNOC's Harvest oil sand subsidiary. Source: [Harvest Operations Corp.](#), accessed 24 March 2021.



We believe the following is reasonable to expect:

- Investors should request that KNOC commences carbon emissions disclosure to CDP or any other organization such that investors can start tracking the carbon impact of potential lending to KNOC. This should be especially important for top incumbent lenders UBS (\$206mn) and Credit Suisse (\$110mn).
- The syndicating banks should disclose the tar sand exposure to potential investors in the upcoming investors calls. More than a few investors have strict exclusion rules on tar sand operations and are likely to be in breach of such restrictions if proceeding with an investment in KNOC bonds/loan to KNOC. This is a question of providing a good service to one's clients.
- Tar sand operations are at significant risk of becoming stranded assets. As a material risk, that should be disclosed to investors in the bond prospectus. We opine that it is the duty of the syndicating banks to guide the issuer toward a correct bond prospectus.
- Banks that themselves have restrictions on investing in tar sand operations should not be part of the stabilization effort of the new potential KNOC bonds, nor any other “market action” in association with the syndication that effectively means the banks themselves taking balance sheet exposure to KNOC.

Figure 2. E&P worldwide disclosure from KNOC. Source: KNOC, accessed 24 March 2021.

E&P worldwide

Country	Projects	Total 2P reserves (mmboe)	KNOC's share(%)	KNOC reserves (mmboe)	KNOC production (mmboe)	Participation year
Libya	Elephant	304.9	2%	6.1	0.6	1991
Vietnam	11-2	11.1	39.75%	4.4	1.9	1992
Peru	8	10.8	20%	2.2	0.4	1996
Yemen	LNG	1,439.5	1.0614%	15.3	-	1997
Venezuela	Onado	103.0	5.64%	5.8	0.0	1997
Vietnam	15-1	192.0	14.25%	27.4	2.4	1998
Kazakhstan	ADA	9.1	40%	3.6	0.4	2005
Yemen	4	0.4	50%	0.2	-	2007
USA	Ankor	71.3	51%	28.3	2.0	2008
Iraq	Hawler	-	15%	-	0.5	2008
Peru	Savia peru	13.6	50%	6.8	2.1	2009
Kazakhstan	KNOC Caspian	50.5	85%	42.9	3.2	2009
Canada	Harvest	434.7	100%	434.7	12.1	2009
UK	Dana	115.8	100%	115.8	20.9	2011
Netherlands						
Denmark						
Egypt						
Kazakhstan	Altius	17.6	95%	16.7	2.2	2011
USA	Eagle Ford	1,311.1	23.7%	310.7	12.9	2011
USA	EP Energy	1,135.9	12.82%	145.6	3.9	2012
UAE	Abu Dhabi	224.8	30%	67.4	0.8	2012
Total		5,446.0	-	1,234.0	66.3	-

Figure 3. Search for "climate" on KNOC's homepage. Source: KNOC, accessed 24 March 2021.

The screenshot shows the top navigation bar of the KNOC website. The logo for KNOC (Korea National Oil Corporation) is on the left. A search bar is located in the top right corner. Below the navigation bar, there are four menu items: "About us", "Operations", "Investor Relations", and "Corporate Responsibility". On the left side, there is a "Site Search" button. The main content area features a large "About Us" heading and a sub-heading: "We are launching out toward the world, preparing for a greater future". Below this, there is a breadcrumb trail: "HOME > Site Search > Site Search". A search bar is also present in the main content area. The search results section shows "Found a document of the website in 0 on 'climate'".

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